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Country case studies on the challenges facing landlocked developing countries

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COUNTRY CASE STUDIES ON
THE CHALLENGES FACING
LANDLOCKED DEVELOPING COUNTRIES

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TABLE OF CONTENTS

PART 1: INTRODUCTION AND BACKGROUND.....	1
INTRODUCTION	2
INDICATORS OF DEVELOPMENT	3
Landlocked Countries and Their Maritime Neighbours	3
Measures of Relative Human Development Amongst Landlocked States	5
Measures of Relative Landlockedness.....	6
PART 2: OBSERVATIONS FROM THE CASE STUDIES.....	7
INTRODUCTION	8
TRANSPORTATION CHALLENGES.....	8
Dependence Upon Infrastructure Levels In Transit Nations	8
Fees and Direct Costs due to High Administrative Burden.....	10
Time Delays due High Administrative Burden	11
POLITICAL CHALLENGES.....	12
Diplomatic Relationship between Landlocked Countries and their Transit Neighbours.....	12
Vulnerability to Conflict Within Transit Nations	14
PART 3: COUNTRY CASE STUDIES	15
AFRICA - SOUTHERN	16
Southern Africa General Overview	16
Botswana.....	21
Lesotho.....	23
Malawi	26
Swaziland.....	29
Zambia	31
Zimbabwe	34
AFRICA - CENTRAL AND EASTERN	36
Burundi	36
Ethiopia.....	40
Uganda	44
Rwanda	47
AFRICA - WESTERN.....	50
Burkina Faso	50
Central African Republic	53
Chad	56
Niger	59
Mali.....	62
ASIA - CENTRAL	65
Afghanistan.....	67
Kazakhstan.....	70
Kyrgyzstan.....	73
Tajikistan.....	76
Turkmenistan	79

Uzbekistan.....	82
CAUCASUS AND MOLDOVA.....	85
Armenia.....	85
Azerbaijan.....	88
Moldova.....	92
ASIA - EASTERN.....	95
Bhutan.....	95
Laos.....	98
Nepal.....	101
Mongolia.....	104
SOUTH AMERICA.....	106
Bolivia.....	106
Paraguay.....	109
GLOSSARY	111
PARTIAL BIBLIOGRAPHY	112
APPENDICES.....	121

PART 1: INTRODUCTION AND BACKGROUND

INTRODUCTION

Over two centuries ago, Adam Smith suggested that the inland parts of Africa and Asia were the least developed areas of the world and that due to the difficulty of trade in those areas, they would not benefit from the gains to specialisation of their coastal neighbours. Two hundred years later, the Human Development Report 2002 paints a stark picture for the landlocked countries of the world: it classifies thirteen of the modern landlocked countries as low development; nine of these are amongst the world's twelve least developed countries; none of the non-European landlocked countries¹ are classified as high human development.

What are the specific challenges facing landlocked countries? While numerous planning papers, legal documents, and transport studies² have attempted to address these questions, these papers focus on specific nations or regions, thus precluding a global cross country analysis. Other papers consider agglomerated economic, social, and financial data for landlocked countries³ thereby not addressing the specific problems of the political, transit and social environment in these countries. This report furthers the discussion by presenting a systematic assessment of all 30 landlocked countries with a Human Development Index less than 0.76.

To distill the primary challenges facing landlocked countries, the report has been centred on 30 case studies. Each of these is divided into *infrastructure*, *trade*, and *international relations* sections, detailing the primary challenges that each of these countries faces in getting its goods to international markets. Because of the overlapping nature of infrastructure, trade and international relations, these sections should be read as a whole to provide an overall understanding of the problems facing each of the landlocked countries.

Building on the information contained in the case studies, the report includes (1) a brief overview of the level of development of landlocked countries relative to their maritime neighbours; (2) measures of the relative degree of landlockness of the landlocked countries; (3) observations distilled from the case studies regarding the major issues facing landlocked countries; and (4) some successful strategies that have been employed to mitigate the challenges of being landlocked.

¹ The European landlocked countries consist of Austria, Andorra, Belarus, Czech Republic, Holy See, Hungary, Liechtenstein, Luxembourg, San Marino, Slovakia, Macedonia, Moldova and Switzerland. Moldova is the only European landlocked country with a HDI of less than 0.76.

² As detailed in Glassner (1995)

³ For example, Limao and Venables (1999), MacKellar and Wörgötter (2000), Radalet and Sachs (1998) and Stone (2001)

INDICATORS OF DEVELOPMENT

The relative state of development of landlocked countries is illustrated in Table 1 by highlighting the position of the landlocked countries on the HDI rankings, giving an idea of the state of development both relative to maritime countries and relative to each other. An examination of this table shows the distribution of landlocked countries towards the bottom of the table. There are other broad trends: landlocked countries appear to do worse than other countries in the same region, and some landlocked countries (largely in Africa) appear to do worse than others (such as the former Soviet states). This section attempts to briefly examine these trends by giving: (1) a perspective of how landlocked countries fare relative to their maritime neighbours in terms of development, trade and growth; and (2) an idea of the level of landlockedness of the landlocked countries.

This section makes use of the term “maritime neighbour”, which is defined as a neighbour with access to the high seas. This is in contrast to a “transit neighbour”, who is used for the transit of trade. The distinction can be made by examining Mali: while it has seven neighbours, five are maritime neighbours (Côte D’Ivoire, Guinea, Senegal, Mauritania and Algeria) because two neighbours are landlocked; and only two of this five are transit neighbours (Côte D’Ivoire and Senegal) because the other maritime neighbours are blocked by physical barriers (the Sahara Desert), insufficient infrastructure levels or civil war.

LANDLOCKED COUNTRIES AND THEIR MARITIME NEIGHBOURS

Human Development

A comparison of the levels of human development for landlocked countries with their maritime neighbours is shown in Figure 1. This shows the Human Development Index Rank of the landlocked country minus the average Human Development Rank of the their maritime neighbours, “Excess HDI Rankings over Maritime Neighbours’ Average” (larger implies the landlocked country is more developed). Some clear patterns emerge:

- The South American countries have a much worse level of human development than their maritime neighbours – the reasonable development levels in South America have not been realised by Bolivia and Paraguay.
- Despite the low levels of human development throughout western Africa (including in maritime countries), the western African landlocked countries still have a substantially lower level of human development than their maritime neighbours.
- Laos performs poorly relative to its neighbours, largely because of the presence of Thailand and China.
- Many of the Central Asian countries are performing better than their neighbours. The best ‘outperformers’ of these countries are Turkmenistan, Armenia, Kazakhstan and Azerbaijan.
- Zimbabwe and Swaziland did better than their maritime neighbours, largely due to the very poor level of Mozambique, which has been involved in civil war.

Decomposing the HDI into its three components the education, life expectancy (health), and GDP per capita indices (as shown in Table 2), allows a more subtle understanding of where the landlocked countries are faltering. Some key observations are:

- Landlocked countries are furthest behind their regional maritime neighbours in regard to GDP; only four times (Botswana, Swaziland, Kazakhstan, Uganda) does the GDP per capita of a landlocked country surpass the average of its regional maritime nations. The average ratio of GDP per capita of each landlocked country to its unique maritime transit neighbours is an astonishing 69% (WDI 2002). If GDP alone were used to define the level of development (rather than the HDI), then the situation of the landlocked countries would appear to be significantly worse.
- The landlocked countries of Southern Africa, Central Asia, the Caucasus and Moldova perform particularly well in the health and education components of the HDI relative to their landlocked neighbours.
- The out performance of the landlocked states in the education component is particularly striking for Central Asia – a result of both high levels of education in the former Soviet states as well as the poor education levels in Iran and Pakistan.

Income Growth of Landlocked Countries

The landlocked countries are not only significantly poorer than their maritime neighbours, but also, contrary to classical macroeconomic convergence theory, growing at a slower pace. Over the last decade, landlocked countries have grown at an average of 25% less than their maritime transit neighbours, despite beginning the decade with a per capita income of only 55% that of the maritime nations. This observation confirms the results of other studies, which find that being landlocked slows the growth rate by between 0.7% (Radalet and Sachs 1998) – 1.5% (MacKellar, Wörgötter et al. 2000).

Trade Patterns of Landlocked Countries

Only three of the landlocked countries have a higher level of export value per capita than their maritime transit neighbours (see Table 3). Those countries are Swaziland, Malawi and Kazakhstan – the former two are pushed to the top of the list by the exceptionally poor performance of Mozambique. Kazakhstan has a high value because of oil exports, and, Botswana, the next highest exporter relative to neighbours, has a high value due to its export of diamonds. On average, the landlocked countries export 60% less value per person than their maritime transit nations.

In almost every region the landlocked countries do not have a significantly higher concentration of intra-regional exports than their maritime transit nations (Table 4). The one notable exception to this is Latin America, where Paraguay and Bolivia both export primarily to Latin America, and do have a significantly higher concentration of intra-regional trade than their neighbours: intra-Latin American trade accounts for 62% of Bolivian exports and 72% of Paraguayan exports, compared to only 20% of Peruvian and 23% of Brazilian exports. This can be partially explained by the large quantities of hydrocarbon and hydroelectric exports⁴, which are transported regionally through pipelines and electricity lines.

⁴ Minerals, oil and gas account for 47.5% of Bolivia's total exports.

Foreign Direct Investment

In addition to low levels of trade, landlocked countries suffer from a very low level of foreign direct investment. The mean level of FDI inflows to the landlocked nations is 1/49th that of the maritime transit nations. Even if the richer maritime transit nations, Argentina, Brazil, Chile, China, India, South Africa, and Thailand are ignored, and population accounted for, the average FDI inflow to the maritime transit nations is still greater than that to landlocked nations. Moreover, only two landlocked nations (Chad and Uganda) have a higher inflow of FDI per capita than their individual maritime transit neighbours and on average, a landlocked country receives 17 times less FDI per capita than its maritime transit neighbours. Perhaps even more startling, the average level of FDI per capita to landlocked countries is *less* than that to the Least Developed Countries (LDCs).

MEASURES OF RELATIVE HUMAN DEVELOPMENT AMONGST LANDLOCKED STATES

A mapping of the human development rank for the landlocked countries is presented in Figure 2. The numerical rankings and Human Development Index scores is presented in Tables 1 and 2. Examination of these reveals a number of observations:

- While the South American landlocked countries are the least developed relative to their maritime neighbours, the west and east African landlocked countries that have the lowest absolute Human Development Index. Out of nine such countries, eight are among the twelve least developed countries. The ninth, Uganda ranks 150th out of 173 countries. Much of this can be attributed to the ongoing regional conflicts, which have severely inhibited transit in these regions.
- The former Soviet states have a higher level of human development than most other landlocked states. These regions also have the most extensive transport infrastructure, which was constructed during the Soviet era. Much of this infrastructure, however, is now in a state of deterioration.
- Armenia has the highest level of human development amongst landlocked countries, largely due to its proximity to Europe.
- The African landlocked countries' poor performance in the health area of human development can largely be attributed to the AIDS pandemic.
- Malawi and Zambia have significantly lower levels of human development than other southern African landlocked countries. Zambia's level of transport infrastructure is considered the worst in the region; and Malawi is primarily dependent on the dilapidated Mozambican corridor which suffered from years of civil war.
- Mongolia has significantly higher human development than other East Asia countries, and has the second highest level of human development amongst landlocked countries.

MEASURES OF RELATIVE LANDLOCKEDNESS

Table 5 presents a quantitative assessment of some of the variables considered in the case studies: infrastructure levels, international conflicts, distance to port, and freight costs. These variables are intended only to serve as proxies for the elements of landlockedness and are not intended to replace the qualitative assessment in the case studies. Often they do not accurately reflect what was found in the case studies:

- Rwanda, for example, while noted for its relatively good internal road network: it not only provides adequate linkages to the main regional corridors, but has an extensive system of secondary roads – the average distance from a household to a trunk road is 4 km, a relatively low figure for Africa, has one of the lowest proportion of paved roads figures amongst landlocked countries.
- The transit neighbor length and severity of civil conflict variable for Malawi, for example, is the lowest among all nations. Yet, Malawi was one of the landlocked countries to suffer most acutely from surrounding war, as it had to divert its freight previously shipped to the ports of Mozambique (95% of its total freight) via more expensive routes to the ports of South Africa and Tanzania.
- Bhutan which has the worst paved road quality of neighbours, is actually surrounded by relatively good infrastructure.

Moreover, the quantitative variables cannot capture some of the central, more nuanced challenges facing landlocked countries. It is, for example, impossible to capture the actual costs of border delays. Similarly, one cannot quantify Nepal's complete dependence on Indian transport systems. As the case studies indicate, such challenges often present significant barriers to foreign direct investment as well as hampering trade.

Despite these shortcomings, several interesting observations can be gleaned from Table 5 including:

- Kazakhstan is the most remote landlocked country, being furthest to port, but has the second lowest freight cost of all landlocked countries.
- Malawi has the highest freight cost, despite being only 803 km from port; much of this can be attributed to the civil war in Mozambique which effectively blocked Malawi's primary trade route.
- For the sixteen landlocked countries for which there is data, eleven countries have better paved road quality than their neighbours.
- Botswana and Swaziland have the highest per capita export volumes of all landlocked countries; Botswana has benefited from its immense diamond resources, Swaziland is extremely open and benefited from high levels of FDI when economic sanctions were imposed on South Africa.

PART 2: OBSERVATIONS FROM THE CASE STUDIES

INTRODUCTION

The case studies reveal a variety of problems that countries face from not having access to the sea. While this section does not attempt to cover the full spectrum of these problems, the recurring themes of the case studies are outlined below. These recurring themes tend to fall under two broad categories: (1) those themes relating to poor infrastructure, poor resources and poor co-ordination – that is, physical and administrative problems that limit transportation through transit nations; and (2) those themes relating to political burdens – where landlocked countries are compromised due to their political relation with their transit neighbour or due to political conflict (in particular, civil war) in their transit neighbour.

Examples are provided from the case studies where these problems are occurring, where they are not occurring, and cases where strategies have been implemented successfully in minimizing the occurrence or impact of

TRANSPORTATION CHALLENGES

Dependence Upon Infrastructure Levels In Transit Nations

Landlocked countries are completely dependent on their transit neighbours' infrastructure for access to international markets. Where a landlocked country only has access to routes of poor quality, the cost of overland trade is significantly higher than they would otherwise be. Hence, the cost of trade of a landlocked country is heavily determined by the infrastructure levels, and, indirectly, by the level of development of its transit neighbours.

Worst Affected Areas

The challenges confronted by poor transit neighbour infrastructure are particularly acute in western and central Africa. Burundi, for example, while boasting good internal road networks that have recently undergone significant improvements, is severely constrained by the surrounding infrastructure of its transit neighbours. The most direct route to the sea from Burundi is through Tanzania to Dar es Salaam, which is known as the Central Corridor. Infrastructure levels on this route are so poor, however, that when Burundi's primary transit corridor to Mombasa (Northern Corridor) was closed due to political reasons, an alternative transit route to the south via Mpulungu on Lake Tanganyika to Durban in South Africa was investigated. The fact that this route was considered, and used, at a total distance of nearly 4,500km with several border crossings and modal changes, is indicative of Tanzania's poor transit infrastructure. The difficulties associated with the Central Corridor increase Rwanda's dependence on the Northern Corridor, thereby limiting competition.

Through much of western Africa similar poor transit neighbour infrastructure problems exist. And while the western African landlocked nations generally have poor internal infrastructure themselves, the dilapidated condition of the surrounding corridors reduces the benefit of investment for internal transport infrastructure, thereby reducing the incentive. Consider the case of the Central African Republic which does not have a

dependable all-weather route to the sea. Its corridor through Cameroon is often impassable during the rainy season, owing to the poor condition of Cameroonian roads; its other corridor through the DRC depends on the Oubangui River, which is impassable during the dry season due to low water levels (this corridor is currently impassable due to the ongoing crisis in the DRC). It should be noted that in many of the regions where poor transit nation infrastructure is common, the effects of transit neighbour civil wars have been more significant.

Least Affected Areas

In contrast to the African landlocked countries, the landlocked countries of East Asia and South America are surrounded by relatively high quality transport infrastructure. Instead, these countries have often failed to take advantage of the surrounding transit systems by neglecting their domestic networks. Laos, for example, which has not been able to effectively develop its internal transport network, borders Thailand with its modern infrastructure facilities. This example is particularly startling as Thailand's transport system is characterised by four line highways, while transport within Laos is quite limited. The Thai government has also recently extended its rail line to the Lao border; beyond the border, beyond which it does not continue.

In a rare minority of cases, the level of transit infrastructure is less relevant. In the case of Botswana, the economy's heavy dependence on diamonds, which account for 84% of total exports, allows the country to bypass transit neighbour infrastructure by utilizing air transport. The high value/weight and value/volume ratios for diamonds make this possible as air transport has a high cost/volume ratio. Thus, for the large majority of its exports, Botswana need not worry about its neighbours' transit infrastructure.

Successful Strategies

Bolivia has had moderate success in bypassing its neighbours' transit network by capitalizing on its central geographic location to become the South American fiber optics hub. This suggests that while landlocked countries have little potential for improving their transit neighbours' infrastructure, it is possible to develop industries that do not depend heavily on this infrastructure. Modern technological advancements and the development of telecommunications have expanded such opportunities for landlocked countries. Moreover, the geographic position of landlocked countries would be advantageous for the development of such industries, as many landlocked countries are centrally located in their respective regions. A country such as Mongolia, could take advantage of its highly skilled population to develop a telecommunications sector, in which it would hold comparative advantage.

The use of port fees, rail charges and road tolls in the presence of competition, while adding to transit costs, can be used to encourage investment by the transit nation. The low levels of infrastructure in Tanzania, as discussed above, are being partially improved because Tanzania has been forced to compete for the transit business of Burundi and Rwanda following the re-opening of the Northern Corridor through Uganda and Kenya. Tanzania has made material efforts to improve its rail infrastructure and has recently completed a dry dock at Isaka for the Burundi/Rwanda – Dar es Salaam transit trade. In

addition, competition has encouraged a private company (the Trans Africa Railway Corporation) to build a transshipment facility at Kidatu (Tanzania) to allow a change in rail gauges. Due to this connection it is now possible to travel between Cape Town and Kampala by rail in ten days (InfraAfrica 2001).

Fees and Direct Costs due to High Administrative Burden

To transit a country, there are a host of transit and customs charges. Some of these must be paid upfront and some must be paid *en route*. In many cases, these charges must be paid in hard currency, where often there are no facilities to convert local currencies into hard currency. Sometimes agency fees at ports for transit freight will exceed that for domestic freight despite the fact that domestic freight is usually more difficult to clear through port than transit freight. Some of the transit and customs charges include transit goods licences, border fees, temporary road licences, foreign vehicle permits, toll charges, foreign commercial licences, cost of customs verification of containers, posting of security bonds, involvement with police and escort convoys and cancellation of bonds. The amount of these charges varies according to customs procedures but can amount to 26 percent of the direct freight costs (Anyango 1997). The cost of bribes needed *en route*, while considered to be significant, has not been fully estimated.

As well as the fees and charges, the paperwork required for transit is significant and costly to deal with. Planning papers, feasibility documents, legal studies and country studies detail the administrative procedures needed to transit a country. In almost all cases, the number of documents needed and the different authorities that must be dealt with are high and could only be negotiated by using a firm experienced in transit operations such as a clearing and forwarding agent⁵.

Least Affected Areas

The one exception to these significant administrative burdens is that of Bhutan. All transit Bhutanese trade is handled by Bhutan's customs and is never handled by Indian authorities. Hence, the administrative burden for Bhutanese traders is as if the country were not landlocked. This is largely because Bhutanese-Indian relations are strong and because Bhutanese transit trade is very small.

Successful Strategies

In some regions, there have been significant efforts to simplify procedures and reduce these administrative charges. For example, a common licence has been introduced into the Southern African Development Community (SADC) and into the Common Market

⁵ An example of the forms needed to transit from Bolivia (with one of the more simple transit regimes) are as follows: Form listing the documents; Commercial invoice or equivalent; Transport documents (air way bill, bill of lading, consignment note, original or copy); Report of reception, original; Certificate of previous inspection or custom declaration of value issued by the original importer; Certificate of insurance, copy; Invoice of port charges, original; Invoice of transport issued by the transport operator signing the transport manifest, copy; Packing list, original or copy; Certificate of origin, original; Certificate of previous licence, original; and, Other documents pertaining to the claimed regime (Castellón 2001).

for Eastern and Southern Africa (COMESA)⁶, which allows for road freight travel between participating countries without the need for a local license or permit⁷. Similar efforts are being made in South America through the regional trade institutions to simplify transit procedures.

Worsening Procedures

This pattern of administrative simplification is not universal. Through Central Asia, the administrative burdens due to transit are increasing, largely due to the souring of international relations in the area. During the soviet era, transport across the neighbouring countries of Uzbekistan, Kazakhstan, Kyrgyzstan and Tajikistan was largely administrative-free. A 72-hour visa system was introduced in the late 1990s to allow transit through countries without the need for a visa, but is no longer in effect due to poor and worsening international relations⁸ (Dion 2000; Mayhew 2002).

Time Delays due High Administrative Burden

In addition to the direct fees and costs of high administration, passing through border points of foreign nations imposes long delays on transit traffic. Although often difficult to quantify, these delays impose a large burden on trade: in the SADC alone, delays are estimated to impose a burden of US\$48 million annually (InfraAfrica 2001); and the cost of delays is estimated to be between \$205 to \$440 on a \$10,000 cargo consignment from Rwanda or Burundi (Anyango 1997).

Worst Affected Areas

Throughout Africa, the *average* delay at a border crossing is estimated to be 24-48 hours (Evlo 1995; InfraAfrica 2001). However, there are many areas within Africa where delays are significantly worse than this average. Customs procedures at the CAR-Cameroon border can take as long as two weeks, with goods often waiting at the border for the requisite information to be sent from Bangui. The full Doala to Bangui trip generally takes three weeks to a month. An average trip between Kampala and Mombasa (a route used by Uganda, Rwanda and Burundi) is estimated to take 21 days on average, with trips often taking as many as 60 days. The unreliability of the rail arrivals often make it impossible to book ships ahead of time at the port of Mombasa, causing further delays. Delays at the port of Abidjan, used by Burkina Faso, often take up to 10 days and delays at the port of Douala, used by the CAR and Chad can often extend to 30 days. In addition, the two main transit routes for Burkina Faso have customs escorts only three times a week so there are often large delays in waiting for an escort⁹.

⁶ As at July 2001, the license was not yet in use in all COMESA countries because many country's road industries had not yet been liberalised.

⁷ Another interesting scheme is the COMESA Yellow Card, which guarantees third party insurance across signatory states, removing the need to purchase insurance at each border crossing, giving significant cost savings. For example, a Yellow Card for a truck between Harare and Nairobi costs about \$70 per year. In the absence of the card, insurance would cost \$350 (Mulenga 1998).

⁸ Kazakhstan and Uzbekistan are involved in a border dispute, Tajikistan is in a civil war and claims Uzbekistan is abusing its for political purposes, Kazakhstan fears the Islamic threat of militant Islam and terrorism from Tajikistan. Kyrgyzstan is reacting to the incursion of Tajik rebels (Dion 2000).

⁹ Vehicles waiting for a convoy to form often wait on the side of the road, not only hindering normal road traffic, but also contributing to road damage.

Such delays are often not the fault of the transit nation. In Burkina Faso there exists a special anti-competitive provision to protect Burkinabe truck companies, reserving two thirds of transit freight for carriage by Burkinabe trucks. Thus, there are often goods at maritime ports waiting for the arrival of vehicles from landlocked countries despite the presence of vehicles from maritime nations at the port who would be willing to transport the goods inland.

Efforts are being made to improve the situation. Regional cooperation such as that in Latin America, in the SADC and in the COMESA are streamlining and coordinating border-crossing procedures. Non-regulatory schemes are also being introduced to minimise delays -Tanzanian railways, for example, is now offering Ugandan businesses their own “dedicated wagons” which will help alleviate delays at ports.

POLITICAL CHALLENGES

While transportation issues are important challenges that must be overcome by landlocked countries, political challenges are also a major issue for landlocked countries. In their most extreme cases, where countries may be totally isolated due to a blockade, political challenges have a much more severe effect on human development than lack of infrastructure. It is useful to distinguish between two different types of political challenges as it illustrates the range of problems that face landlocked nations. The first is the problem of a lack of negotiating power that landlocked countries face when negotiating for rights of access with their transit neighbours. These lack of rights of access can be at their most extreme during military conflict with a transit neighbour. The second political problem is civil conflict within the landlocked country – even while a landlocked country may have good relations with its transit neighbour, trade can be cut by border closures due to civil conflict.

Diplomatic Relationship between Landlocked Countries and their Transit Neighbours

The developing landlocked countries usually have little negotiating power over their transit neighbours when negotiating transit routes. While the landlocked country is usually very dependent upon its transit neighbour, in most cases, the neighbour does not need its landlocked country and may see a landlocked country’s demand for transit rights as an infringement on its own sovereignty.

The legal basis for rights of transit are contained in Article 125(1) of the United Nations Convention on the Law of the Sea (1982), stating:

Land-locked States shall have the right of access to and from the sea for the purpose of exercising the rights provided for in this Convention including those relating to the freedom of the high seas and the common heritage of mankind. To this end, land-locked States shall enjoy freedom of transit through the territory of transit States by all means of transport.

However in practice, this right of access must be agreed upon with the transit neighbour (Article 125(2) and (3)):

The terms and modalities for exercising freedom of transit shall be agreed between the land-locked States and transit States concerned through bilateral, sub regional or regional agreements.

Transit States, in the exercise of their full sovereignty over their territory, shall have the right to take all measures necessary to ensure that the rights and facilities provided for in this Part for land-locked States shall in no way infringe their legitimate interests.

A right of access is given to the landlocked country, but such a right is conditioned by the need for the transit nation to grant such a right. Whether a transit nation can legally deny the right of access is discussed in detail in the legal literature (Pechata 1973), but in practice determined by the relationship between the landlocked country and its transit neighbour.

A contrasting example

In the case of Nepal and Bhutan, the Himalayan ranges restrict most bilateral and all transit trade through China. Hence, both countries are entirely reliant on India for transit trade, and largely reliant for bilateral trade. Bhutan enjoys a generally very strong relationship with India and any friction between the two nations has been promptly minimised. Bhutan enjoys probably the best transit procedures of all of the countries in this study – all transit trade takes place under Royal Bhutan Customs. That is, there is almost no involvement of Indian Customs in Bhutan's transit trade. An additional benefit to this is that there is no requirement for the insurance of goods in transit (Chakra Infrastructure Consultants 2001).

In contrast, while Nepal has a generally positive relationship with India, where the policies of the two governments have been in significant disagreement, India has had a tremendous advantage over Nepal. This advantage was most evident through the 1990 Indian blockade of Nepal, which was cited as a major cause of the overthrow of the Nepalese *panchayat* government. Relations were generally good, although between 2001 and 2002 India placed significant trade restrictions on Nepal during the negotiation of a bilateral trade treaty.

Worst Affected Areas

This is an extreme case of lack of political power due to landlockedness – most landlocked countries have alternative trade routes through other transit neighbours. Nevertheless, there are still circumstances where trade can be blocked or severely restricted by transit nations. Sanctions were easily placed upon Burundi by its neighbours in 1996 (Dinar 1996). Bolivia has had severe difficulties transiting through Chile because of poor political relations that have lasted over 100 years.

When political tensions result in military conflict between the landlocked state and their transit neighbour, the effect can be quite acute. Armenia is currently blockaded by Armenia and Turkey following the occupation of Kelbadiar (Azerbaijan) by ethnic Armenian forces. The alternative routes through Georgia and Iran are restricted due to geographic obstacles (mountains) and relatively poor infrastructure (Tavitan 2001).

The conflict between Ethiopia and Eritrea has restricted Ethiopia's access to the port of Assab where most of Ethiopian trade had passed through duty-free until 1997. Ethiopia is currently forced to use the port of Djibouti. Both the route to the port as well as the port of Djibouti itself are characterised by low infrastructure levels and are scarcely able to handle the bulk of Ethiopian trade. While alternative routes are being investigated through Kenya, Sudan and Somalia the routes are characterised by very low infrastructure levels, and in the case of Somalia, also internal civil conflict.

Vulnerability to Conflict Within Transit Nations

Even if a country has very good relations with its transit neighbour, it is still vulnerable to civil conflict within the transit nation and consequent border closures.

Most Affected Areas

The landlocked countries of west Africa have been particularly affected by civil war. While Mali has been recognised for its recent political stability and commitment to democracy, its economy has suffered incommensurately as a result of regional conflict and instability. Each of Mali's coastal neighbours has been engaged in some form of violent civil conflict in the last decade often making transport routes unusable. Togo was devastated by violent political protests and deep internal conflict in the early 90s; Algeria was involved in a macabre civil war for much of the decade; Ghana suffered from ethnic violence primarily between 1993-4; Sierra Leone's ten year civil war has just recently come to a tenuous settlement; Guinea has been stricken by a series of coups and rebel wars; Liberia's has spent most of the decade in violent civil wars which have threatened to spillover into neighbouring countries, thus jeopardizing regional stability even further; and finally, and most importantly for Mali, Cote d'Ivoire has recently fallen into a devastating political crisis which continues to deepen and has had severe effects on Mali's most important corridor to the sea.

Due to the civil war in Mozambique (coupled with poor infrastructure levels in Namibia and Tanzania), much SADC trade is forced along north-south lines, largely relying upon the port of Durban in South Africa. During the period of the Mozambiquian civil war, Malawi was forced to reroute its freight, 95% of which normally passed through the ports of Beira and Nacala, to the significantly further ports of Durban and Dar es Salaam. It is estimated that the average surface costs to these ports are more than double those to the ports of Nacala and Beira via the traditional rail routes. The average transit times to Durban (7 days) and Dar es Salaam (6 days) are also nearly double that to Nacala (4 days) and Beira (3 days). The unavoidable rerouting cost Malawi an additional US\$50m-75m per year, with insurance and freight costs doubling from 20% of the import bill in the early 1980s to 40% by the latter half of the decade. While the corridors to Beira and Nacal have been recently reopened, infrastructure damage from the war has thus far limited their use.

PART 3: COUNTRY CASE STUDIES

AFRICA - SOUTHERN

SOUTHERN AFRICA GENERAL OVERVIEW

The landlocked countries of southern Africa are notably similar in the challenges they face. Moreover, the southern African region has shown a relatively high degree of success at implementing regional agreements relative to both trade and transit. Given such strong regional similarities and ties, an introduction to the regional issues facing southern Africa has been included. Individual case studies follow this introduction and attempt to gauge the challenges facing each specific country relative to those of the region, and landlocked countries as a whole.

TRANSPORT INFRASTRUCTURE

Road

Relative to its neighbours and other African landlocked countries the landlocked Southern African nations of Botswana, Lesotho, Malawi, Swaziland, Zambia, and Zimbabwe are considered to have reasonably good transportation networks, although significant efficiency improvements are still required. The transit networks in this region are significantly better than those in East Africa, and offer more routing options (UNCTAD 7). Moreover, the transportation infrastructure of the SADC landlocked countries often surpass that of their war-torn maritime neighbours, Angola and Mozambique. Despite these higher infrastructure levels, the cost of freight and insurance for the SADC landlocked counties accounts for 14.8% of export values while for Angola and Mozambique accounts for 8.9% of exports (IMF BOPS 2001).

The inefficiencies associated with the transportation system can be primarily ascribed to the poor condition of much of the infrastructure and the time delays associated with border crossings (UNCTAD 10). These in turn can be largely attributed to a lack of investment (SADC Transport 1) and differing border requirements and procedures. It is estimated that delays at the major border posts in the SADC region have cost US\$48 million annually (UNCTAD 27 from CargoInfo). Estimated average delays at regional border posts often exceed 24 hours (UNCTAD 28).

The SADC nations, however, have shown great political commitment to improving the region's physical integration and facilitating regional transportation. The SADC has instituted the Southern African Transport and Communications Commission to facilitate the region's integration in addition to a series of agreements, including the

- legally binding SADC Protocol on Transport, Communications and Meteorology (PTCM) which incorporates the SADC Regional Trunk Route Network (RTRN) (Transport 7),
- SADC Protocol on Trade,
- Bilateral Agreements including Corridor Planning Committees,

- COMESA Carriers license,
- SADC driver's licence which allows for a common license (UNCTAD 52), and
- Spatial Development Initiatives (SDI).

These agreements and initiatives focus on the key issues facing landlocked countries: integrated transport policy, freedom of transit, and regional infrastructure. In fact, the PTCM directly requires that Member States apply the principle of “the right of land-locked Member States to unimpeded access to and from the sea” (Article 3.2). While the purported level of agreement for such regional integration and harmonization is high, problems of implementation and issues of national sovereignty have hindered progress (UN 21).

Roads have become the most important means of transportation (for both freight and passenger) in Southern Africa, as they now represent 80% of total traffic movement (UNCTAD 23). This increasing dependency on roads reflects an efficiency gap between road and rail transport. The 1999 UNCTAD report places the cost of shipping a TEU container via road from Durban to Ndula at \$2,673 while rail transport cost US\$ 3,714. It also took an additional 2 weeks to transport the container via rail (15); shipping via rail also required an additional two weeks than by road.

While the roads in Southern Africa are generally better than those in Eastern Africa, they are still considered to be in rather poor condition. Of the Southern Africa countries, the nations of Botswana, Lesotho, Swaziland and Zimbabwe have better road infrastructure than Zambia and Malawi. According to the SADC Transport and Communications Report (Feb. 1997) (UNCTAD 17) 56% of paved roads were in good condition, 24 % in fair condition, and 20% in poor condition.

Recent initiatives such as the COMESA carrier license and SADC driver's license have been introduced to streamline the border crossing process and limit delays and associated inefficiencies. In addition to this, African nations have been liberalizing transport services and road infrastructure management (SADC Update 5) in order to improve the maintenance of roads. Road boards and autonomous road agencies, established to “manage programming and procurement of private sector investors” have been created for this purpose. Only three of the SADC landlocked countries (Lesotho, Malawi, Zambia), however, have initiated the establishment of a road board or fund. And only Malawi has established a road agency. On the other hand, all four surrounding maritime countries, Angola, Namibia, Mozambique, and South Africa have instituted both road funds or boards, and road agencies.

Rail

During the last two decades, the condition of the Southern African railway system has deteriorated significantly (UNCTAD 01 29, SADC Transport 2). The SADC landlocked countries generally have better railroad infrastructure than their maritime neighbours Angola and Mozambique. In fact, the Interconnected Regional Rail Network (IRRN) of the region does not reach the Mozambique port of Nacala or any of the Angolan ports (Transport and Communications 9). While some investment has been channeled towards

building new railways and equipment, very little has been directed towards maintenance. Low levels of investment have been compounded by political turmoil (in particular, Angola and Mozambique) and the recent floods in 2000. SATCC estimated that \$300 million in maintenance costs was required for the SADC countries (excluding Angola, the DRC, and Tanzania) in 1997 (SADC Transport 2). In 1995/6 alone there were 100 train derailments on main and branch lines attributed to poor maintenance.

Despite this decline, recent attempts have been made to improve the system including attempts to engage the private sector. The Southern African Railways Association has been organised in an attempt to better integrate the southern African railways through railway revitalization (31 UNCTAD). In addition to SARA, the Railways Rolling Stock Information System (RSIS) project has been initiated to improve tracking and transport communications systems: one of the most frequent complaints of railway customers has been a lack of information concerning a shipments whereabouts. International train tables, through train movements, agreement on performance standards, single inspections at borders, and backloading of wagons have been cited as some recent successes (31). In sum, while the potential for connectivity remains great, significant improvements in rail condition and maintenance are required before this potential can be achieved.

Ports and Waterways

There are currently 14 (Pg 12 UNCTAD) continental SADC ports: eight on the Indian ocean and six on the Atlantic coast. While recent investments in container terminals, port systems, and coordination with terrestrial transport systems will take some time to reach their full potential, improvements are already being seen (UNCTAD 29, SADC 4). Restructuring of the port industry, including attempts to attract private sector involvement and promote private/public partnerships is also taking place. Prior to these recent improvements, the SADC ports suffered from poor surrounding infrastructure, local conflicts, regional sanctions, lack of investment, and poor management (SADC).

The most important port in the region continues to be Durban, which handles cargo from the landlocked countries Botswana, Lesotho, Malawi, Swaziland, and Zimbabwe. The other principal ports for the landlocked countries are Nacala (used mostly by Malawi), Beira (Zimbabwe, Zambia, Malawi) and Maputo (Swaziland). (TRANSPORT 12) The landlocked countries have been generally unable to access the Angolan ports due to the ongoing conflict in the region. The port at Walvis Bay, however, has recently been made accessible to Botswana, Zambia, Zimbabwe as a result of the recently completed Trans-Kalahari Highway,

Despite recent improvements, other SADC ports continue to primarily serve domestic demand.

The primary waterways of the region include Lake Kariba, Lake Malawi, Lake Tanganyika, Shire River, and the Zambezi River. While many of these waterways provide important means of accessing regional corridors for the landlocked countries, there are many navigational difficulties including waterfalls, dams, and narrow gorges (<http://cgee.hamline.edu/rivers/MA2001/MA2000/Guests/archive/keen3.html>). A study on the navigability of the Zamebzi and Shire rivers has being outlined to fully explore

their potential for regional trade. In addition to this, several bilateral agreements, and the legally binding Protocol on Shared Watercourse Systems have been negotiated and promise to further integrate the waterways of the region (http://www.sadcwscu.org.ls/programme/rsap/prog_regionalstrag_pcn28-22.htm).

TRADE

The economies of the landlocked countries in Southern Africa, with the exception of Botswana, are heavily dependent on agriculture and other primary products, accounting for as much as 29% of total output value, and 69% of total exports in Malawi (Free trade WB 3). In Botswana, primary products only account for 2% of total output, while mining plays a dominant role, accounting for as much as 28.1% of total output value and 75% of exports in Botswana. The other predominant sector in the landlocked SADC countries is food processing which accounts for more than 10% of the total output value in Malawi, Zambia, and Zimbabwe.

Despite attempts at regional integration, intra-regional trade is minimal and of ancillary importance to trade with the EU. The EU is responsible for 76% of Botswana's exports (primarily in the diamond-mining industry), 39% of Malawi's, and 28 % of Zambia's (taken from WB paper for GTAP). This is to be contrasted with the high levels of intra-South American trade for both Bolivia and Paraguay.

Despite the low level of intra-African trade volume for the landlocked countries, import protection on the chief exports (i.e. agricultural and food processing) within the region is significantly lower than that between the region and the EU. Zambia, for example, which faces 41.2% *ad valorem* import protection from the EU on grain, faces no protection from South Africa, Malawi, Mozambique or Tanzania on grain imports and less than 1% percent from Zimbabwe. Botswana, Malawi, and Zimbabwe are faced with protection rates of over 70% for food processing and 33, 16 and 24% respectively for grain from the EU¹⁰. The one notable exception to the low intra-regional tariffs in the region is Zimbabwe, which faces uncharacteristically high regional tariffs; for example, Botswana which presents no bilateral import tariffs and non-tariff barriers against Malawi, Mozambique, Tanzania, and Zambia in the food processing sector has a 69.8% *ad valorem* protection against Zimbabwe in this sector. Conversely, Zimbabwe has the highest average rates against other SADC countries.

The SADC nations have been involved in several recent trade liberalization agreements. Recent initiatives include the free trade agreement negotiated between South Africa and the European Union; the Cotonou Convention agreement between the ACP group and the EU; the EU "Everything but Arms Initiative" which directly affects Malawi, Zambia and Lesotho; a proposed SADC FTA; and the US Africa Growth and Opportunities Act for which all landlocked SADC countries except Zimbabwe and Swaziland are eligible. In addition to these open trade initiatives, Southern Africa has witnessed an explosion of regional organizations including SADC, SACU, COMESA, and the African Union. SADC's primary goals include the promotion of regional trade, integration, and

¹⁰ Note that the EU has a higher rate of protection against each landlocked LDC country than any of these countries has against the EU.

economic independence. (EIU ZIm 38). In September 2000 the SADC Trade Protocol, designed to eliminate import protection within the region, was launched. This agreement has only had limited success thus far, with South Africa being the only SADC nation to commit concretely to lowering its tariffs. Concerns over South Africa's FTA with the EU, national agendas, and the fact that many countries belong to both COMESA and SADC (Malawi, Swaziland, Zambia, Zimbabwe), which often have conflicting agendas, has slowed progress. Tensions between Zimbabwe and the SADC have also hindered progress.

The Common Market for Eastern and Southern Africa (COMESA), which includes Malawi, Swaziland, Zambia, and Zimbabwe, was intended to liberalise and promote intra-regional trade. Intra-regional trade, however, has remained low and the free-trade zone proposed in October 2000 has not been fully implemented; only nine members including Malawi, Zambia, and Zimbabwe, out of 20 agreed to participate fully. There are also preparations for a COMESA customs union by 2004.

Despite these recent efforts to integrate and liberalise regional trade, progress has been slow and delays in implementation dates are likely. For example, while Zambia and Zimbabwe both agreed to the COMESA free-trade zone Zambia has instituted a complete ban on 14 Zimbabwean products due to Zimbabwean currency devaluations (country reports, article EIU?). The EIU cites a businessman who comments that "Ministers sign free-trade protocols but they mean nothing. There are more trade barriers between Zambia and Zimbabwe now than there were before either COMESA or SADC launched their free-trade areas."

INTERNATIONAL RELATIONS

Political tensions in the Southern Africa region have also hindered the progress of the landlocked countries. One of the central sources of tension in the SADC community is current Zimbabwe President, Robert Mugabe, who is seen to be much of the cause of Zimbabwe's recent international political isolation. The recent election of March 2002 received international criticism from the EU and US governments, and most significantly the Southern African Development Community and the Commonwealth. The Commonwealth even suspended Mr. Mugabe from the organisation. Relations with South Africa have been particularly strained over both trade disputes and personal differences between Mr. Mugabe and Thabo Mbeki, president of South Africa. Interestingly, while alienating some of his immediate neighbours Mr. Mugabe has attempted to foster stronger ties with DRC by sending troops to support President Laurent Kabila against rebels supported by Uganda and Rwanda. Mr. Mugabe's relations with the donor nations have also deteriorated.

Internal conflict in Angola and Mozambique, as well as the war in DR Congo which directly involved Zimbabwe, Angola, Namibia, Rwanda, and Uganda, has further hindered integration of the region and has kept political tensions high.

BOTSWANA

TRANSPORT INFRASTRUCTURE

Relative both to the regional landlocked countries, and African countries in general, Botswana enjoys particularly good transport infrastructure. Moreover, with its economy primarily dependent on diamonds, Botswana has the opportunity to utilise air transport for much of its trade. For surface transport, Botswana mainly uses the well-developed South African corridors.

Road

The surrounding South African road network that Botswana depends on for its international freight is considered to be the best on the continent. Botswana's internal road network is also relatively good and adequate for its trade purposes. The completion of the trans-Kalahari in 1998 has further improved access to the country's remote western districts. In addition to maintaining the physical infrastructure of its road network, Botswana has taken part in several bilateral road transit agreements with its neighbours.

Rail

Botswana's main railway runs from Gaborone on the South Africa border to Plumtree on the Zimbabwe border. The infrastructure is in excellent condition (USAID) and provides an important link for several mining towns to the South African corridors. Transport along this corridor is further facilitated by the bilateral working agreement between Botswana and Spoornet, South Africa's rail service. Botswana has also recently undertaken a survey of the potential for a direct Botswana and Zambia connection.

Ports

Although Botswana's geographic position allows it access to several regional ports, the majority of its trade passes through the South African ports. The Mozambiquan and Namibian ports are of ancillary importance. These ports are all considered to be operating adequately. For a more detailed discussion, refer to the above section on Southern Africa.

TRADE

Botswana's external trade is dominated by its abundant diamond resources which accounted for 84% of total exports in 2000 (IMF DOTS 2002). Because of these vast resources, Botswana has been one of the only landlocked countries to record trade surpluses. While Europe is the primary destination for Botswana's diamonds, its Southern African neighbours, and South Africa in particular are the primary source of imports.

Botswana's economy is considered to be very open. It is a member of the Southern African Customs Union and the Southern African Development Community, the strongest of Africa's regional organizations. Despite Botswana's commitment to regional integration, disputes over rules of origin have somewhat destabilised export growth.

Botswana also has privileged access to the EU under the GSP and the Africa Growth Opportunities Act.

INTERNATIONAL RELATIONS

Botswana's relations with its most important regional trading partner, and transit nation, South Africa, are particularly strong. Both countries are liberal democratic states and cooperate closely on many regional issues, including increased economic integration and conflict resolution. They have worked together closely on the recent crises in the Democratic Republic of the Congo and Angola, as well as the instability in Mozambique, Swaziland and Zimbabwe. The two nations recently formed a joint commission on defense and security, which first met in November 2000.

While Botswana's relations with South Africa continue to improve, its relations with its western neighbour, Namibia, have recently been strained. A seven year border dispute over the island of Kasikili; a dispute over water resource rights on the Okavango River; an influx of Namibian refugees to Botswana resulting from the uprising in the Caprivi Strip; and Botswana's construction a fence along the Namibian border all contributed to the rising tensions. Within the last year, however, both countries have made efforts to improve their relations and have launched several bilateral initiatives.

Relations with Zimbabwe, which have traditionally been cool but proper, have recently suffered from the continuing political instability in Zimbabwe. President Festus Mogae of Botswana has publicly criticised Zimbabwe's political and economic policies. The presence of Zimbabwean refugees in Botswana has also contributed to deteriorating relations.

LESOTHO

TRANSPORTATION INFRASTRUCTURE

Surrounded by South Africa, Lesotho is completely dependent on its only neighbour's well-developed transport system for its external trade. Such unilateral dependence, however, negates any advantages associated with Lesotho's proximity to the port of Durban (347km) and the good condition of its surrounding infrastructure. Limao and Venables (1999) determine that the cost of shipping a 40' container from Baltimore (USA) via Durban to Maseru (Lesotho) is US\$10,000, compared to only US\$5,000 to Lusaka (Zambia) which is 1,300km and several border crossings further.

Lesotho's internal transport is complicated by the highly mountainous, rugged terrain of the eastern highlands. These geographical constraints prevent the direct eastward transport of freight from Lesotho to the port of Durban. Instead freight must be routed north from Maseru and around the border of Lesotho through South Africa. As a result, the majority of transport sector investments have focused on the lowland trunk routes linking Lesotho to South Africa's corridors.

Road

Lesotho's main roads, many of which provide linkage to the South African corridor routes, are in good condition. A 1995 survey reported that 84% of Lesotho's paved roads are in "good" condition, while only 5% are considered "poor." Lesotho, however, continues to face the challenge of providing all-weather access to the highlands. To deal with such problems, the government initiated a US\$40 million Road Rehabilitation and Maintenance Project in 1996. The construction of the Lesotho Highlands Water Development Project has led to the further improvement of many such interior roads.

Rail

The only rail in Lesotho is a 2.6 km segment of the South African railway system that extends from the South African border to Maseru. The railway is both owned and operated by South Africa. The South African rail system to which Lesotho connects is of very good quality.

Ports

All of Lesotho's import and export traffic is routed through South African ports, and in particular the port of Durban. These ports are considered to be the most efficient in the region. For a more in depth discussion, please refer to the section of the report on Southern Africa.

TRADE

Lesotho's overwhelming dependence on the SACU (of which it is a member), mainly South Africa, for its exports has been recently decreasing with the promotion of a new export-oriented manufacturing industry. The Lesotho Central Bank reports that SACU accounted for only 39% of Lesotho's total exports in 2000, compared to 87% in 1985.

Similarly, exports to North America have increased from 34% of total exports in 1997 to over 60% in 2000. Lesotho's imports, however, still come almost exclusively from the SACU.

Lesotho also depends heavily on remittances from migrant mineworkers in South Africa. Recently, the number of South African mineworkers has been declining.

As a member of SACU, Lesotho is required to follow the common external tariff of the regional group. This tariff was, until recently, determined by South Africa and reflected the needs of South Africa's relatively advanced economy, not those of Lesotho's. South Africa, however, has recently liberalised its trade policy in accordance with the South Africa- EU trade agreement and to comply with WTO guidelines. The SACU external tariffs were consequently reduced. However, it is estimated that the SACU member countries will lose US\$117m per year in revenues as a result of the South Africa-EU agreement. Goods imported from within the SACU are duty free.

The recent development of the Lesotho Highlands Water Development Project, which includes the construction of a network of dams and channels in Lesotho's highlands, will now allow Lesotho to export its abundant water resources to South Africa. Previous attempts to do so failed when the two governments could not reach agreement on payment for water exports. This time, however, the two governments reached agreement as defined in the "Treaty on the LHWP between the Government of the Kingdom of Lesotho and the Government of the Republic of South Africa." South Africa has agreed to pay for all water delivery costs and provide any necessary loan guarantees. The project not only provides Lesotho with a new source of export revenue, but also eliminates its dependence on South Africa for electricity. Once completely dependene on South Africa, Lesotho is not producing surplus electricity, which could potentially be exported to South Africa.

Lesotho is also a member of the Southern African Development Community (SADC), Common Monetary Area¹¹, and the WTO. It also took part in the Cotonou agreement providing preferential trade with the EU. Lesotho left the Common Market for Eastern and Southern Africa (COMESA) in 1997 in order to focus on its participation in SADC.

INTERNATIONAL RELATIONS

As South Africa is Lesotho's only neighbour and major trade partner, Lesotho's international affairs are strongly dominated by this bilateral relationship. Relations with South Africa remained strained from the time of independence until the military coup in 1986. Diplomatic ties were not established until 1992. Since then, relations have become increasingly close as displayed by the cooperation over the Lesotho Highlands Water Development Project. After a debated 1998 election, South Africa intervened in Lesotho to support the precarious government facing a coup. Following this intervention, the two nations agreed to a security pact, which allows the government of Lesotho to invoke the assistance of South Africa to maintain domestic stability. Further evidencing the

¹¹ Members include Lesotho, Namibia, South Africa and Swaziland.

improving relations, was President Thabo Mbeki's 2001 state visit to Lesotho, which included the symbolic gift of a cow to King Letsie. During the visit, a bilateral commission to support economic development in Lesotho was established.

Despite the improving relations, some sources of tension remain between the two countries including South Africa's decision to offer permanent residence to qualifying Basotho migrant workers, and the withdrawal of multiple-entry visas for Basotho traveling to and from South Africa. Cross-border raids also continues to be a problem but both governments have agreed to address the issue.

MALAWI

TRANSPORTATION INFRASTRUCTURE

Malawi's cheapest and shortest routes to the sea, via rail to the Mozambican ports of Beira and Nacala, have just recently been reopened after remaining closed for nearly two decades during Mozambique's civil war. During this period, Malawi was forced to reroute its freight, 95% of which normally passed through the ports of Beira and Nacala, to the significantly further ports of Durban and Dar es Salaam. It is estimated that the average surface costs to these ports are more than double those to the ports of Nacala and Beira via the traditional rail routes. The average transit times to Durban (7 days) and Dar es Salaam (6 days) are also nearly double that to Nacala (4 days) and Beira (3 days). The unavoidable rerouting cost Malawi an additional US\$50m-75m per year, with insurance and freight costs doubling from 20% of the import bill in the early 1980s to 40% by the latter half of the decade. While the corridors to Beira and Nacala have been recently reopened, infrastructure damage from the war has thus far limited their use. It is hoped that as much as 75% of Malawi's trade will ultimately return to the Nacala corridor.

The recent closure of the Mozambican corridors underscores Malawi's dependence on its infrastructurally weaker neighbours. The poor surrounding infrastructure of Mozambique, Tanzania and Zambia have severely limited the efficiency of Malawi's transport corridors.

Road

While Malawi suffers from one of the highest accident rates per 1000 vehicles in the world¹² and poorly maintained rural feeder roads, it has an extensive highway system adequately linking major towns and border crossings. These primary roads are considered to be of relatively better quality than most of Malawi's neighbours, with the exception of Zimbabwe. Malawi's roads have recently suffered, however, from the increased stress placed on them due to the increase traffic associated with the closure of the Mozambiquan railways.

The Malawian government has made recent efforts to improve road safety and road maintenance and the World Bank approved US\$30 million Road Maintenance and Rehabilitation Project. It also has bilateral road transport agreements with Mozambique, Tanzania, Zambia and Zimbabwe.

Rail

Prior to the war in Mozambique, Malawi depended heavily on the rail corridor to the port of Nacala for its transit freight. The closure of this corridor for nearly two decades has left the condition of the railway in a state of disrepair. Recent projects have been undertaken by the World Food Programme and the Mozambican government (with a US\$100 million loan from the World Bank) to improve this vital corridor. Moreover, the Central East African Railway Company (CEARC), which operates Malawi's rail system,

¹² The lack of road safety is estimated to cost the economy 2-3% of GDP (WB 18352-MAI)

announced in 2000 an additional investment of US\$26m over 15 years. This will include a US\$4.8m investment targeted at improving the company's rolling stock. Improvements are already being seen, as the volume of external trade traffic increased by 63% in 2001. The Malawi government estimates that the refurbished rail corridor could save more than \$700m a year in transport costs.

Ports

During the civil war in Mozambique, most of Malawi's freight was redirected to the ports of Durban and Tanzania¹³. Approximately 80% of Malawi's total freight traffic passed through the South African ports. The recent reopening of the Mozambican corridors has reduced the importance of these ports. For further discussion of these ports, refer to the Southern Africa section of the report.

Malawi has two ports on Lake Malawi at Chipoka and Chilumba (Simuyemba). Lake transport is principally used to access the northern port of Dar es Salaam. The ports suffer from a lack of storage facilities, outdated infrastructure, and the failure to synchronise with road and rail transport. These ports, however, are not likely to play a major role in Malawi's future freight transport as the northern corridor continues to diminish in importance.

TRADE

Malawi's heavy dependence on its agricultural sector, which accounts for 90% of total exports, and tobacco in particular, makes its economy particularly vulnerable to the high transport costs that it faces. Most of these transit exports are destined for the industrial countries, in particular, the United States (18%), Germany (13%), and New Zealand (7%). Amongst African countries, South Africa is the largest export destination for Malawian goods (8.7%). Malawi, however, faces the highest average tariff rate (21%) amongst SADC nations from South Africa. While Malawi exports are spread around the globe, it imports almost exclusively (73% of total imports) from other African nations. The most important of these nations is South Africa (48% of total imports). Malawi, however, imposes a higher average tariff against South African goods than any other southern African country.

The Malawian government has undertaken significant economic liberalization since the 1980s, which has included a general lowering of the simple average MFN tariff. Over the last five years this average fell from 21% to 14%. Malawi is a member of the World Trade Organization (WTO), the Southern African Development Community (SADC), the Common Market of East and Southern Africa (COMESA), and receives preferential access to the US market under the US Africa Growth and Opportunity Act. For further discussion on the regional organization, please refer to the Southern Africa section of the report.

INTERNATIONAL RELATIONS

¹³ The war in Mozambique led the SADC to develop the northern corridor route to the port of Dar es Salaam. The project costs US\$863m and uses Malawi's roads and lake transport to link to the Tanzanian rail system.

Malawi has benefited from internal stability and relatively cordial relations with its neighbours. Relations with Mozambique have greatly improved following the overthrow (and death) of Malawi's longtime ruler Dr Hastings Kamuzu Banda in 1994. Dr. Banda was accused of supporting the Mozambican rebel group Resistencia Nacional de Mocambique (Renamo). Conversely, documents indicated a Mozambican plot to overthrow Dr. Banda's regime. The improving relations between Malawi and Mozambique have been further improved by the repatriation of Mozambican refugees and the continuing cooperation to improve the Nacala corridor.

Malawi's commitment to maintaining border security was recently demonstrated following communal clashes along the Malawi-Tanzania border. After conflict flared in early 2001, both Malawian and Tanzanian security personnel met and agreed to send more patrols to the border to prevent further violence.

Moreover, Malawian President Bakili Muluzi has just become, in August 2001, chairman of the SADC. This role should allow Malawi a greater role in regional integration and diplomacy.

SWAZILAND

Although Swaziland is a landlocked country, its geographical location allows it convenient and direct access to port. Moreover, unlike Lesotho, Swaziland is not completely dependent on South Africa for transit freight; it can use either the Mozambiquan corridor to Maputo (224km) or South Africa's corridors to Durban (562 km) and Richards Bay (480 km). Both of these corridors require only one border crossing. Swaziland's propitious location is complemented by its extensive, diverse and well-maintained transport infrastructure.

TRANSPORTATION INFRASTRUCTURE

Road

Swaziland's roads are in very good condition and considered to be operating relatively efficiently. The main road from Mbabane to Manzini has recently been upgraded to a double carriage highway. Moreover, Swaziland has successfully committed itself to providing transport links for rural communities to access the main network.

Rail

Swaziland Railways (SR) is one of only a few profitable railways in Africa and is considered to run efficiently. With 300 km of internal rails, SR provides essential links to the rail systems of South Africa and Mozambique, which ultimately connect to the ports of Durban, Richards Bay and Maputo. The rail system has benefited from the recent US\$67 million rehabilitation and expansion of the line to Mozambique. Moreover, in 1995 Swaziland Railways signed an agreement with the Mozambican Railway Authorities that provides for the cooperation of the two countries' rail systems. The agreement promises to reduce railroad transit costs.

Port

Swaziland traditionally depends primarily on the port of Maputo. During Mozambique's civil war, much of this trade was diverted to the port of Durban. Both of these ports are among the largest and most efficient ports in the region. For further discussion on these ports, please refer to the Southern African section of the report.

Swaziland's transport system is further aided by the dry port at Matsapha, whose presence saves both time and money for importers and exporters. The port is in the process of being upgraded with a grant from the Taiwanese government.

TRADE

Like Lesotho, Swaziland's trade is overwhelmingly dominated by South Africa which accounted for 93% of Swaziland's total imports, and 60% of its exports. The rest of the SADC accounted for another 17% of Swaziland's exports. Moreover, while Swaziland is considered to be extremely open, further relaxing import controls in 2000 by eliminating permit requirements on primary inputs for industrial use, it faces similar challenges to Lesotho as a member of the SACU: it must adhere to the external Southern African

Customs Union (SACU) tariff which was set, until recently, by South Africa. The tariff has consequently reflected the needs of the more advanced South African economy, focusing on import substitution rather than export promotion. The trade policy report of the World Trade Organization states the development of an export oriented tariff structure will be crucial to the development of Swaziland's economy. South Africa, however, has recently liberalised its trade policy in accordance with the South Africa- EU trade agreement and to comply with WTO guidelines. The SACU external tariffs were consequently reduced. However, it is estimated that the SACU member countries will lose US\$117m per year in revenues as a result of the South Africa-EU agreement. Goods imported from within the SACU are duty free.

In addition to playing a considerable role in the direction of trade, Swaziland's geographic location has markedly affected foreign direct investment in the country. When economic sanctions were imposed on South Africa in the 1980s, many foreign investors simply relocated to nearby Swaziland to avoid the sanctions. Since the sanctions have been removed investors are returning to South Africa. Swaziland's growth rate has slipped from 7 percent a year, to current rates of 3%.

Swaziland is a member of the Southern African Customs Union, Southern African Development Community, Common Market for Eastern and Southern Africa, Common Monetary Area, and is a signatory to the Cotonou Agreement. Swaziland is also eligible to receive the benefits of the African Growth Opportunities Act, although it temporarily risked being excluded in 2001.

INTERNATIONAL RELATIONS

Under its Tikundla system of dual monarchy, Swaziland has maintained a general atmosphere of relative political stability. Its strikingly homogenous ethnic composition has prevented many of the ethnic conflicts common of the continent. Recently, however, the country's monarchy has been receiving increasing pressure both internally and externally to democratise. Such pressure has been the prime source of regional tension for Swaziland.

Relations with South Africa have been proper but strained at times. While the African National Congress in South Africa has refused to openly assist progressive groups in Swaziland, it has maintained pressure in other ways. The SADC also refuses to openly criticise Swaziland's current regime. The South African Trade Unions and exiled Swazi pro-democracy supporters in South Africa, however, continue to openly back progressive movements in Swaziland and have included support for border blockades during national strikes.

ZAMBIA

TRANSPORT INFRASTRUCTURE

While Zambia shares its border with eight different countries and could potentially have numerous outlets to the sea, surrounding conflicts (in particular, in the DRC and Angola) and poor internal infrastructure severely hamper Zambia's transit system. Its internal transportation infrastructure is severely dilapidated and significantly worse than near all of its regional neighbours. This is reflected in relatively high transport costs, which are estimated to account for 60-70% of the total cost of production for many goods (EIU). Currently unable to transport westward through Angola because of the ongoing civil war, Zambia relies primarily on the South African, Tanzanian (Dar es Salaam) and Mozambiquan corridors.

The Zambian government has recently demonstrated increased commitment to improving transport efficiency. Significant infrastructure improvements have been undertaken with assistance from the World Bank, including a US\$70 million Road Sector Investment Program, and US\$27 million Railways Restructuring Project. Before the recent upsurge in investment, resource allocation to the transport sector was markedly low and continually declining.

Road

Both Zambia's trunk roads, connecting Zambia to the regional corridors, and its rural feeder network are in poor condition. In 1995, over 50% of Zambia's paved roads were considered to be in poor condition; in 1984 this proportion was 30%. The main roads are littered with craterous potholes often forcing one to drive on the gravel shoulders for several hundred meters at a time. Zambia also has one of the highest fatality rates amongst developing countries. Moreover, an estimated 90% of rural feeder roads were classified as poor according to a Zambian Roads Department study. This further complicates the challenges faced by Zambia's widely dispersed rural population.

The aforementioned Road Sector Investment Project (1997-2007) hopes to increase the number of roads in "good condition" to at least 50% of total roads. It will also address the issue of road safety. In addition, the Zambian government has negotiated bilateral road transport agreements with Botswana, Zimbabwe, Malawi and Tanzania.

Rail

Zambia's two railways TAZARA (jointly owned with Tanzania) and Zambia railways are both operating at under half capacity and are plagued by old tracks, inadequate rolling stock, and maintenance negligence. The Zambian government has recently undertaken a US\$27 million Railways Restructuring Project "to enable Zambia Railways (ZR), through restructuring and privatization, to substantially increase its operating efficiency, reduce its cost of operations, and configure its freight services and tariffs to meet customers' requirements and expectations, and consequently, to increase its share of the local, international, and transit freight traffic." (WB RR) Zambia Railways has bilateral

working agreements with the national railways of Zimbabwe, South Africa (Spoornet), and Tanzania.

Ports/Waterways

Zambia's primary transit ports are those of South Africa (mainly Durban), Mozambique (mainly Beira) and the Tanzanian port of Dar es Salaam. While Beira is the closest port to Zambia, Durban is the best equipped and also directly accessible by rail. Both the ports of Beira and Durban have been expanding their market share in Zambia at the expense of the Dar es Salaam port. For further discussion on the regional ports, refer to the Southern Africa section of the report.

Inland water transport holds potential for freight transport to DRC, Burundi and Tanzania but has been thus far underdeveloped and poorly maintained. The port of Mpulungu on Lake Tanganyika is considered to be in poor condition and is not linked with the railway network further limiting demand. (EIU, WB)

TRADE

Zambia has one of the highest export concentration indices in the world. Its exports are overwhelmingly dominated by copper and other minerals. Despite being highly dependent on the mineral sector, Zambia's export destinations are notably diverse: it exports a near equal share of goods to the industrial countries, Asia, and Africa. Moreover, Zambia's export dependence on the EU is the lowest among SADC nations. It is also one of SADC's least dependent countries on South Africa for exports. The three most important export destinations in 2001 were Malawi, Thailand, and Japan. Zambia's imports, however, are primarily from South Africa which accounted for 68% of total imports in 2001.

While Zambia is a member of COMESA and the SADC, efforts at regional integration have been slow and delays in implementation dates are likely. For example, while Zambia and Zimbabwe both agreed to the COMESA free-trade zone, Zambia recently instituted a complete ban on 14 Zimbabwean products following Zimbabwean currency devaluations (country reports, article EIU??). There are now more trade barriers between Zambia and Zimbabwe than there were before either COMESA or SADC launched their free-trade areas. For further discussion on regional agreements, refer to Southern Africa section.

POLITICAL RELATIONS

Zambia is considered to be more politically stable than many of its neighbouring countries. Despite such stability, however, Zambia has recently had to deal with conflicts in its neighbouring countries Angola and DRC, and rising tensions in Zimbabwe. The Angola conflict, which recently ended in April 2002, not only weakened the country's infrastructure and rendered its corridors impassable, but also soured relations between Angola and Zambia. The Zambian government was accused of funding rebels, and allowing Angolan rebel groups to take refuge on Zambian soil. Zambia refused Angola the right to pursue the rebels on Zambian territory. The escalating tensions led to brief border skirmishes in 2000. Further contributing to the escalating tensions, Angolan

soldiers embarked on a series of cross-border raids in which they plundered Zambian border villages in 2001. The end of the war and the establishment of a tripartite security mechanism with Namibia, however, promise to improve relations. Border regions still remain volatile.

Zambia has also suffered from the civil war in the DRC: Congolese rebels have crossed into Western Zambia looting Zambian villages, and the influx of Congolese refugees is placing additional strains on an already weak Zambian economy. The Zambian government, however, has refused to become militarily involved in the crisis and remains neutral.

Relations with South Africa show signs of improvement with the elections of President Patrick Levy Mwanawasa of Zambia and President Thabo Mbeki of South Africa. The countries' previous presidents had a history of soured relations. The 2001 ratification of a trade protocol between SADC and SACU will guarantee Zambian producers access to South African markets and should help further improve relations.

ZIMBABWE

TRANSPORT INFRASTRUCTURE

Zimbabwe's transport system is both extensive and in relatively good condition. After significant improvements in the 1990s, Zimbabwe is now considered to have one of the most efficient transport networks in Sub Saharan Africa (http://www.cdr.dk/working_papers/02-4-abs.htm). Its geographical position also allows it several possible corridors to the sea: via Mozambique to the ports of Beira, Maputo and Nacala; via South Africa to the ports of Durban, Port Elizabeth and Capetown; and via Botswana and Namibia to the port of Walvis Bay.

Road

Zimbabwe's trunk road network is in relatively good condition and provides adequate access to the region's primary corridors. Its rural road network, while less developed, has benefited from significant improvements in the latter half of the 1990s. Despite such improvements in rural access, many rural feeder roads remain in poor condition and in need of backlog maintenance. Zimbabwe's rainy season presents further difficulties for its rural road network. For further information on transit corridors, see the above Southern Africa regional overview.

Rail

Zimbabwe's already extensive rail network has recently benefited from the construction of the Bulawayo to Beitbridge railway line. The construction of this line will allow Zimbabwe to transport freight directly to South African ports, thereby bypassing Botswanan rails. In contrast, Botswanan freight destined for the northern tier of Southern African countries still requires passage on Zimbabwean railways. Zimbabwe has further aggravated the tension caused by this disparity by requiring that any freight passing through Zimbabwe from third countries such as Zambia use this Bulawayo to Beitbridge route, thereby limiting transit freight on Botswanan rails.

Ports

An increasing share of Zimbabwean trade is being shipped through the South African ports (most notably Durban) despite lower simple transport costs to the Mozambiquan ports of Beira and Maputo. The shift is largely seen as a product of the improved efficiency of the South African ports associated with economies of scale (i.e. container shipping). The South African corridors are also considered more reliable and provide more regular service than the Mozambiquan corridors. Overall, the ports serving Zimbabwe are operating relatively efficiently. For further discussion of these ports, please refer to the Southern Africa section of the report.

TRADE

The bilateral tariffs and non-tariff barriers of neighbouring SADC countries on Zimbabwean exports are significantly higher than those on any other SADC country's exports. Botswana, for example, levies an average tariff of 43% on Zimbabwean exports

while maintaining free trade relations with South Africa. Even South Africa, Zimbabwe's most important regional trading partner retains an average 18.9% tariff against Zimbabwean exports. Interestingly, while Zimbabwe is the most export dependent on South Africa of the SADC countries it faces the third highest average tariff from South Africa. Conversely, Zimbabwe maintains the highest average tariff barriers against other SADC countries.

Zimbabwe also faces the second highest EU import tariff of SADC countries. Moreover, the recently signed free trade pact between South Africa and the EU may hurt Zimbabwean exports by diverting investment into South Africa. Zimbabwe has also been excluded for the first group of countries selected to gain improved terms of access to the United States through the Africa Growth and Opportunity Act. It is, however, a member of both COMESA and SADC and has recently been promoting a free-trade pact for the whole SADC.

POLITICAL RELATIONS

While Zimbabwe has not been subject to the violent border clashes common in western and eastern Africa, it has recently suffered from increased regional tensions and political isolation in the SADC. The deteriorating relations can be largely attributed to the pernicious regime of President Robert Mugabe, who has received international criticism not only from the SADC and the Commonwealth but also from the EU, and US governments. The Commonwealth even suspended Mr. Mugabe from the organisation. One of the primary sources of increased tension has been Zimbabwe's continuing deep military involvement in the war in the DRC, despite pleas from its neighbours to withdraw.

Zimbabwe's relations with South Africa have been particularly strained over both trade disputes and personal differences between Mr. Mugabe and Thabo Mbeki, president of South Africa.

AFRICA - CENTRAL AND EASTERN

BURUNDI

Besides lying over 1,400km from the nearest port, Burundi is faced with the constant challenge of navigating its international freight through the surrounding, and internal, ebullitions of ethnic tensions and civil war. Unable to trade to the East, because of the violent civil war in the DRC, Burundi must rely on the Northern Corridor (via Rwanda, Uganda and Kenya) to the port of Mombasa and Central Corridor (to Dar es Salaam). The Northern corridor includes three border crossings for Burundi; all three of which have been particularly vulnerable to regional instability. The Central Corridor, while only necessitating one border crossing (Burundi-Tanzania), is marred by relatively poor infrastructure, and further threatened by increasing tensions between Tanzania and Burundi. In dire circumstances, as during the period of regional sanctions (1996-7), a third corridor from Bujumbura to South Africa via Mpulungu on Lake Tanganyika is an alternative route. At a total distance of nearly 4,500km, and including up to four border crossings and three modal changes (depending on routing), this corridor under usual circumstances is a poor substitute for more direct links.

TRANSPORTATION INFRASTRUCTURE

Roads

Both of Burundi's direct transit corridors are largely dominated by road transport. The Central Corridor to Dar es Salaam, by which Burundi transports a majority of its freight, is marked by poor road conditions, and is considered to be considerably worse than the Northern Corridor roads. Flooding associated with the wet season further hampers transport on these corridors. A new Tanzanian project, however, supported by the EU will upgrade several segments of the Central Corridor. The project will also include the construction of a weighbridge to ensure its sustainability. For more discussion on these corridors, please refer to the Rwanda and Uganda studies.

Burundi's internal road network is in good condition. The trunk roads to the Rwanda and Tanzania border have both recently undergone improvements, including the construction of a modern parking facility at the Kobero (Tanzania) crossing.

Rail

Burundi has no internal rail system but depends on the Tanzanian rail from Kigoma on Lake Tanganyika to Dar es Salaam for much of its transport. The Tanzanian railway is considered to be unreliable and in poor condition (EIU Tanzania). Earlier this year, the Tanzania Railways Corporation suffered one of the deadliest train crashes in the continent's history when one of its trains lost power and rolled backwards down a slope crashing into a freight train.

Burundi also uses the Ugandan railway from Kampala to Mombasa, although this corridor is dominated by road transport. While this line has the potential to reduce the burden of transit freight on the Kampala-Mombasa highway, its dilapidated condition and undependability prevent it from doing so in any significant quantity. It is estimated that an average trip from Kampala to Mombasa takes 21 days, with trips often taking as many as 60 days (IG). The unreliability of the rail arrivals often make it impossible to book ships ahead of time at the port of Mombasa, causing further delays. (EIU)

Ports/Inland Waterways

The inland port of Bujumbura on Lake Tanganyika plays a major role in Burundi's international flow of goods. Approximately 80% of Burundi's external trade passes through this port on its way to Kigoma and ultimately Dar es Salaam. The port is operating at under-capacity, and is not considered to require additional capacity in the near future. (UNCTAD)

Most of Burundi's goods eventually pass through the port at Dar es Salaam, while a smaller percent use the port at Mombasa. Handling charges at the port of Dar es Salaam are cheaper than those at Mombasa: charges for a 20ft container at Dar es Salaam are about \$1,470, compared to \$1,870 at Mombasa. Dar es Salaam, however, has traditionally had relatively higher tariffs than the other major African ports including Mombasa. (USAID) Both ports have benefited from recent infrastructural improvements, including the construction of a grain handling facility at the port of Mombasa. Many of the recent improvements undertaken by these ports can be seen as a product of the direct competition of these ports for East Africa's landlocked countries' trade.

TRADE

Ethnic tensions, political instability, and international sanctions have all contributed to Burundi's struggling economy and weak external trade sector. In 1996, after Major Pierre Buyoya seized power, Burundi's neighbouring countries imposed strict sanctions on the country, including the closure of all transportation links. It is estimated that these sanctions led to a 50 per cent loss in Burundi's export earnings in 1996 and a 25 per cent increase in import costs. In addition to the sanctions, an international aid freeze was inflicted on Burundi. The sanctions necessitated the diversion of much of Burundi's external trade to the aforementioned Zambian corridor, and forced much of the regional trade into the informal sector. Such instability has also restricted Burundi's former role as a regional exporter and re-exporter of manufactured goods (EIU).

Moreover, despite efforts to promote diversification of exports, including the 1992 declaration of the country as a duty-free zone for enterprises promoting non-traditional exports, Burundi remains heavily dependent on coffee and tea which combined represent 94% of total exports. Most of its coffee exports are shipped to the Europe, and in particular Belgium, UK, Switzerland and the Netherlands. The most important regional market for Burundian exports continues to be Kenya. Its imports, primarily fuel and manufactured goods, mainly originate from France and Belgium. Regionally, Burundi imports mainly from Kenya and Tanzania. Exact trade figures for Burundi are unreliable.

Burundi is a member of COMESA, but did not meet its October 2000 deadline for elimination of all tariffs on regionally traded goods and has not agreed to participate fully. In fact, it still maintains a rate of 40% of the general duty rate on COMESA originating goods. The withdrawal of Tanzania, one of Burundi's main regional trading partners from COMESA in 2000 will further hamper reductions in tariffs. Burundi is also a member of the Communauté économique des Etats d'Afrique centrale (CEEAC)¹⁴, and the Communauté économique des pays des grands lacs (CEPGL)¹⁵. Neither of these regional organizations has operated effectively. Burundi has also applied to join the East African Community (EAC) but there is currently resistance amongst the current members to accept it until a stable democracy is restored. (EIU)

INTERNATIONAL RELATIONS

For the last decade and much of its history Burundi has been marked by violent civil wars and unstable relations with its neighbours. The assassination of its first democratically president, Melchior Ndadaye, in 1993, sparked a bloody war that has continued for over a decade between the minority Tutsi-dominated army and ethnic Hutu rebels. Destruction of infrastructure; regional economic sanctions; and aggravated tensions with neighbouring countries, due to increasing spillovers and refugee migrations have all compounded Burundi's position as a landlocked country. While a tenuous and long-sought cease fire was signed in December 2002, both sides accused each other of breaking the agreement only days later.

In addition to its own political tensions, Burundi has been incommensurately affected by regional instability. The Northern Transit Corridor used by Burundi requires three border crossings, all of which have been subject to instability. The Rwanda-Uganda border has witnessed increasing violence as a result of differing objectives in the DRC war; and the Uganda-Kenya border has also been subject to periodic tensions and closures. Moreover, internal conflicts, such as the civil war in Rwanda, in these countries often damage the infrastructure and temporarily prevent the passage of freight.

Burundi's relations with its most vital transit neighbour, Tanzania, have been particularly strained as a result of the ongoing civil war. Tanzania continues to strongly oppose Tutsi military rule, and led the campaign for regional sanctions in 1996. The hundreds of thousands of Burundian refugees now living in Tanzania have further weakened relations (CNN 2000). The refugees are not only a strain on the Tanzanian economy, but also often lead rebel attacks on Burundi undermining border security. Burundi accuses Tanzania of aiding such anti-government rebels (BBC 2002).

Burundi is also involved in the civil war to its east in the DRC. Hostilities between the two governments are largely a product of the Congolese government's weapons support for one of the main Burundian rebel groups, the CNDD-FDD. The CNDD-FDD continues to maintain its base in DRC, despite recent efforts by Congolese President Joseph Kabila to distance himself from this group. Conversely, the Burundian

¹⁴ Member countries include Angola, Burundi, Cameroon, Gabon, Central African Republic, Rwanda, Chad, Congo, DRC, Equatorial Guinea, Gabon, Rwanda, Sao Tomé and Principe

¹⁵ Member countries include Burundi, DRC, and Rwanda

government has good relations with Rassemblement congolais pour la démocratie (RCD), the main rebel group opposing the DRC government.

Burundi has also suffered from increasing tensions with its northern neighbour Rwanda. Despite facing similar internal ethnic tensions, the two governments mistrust each other. Rwanda took part in the 1996-99 economic sanctions levied on Burundi.

ETHIOPIA

Despite losing its coastline to Eritrea in 1991, Ethiopia continued for 7 years to rely predominantly on the port of Assab (Eritrea) for its trade. Throughout much of the 1990s over 75% of Ethiopia's international trade and 90% of its dry cargo imports passed through Assab. The recent border conflict with Eritrea, which began in 1998, however, has dramatically shifted the trading routes used by Ethiopia. The port of Djibouti now handles the large majority of Ethiopian trade. While this port has modern facilities, it will require additional improvements to handle the vast increases in freight traffic on a sustainable basis. The railway and road route linking Addis Abba to Djibouti will also require significant improvements to allow this corridor to operate efficiently.

Beyond the difficulties Ethiopia now faces with its international corridors, Ethiopia suffers from an inadequate internal transportation network. It has one of the lowest road densities in the world, with only 20% its land area being within 10km of an all-weather road and 70% of its farms being more than a half-day walk from an all weather-road. (CSP) (PRSP). Moreover, those roads that do exist are often of extremely poor quality. Such an inadequate internal transport system has been particularly devastating for Ethiopia which constantly struggles with chronic food shortages in certain areas, juxtaposed with surpluses in others. The last two years, for example, witnessed a bumper harvest of maize in Ethiopia. Poor infrastructure and its associated costs, however, have hindered the flow of this surplus to the deficit areas and have left 11 million people at risk of starvation.

TRANSPORTATION INFRASTRUCTURE

Road

As in most African countries, roads play a dominant role in Ethiopia's trade, carrying approximately 95% of the country's passenger and freight traffic (WB PID 10816). The primary road corridors from Addis Abba to Assab and Djibouti are considered to be of international standards (Giorgis). The recent closing of the Ethiopia-Eritrea border, however, has shifted much of Ethiopia's freight traffic onto the Djibouti corridor, which was previously of ancillary importance. The road through this corridor now suffers from increased wear and requires further investment to sustain present volumes of trade (EIU). Ethiopia is investigating using roads through Kenya to Mombasa, through Sudan to Port Sudan and through Somalia to Berbera (The East African 2000). These routes are hindered by poor infrastructure levels or civil conflict.

Despite its relatively adequate primary road corridors, Ethiopia suffers from a particularly poor internal road network with almost 70% of the country's land area not being accessible by the current transport system. Moreover, the spoke-like nature of the road system, with Addis Abba at the centre, hinders direct transport and trade between rural areas. Only two main roads provide access to the highlands, and both have suffered heavy wear from military and food convoys (EIU).

Recognizing the dramatic effects its poor infrastructure system had on the economy, the Ethiopian government has recently exhibited significant political commitment to improving the transit system. Beyond dedicating an entire section of its PRSP to road infrastructure and its effects on poverty, the Ethiopian government now allocates over 20% of its capital budget to improvements in the road system. It has launched the second Road Sector Development Project (RSDPII 2002-2007) hoping to improve upon the moderate successes of RSDPI; while RSDPI did not achieve many of its targets, significant improvements were made: the percentage of federal roads in good condition improved from 14% to 30% (the target was 60%), the percentage of regional roads in fair condition improved from 15% to 30%, and the road system witnessed a 30% increase in total length. Underscoring the importance of reliable coastal access, Ethiopia has granted priority, under the RSDPs, to those roads that provide access to ports. (PRSP)

Rail

Ethiopia is connected by railway to the port of Djibouti. The poor performance of this railway is one of the primary factors limiting growth on this corridor. The railway is more than 100 years old, has limited capacity, and is subject to excessive delays and inefficiencies. Since the closure of the Eritrean transit corridor, these inefficiencies have had a more pronounced effect on Ethiopia's trade as Ethiopia is more reliant on this corridor. Ethiopia has recently announced plans to revitalise the railway and reduce the number of checkpoints along its route. The EU has provided funding for the design and documentation phase of upgrading the line. Ethiopia hopes to complete the rehabilitation project by 2004.

(<http://www.africon.com/Services/Transportation/Projects/Engineering/Railway/djibouti.html>)

Port

Before the current conflict with Eritrea, Assab was the primary port for Ethiopian trade accounting for over 75% of Ethiopia's international cargo flow. Ethiopia had even signed a transit services agreement with Eritrea in 1992 that provided for the expeditious movement of international freight between the two countries. Since the start of Ethiopia-Eritrea conflict in 1998, the majority of Ethiopian trade has passed through the port at Djibouti. The only other proximate ports to Ethiopia are the Somali ports, which suffer from problems of domestic disorder.

Ethiopian freight now accounts for 70% of the traffic passing through Djibouti giving Ethiopia significant bargaining leverage <http://www.port-technology.com/projects/djibouti> . Ethiopia has signed an agreement with Djibouti, the Djibouti Port Utilization Agreement in 1993, allowing for the permanent right to use the port. The agreement also ensures that any preferential tariffs on services offered by the port of Djibouti are enjoyed by Ethiopia and that Ethiopia can obtain plots of land in the duty-free area (Giorgis 1995). Following the increase in goods processed at the port of Djibouti, port authorities were encouraged to formulate a \$15 million expansion of the port's terminal. This includes about \$2 million to pay for the computerisation of the port facilities.

TRADE

Ethiopia's export trade is overwhelmingly dominated by coffee. Much of this coffee is directed to Western Countries including Germany, Japan, Italy and the U.S. This dependence on coffee exports coupled with high transport costs makes the Ethiopian economy particularly vulnerable to the volatile nature of coffee prices.

Ethiopia has also recently liberalised its tariff structure. The maximum tariff was reduced to 40% in 1998, and the average tariff to 19.5%. Ethiopia does not impose quantitative restrictions on imports. The biggest hindrances to imports are the strict foreign exchange control regime and a cumbersome customs clearance process

(<http://www.tradeport.org/ts/countries/ethiopia/ftbar.html>,
http://www.ustr.gov/pdf/1999_ethiopia.pdf).

Further to its recent liberalizations, Ethiopia is a member of the Common Market for Eastern and Southern Africa (COMESA) which is intended to liberalise and promote intra-regional trade. Intra-regional trade, however, has remained low and the free-trade zone proposed in October 2000 has not been fully implemented - Ethiopia is one of eleven countries that has not yet agreed to participate fully in the zone. Ethiopia is noted for its relatively high customs duties and strict foreign exchange control. There are also preparations for a COMESA customs union by 2004.

Ethiopia is also a member of the Lomé Convention which entitles its exports to duty reductions or exemptions and freedom from all quota restrictions. A wide range of manufactured products are granted preferential duty treatment from the developed countries under the GSP.

INTERNATIONAL RELATIONS

Ethiopia's recent history has been defined by civil conflict and regional wars. The most recent of these has been the devastating war with Eritrea, which was ignited over a border dispute in 1998. Eritrea, which was unilaterally annexed by Ethiopia in 1962, did not regain its official independence until 1993 after the conclusion of a bloody civil war. Eritrean rebels had been fighting for their independence from the time of the initial annexation. The 1991 civil war did not only result in Eritrean independence but also a new Ethiopian government, which allied itself with the new Eritrean state. In 1998, however, such rapprochement was lost as a disagreement over the location of the border and bilateral trade disputes led to an explosive civil war. The war has cost Ethiopia not only thousands of lives, but also severe economic losses as Eritrea formerly provided valuable access to the sea and was an important regional trading partner.

Relations with Somalia have also been strained since the 1970s when Somalia launched a war to capture the Ogaden region of south-eastern Ethiopia. Tensions remain high between the countries as Ethiopian troops have repeatedly entered Somalia in pursuit of groups hostile to the Ethiopian government, and the Somali government has recently accused Ethiopia of providing support to Somali rebel factions (BBC Jan 8 2001).

Previous tensions with Sudan have recently abated as both countries view themselves as victims of Eritrean aggression and have tenuously united in an attempt to isolate Eritrea (EIU).

UGANDA

Uganda's geographical location in Eastern Africa allows it only two possible corridors to the sea: the Northern Corridor to the port of Mombasa, and the Central Corridor to Dar-es-Salaam. Since the early 19th century, when the Kenya-Uganda railway was first constructed, the former has played the predominant role in Uganda's trade flow. While it continues to do so, the rapid deterioration of the railroad after the East African Railway Corporation dissolved into three separate companies in 1977 has shifted the primary mode of transport from rail to road. At about the same time, however, Uganda's notably good road system (considered the best in Eastern Africa) fell into a state of neglect and deterioration. (WB24171) It is estimated that there was a 75% loss in road network investment due to deterioration during this period. High transport costs, and negative economic growth, however, triggered a concerted approach by the Ugandan government to improving transport infrastructure. By 1995, approximately 70% of Uganda's main roads were considered to be in good condition- a dramatic improvement from 10% in 1986.

TRANSPORT INFRASTRUCTURE

The Northern and Central Corridors are considered by a recent UNCTAD study to be in fair/poor condition (InfraAfrica). While the railway is generally acknowledged to be operating extremely inefficiently, sources disagree regarding the quality of the primary road from Kampala to Mombasa. The Africa News Service writes that the "Mombasa road is a perfect symbol of neglect. The current state of the road is appalling," (<http://www.peacelink.it/anb-bia/nr355/e06.html>); Globalsecurity.org agrees, highlighting the poor condition of the road and claiming that it takes twice as long to transport a container from Mombasa to Kampala than it does from London to Mombasa (<http://www.globalsecurity.org/military/facility/mombassa.htm>). Other sources, however, do not consider these corridors to be nearly as bad: Lonely Planet writes that the trip from Kampala to Nairobi takes only 12-14 hours, and Ugandans suggest that the road is in vastly improved condition, allowing for speeds of up to 120km/hr for passenger traffic. Regardless of the condition of this road, Uganda's freight transport suffers primarily from a lack of corridors, and the failure of the railway to provide any significant competition for the road systems.

Roads

Accounting for over 90% of the country's passenger and freight traffic, Uganda's roads play a dominant role in its transport system. (WB 2141) The road system as a whole has seen significant improvements in the last 15 years as a result of various road rehabilitation projects funded by the European Community, the World Bank, the African Development Bank, and several bilateral donors. The primary corridor roads are now considered to be in relatively good condition (see above) but suffer from the volatile heavy rains of the region. The recent rains caused by El Niño, for example, destroyed several bridges on the Kampala-Mombasa route, and precipitated landslides, resulting in the closure of "East Africa's umbilical cord"(ANB). Moreover, the internal road network

is considered to be in very good condition, especially in the major centres of southern Uganda. Roads to the north tend to be less adequately developed. (LP)

The high transport cost faced by landlocked countries in general, is further complicated in the case of Uganda by high petroleum prices. The average pump price through 2002 was approximately US\$0.87/litre (US\$3.29/gallon) (East African weekly, LP).

Rail

The Ugandan rail system has fallen victim to decades of poor maintenance, and now accounts for only 10% of total domestic freight, and 30% of external trade freight (Investment Guide). Only the Kampala to Kenya line of the original colonial rail network remains operational, and only for freight (EIU). While this line has the potential to reduce the burden of transit freight on the Kampala-Mombasa highway, its dilapidated condition and undependability prevent it from doing so in any significant quantity. It is estimated that an average freight trip from Kampala to Mombasa takes 21 days, with trips often taking as many as 60 days (IG). The undependability of the rail arrivals often make it impossible to book ships ahead of time at the port of Mombasa, causing further delays. To deal with these shortcomings, East African nations are beginning to show increased cooperation amongst themselves. Tanzanian railways, for example, is now offering Ugandan businesses their own “dedicated wagons” which will help alleviate delays at ports. The possibility of creating a new rail network linking East, Central and Southern Africa through the railheads at Uganda and Zambia is also being discussed with support from Uganda, Rwanda, Burundi and Zambia (EIU).

Ports/Waterways

Uganda primarily uses the ports of Mombasa and Dar-es-Salaam, with Mombasa carrying the bulk of Uganda’s freight. Efforts were recently made by Tanzania to improve the port of Dar-es-Salaam in order to attract trade from the landlocked countries of the region. Such efforts have been relatively successful. Ugandan bound imports through the port of Dar-es-Salaam increased by 10,000 tons from January to October of 2000. Mombasa port has also witnessed recent improvements, most notably the US\$65 million grain handling facility, which will help relieve general congestion and decrease ships’ turn-around times. Many of the recent improvements undertaken by these ports can be seen as a product of the direct competition of these ports for East Africa’s landlocked countries’ trade.

TRADE

As a result of recent liberalization efforts, Uganda’s economy is now considered to be “one of the most open in sub-Saharan Africa. Both current and capital accounts controls have been eliminated. The internal trade, foreign exchange and financial market are already liberal.” (Africa Competitiveness Report). Such openness has led to a steep increase in both export and import volumes: from 1990-7, annual growth of export volumes averaged 23.3%, compared to a decline of 3.1% in the 1980s, while import volumes grew an average of 34.2%, compared to a decline of 10.2% a decade earlier.

Uganda depends primarily on coffee for its export revenue. Most of this coffee, and the overwhelming majority of Uganda's exports, goes to the European Union. In 2001, 63% of Ugandan exports were directed to the EU, compared to only 7% to African countries. In contrast, Uganda imports primarily from southern African countries which accounted for 55% of Ugandan imports in 2001, while EU imports accounted for 20%. The vast majority of these imports come from Kenya.

In addition to national liberalization efforts, Uganda has joined two regional organizations: COMESA and the East African Community (EAC). While these organizations strive to facilitate intraregional commerce, progress has been slow in implementation. In fact, over the past thirty years the "share of intraregional trade in total exports has fallen from 9% in 1970 to 7.7% in 1998 amongst COMESA countries". And despite Uganda's national liberalization, it has chosen not to join the COMESA free-trade area due to concerns about the effects of a zero tariff on its manufacturing industries and government revenue. (EIU) The East African Community, which only includes Kenya, Tanzania and Uganda is hindered by structural differences amongst the countries' economies. Tanzania and Uganda fear not being able to compete with Ugandan goods after the reduction in barriers.

POLITICAL RELATIONS

The formation of the East African Community in 2001, promises to improve the already close diplomatic relations amongst Kenya, Tanzania and Uganda. Recent elections in Kenya should further improve Uganda's relationship with Kenya as President Yoweri Museveni of Uganda and former Kenyan President Daniel Arap Moi was somewhat strained.

Uganda's relationships with its other neighbours, however, are not nearly as strong and perhaps best described as unstable. To the north, the civil war in Sudan frequently spills over into northern Uganda making this border crossing nearly impossible. Moreover, Sudan continues to support the Ugandan rebel group, the Lord's Resistance Army, while Uganda supports the Sudan People's Liberation Army. These alliances led to a diplomatic rift in 1995. While a peace agreement was signed in 1999, the treaty has never been implemented.

To the south, relations with Rwanda continue to deteriorate as a result of conflicting agendas in the DRC civil war. Not only does each country support a different rebel faction, but there also appear to be conflicts over resources found in Eastern DRC. Such hostilities have been aggravated by personal differences between Mr. Museveni and Rwanda's President Paul Kagame. Escalating tensions brought the two nations to the brink of war in 2001, but attempts at mediation by the UK have temporarily mollified both sides. (EIU, CountryWatch)

RWANDA

Rwanda is faced with the particular challenge of being over 1500 km from the nearest ports. The challenges posed by this distance are exacerbated by the current lack of surface transport modes: Rwanda has no railways, placing the burden of transport on its road corridors. The two main corridors are the Northern Corridor from Kigali to Mombasa, which passes through Uganda, and the Central Corridor from Kigali to Dar es Salaam. Despite reports that the Central Corridor is cheaper and more convenient as it does not require passage through a third country, the Northern Corridor continues to be the most important for Rwandan trade: this route normally accounts for more than 70% of Rwanda's imports and about 80% of its exports.

TRANSPORT INFRASTRUCTURE

The Northern route is dominated by the road between Mombasa and Kigali, but also uses the rail from Kampala to Mombasa; the Central Corridor also has an all road route, and a recently developed road to rail route via Isaka (Tanzania), where a dry-dock was completed in 1999 to allow goods to be pre-cleared through customs at Isaka rather than in Dar es Salaam (TRC 2002). Both the Tanzanian and Ugandan railways play a minimal role in Rwanda's flow of goods. (Rugumba)

Rwanda's transport infrastructure has also suffered twofold from the recent civil war: on one hand, immediate damage was caused to existing infrastructure by the fighting, and in particular several key bridges, which often rendered vital corridors impassable; in addition to this, the Rwandan government was forced to focus its government policy on relief and humanitarian assistance rather than development. Heavy government deficits persist and limit the amount of funds available to dedicate to the transport sector. (WB PIF 9465)

Road

Both Rwanda's primary road corridors and internal road network are in good condition and compare favorably with those of its neighbours. Moreover, the internal network has rather extensive coverage with an average distance from household to nearest trunk road of 4 km. The greatest problem facing the Rwandan road system is a general lack of funds. In fact, the Rwandan Road Fund is now collecting only US\$4 million per annum, compared to US\$10 million per annum before the civil war.

The road between Kigali (Rwanda) and Kampala (Uganda) is of reasonable quality. See the section on Uganda for a discussion of the Kampala – Mombasa road.

Rail

Rwanda has no railways. There are plans to construct a railway from Kigali to Isaka (Tanzania), where the Tanzanian railway from Dar-es-Salaam currently terminates, but has not been able to secure funds for this proposal. The construction of this rail section would allow direct rail service from Kigali to the port of Dar es Salaam. (EIU)

The Tanzanian railway that Rwanda uses for some of its freight transport is considered to be unreliable and in poor condition (EIU Tanzania), as detailed in the Burundi section. Attempts to modernise are being made, such as the dry dock at Isaka completed in 1999 (TRC 2002) which allows customs clearance at Isaka with no further customs requirements at Dar es Salaam (TRC 2002).

Ports

Although the port of Dar es Salaam is consistently rated as the most efficient East African port, Rwanda continues to use the port of Mombasa for a majority of its international trade (<http://www.readafrica.com/cmagg.html>). Both ports, however, continue to improve their efficiency as a result of the direct competition for the landlocked countries' trade.

TRADE

Rwanda's trade policy is considered to be one of the most liberal in Sub-Saharan Africa. The government is even now considering establishing the country as an economy-wide free trade zone similar to that of Hong Kong and Singapore. Moreover, the licensing system is considered to be simple and fast, thereby further encouraging trade.

Despite having such a liberal policy, Rwanda did not meet COMESA's October 2000 deadline for elimination of all tariffs on regionally traded goods. Since then, however, it has implemented an 80% reduction. Rwanda hopes to fully eliminate such tariffs by 2004. Its participation in COMESA, and in particular the proposed customs union and CET, will need to be resolved with its proposal for an economy-wide free trade zone.

Rwanda is also a member of the Communauté économique des Etats d'Afrique centrale (CEEAC)¹⁶, and the Communauté économique des pays des grands lacs (CEPGL)¹⁷. Neither of these regional organizations has operated effectively. Rwanda has also applied to join the EAC but there is currently resistance amongst the current members to accept Rwanda until a stable democracy is restored. (EIU)

Like its landlocked neighbours, Rwanda is heavily dependent on primary products, with coffee and tea accounting for 46% of total exports in 2000. Rwanda, however, exports an uncharacteristically high amount of its goods to regional neighbours, primarily Kenya and Tanzania (31% and 13% of total exports respectively). The next most important destinations for Rwandan goods are Germany, Belgium and the United States. Rwanda also imports a high percentage of total imports from regional neighbours Kenya, Tanzania and Uganda (25%, 4% and 3% respectively). The other primary sources of imports are Belgium and UAE (19% and 4 % respectively) (IMF BOPS 2001).

INTERNATIONAL RELATIONS

Plagued by the remnants of a civil war, and one of the worst genocides in modern history, Rwanda has recently begun to establish a semblance of domestic stability. Regional

¹⁶ Member countries include Angola, Burundi, Cameroon, Gabon, Central African Republic, Rwanda, Chad, Congo, DRC, Equatorial Guinea, Gabon, Rwanda, Sao Tomé and Principe

¹⁷ Member countries include Burundi, DRC, and Rwanda

conflicts and less-than-stable relations with neighbour countries, however, have further complicated Rwanda's prospects for development. The most immediate of these crises has been the ongoing civil war in DRC, in which Rwanda is directly involved. In 1999, Rwanda invaded DRC in an attempt to remove the current government of President Laurent Kabila and to protect its western border from Hutu rebel groups. Rwanda backs the Congolese Rally for Democracy – Goma (RCD – Goma). Some suggest that Rwanda's continuing involvement is related to newly developed commercial and political interests in eastern DRC (Reuters 2002a). Earlier this year a tentative peace agreement, providing for the withdrawal of Rwandan troops, was signed (Reuters 2002b).

The conflict in the DRC has also soured relations with Uganda. While Rwandan and Ugandan forces began the war fighting on the same side, a split in the Congolese rebel forces exposed the differing objectives of the two nations. Such tensions have been further heightened by the personal animosity between President Museveni and President Kagame. In 1999-2000, there were several clashes between the two nations in the mineral-rich Congolese town of Kisangani. Both sides appeared close to war in 2001, but attempts at mediation by the UK calmed the situation. Tension between these Rwanda and Uganda is not infrequent, as a 1990 dispute led to the temporary closing of the border.

Relations with another of Rwanda's vital transit neighbours, Tanzania, remain cordial but have been strained by the lingering Rwandan refugee population. Tanzania has called for the repatriation of all refugees by December 31, 2002. Rwanda also harbors suspicions that the Tanzanian government supports Rwandan rebel group. Tanzania denies such accusations.

Rwanda's final transit neighbour, Kenya, partially severed diplomatic ties with Rwanda in 1996, when it ordered the closure of the Rwandan embassy in Nairobi. This followed the arrest of a Rwandan official connected to the assassination of the Rwandan Interior Minister. More recently, Kenya is accused of harboring genocide suspects from the 1994 killings.

AFRICA - WESTERN

BURKINA FASO

Lying in the semi-arid tropical Sahel zone just south of the Sahara, Burkina Faso is confronted by a harsh environmental landscape with high climatic variability. Most of the country is flat, arid and scrubby with only 13% of the land considered arable (CIA). Like other Sahel countries, Burkina Faso is marked by a wet and dry season and is subject to severe recurrent droughts and floods. Desertification also presents a serious threat to Burkina Faso, as overpopulation and overgrazing continue to destroy precious land.

Despite being landlocked, Burkina Faso's geographic position allows it numerous routes to the sea. Most Burkinabe trade, however, still passes through its Francophone neighbours Côte d'Ivoire and Togo. Shorter trade routes through Ghana are less frequently used (less than 5% of Burkinabe transit uses these routes) due to language difficulties, currency problems, and bad road conditions (UNCTAD 95). Moreover, the distribution of Burkina Faso transit trade is highly dependent on the political situation of its volatile surrounding neighbours (i.e. Côte d'Ivoire, Togo). Between 1990-3, as a result of the crisis in Togo, the volume of Burkina Faso transit through the port of Lomé fell by 60%. (UNCTAD 95)

TRANSPORT INFRASTRUCTURE

Although still largely inefficient, Burkina Faso's transport network has seen significant improvements in recent years, reflecting the government's prioritization of this sector. In addition to the US\$360m transport sector adjustment programme recently undertaken, the Burkinabe government has signed several regional agreements and bilateral treaties on transport with neighbouring countries. These agreements focus on the physical integration of the region and the streamlining of border crossings. Often, a special anti-competitive provision is included that reserves two thirds of freight for carriage by vehicles from landlocked countries, often resulting in significant delays as goods at maritime ports wait for the arrival of vehicles from landlocked countries despite the presence of vehicles from maritime nations¹⁸.

Roads

While the two main road corridors from Ouagadougou to Abidjan and Ouagadougou to Lomé are good condition, the poor condition of its road vehicles significantly hinders efficient trade. Most Burkinabe road vehicles are over 10 years old and cannot be fastened or securely sealed to carry international freight. In fact, it is estimated that transporting a load of 500 metric tons of rice from Accra-Tema to Ouagadougou using Burkinabe trucks would cost US\$7,500, or 37.5% more than the same shipment using

¹⁸ Hence, while assisting trucking companies from landlocked countries, it significantly delays goods destined for landlocked countries.

Ghanian trucks (UNCTAD 99). Vehicle overloading has also been a recent problem leading to the increasing deterioration of roads.

In addition to poor transport vehicles, cumbersome administrative processes and border crossings significantly increase the cost of transport. It is estimated that delays at border crossing for customs procedures can range anywhere from 24-48 hours. Trade routes are also littered with rigorous police checkpoints that cost not only time, but often money in the form of bribes. Furthermore, customs escorts are required for transport and only depart three times a week resulting in further delays. Vehicles waiting for a convoy to form often wait on the side of the road not only hindering normal road traffic but also contributing to road damage.

Rail

The Abidjan – Ouagadougou rail corridor is the principal railway serving Burkina Faso. Like much of Africa's rail infrastructure, it is in poor condition and lacks proper maintenance. The average age of the rolling stock exceeds 25 years. A 1995 UNCTAD study reports that the 2,308 km¹⁹ round-trip between Abidjan and Ouagadougou takes approximately 30 days. The deterioration of the railway is also having adverse effects on the road system since more freight must now be shipped by road. Recent efforts to improve this railway, including a \$31m dollar loan from the World Bank, have resulted in sharp increases in carried freight (EIU).

Ports and Waterways

The primary ports serving Burkina Faso, Abidjan and Lomé, are considered to be two of the best ports in Western Africa. Both are well-equipped, competitive, and in good condition with sufficient storage for processing Burkinabe cargo. Burkina Faso, however, only uses a small fraction of its allotted storage space at these ports. The one problem lobbied in negotiations regarding the port of Abidjan concerns the delays caused by cumbersome customs formalities, which can often take up to 10 days.

None of the three rivers passing through Burkina Faso are navigable.

TRADE

The primary destinations for Burkina Faso exports in 2001 were Italy, Singapore and Columbia reflecting the diverse nature of its trading partners. Within the West African region Burkina Faso exported primarily to Ghana. Over 55% of its imports, however, came from either France (24%), Côte d'Ivoire (25%), Togo (4%), and Nigeria (4%) (IMF DOTS 2002).

With the exception of France and Côte d'Ivoire, Burkina Faso's trading partners vary significantly from year to year. "In 1999, for example, Venezuela emerged from a negligible position to become Burkina Faso's top export destination and third most important source of imports." The following year, Venezuela trade declined precipitously, and was replaced by Singapore as the primary destination for Burkina

¹⁹ This is approximately the same distance as a Los Angeles to Salt Lake City, a roundtrip that takes about 30 hours.

Faso's exports. Such extreme variation is often a result of negotiated trade agreements (EIU 25).

INTERNATIONAL RELATIONS

Burkina Faso is a member of several regional trade agreements including the Economic Community of West African States (ECOWAS), Franc Zone, Union économique et monétaire ouest-africaine (UEMOA), and the Comité inter-Etats de lutte contre la sécheresse au Sahel (CILSS).²⁰ The recent proliferation of regional trade agreements has been accompanied by a general liberalization of protection measures: Burkina Faso has simplified its customs tariff, and eliminated specific import duties and non-tariff barriers. As of 1998, however, Burkina Faso's import duties still remained the highest in the UEMOA with an average of over 30% (WTO). Both the UEMOA and ECOWAS plan to implement a common external tariff but the timeline for its implementation has not been followed (not sure of this; WTO 6). Its implementation will force Burkina Faso to further lower protective measures. Burkina Faso also recently agreed on bilateral relations with Ghana, which recognise the importance of the countries' economic integration (newsinghana.com) Burkina Faso is also a member of the WTO, and receives preferential access to developed markets under the Generalised System of Preferences.

²⁰ It is interesting to note that Ghana, Burkina Faso's wealthiest neighbour, is not a member of any of these agreements with the exception of ECOWAS. Most notably, Ghana is not a member of the UEMOA and does not share its common currency, the CFA Franc.

CENTRAL AFRICAN REPUBLIC

The Central African Republic (CAR) does not have a dependable all-weather transport corridor to the coast. With only two primary transport corridors: Douala (Cameroon) to Bangui and Point Noire (Congo) to Bangui, Central African Republic's transport system is particularly vulnerable to both the harsh and unpredictable weather patterns, and the surrounding political crises of the region.

The Douala –Bangui corridor can be subdivided into three sub-corridors:

- rail from Douala to Ngaoundéré, then road to Bangui,
- rail from Douala to Belabo, then road to Bangui, and
- road from Douala to Bangui via Bertoua.

All of these routes are susceptible to the heavy rains and can often be impassable during the wet season.

The Point Noire-Bangui route has been closed to CAR transit traffic due to the recent war in the DRC. When the corridor is not closed due to war, it is preferable for bulk, low-value commodities, but is dependent on river transport on the Oubangui River which requires a minimum level of water only present during the wet season. Two of Central African largest exports, coffee and cotton, are only harvested in the dry season, when the Point Noire corridor is closed. The volatility of world prices for these commodities also further aggravates the difficulties faced by CAR on account of its high transport prices.

TRANSPORT INFRASTRUCTURE

Road

Beyond the difficulties of transport to Bangui detailed above, Central African Republic faces immense difficulties with its internal transport network. Without any rail system, the Central Africa Republic depends almost exclusively on its road network for internal transport. This road system, however, with only 450 km of paved roads centred around Bangui (ITDN) is wholly inadequate for reaching much of the country. In fact, the northern and eastern parts of the country remain largely inaccessible for several months each year during the wet season.

Moreover, rigorous customs procedures on the Douala-Bangui corridor and seemingly arbitrary checkpoints by police, gendarmerie, and the army lead to further delays and higher transport costs. Customs procedures at the border can take as long as two weeks, with goods often waiting at the border for the requisite information to be sent from Bangui. The full Doala to Bangui trip generally takes three weeks to a month. Furthermore, the Central African Customs and Economic Union (UDEAC) has been less successful at streamlining such processes and introducing regional standards than the Economic Community Of West African States.

Rail

The Central African Republic has no rail system. It does depend on the Cameroonian railway for much of its trade passing through Douala. This railway is considered to be in good condition and is operating below capacity. There are, however, delays associated with inadequate transshipment facilities.

Port/Waterways

The Oubangui River, which has traditionally played a vital role in CAR's trade, was recently rendered impassable by the ongoing conflict in the Congo. River transport is also severely limited by the season, only being possible during the wettest months of the year. Even when the river is passable, river transit is extremely slow with the journey from Point Noire to Bangui normally taking 2.5 months. Now that peace has temporarily returned to the DRC, allowing passage on the Oubangui River, the Lake Chad Basin Commission has begun discussing damming the river in order to make it passable year round.

River transport in the Central African Republic also suffers from poorly equipped river ports (i.e. Belabo and Bangui). Now that river transport has reopened, however, plans are underway to develop Bangui's port.

The Douala port has facilities for general cargo, container terminals, and specialised berths for minerals and fruit, but suffers from extensive delays and limitations on access to larger vessels in the access channel which need to be loaded lightly in order to access the port. Port and customs clearance can take as many as 30 days (UNCTAD).

TRADE

The Central African Republic is a member of the Communauté économique et monétaire de l'Afrique centrale (CEMAC), and the Franc Zone. While CEMAC's stated objective is the regional integration of the Central Africa countries²¹, implementation has lagged behind its sister organization UEMOA due to regional instability and resistance from Gabon and Equatorial Guinea. According to the World Bank, only 2.6% of exports from CEMAC countries were traded within the bloc, compared to 11.1% of exports of UEMOA countries.

The recent political crisis in the DRC also had dramatic effects on Central African Republic trade as the DRC closed its border with CAR in order to prevent the cross-border flow of arms. Not only had the DRC provided one of the major transport corridors for Central African Republic, but it had also served as one of its major export destinations within Africa (DOTS). Furthermore, the crisis in the DRC resulted in a fuel shortage in 2000 further hampering the CAR economy (ITDN).

INTERNATIONAL RELATIONS

The Central African Republic, like many of its Western African neighbours, has suffered from a decade of political instability, border disputes, and neighbouring crises. With only

²¹ CEMAC countries include Chad, Congo, Cameroon, Gabon, the Central African Republic, and Equatorial Guinea

two corridors to the sea, however, Central African Republic's trade and economy have been particularly vulnerable to such situations. Both of these corridors, in fact, have been recently affected by either a border dispute or civil war: The recent crisis in the DRC resulted in temporary border closures and fuel shortages, while a 2001 border dispute with Cameroon, ignited by the dismantling of a customs post by Cameroonian official, further hindered the CAR economy.

The Central African Republic has also witnessed increasing tensions with Chad. After the 2001 attack on Bangui by rebel supporters of Colonel Francois Bozzie, CAR official accused the Chadian government of being involved in the attack. The CAR government has also accused Chad of trying to annex the northern part of CAR for its rich oil reserves (Country Report EIU). The Chadian government, meanwhile, accuses the CAR of supporting Chadian rebel groups.

Relations with Sudan were also soured in 1989 when Sudan refused to grant CAR airspace for a trip to Israel. Diplomatic relations were temporarily severed, but have since then been restored. (atlapedia)

Furthermore, as is common in the region, CAR has involved itself in neighbouring crises. It recently sent troops to the DRC and has been attempting to cultivate relations with both Joseph Kabila, president of DRC, and Jean-Pierre Bemba, leader of one of the main rebel movements. The CAR government also attempted to negotiate a settlement between the Chadian government and its opposition groups, and has been accused of supporting the Sudanese government against the Sudan People's Liberation Army (CW). Conversely, troops from Libya, Chad and the Congolese Rebels (led by Mr. Bemba) assisted the CAR government in overcoming the 2001 *coup d'etat*.

CHAD

Chad's challenges as landlocked country and particularly long distance to the nearest ports of Douala (1500 km), Port Harcourt (1700 km) and Point Noire (2215 km) are compounded by one of the worst transport systems in the region. Its density of paved roads is the lowest among all landlocked states; most of the transport tracks are unusable for most of the year during the wet season; and there is no rail system. Moreover, Chad has fallen victim to a vicious cycle of poor transport where poor transport infrastructure has led to the development of numerous regional enclaves making the development of effective transport networks both more difficult, and more necessary. With over 90% of the population living in rural areas, the development of an adequate transport system will be essential to Chad's overall development. It is estimated that transport charges can be as much as 70% of marketing costs, and as much as 80% of the gross margin of local cereal prices in N'Djamena (Herman). Recent efforts to improve this system, including the Transport Sector Adjustment Project 1989-1993 and the Second Transport Sector Project 1994-1999, have seen limited results and a lack of sustainability (PID 8223).

The primary transit corridors for Chad are:

- Douala to Ngaondéré by Cameroon rail, Ngaondéré to the Chad border by road, and then to Ndjamená by road (only 19km): this is Chad's principal trade route
- Douala to Ndjamená by road
- Point Noire to Brazzaville by rail, the river Oubangui to Bangui, and then by road to Ndjamená (less frequently used than the other corridors)
- The corridor from Point Harcourt, Nigeria which passes through Cameroon. However, goods considered to be sensitive (i.e. wheat, rice, maize, wines, vegetables, oils, etc.) are restricted and the Cameroon border crossing presents additional difficulties.

TRANSPORT INFRASTRUCTURE

Given that Chad is almost completely dependent on trade route from Douala to Ndjamená corridor, and that all but 17 km of this route fall in Cameroon territory, Chad's trade is deeply impacted by Cameroon's infrastructure and border facilities, both of which are inadequate. Moreover, despite partaking in regional treaties and bilateral agreements, Chad is still highly dependent on Cameroonian policies and domestic law.

Road

While the roads of Chad's neighbours are in fair condition (although extensive delays are common during the wet season), Chad's internal road network, both primary and rural²², is particularly poor. In fact, Chad's primary road network is not passable for several months of the year. Furthermore, the failure of the rural roads to reach the

²² The distinctions between primary and rural roads in Chad are quite different than those for most African nations. While primary roads normally have an average of 200-500 vehicles per day in Africa, Chad's primary roads generally have a traffic volume of 50 vehicles a day. Similarly, while rural roads have an average of 50 vehicles a day in most of Africa, Chad's rural roads have an average of less than 5 vehicles per day (PID8223).

aforementioned agricultural enclaves has been a major detriment to poverty eradication. The high-potential Salamat, for example, which is considered to be the breadbasket of Chad is unreachable to larger vehicles for almost half the year. The significant impact even marginal transit improvements can have on human development, was dramatically demonstrated in the Karal area in the Chari-Baguirimi where a newly paved road “released a key constraint for the marketing of vegetables and grains, leading to increased incomes, which has led to other improvements including the construction of a school, a dispensary, a group warehouse and a meeting house. Housing improvements from thatch huts to mud-brick and cement-brick houses has also been witnessed as a result of the newly paved road.

Chad’s trade is also hindered by extensive customs procedures and inspections along the road from Cameroon road from Ngaoundere to the Chad border.

Rail

Compounding the difficulties of its poor road system, Chad does not have a rail system. It does, however, depend heavily on the Cameroonian railway from Douala to Ngaoundere which is considered to be relatively good and is currently operating at under-capacity. Improvements in the rail system are also planned with the construction of the new Chad-Cameroon pipeline. (EIU, Exxon)

Ports and Waterways

While the port of Douala has facilities for general cargo, container terminals, and specialised berths for minerals and fruit, it suffers from extensive delays and limitations on access to larger vessels in the access channel. Port and customs clearance can take as many as 30 days (UNCTAD). The Nigerian ports suffer from old port handling equipment.

River transport is also severely limited by the climatic variability. The Oubangui river, a central component of the Point Noire transport route, for example, is normally impassable between February and May.

Pipelines

A 1,500km pipeline is under construction to transport up to 250,000 barrels a day from Chad through Cameroon to an offshore marine terminal near Kribi (World Bank 2003).

TRADE

Chad is a member of the Communauté économique et monétaire de l’Afrique centrale (CEMAC), and the Franc Zone. While CEMAC’s stated objective is the regional integration of the Central Africa countries²³, implementation has lagged behind its sister organization UEMOA due to regional instability and resistance from Gabon and Equatoria Guinea. According to the World Bank, only 2.6% of exports from CEMAC countries were traded within the bloc, compared to 11.1% of exports of UEMOA

²³ CEMAC countries include Chad, Congo, Cameroon, Gabon, the Central African Republic, and Equatorial Guinea

countries. With the completion of the pipeline currently under construction, this promises to be a major export earner.

INTERNATIONAL RELATIONS

Chad continues to maintain strong relations with its neighbours with the notable exceptions of Libya and Central African Republic. It has recently signed an agreement with Sudan that provides for cooperation on issues relating to regional security, borders, and cross-border trade (CountryWatch).

Relations with Libya, however, remain bitter over a disputed piece of land between the two countries known as the Aouzou strip. Speculation concerning the mineral resources of this region led to a violent conflict in the early 1980s in which Libya occupied much of Chad. Although it was finally agreed to take the dispute to the International Court of Justice which ruled in 1994 that the territory belongs to Chad, tensions have remained high amidst accusations that Libya has been supporting rebel groups in the north of Chad.

Chad's relations with CAR have also seen a rapid deterioration stemming from accusations by CAR officials that the Chadian government supported the attack against its capital, Bangui, by supporters of Colonel Francois Bozzie. The CAR government has also accused Chad of trying to annex the northern part of CAR because of its oil resource (Country Report EIU). The Chadian government, meanwhile, accuses the CAR of supporting Chadian rebel groups.

Chad also involved itself in the recent conflict in the Congo by sending 1,000 troops to assist President Laurent Kabila in fighting the rebellion in the Democratic Republic of Congo.

Moreover, since independence Chad has been involved in almost continuous internal conflict. It has suffered greatly from decades of violent civil turmoil stemming from deep ethnic and regional divisions, often between the northern Muslims and southern Christians.

NIGER

Despite being landlocked, Niger has several access corridors to the sea via Togo, Benin, Côte d'Ivoire, Nigeria and Ghana. Only two of these corridors (Nigeria and Benin) provide direct access to the sea with the others requiring passage through a third country. And it is precisely these two direct corridors that serve as the primary transit routes for Nigerien trade. The Benin corridor accounted for 65% of Nigerien trade, while the Nigerian route accounted for an additional 16%.

The Nigerien government, with significant assistance from donor funds (EIU), has also demonstrated a considerable commitment to improving both its international transport corridors and domestic transit system. President Mamadou Tandja recently announced a special programme aimed at improving transport and power systems, which will include the construction of a second bridge over the Niger River at Niamey, and a railway to Niamey from Parakou (Benin). (Country Report Dec 4) The construction of the railway holds great promise for Nigerien transport as it would allow direct rail access to the port at Cotonou. Currently, goods are transported from Cotonou to Parakou by rail, and then from Parakou to Niamey via road. The transit programme has already resulted in the successful development of 400 km of paved roads. Moreover, the Nigerien government has undertaken several bilateral treaties with Benin including the "Accord sur-le transit et l'utilisation du port de Cotonou" which provides Niger with a duty-free area at the port of Cotonou.

Efforts are also being made to liberalise the transport sector, whose monopolistic nature has been traditionally responsible for escalated costs. Until recently, most Nigerien transport was dominated by monopolies: the Organisation commune Benin-Niger (OCBN), a joint parastatal railway company, had a monopoly of transit from Cotonou to Parakou, and a monopoly to organise transshipment and onward transit to Niamey; and the national road transport company, Societe Nationale des Transports du Niger (SNTN) held a monopoly on mining freight. While the government has allowed for the liberalization of the sector, implementation has thus far been slow. Despite these efforts, however, the road transport union (Synidcat des Transporteurs Routiers du Niger, STRN) has implemented a system to "allocate domestic passenger traffic and international freight from Benin and Togo" that establishes tariffs at a rate two-thirds above those set by Beninese truckers. (UNCTAD, WB)

TRANSPORTATION INFRASTRUCTURE

Road

Niger's primary international road corridors and domestic road network are both in relatively good condition. The principal challenges facing the Nigerien road system, include police harassment, cumbersome border delays, poorly maintained vehicles, frequent accidents, and a lack of competition amongst transport services. The national road transport company (SNTN), for example, did not purchase any new vehicles between 1983 and 1995. Such poor maintenance contributes to the large number of road

accidents which are estimated to have cost the Nigerien economy nearly US\$3 million dollars. Moreover, shortly after the Cotonou (Benin) – Niamey (Niger) road was freshly paved and upgraded it remained virtually unused for transport as the governments of Benin and Niger, having a monopoly on the rail route from Cotonou (Benin) – Parakou (Benin), refused to authorise its use.

Rail

Although there is currently no domestic rail system in Niger, the Beninese railway to Parakou plays a major role in Niger's transit accounting for approximately 65% of all its transit trade (UNCTAD 1995). The railway suffers from similar problems to the other rail networks of the region: old, poorly maintained rolling stock and infrastructure, and inadequate transshipment facilities. Furthermore, the current stock is often insufficient to handle the high volume of trade during the peak cotton harvest season.

The construction of a railway from Parakou to Niamey, which would allow direct rail access to the sea, has also been proposed.

Ports/Internal Waterways

The Cotonou port, the most important port serving Niger, is considered to be not as well equipped and less efficient than some of its Western African counterparts (i.e. Abidjan or Lomé). Moreover, the port of Lagos, another major port serving Niger, recently suffered from extreme congestion as a consequence of the implementation of 100% inspection of imported cargoes. The congestion, is estimated to have led to a 35% increase in the prices of certain manufactured goods (<http://www.otal.com/ponig.htm>) The port of Lagos, was also temporarily closed in 1999 due to surrounding violence. In contrast, the third major port for Nigerien transit trade, Lomé, is scheduled to become a hub for central and western African trade with the new construction of a US\$100m container handling facility. The new facility will provide loading and unloading for large container ships, which will reduce loading and unloading times significantly. (<http://www.otal.com/polom.htm>)

INTERNATIONAL RELATIONS

Niger continues to maintain a good rapport with its neighbours. Economic and trade relations remain particularly strong with Nigeria, Niger's most important regional trading partner. Relations with Libya also remain strong, abetted by President Khadafi commitment of Libyan aid to several development projects in Niger (CW). Niger also signed an agreement with Sudan in 1998 to increase cooperation and facilitate trade amongst the two countries. Moreover, the one source of ongoing confrontation, the border dispute with Benin over the island of Lété, appears to be nearing its conclusion with both sides agreeing to hand it over to the International Court of Justice for arbitration, and to abide by the ruling.

Despite this general state of rapprochement with its neighbours, Niger has suffered both from domestic internal political conflict, and surrounding political crises. The crisis in Togo in the early 90s, for example, had series effects on the structure of Nigerien trade as much of it had to be diverted to other, less convenient ports. Recent crises in Nigeria, led

to the closure of the Lagos port and subsequent increases in prices (see above). Even the ongoing conflict in Côte d'Ivoire is expected to have effects on the Nigerien economy, as transport bottlenecks "will reduce the supply of intermediate inputs." (EIU outlook for 2003). In addition to these regional crises, Niger has been plagued by continuing domestic turmoil since independence. The last decade has been no exception with the continuing violence by the Tuareg rebels, several attempted political coups (two in the last three years), and the assassination of President Maïnassara.

TRADE

Regional exports to its Western African neighbours, account for a particularly high percentage of Nigerien trade (42%). Of these neighbours, Nigeria is exceedingly the most important trade partner absorbing nearly 90% of all Nigerien exports to Africa, and 37% of all Nigerien exports. The primary exports traded along this corridor include livestock, vegetables, and products of Niger's cotton industry (EIU). Niger also imports substantial quantities of oil and electricity from Nigeria. Outside of the immediate region, Niger trades primarily to France. This trade, however, is of a different nature being dominated by uranium and other ores.

Niger is a member of several regional trade agreements including the Economic Community of West African States (ECOWAS), Franc Zone, Union économique et monétaire ouest-africaine (UEMOA), and the Comité inter-Etats de lutte contre la sécheresse au Sahel (CILSS) which have been introduced to promote regional integration. The majority of Niger's imports, however, come from outside of the Union économique et monétaire ouest-africaine. Interestingly, Nigeria, Niger's most important trading partner in the region, is not a member of UEMOA. Imports from non-member states are taxed at a rate of 34-57 percent. (ITDN).

MALI

Transit trade is particularly important for the Malian economy, which depends more heavily on export trade than the other landlocked countries of West Africa. Moreover, with no domestic manufacturing sector, Mali must import nearly all of its consumer products and energy supply (i.e. oil).

While Mali has seven neighbours, only two of those countries are effective transit neighbours – Senegal and Côte d’Ivoire. Trade through other neighbours is hindered by poor infrastructure levels (Guinea), the physical barrier of the Sahara (Algeria, Mauritania), or they themselves are landlocked (Burkina Faso, Niger). Coupled with this is the high propensity for civil war in its neighbours: each of Mali’s coastal neighbours has been involved in violent civil conflict in the last decade, often making transport routes unavailable.

TRANSPORT INFRASTRUCTURE

Mali’s main trade routes are the rail system from Bamako to Dakar, Senegal and the road network from Bamako to Abidjan. As is common in the region, however, recent deteriorations in the condition of the rail system have shifted trade towards the road network: from 1993-1999 the market share of the railway fell by nearly 50%.

Due to the recent crisis in Cote d’Ivoire, however, the road corridor to Abidjan has been effectively impassable. Given that 80% of Malian imports passed through Cote d’Ivoire, an increase in the Malian price level is expected. Shortages of basic necessities and significant increases in the prices of consumer products are already being reported although no official data are available. The local press has also estimated “that 8m tonnes of imports, mainly rice, sugar and construction materials, were blocked in the port of Abidjan after the outbreak of civil unrest.” (EIU)

Mali’s domestic transport system, is considered to be relatively poor within the region and has resulted in inflated transport costs. The World Bank estimates that transport costs account for 20-30% of the total cost for Mali’s most essential products.

In 1991 Mali set up a Transport Sector Commission to restructure the transport system and engage the private sector in an attempt to improve competitiveness. A Road Fund was also set up in 2000. (PID 11522)

Road

The primary road corridor for Malian trade is from Bamako to Abidjan. As discussed in the Burkina Faso study, this road is in very good condition but suffers from cumbersome border processes and delays resulting from obligatory customs escorts. In addition to this, Mali’s road transport efficiency has suffered from a unique excess of vehicles, an indirect consequence of the emergency food aid delivered during the drought in the early 1980s. The excess capacity places a downward pressure on transport prices, often making it unprofitable, and leads to frequent overloading. In addition, low transport prices have

discouraged investment which has resulted in an aging stock; over 95% of trailers and tankers are more than 11 years old (PID 11522).

Internal road infrastructure, however, in Mali is considered to be poor and inadequate. Its road density of .01 km of road/km² remains one of the lowest in Western Africa and is the lowest amongst all landlocked countries. Moreover, maintenance backlogs and insufficient resources continue to contribute to further deterioration. Internal delays in transport are acutely felt in Mali as the economy is agriculturally based. Perishables such as mangoes, tomatoes, and oranges can often spoil as a result of excessive delays (WB 23864). A recent World Bank study estimates that US\$7-8m is needed annually for road maintenance. This is approximately US\$3m more than the current expenditure of US\$4.6 million a year. (WB PID11522)

Rail

Mali's most important rail corridor from Bamako to Dakar is in poor condition. Both the rails and rolling stock are old, and maintenance is inadequate (UNCTAD). In fact, the poor condition of the track limits speeds to under 50 km/hour (UNCTAD). Poor management and quality of service have also been a particular concern for this corridor. In 2000, the Malian parastatal company, Regie Nationale du Chemin de Fer du Mali (RCFM), that operates part of the railway, suffered losses of US\$2.5 million.

The governments of Mali and Senegal, however, have made recent attempts to improve the efficiency and commercialise the rail system including an agreement to transfer the rail services to a private operator.

Ports

Mali trades primarily through the ports of Dakar and Abidjan, which are both in good physical condition. As in the case of Burkina Faso, Mali does not fully utilise its exclusive port facilities (both warehousing and other physical capabilities) at Dakar or Abidjan, which exceed the demand generated by Mali's current transit trade (UNCTAD). There are, however, some complaints about the cargo handling and stowage services at Dakar. Before the current crisis in Cote d'Ivoire, most of Burkian Faso's exports left from the port of Abidjan, as it is geographically closer to the center of Mali's cotton production, while most imports entered from Dakar which is considered to have less cumbersome import customs procedures

River transport in Mali is limited as it is highly dependent on the level of rains and limited to only a few months of the year.

TRADE

Mali is a member of several regional trade agreements including the Economic Community of West African States (ECOWAS), Franc Zone, Union economique et monetaire oust-africaine (UEMOA), and the Comite inter-Etats de lutte contre la secheresse ay Sahel (CILSS). It is has a relatively open trade regime compared to its neighbours and has been in compliance with the tariff reductions adopted by the UEMOA. Moreover, Mali has not implemented any of the safeguard measures (i.e.

antidumping tariffs, decreasing protection tax) that several other countries of the UEMOA have. (IMF). Mali is also a member of the WTO, and receives preferential access to developed markets under the Generalised System of Preferences.

Despite recent efforts at regional integration, such improvements will be difficult owing to the similarity of resources and economies of the region, and the frequent regional political crises.

Cote D'Ivoire has traditionally been the primary source of imports for Mali, making the effects of the current crisis on Mali even more severe.

INTERNATIONAL RELATIONS

Upon declaring independence in 1960, and thereby ending the Federation of Mali (which had included Senegal), Mali lost its coastline and direct access to the sea. Since then, an unstable border and tense relations with its neighbours have compounded the challenges facing Mali as a landlocked state. Relations with Mauritania, for example, are tense and have suffered from deep-seated resentment between black Malians, and Mauritanian Arabs and Tuareg²⁴. Moreover, a border dispute with Burkina Faso in 1985 erupted into armed violence and has led to a legacy of strained relations between the two nations.

Perhaps even more detrimental to Mali's development, however, are the ongoing political crises and civil wars of its neighbours. Each of Mali's coastal neighbours has been engaged in some form of violent civil conflict in the last decade often making transport routes unusable. Togo was devastated by violent political protests and deep internal conflict in the early 90s; Algeria was involved in a macabre civil war for much of the decade; Ghana suffered from ethnic violence primarily between 1993-4; Sierra Leone's ten year civil war has just recently come to a tenuous settlement; Guinea has been stricken by a series of coups and rebel wars; Liberia's has spent most of the decade in violent civil wars which have threatened to spillover into neighbouring countries, thus jeopardizing regional stability even further; and finally, and most importantly for Mali, Cote d'Ivoire, a regional paradigm of stability, has recently fallen into a devastating political crisis which continues to deepen and has had severe effects on Mali's most important corridor to the sea (the Bamako-Abidjan road corridor). In other words, while Mali has been recognised for its recent political stability and commitment to democracy, its economy has suffered incommensurately as a result of regional conflict and instability.

Moreover, Mali's current president Alpha Konaré has been a regional leader in attempts to bring stability and economic integration to the region. Mr. Konaré recently ended his term as the chairperson of the ECOWAS, and is currently the president of UEMOA. Mali was also recently a non-permanent member of the UN Security Council. (EIU)

²⁴ Mauritania does not have diplomatic relations with Senegal, an ally to Mali.

ASIA - CENTRAL

As part of the Soviet Union, the Central Asian republics were integrated into the Soviet command economy. Their specific role in this system was primarily to provide natural resources (in particular petroleum and metals) as well as agricultural products (cotton and grain) to processing industries and principal markets in today's Russia and Ukraine. As a result rail transport links were developed to facilitate the extraction of natural resources and non-perishable agricultural goods. In the aftermath of the collapse of the Soviet Union the Central Asian countries face common problems:

- The countries' borders were drawn up by Soviet bureaucrats and do not reflect natural geographical or ethnic boundaries. In addition a number of countries have small enclaves in neighbouring countries.
- Rail and road connections within Central Asia have been built without regard to today's international borders. As a result, important domestic transport arteries often pass through neighbouring countries, which can result in long delays and additional costs. This requires a costly reconstruction of the countries' domestic transport infrastructure.
- Most major transport routes are directed towards Russia and the Ukraine. As a result connections through China, Iran, and Afghanistan have been poorly developed. This dependence on Russian and Ukrainian transport links has been used in the past by both countries as a political bargaining chip. It acts as a serious constraint on the countries' ability to increase their oil and gas exports. The chronic instability of Afghanistan as well as US pressure against developing economic ties with Iran further exacerbate the countries' reliance on Russia and the Ukraine.
- The Soviet command economy allocated specific roles to each region. One consequence is that all railway rolling stock is produced in Russia and Ukraine, which has severely hampered efforts to maintain and upgrade the all-important railway networks. More broadly, central planning has made it impossible for the Central Asian countries to develop a broadly diversified economy.

INTERNATIONAL RELATIONS

Relations between the CIS Central Asian countries vary. Kazakhstan has been promoting interregional cooperation through advocating a regional economic community. Despite a number of international agreements signed, there has been little progress on the ground towards promoting intra-regional trade and political cooperation - including important areas of international watershed management, security cooperation, and energy exports. Turkmenistan stands out within the region due to its isolationist policies that have strong nationalist tendencies. In particular relationships with Uzbekistan have deteriorated steadily over recent years. Kyrgyzstan and particularly Tajikistan have contributed to

regional instability due to the rise of militant Islamist movements that are active in both countries and frequently cross the border into Uzbekistan's Fergana Valley.

On balance, there has been no significant trend towards closer regional cooperation despite the widely accepted economic imperative to do so and the acute need for cooperation on environmental policies (c.f. the drying up of the Aral Lake, management of scarce water resources during the summer months), national security, and transport infrastructure.

AFGHANISTAN

Two decades of war, harsh geographic conditions (including earthquakes, mountainous terrain, harsh winters, and vulnerability to drought), a corrupt government, and very poor infrastructure have all exacerbated Afghanistan's geographic position of severe landlockedness, being over 1600km from the nearest port, Kabul. While the extremist Taliban government has been removed, warlords continue to dominate many of the main trade routes limiting access to the country. In response to illegal cross-border traffic, the Pakistani government has tightened transit regulations causing further difficulties for Afghanistan.

Afghanistan's three potential trade corridors are northward to the port of Riga (Latvia), south to the port of Karachi (Pakistan), and west to the port of Bandar-e Abbas (Iran). The third of these routes was not a significant transit corridor until after September 11 when it became important for aid cargo. The northern corridor through the former Soviet Union takes about 3 weeks and has declined in importance since the withdrawal of Soviet troops from Afghanistan. The corridor through Karachi remains Afghanistan's principal corridor, but has recently suffered from stricter Pakistani transit controls (primarily on Afghani exports) in response to illegal trafficking.

TRANSPORTATION INFRASTRUCTURE

Road

After the initial American and Soviet construction of Afghanistan's roads in the 1960s and 1970s, intended to better connect each superpower to their regional sphere of influence, little has been done to maintain the infrastructure. Two decades of war and neglect have all but destroyed Afghanistan's internal road network, with nearly 50% of the primary network being considered in very poor condition (IDI, Japan). Even the most essential transport corridors have fallen into a state of complete deterioration. The Salang Tunnel, which provides a main link between the north and south of the country, and transporting more than 70% of Kabul's fuel supplies has become not only a source of inordinate bottlenecks but also a potential death trap. A recent flash flood halted traffic for over 10 hours, while a February 2002 avalanche resulted in five deaths from asphyxiation.

Moreover, the road system was initially designed by the US and USSR to connect the major urban centres of the country. The resulting ring-like structure of the network, with few linking roads provides little access to rural communities.

The international community has recently shown an increased interest in revitalizing Afghanistan's transport infrastructure. Emphasis has been placed on improving the ring network and international links; the Asian Development Bank estimates that it will cost \$650 million to repair these trunk roads. The primary donors include the ADB, the World Bank, the United States, the EU and Saudi Arabia.

Rail

In the late 19th century Abdur Rehman, father of the modern Afghan state, proclaimed “as long as Afghanistan has not arms enough to fight against any great attacking power, it would be folly to allow railways to be laid throughout the country.”

(<http://europe.cnn.com/2002/WORLD/asiapcf/east/01/21/afghan.rail/>) He continued by barring trains from the Afghan state. Over a century later, Afghanistan remains without a rail system, despite several attempts. Neighbouring countries’ rails, constructed during the “Great Game” when Russia and British were rushing to lay tracks through Central Asia, terminate at or near the Afghan border. In an attempt to take better advantage of these surrounding rail links, the Afghan government has recently proposed a \$120 million project to develop a functional rail system.

Port

Afghanistan depends primarily on the ports of Karachi (Pakistan) and Bandar Abbas (Iran) for its overseas freight traffic. The port of Bandar Abbas is primarily used for humanitarian aid imports. It offers modern facilities and is considered to be operating relatively efficiently. The port of Karachi is also a major regional port, with 98% of Pakistan’s total foreign trade traveling through this port. It is being modernised with US\$91.4m of assistance from the World Bank. According to a 1965 agreement, called the Afghan Trade Transit Agreement, all goods can pass through Pakistani ports to Afghanistan duty-free. After the incidents of September 11, 2002, however, stricter border controls were introduced and the agreement abandoned. It is estimated that billions of rupees worth of goods lay at Peshawar (on the Afghan-Pakistani border) and Karachi, awaiting export and costing Rs3000-5000 per day. In May of this year, Pakistan began allowing goods destined for Afghanistan to pass duty free again.

TRADE

Afghanistan’s economy has been decimated by the past two decades of war. During the Soviet incursion, the Soviet army destroyed much of Afghanistan’s agricultural economy under its “scorched-earth” policy. In retaliation, the Mujahideen destroyed the advanced infrastructure associated with the Soviets. Formal trade is now considered to be negligible, although official data is sparse. Unofficial trade including the opium trade and re-export trade to Pakistan, however, continues and is an increasing source of tension with neighbouring Pakistan. Recent efforts to curb such trade by Pakistan have had a significant impact on the Afghani economy.

Afghan’s political instability has also prevented it from fully exploiting its rich resources of oil, gas, coal, iron, chrome, and copper. Moreover, its location between the rich oil and gas reserves of the Caspian and Indian Oceans allows the potential for serving as an energy transit corridor. Talks between a US oil company and Afghanistan have resumed, after being halted in the mid 1990s, concerning the construction of a Turkmenistan-Afghanistan-Pakistan pipeline.

Afghanistan is not a member of any major regional trade organizations and has not gained admission to the WTO.

INTERNATIONAL RELATIONS

Marred by over two decades of internal war, Afghanistan is just beginning to emerge from the resulting political isolation. The removal of the Taliban regime in 2001 has allowed Afghanistan to begin to foster secure regional relations with Russia, Iran, and Pakistan. Bilateral relations with these countries was previously characterised by tumult and instability, mirroring Afghanistan's internal situation. Pakistan, for example, which initially supported the Taliban, severed relations shortly after the incidents of September 11, 2002. Pakistan President Musharraf closed the Afgan-Pakistani border and asked the Taliban to remove all its consulates from Pakistan.

Iran strongly opposed the Taliban and openly supported the Northern Alliance, an opposition group. Tensions between the two governments escalated to the brink of war in 1998 when 10 Iranian diplomats were killed.

Since the collapse of the Taliban, all three of Afghanistan's strategic neighbours have made an effort to establish closer links and preserve Afghanistan's internal stability, which will be vital for the overall stability of the region. The Russian government has promised assistance to Afghanistan in rebuilding its economy and supporting its military. Russian President Vladimir Putin recently commented that "Russia has no other goals in Afghanistan except one- to see an independent, prosperous, neutral, and friendly Afghanistan." (The Russia Journal Daily: Karzai discusses plans for Russia's Help) The past year has also witnessed unprecedented levels of cooperation between Afghanistan and Pakistan. After the Afghan government demonstrated an increased willingness to curb the re-export trade, Pakistan responded by reinstituting the Afghan Trade Transit Agreement. Afghanistan's relations with Iran have also shown dramatic signs of improvement, symbolised by Iranian President Mohammad Khatami's August 2002 visit to Afghanistan, the first by an Iranian President in 40 years.

KAZAKHSTAN

Before independence in 1991, Kazakhstan's specialised role in the Soviet Economy was focused on wheat production, metallurgy and mineral extraction. In turn, Kazakhstan could count on a captive market of its goods – regardless of their quality – and on a steady supply of underpriced energy and other cheap inputs. With the Soviet collapse these chains of production and trade were severed and as a result GDP fell by 36.1% between 1990 and 1996.

Kazakhstan relies on oil and base metals for the bulk of its export revenue as it has significant deposits of petroleum (0.8% of world reserves), natural gas (1.2% of world reserves), coal, iron ore, manganese, chrome ore, nickel, cobalt, copper, lead, zinc, bauxite and uranium (CIA 2002; EIU 2002).

Kazakh oil fields lie in the west of the country, in particular along its Caspian shore. About 80% of all oil in Kazakhstan is produced by foreign-owned companies. The oil is transported using a pipeline built by the Caspian Pipeline Consortium that connects the western oilfield of Tengiz to the Black Sea through Russia.

Production costs in Kazakhstan's future Caspian Sea offshore fields are likely to be as high as \$8/barrel – compared with \$3/barrel in the Persian Gulf. Export pipeline fees through the Caspian Pipeline Consortium add another \$3.6/b to the cost of production²⁵. It is estimated that these fields will probably need to earn \$15/b to break even (EIU 2002).

Base metals and other exports are exported largely using the railway system through Russia and China.

TRANSPORT INFRASTRUCTURE

Roads

Roads are in poor condition. In 1996 only 10% of Kazakhstan roads could accommodate trucks with an axle load of 10 ton (ESCAP 1996). Car ownership, at around 6 per 100 inhabitants, is the highest in Central Asia, but is low by international standards. According to the Kazakhstan government, difficult natural and climatic conditions as well as a lack of suitable exits to China, India, Islamic Republic of Iran, Pakistan and Turkey constrain the development of automobile transport. The government places a priority on developing road facilities further with a view towards creating high-speed highways with international connections to the CIS countries and abroad (KIPC 2001).

The road system is important for domestic cargo movement as it accounted for 74% of all domestic freight transport (Kazakhstan Statistics 2001). However, many traditional transport ties with neighbouring countries have been severed in the wake of

²⁵ This compares very favorably with the cost of rail transport (\$7/barrel)

independence. As of 2000 only very few of the original bus connections between Central Asian republics remained (Mayhew et al. 2000).

Rail

Kazakhstan depends heavily on its ageing and badly maintained railways, which constitute the main form of transport. These include 13,600km of lines of which 5,500km are double-track and some 4,000km are electrified. Rolling stock and spare parts, which have to be imported from Russia and Ukraine are in short supply (EIU 2002).

Kazakhstan uses trains to transport parts of its oil production to the Black Sea at a cost of \$7 per barrel (compared to \$3.6/b for the pipeline from Tengiz to the Black Sea).

The country recognises the importance of international rail connections and has been actively expanding its network. Through the opening of the Druzhba-Alashankou and Tedjen-Serakhs-Meshed transit routes, Beijing is now connected via Almaty to Istanbul as well as Western Europe. There is potential that this transport corridor will eventually rival the Trans-Siberian railway and maritime routes.

Rail traffic to China is complicated by a difference in track gauge standards. This requires border terminals for changing the wheels on carriages. The Kazakh government has opened a new transshipment terminal in Druzhba in 1998 to facilitate transshipments to China.

See the rail section in the Uzbekistan chapter for major export corridors and indicative pricing.

Pipelines

Kazakhstan still relies heavily on the pipeline system that was designed during the Soviet Union to ship Kazakh oil from the Western part of the country to Russia and to bring Russia's Siberian oil to Kazakhstan refineries.

A key problem facing the country today is that important potential oil and gas export routes traverse the territory of two of Kazakhstan's competitors in the global energy markets, Russia and Iran. The closest ports on the high seas are on the Russian and Georgian Black Sea coasts. Kazakh barges can enter the Black Sea through the Volga-Don canal, but this is also a Russian sovereign waterway.

In 2001 Kazakhstan opened the Caspian Pipeline Consortium pipeline from Teniz to Novorossiysk on the Black Sea. The pipeline is expected to initially carry 28 million tons per year with a potential for 67 million (KIPC 2000). However, most Black Sea traffic needs to pass through the Bosphorus. This narrow waterway may impose constraints on the overall amount of oil that can be shipped to the Mediterranean. A costly alternative would be the construction of a bypassing pipeline through Bulgaria. To date it is not clear how much of a constraint the narrow Bosphorus may be on scaling up Kazakh oil production while maintaining some degree of independence from Russian and Ukrainian pipeline networks.

Waterways

Water transportation is the third most important element in Kazakhstan transport system. The length of water routes is around 6,000 kilometers. The Irtysh is the main navigable river in the country, accounting for about 80% of cargo transported by river. The Caspian is increasingly used for international shipment of dry cargo, crude oil and oil products. Today it provides connections with Iran, Transcaucasia and, via the rivers and canals of Russia, with the Black and Baltic seas(KIPC 2000). The latter routes can only be used by barges.

TRADE

On the export side, Kazakhstan relies on two main commodities for the bulk of its export revenue: oil (50.2%) and base metals (23.5%). As a result, the economy depends highly on the price of these two commodities. At the same time the economy is highly import-intensive since most domestic manufacturers have been crowded out by the oil and gas sector and cannot meet local demand for either capital or consumer goods.

Kazakhstan's largest trading partner is Russia (19.5% of exports and 48.7% of imports (IMF DOTS 2002)). Other export partners include Italy (9.8%), China (7.3%), Germany (6.2%) and Switzerland (5.3%).

INTERNATIONAL RELATIONS

Kazakhstan has good relationships with all its neighbours. The country had several border disputes with other former Soviet Republics after gaining full independence in 1991, which have now all been settled by mutual agreement – including recent disputes with Uzbekistan. The country has also settled its claims on the Caspian with Russia and Azerbaijan. Kazakhstan has so far not been drawn into the looming conflict between Azerbaijan and Iran over claims to the Caspian.

Its long-serving President Mr. Nazarbayev is keen on regional cooperation schemes as building blocks for the promotion of free trade. However, recent initiatives such as the Eurasian Economic Community (EEC) have so far not significantly enhanced intra-regional trade.

KYRGYZSTAN

Being over 3600 km from the nearest open seas port, Kyrgyzstan is the second most remote of all landlocked countries. Its extreme average elevation of 2,750 m, with 40% of its territory over 3,000m, further exacerbates the physical transit challenges faced by Kyrgyzstan. Moreover, ongoing regional instability and border disputes with neighboring China, Uzbekistan, and Tajikistan have resulted in sporadic border closures, and have prevented the effective implementation of any multilateral agreements. While it Kyrgyzstan is slowly changing, its transportation network is primarily the remnants of the Soviet system, and does not reflect the changing nature of the Kyrgyz economy and its trade patterns.

TRANSPORTATION INFRASTRUCTURE

Road

Since the collapse of the Soviet Union, much of Kyrgyzstan's extensive paved road network has fallen into a state of disrepair. Primary roads of the Asian Highway connect Kyrgyzstan to neighboring Tajikistan, Uzbekistan, Kazakhstan, and China. Most of its international roads have presented significant challenges, however. The primary road to Tajikistan is not an all weather route, and is often rendered impassable during the harsh winter months of November-February. Transit is further complicated by the complicated geopolitical situation, and disputed boundaries between the countries. From October-December 2002 Tajikistan erected an *ad hoc* border post to harass Kyrgyz travelers. In retaliation, Kyrgyzstan set up a similar post. (http://eng.gateway.kg/cgi-bin/page.pl?id=1&story_name=doc3794.shtml). The border with Uzbekistan suffers from similar geopolitical disputes, as boundaries are fiercely disputed. Uzbekistan also defends its border with particularly stringent border regulations, and sometimes even physical boundaries. In one recent case, Uzbekistan placed cement blocks on a bridge at the Karu-Su border crossing. Transit to China, has the option of passing through two routes: the first, the tortuous Torugart Pass at 3900 m presents serious physical obstacles; the second, the Irkeshtam crossing has just been developed, presenting other difficulties. As of January 2002, the border was still closed to vehicular traffic – freight needed to be unloaded and reloaded at the border. Such restrictions are largely a product of Kyrgyzstan's failure to develop adequate border facilities; the Chinese have already built a modern border facility. Roads passing to Kazakhstan do not suffer from such acute problems and have benefited from an effective border delimitation between the two countries

Internal transport in Kyrgyzstan faces the same difficulties as international transport: poor infrastructure, geographic constraints, and geopolitical difficulties. The 600 km journey between the nations' two main cities, Bishkek and Osh, for example, is reported to take 16 hours. Mountains divide the country into distinct north-south regions, severely limiting transport between the two. Moreover, the presence of surrounding nations' enclaves in Kyrgyzstan often requires internal transport to pass through international borders subject to the same strict control as the other borders.

Kyrgyzstan has begun road rehabilitation projects with assistance from international donor agencies. Attempts to streamline regional border crossings have faltered as a result of ongoing geopolitical tensions and regional corruption. The TIR Carnet, for example, which allows freight to journey to its final destination (often Russia) without undergoing intermediate customs procedures was suspended in Russia on 24 December 2002. The suspension was levied by the International Road Transport Union in response to Russian customs officials who were using the system as “an effective tool for protecting organised crime.” (The Financial Times, December, 2002, “Russian border freight threat”)

Rail

Kyrgyzstan’s mountainous terrain makes rail transport particularly difficult. Moreover, the rail network was constructed during the Soviet era and presents several problems: firstly, the international rail corridors only provide links north through Uzbekistan and Kazakhstan to Russia, not to China; secondly, the rail network is not appropriate for the current political boundaries, as domestic transport through Kyrgyzstan now often requires passage through parts of Uzbekistan and Kazakhstan, complicating internal transport. Both problems are presently being addressed: Kyrgyzstan has recently reached an agreement with China to construct a railway from Fergana, Uzbekistan to Kashgar in China; plans for an internal north-south railway in Kyrgyzstan are also being discussed.

Port

Kyrgyzstan’s freight is mainly shipped from the eastern Black Sea ports. Trade also passes through the northern Baltic Sea ports. These ports do not present any serious constraints to Kyrgyzstan’s freight transit (<http://www.bisnis.doc.gov/bisnis/leads/990830tt.htm>).

TRADE

Kyrgyzstan has avidly pursued a democratized liberal market economy, and boasts one of the most liberal trade regimes amongst the former Soviet states. As of December 2002, Kyrgyzstan was still the only CIS state to gain accession into the WTO. Kyrgyzstan has also been relatively successful in diversifying its economy –its newly developed gold mining sector as well as its services sector now contribute 30% of GDP. Its dependence on fuel imports, however, has been a significant constraint to development.

Kyrgyzstan has also become less dependent on the markets of neighbouring Russia and Kazakhstan for its exports. The Russian share of total exports has fallen from 23% in 1995 to 14% in 2001; Kazakhstan’s share has fallen from 24% to 14%. Kyrgyzstan’s imports from its regional neighbors have been erratic over the five-year period, but have not seen significant overall changes. Such trade patterns reflect the general failure of Kyrgyzstan’s regional trade agreements to facilitate its intraregional trade. In 2001, Kyrgyzstan exported primarily to Switzerland and Germany, which, combined, accounted for 46% of total exports.

Kyrgyzstan is a member of the WTO, Commonwealth of Independent States, Economic Union of the CIS, European Bank for Reconstruction and Development, Central Asian Economic Union²⁶, and the Eurasian Economic Union²⁷.

REGIONAL RELATIONS

Traditionally recognized as a paradigm of relative internal stability, Kyrgyzstan has actively pursued strong relations with its neighbours and regional CIS countries. It shares the closest political ties with CIS countries and has ambassadors in all CIS capitals. Despite these attempts, however, tensions with neighboring Uzbekistan and Tajikistan persist, stemming largely from disputed boundaries. The regional instability caused by Tajikistan's civil war has also destabilized much of Kyrgyzstan's western region and hampered bilateral discussions to reach a border agreement. Cross-border riots are common, and have recently involved the destruction of a Kyrgyz border post by Tajik villagers. In retaliation Kyrgyz villagers destroyed a Tajik border post. There have also been reports of Tajik border officials harassing Kyrgyz citizens at border crossings. The Kyrgyz governor does not, however, blame the Tajik government but rather separatists attempting to destabilize the region.

Kyrgyzstan's strained relations with Uzbekistan, which has shown expansionist tendencies, are characterized by similar problems which are complicated by Kyrgyzstan's dependence on its larger neighbor for its natural gas. Uzbekistan has used this dependence as a weapon to influence Kyrgyz policy: gas supplies were cut off in 1993 when Kyrgyzstan became the first former Soviet republic to introduce its own currency, and again in 1998 when Kyrgyzstan became the first former Soviet Republic to gain accession into the WTO

(<http://www.rferl.org/nca/features/2001/04/26042001120211.asp>).

Moreover, Uzbekistan has ardently defended its borders with strict controls. In 2000, it even erected fences and minefields around border areas.

Beyond its immediate border tensions, Kyrgyzstan is developing closer relations with the two regional powers, Russia and China. In July 2000, Kyrgyz President Askar Akayev and Russian President Vladimir Putin signed a Declaration on Eternal Friendship, Allied Relations and Partnership between Russia and Kyrgyzstan. Kyrgyz-Sino relations have also witnessed recent signs of improvement, including the joint venture to build a railway from Fergana to Kashgar. In 1999, the two countries signed an agreement resolving a border dispute. The agreement, by which Kyrgyzstan ceded territory, however, sparked recent unrest as thousands of Kyrgyz citizens blocked the arterial highway from Osh to Bishkek for over a week.

²⁶ The CAEU also includes Kazakhstan, Uzbekistan, and Tajikistan.

²⁷ The EEU also includes Russia, Kazakhstan and Belarus, and Tajikistan

TAJIKISTAN

Tajikistan's extremely mountainous terrain limits the capabilities of rail transport, and has placed an increased dependence on its extensive road network. As Travel Tajikistan's website warns, however, while driving the international corridor roads is possible "it is not advisable unless you have a great love of bureaucracy." Beyond the bureaucratic constraints, each of Tajikistan's potential corridors faces other significant challenges:

- The Uzbek corridors which carry 80% of Tajikistan's international traffic are all subject to arbitrary and frequent border closures by the Uzbek government. Such closures are often used by the Uzbek government as a political weapon. The roads were closed for several years in the late 1990s; in December 2000, after reopening the roads earlier that year, the Uzbek government once again decided to close the roads, citing independence anniversary preparations as the reason.
- The highway to Kyrgyz presents another possible option but is hampered by frequent violence along the border. Moreover, this option is not particularly promising as Kyrgyzstan is also landlocked and faces similar transport problems.
- A potential corridor through Afghanistan would provide the shortest route to the sea for Tajik freight, but has not been viable because of the Afghan civil war.
- A potential route to China is being developed, as the Soviet Union's infrastructure did not connect to China. As of 2001 this road has not been completed. Further complicating Tajikistan's transport, both international and domestic, is the nation's vulnerability to natural disasters including floods, earthquakes, and mudslides.

TRANSPORT INFRASTRUCTURE

Road

Given its rugged natural terrain, Tajikistan is more dependent on road transport (82% of total freight in 1997) than most other former Soviet states. The declining importance of trade with Russia will shift even more freight transport to the road system. This road network, constructed under the Soviet Union, is extensive and relatively well-developed. As the Soviet Union paved many of these roads, the impact of the neglected maintenance they have suffered has been mitigated.

Tajikistan's road transport suffers from the harsh geographic conditions. In addition to being regularly closed due to snow, roads are also closed from mudslides, landslides, floods. The country's two major highways (Dushanbe-Aini; Kalaikhum- Khorog), for example, are normally closed for five to six months each winter. In order to access this province during the winter, freight must be routed through Uzbekistan which poses the problems mentioned in the introductory paragraph. It is estimated that from 1992 to 1999, natural disasters and civil war destroyed 10% of Tajikistan's roads.

Strict border regulations and bureaucratic difficulties also severely hamper Tajikistan's transport. The complicated regulations, particularly at the Uzbek border, allow customs officials to harass Tajik transit, and often extort bribes. Border difficulties persist despite Tajikistan's signing of the TRACECA Multi-Lateral Agreement in which each participant has agreed to limit licensing and border requirements.

Despite facing severely constrained budgets, Tajikistan is in the process of constructing a road link to China and the Karakorum Highway, as well as a tunnel that will directly link the northern and southern parts of the country.

Rail

Tajikistan's rail network is limited owing largely to its mountainous terrain. The remnants of the Soviet railway network are largely in the west and join the capital to the industrial parts of the country. While the infrastructure is in relatively good condition, the overall system is hampered by extremely poor telecommunications. The three primary lines are:

- i) Crossing the northern Fargana Valley from Andijan (Uzbekistan) through Khojand (Tajikistan) to Samarkand (Uzbekistan),
- ii) Passing south from Dushanbe through Uzbekistan to Termiz at the Afghan border, and
- iii) Directly south from Dushanbe to Tugul on the Aghan border. Afghanistan's lack of railways and Uzbekistan's aforementioned restrictions have hampered both of these corridors.

While the design of the Soviet transport system has been largely inappropriate for the emerging trade patterns of the new republics, it has been doubly so for Tajikistan: not only does the rail system not provide links along new trade corridors (i.e. China), but also the traditional links to Russia now require passage through a third country.

Port

Tajikistan uses the Baltic Sea ports (primarily Riga), Russian ports (i.e. Novorossiysk) and European ports including Bremerhaven (Germany). These ports do not pose any significant constraints to Tajikistan's trade flows.

TRADE

While the trade deficit has been largely stable, an increase in export revenue in the first ten months of 2002 has resulted in a decrease in the deficit from roughly US\$45 million to US\$13 million. As a narrow range of minerals and agriculture are Tajikistan's largest export earners (aluminium (61.1%) and cotton (10.1%) are the largest export earners), Tajikistan is highly dependent on commodity and agricultural prices (IMF 2003). Tajikistan's largest export destinations are Europe (Netherlands (29.7%), Switzerland (8.0%) and Hungary (6.0%)) and Russia (16.1%) (IMF DOTS 2002).

Very few imports come from Europe, giving Tajikistan a large trade surplus with the EU. Instead, Tajikistan imports from Uzbekistan (21.9%), Russia (18.8%) and Kazakhstan (12.9%) (IMF DOTS 2002).

Tariff barriers are not high, but were increased in 1996 to augment tax revenues. Import tariffs range from 2% on aluminium to a maximum of 25% on fabric and textiles. A number of trade barriers have been removed and some procedures simplified in the late 1990s as a condition of IMF funds (IMF 2003).

INTERNATIONAL RELATIONS

While a relative degree of peace has existed in Tajikistan since President Imomali Rakhmonov and Islamic opposition leader Sayid Abdullo Nuri signed a peace agreement in 1997 to end the bloody civil war, a high degree of religious tension has remained in the area, particularly after the events of 11 September 2001. Coupled with this are the poor delineation of boundaries since Soviet times and the general worsening relations in the region, which make Tajikistan's foreign relations quite unstable. All these have combined to make transit into and out of Tajikistan quite difficult.

Due to the perceived Islamic fundamentalist threat through Central Asia, the Tajik government is supported by the governments of Russia, Kazakhstan, Kyrgyzstan and Uzbekistan against the Islamic opposition and more extreme Islamic groups such as Hizb ut-Tahrir (CountryWatch 2002). Concerns of Islamic guerilla groups operating from Tajikistan into Uzbekistan led to the Uzbek government placing landmines on the border – resulting in a souring of relations between the two countries (Turaev 2002). The border between the two countries, which is the most important border for Tajik trade, is regularly closed by the Uzbek government (Travel Tajikistan 2002).

The poor delineation of borders in Soviet times has caused a high degree of tension between Tajikistan, Uzbekistan and Kyrgyzstan. Much of this tension has centred on the Ferghana Valley, where all three countries dispute state boundaries (IRIN 2002, UN FVDP 2002). There have been a number of riots in the area, largely on the Kyrgyz/Tajik border (Khamidov 2002). Uzbekistan and Tajikistan have reached agreement on 86% of their common boundary but any further demarcation is problematic (ICG 2002).

A border dispute with China was resolved in 2002 when the border was agreed between the two countries (CountryWatch 2002). This is a positive progression because this is potentially Tajikistan's most important bilateral and transit trade route (Najibullah 1997).

While Russia has had a generally close relationship with Tajikistan, relations have become more complicated due to: (i) Tajikistan's allowance of overfly rights for US aircraft involved in Afghanistan; and (ii) the large number of illegal Tajik migrants in Russia. The latter point has led to the deportation from Russia of a number of Tajik citizens (Khamidov 2003).

Multilateral groups such as the Central Asian Co-operation Organisation (CACO) have had little effect on improving trade or co-operation.

TURKMENISTAN

Turkmenistan's has access to relatively good transport links to its neighbouring countries. They are, however, undermined by its poor international relations with Uzbekistan in particular. This is particularly problematic because a number of main roads between parts of the country pass through Uzbekistan. Due to the restrictive visa practices of Uzbekistan, this limits movement through Turkmenistan, and between Turkmenistan and Russia. Projects are currently under construction to circumvent this problem.

TRANSPORT INFRASTRUCTURE

Roads

In 2001 Turkmenistan had 22,000km of roads of which 80% were paved (CIA 2002).

As with several of its Central Asian neighbours, key roads were built at times when no international borders existed in the area. As a result the main road connecting the north of the country with the East crosses through Uzbekistan. Similarly, important transport arteries to the East of the country pass through Uzbekistan. This imposes significant extra costs and visa requirements on all transit traffic (Mayhew et al. 2002).

In an effort to overcome this problem, the government has launched a major highway construction project to link the capital Ashgabat with the Caspian Sea and Dashoguz in the north of the country (EIU 2002).

In the wake of independence all bus connections between the Central Asian republics have been cut. They are now slowly being reestablished (Mayhew et al. 2000).

Rail

The country has 2,440km of poorly maintained railway track. Rolling stock and spare parts, which were imported from Russia and Ukraine before independence are in short supply.

The break-up of the Soviet rail network in 1991 has left Turkmenistan with a fragmented network of main lines. No main railway connections link the East and North-West with the rest of the country. The government is constructing new transport lines to overcome this problem. International railway connections exist with Uzbekistan, but are hardly used for trade. The first connection to Iran was opened in 1996.

See the rail section in the Uzbekistan chapter for major export corridors and indicative pricing.

Pipelines

Turkmenistan's key problem is the reliance on Russian and Soviet gas pipelines for export, which has constrained the country's ability to sell gas to non-CIS countries.

While a pipeline to Iran exists and is used for export, these shipments have consistently fallen below the target and hence only account for a small share of total gas exports.

Since independence the government has been pursuing the construction of a pipeline through Afghanistan to Pakistan, which would give it access to deep-sea ports and possibly the Indian market. A construction agreement was signed in December 2002. However, it remains doubtful if the project will be able to attract the necessary investments. Key concerns include political volatility in Afghanistan and the low throughput of the planned pipeline, which may make the project uneconomic.

Waterways

Turkmenistan is not as geographically isolated as its Central Asian neighbours, thanks to its access to the Caspian Sea and the Volga-Don canal, which provide a direct link to the Black Sea for barge traffic. However, this export route passes through sovereign Russian territory and it is unclear to what extent Turkmenistan is able to use it for its exports.

In contrast to Kazakhstan, Turkmenistan exports small quantities of oil across the Caspian. Possibly in an effort to use this trade route more extensively, the government is currently rehabilitating the seaport at Tukmenbashi.

TRADE

Economic and trade data for Turkmenistan is considered a state secret and is therefore only available in the form of estimates that have limited reliability.

Turkmenistan's export is dominated by gas and cotton. The output of the latter has fluctuated in recent years, owing to climate variability and deteriorating soil quality. Despite their lower dollar value, cotton exports are particularly important to Turkmenistan since in contrast to gas they tend to be paid for in hard currency.

Gas exports to Russia and Ukraine have been suspended four times since 1991 due to unpaid debt and Russian unwillingness to provide access to its pipeline network. Total arrears in gas bills accumulated by Russia and Ukraine are equivalent to 75% of Turkmenistan's GDP (EIU 2002). A recently concluded gas export agreement with both countries has led to a sharp increase in gas exports. Further increases in gas and oil exports are constrained by Turkmenistan's dependence on Russian and Ukrainian pipelines. Demand constraints and a possible lack of pipeline capacity could pose a barrier to increasing exports much beyond 2001 levels.

Due to the refusal of Russia's distributor for gas, Gazprom, to allow Turkmen gas to transit to Europe, Turkmenistan's prospects for exporting gas outside the CIS remain limited. The low competitiveness of its industrial products combined with the overvalued exchange rate make it unlikely that the country will be able to increase its export to non-CIS countries in the medium term.

Exports of electricity are another source of revenue, as Turkmenistan has substantial excess generating capacity. The country's electricity generating and distributing

infrastructure is undergoing substantial refurbishment, with a view to increasing exports, in particular, to Afghanistan.

Gas and electricity exports to Iran have risen in recent years, but constitute only a small proportion of total exports.

INTERNATIONAL RELATIONS

Under its official policy of neutrality Turkmenistan has minimised relationships with neighbouring countries to a point of near-isolation. The country's foreign policy is driven by the need to secure export routes and markets for its hydrocarbons.

Its relationship with Uzbekistan have recently deteriorated sharply after the expulsion of the Uzbek ambassador to Turkmenistan on accusations of participating in a plot to assassinate the president. The country also has a long-running dispute with Azerbaijan over a number of oil fields in the Caspian Sea. A ruling by the CSJ on this territorial dispute is awaited in the near future. The country is the only CIS state not to have signed bilateral demarcation treaties governing access to the Caspian Sea.

In contrast relationships with Iran and the new government in Kabul are fair. Turkmenistan has recently signed an agreement with Afghanistan and Pakistan to build a 1,500km-long gas pipeline through both countries.

Additional strains on relationships with Kazakhstan, Tajikistan and Uzbekistan derive from disputes over the division of scarce water resources. Turkmenistan places a high priority on its relationships with Russia and Ukraine – the country's main markets for its gas.

UZBEKISTAN

Uzbekistan is unique in being the only doubly-landlocked country apart from Liechtenstein as its neighbouring countries are all landlocked themselves. Uzbekistan's economy is self-sufficient in energy. It focuses on agriculture and the extraction of natural resources, such as gold, oil and gas. It is the second largest exporter of cotton.

Several major domestic roads pass through neighbouring countries' territory since they were built during the Soviet Union when these borders were purely administrative. The principal road connecting Nukus in the east with the rest of the country passes twice through Turkmenistan. Similarly, The main eastbound road to the Fergana Valley crosses Tajikistan. Due to complex and time-consuming border procedures, trade within the country is significantly hampered. In particular Turkmenistan charges high transit fees on a number of commodities passing through its territory and continues to require special transit visas for each trip (Mayhew et al.2000).

TRANSPORT INFRASTRUCTURE

Roads

In 1999 Uzbekistan had 81,600km of main roads, which are poorly maintained.

International road crossings exist with each neighbouring country. In the wake of independence all bus connections between the Central Asian republics have been cut. They are now slowly being reestablished (Mayhew et al. 2000).

Rail

The country has 3,380km of poorly maintained broad gauge railway lines. Rolling stock and spare parts, which were imported from Russia and Ukraine before independence are in short supply.

Railroad transport accounted for 86% of all import/export cargo compared to 14% for air and road. The volume of shipments via Baltic ports, despite the transits through Kazakhstan and Russia remain stable. Transportation of cargo via Georgian ports is based on a set of agreements on coordination of railway transport signed in 1996. In the same year the railway route Tedhen-Serahs-Meshhed opened. This corridor is currently used for transportation of cotton to the ports in Bandar-Abbas, Jebel-Ali and Mersin.

Transport costs through each corridor vary widely. The following table summarises rates and duration per ton of cotton according to terms of delivery FOB (port) and DAF (border):

<i>Port</i>	<i>Country</i>	<i>Distance (km)</i>	<i>Duration (days)</i>	<i>Cost (/t cotton)</i>	<i>Cost per 1000km</i>
Riga	Latvia	3929	20-23	84.82	21.59
Ilichevsk	Ukraine	4312	25-26	98.90	22.94
Nakhodka	Russia (Sea of Japan)	8622	45-50	156.29	18.13

Brest	Belarus (border Poland, via road)	4179	21-23	74.25	17.77
Lyanyunganang	China (Yellow Sea)	5991	20-25	215.49	35.97
Farob-Poti	Georgia (Black Sea)	2025	10-15	75.32	37.20

Source: BISNIS (2001)

Rates for Georgian ports are given with 50% discounts based on 1996 agreement. Rate for Lyanyunganang given with 30% liability mark-up

A number of domestic rail lines cross into Turkmenistan. In 2000 Turkmenistan had not signed the 72 hour transit agreement. As a result all train passengers traveling from Bukhara to Urgench and from there to Nukus (all in Uzbekistan) needed to be in the possession of transit visa for Turkmenistan or risk fines (Mayhew et al. 2000). To solve this problem, Uzbekistan is now building a new train line bypassing Turkmenistan.

Pipelines

Gas is exported mainly to Ukraine via Kazakh pipelines. In addition, both Kyrgyzstan and Tajikistan purchase natural gas from Uzbekistan.

Waterways

Uzbekistan's only port is Termiz on the Amu Darya at the Afghan border. The river constitutes an important waterway to the Caspian, but its passage through Turkmenistan involves high hard-currency costs. Goods from Termiz are transported domestically via road.

TRADE

Uzbekistan's exports are dominated by cotton and gold. This dependence on commodities generated a volatile trade balance during the 1990s. The country's export regime is driven by an official import-substitution policy. Multiple exchange-rate systems render export difficult. Due to the low quality of most manufactured goods a significant portion of international trade is conducted in soft currency and barter.

Uzbekistan's main trading partner is Russia (16.7% exports and 15.8% imports). The country has extremely limited trade with four of its neighbouring countries: Afghanistan, Kyrgyzstan, Tajikistan and Turkmenistan. Trade with Korea (9.8% imports), Uzbekistan's second largest importer, is mainly based on Daewoo's investment in the car assembly plant.

A significant proportion of consumer goods are traded illegally across the Uzbek-Kazakhstan border by small-scale shuttle traders. According to the EIU this shuttle trade is accounted for in the trade statistics.

INTERNATIONAL RELATIONS

Uzbekistan's relationships with its neighbours are generally poor. Its border with Kazakhstan has been largely delimited, but unresolved Uzbek claims remain over sovereignty of two border villages. Disputes over access to Sokh and other Uzbek enclaves in Kyrgyzstan mar progress on international boundary delimitation. Uzbekistan has intervened repeatedly in Afghanistan and Tajikistan to combat militant political

Islam. Relations with Turkmenistan have suffered from the country's policy of extreme isolation. Recently Turkmenistan expelled the Uzbek ambassador on charges of masterminding an assassination attempt of its president.

Regional tension is in part fuelled by conflict over scarce water resources. In recent years the Kyrgyz Republic has been retaining water in reservoirs over the summer months, which lead to the drying up of cotton fields in Uzbekistan's Fergana Valley.

The fight against Islamist extremism has been a shared interest between Russia and Uzbekistan. As a result, relations between both countries have improved significantly over the past twelve months.

CAUCASUS AND MOLDOVA

ARMENIA

While Armenia's central geographic position in the Caucasus potentially allows it to serve as a regional crossroad as it did prior to independence in 1991, this has not been possible due to conflicts with neighbouring countries (that is, Turkey and Azerbaijan) and severely dilapidated infrastructure. This has also contributed to Azerbaijan's high transport costs, which are significantly greater than those of most former Soviet Union republics. The World Bank estimates that if Armenia's average freight factor (ratio of freight costs to merchandise value) was that of the EU (8 times less than Armenia's) it could save approximately US\$100 million per year.

Armenia's traditional trade route through Azerbaijan, which accounted for over 85% of Armenian trade flows, was blockaded in 1990/1 as a result of the conflict over Nagorno-Karabakh. Shortly thereafter the Turkish border was also closed to transport. With transit corridors undeveloped to the south, Armenia was forced to reroute near all of its trade through Georgia. This too presented problems for Armenia, as civil war broke out in Georgia in 1992 ravaging the country. A new corridor has been developed to Iran which has been witnessing increased trade flow.

TRANSPORTATION INFRASTRUCTURE

Road

With the closure of the Azerbaijan rail corridor, most of Armenia's freight traffic has been rerouted to the road corridor from Yerevan to Georgia through Ayrum. This increasing dependence on the road network, however, has been accompanied by significant deterioration in the infrastructure, resulting from years of neglect following independence. A 1998 European Bank for Reconstruction and Development estimated that nearly 40% of Armenian roads were in need of immediate repair. Many of these roads are considered to be in such an advanced stage of deterioration that rehabilitation will soon no longer be possible; reconstruction will be required. Such deterioration has been aggravated by the country's harsh winters, extreme altitudes, and susceptibility to earthquakes such as the one that devastated the country in 1988.

In an attempt to address the deteriorated condition of the road system, Armenia initiated a US\$16 m Highway Project and more recently, in 2000, a US\$40 million Transport Sector Project, both with assistance from the World Bank. Both projects will emphasise the rehabilitation of Armenia's main road. The EBRD has also helped finance the rehabilitation of several roads and bridges.

Armenia's transport difficulties are complicated by the poor condition of the roads on the Georgian side of the border. Trading primarily with Turkey, Russia, Spain and Italy, Georgia has little interest in maintaining this corridor.

Rail

Prior to its collapse, the Soviet Union depended heavily on its extensive railway network for internal movement of raw materials. As part of this network, the Armenian railway played a significant role as a central transport corridor in Caucasus. Since the fall of the Soviet Union, however, rail traffic has declined significantly. Freight traffic is estimated to be only 5% of the level prior to independence (WB Project). The closure of the Turkish and Azerbaijani borders, the dissolution of the Soviet command economy, and the dilapidated state of the rail infrastructure have all contributed to this decline. As of 2000, only 350 out of 796 km (44%) of Armenian rails were in operation. Other factors contributing to the high cost of Armenia's rail transport include the poor state of Georgia's connecting railway and the monopolistic nature of Armenia Railways.

The launch of the European Union Transport Corridor Europe Caucasus Asia (TRACECA) program, intended to better integrate Europe, the Caucasus, and Asia through the development of an interconnected transport network, would place Armenia at the center of the inter-continental traffic route. The governments of Azerbaijan and Turkey, however, have both delayed the process by refusing to cooperate with Armenia.

Ports

With the closure of the Azerbaijan and Turkey corridors, Armenia has relied exclusively on the ports of Georgia and Iran. Georgia's primary port, Poti, was established in 1858 and is considered to be outdated. The port's infrastructure was damaged in Georgia's two civil wars in the mid 1990s. It has traditionally transported cargo in bulk and will require significant improvements if it is to serve as one of the principle ports along the TRACECA route. Recent efforts have been made to improve the efficiency and increase the overall capacity of the port.

The primary Iranian port for Armenian freight traffic has been Bandar Abbas. This port has recently become the country's major port and handles over 75% of the total cargo that passes through Iranian ports. The port offers modern facilities and is considered to be operating relatively efficiently.

TRADE

With the collapse of the Soviet Union and the closure of the Azerbaijani and Turkish borders, Armenia has recently witnessed a significant redirection of its trade flows. While Russia continues to remain Armenia's main bilateral trading partner, accounting for 17.8% of Armenia's total exports and 19.8% of imports, its significance and that of the CIS has been declining sharply: only 24% of Armenia's total exports went to the CIS in 2000, compared to 73% in 1994; similarly, only 19% of Armenia's total imports came from the CIS in 2000, compared to 2% in 1994.

Armenia's liberal trade regime, considered to be one of the most open in the CIS, has helped further the development of new trade routes. All Armenian exports are duty free, and import tariffs are minimal. Armenia was also just approved on 10 December 2002 for accession into the WTO. Moreover, Armenia has signed bilateral free trade agreements (FTAs) with six CIS countries including both Georgia and Russia.

Armenia is also a member of a number of regional organizations including the CIS, Economic Union of the CIS, the Black Sea Economic Co-operation Organisation, and the European Bank for Reconstruction and Development. Armenia's participation in a multiplicity of trading regimes poses both political and logistical challenges. Moreover, Armenia has not yet ratified the free trade agreement signed by the CIS member states.

INTERNATIONAL RELATIONS

The ongoing conflict with Azerbaijan over the disputed Nagorny Karabakh territory, an ethnically Armenian enclave located between the two sections of Azerbaijan, continues to dominate Armenia's geopolitical relations. Dating back to the 1920s, the conflict can be traced back to a debated boundary demarcation by the Soviet Union. It was not, however, until the late 1980s that the conflict exploded into a full scale military conflict and the resulting border closure. The conflict has not only severed relations with Azerbaijan, but has also been a major source of tension with Turkey which has supported Azerbaijan. Turkey's continuing failure to recognise the early 20th century Armenian genocide has also been a major contributor to the severed diplomatic relations between the nations; Turkey continues to maintain an effective blockade against Armenian trade. With continuing pressure from the United States and Europe, Turkey has begun to ease restrictions on Armenia as relations begin to thaw.

With the closure of the Turkish and Azerbaijani borders, Armenia has become increasingly dependent on Georgia and Iran. Armenia's relations with Iran are warm, and have witnessed increased efforts by both governments to further political relations in order to facilitate the nations' increasing economic interdependence. Relations with Georgia have also seen recent improvements, largely relating to their increasing economic interdependence. Tensions, however, do exist - stemming from Georgia's increasing alliance with the West and political distance from Russia; Georgia's cooperation with Azerbaijan and Turkey in the construction of the Baku-Ceyhan pipeline; and discrimination against Armenians in Georgia. Attempting to improve their bilateral relations, Georgia and Armenia signed an agreement in 2001 promising not to enter into alliances considered to be hostile to the other country. Political instability in Georgia, most notably the two recent civil wars, have placed additional strains on this trade route for Armenia.

Armenia's political relations with its most important trade partner, Russia, continue to be extremely close. Russia maintains a military presence in Armenia, controlling its borders and protecting its national security.

AZERBAIJAN

“Ever since ancient man first began to migrate, Azerbaijan has been the key landbridge between Europe and Asia. The country also sits astride the main route between Russia and Iran and onward points in the Middle East and South Asia. So, the country truly is the crossroads of North-South and East-West traffic.” – (Azerbaijan Special Report 2002)

Azerbaijan’s strategic location has placed it at the centre of discussions for the restoration of both the traditional east-west Silk Route and a north-south corridor being discussed by Russia, Iran and India. In addition to its fortuitous geographic position, Azerbaijan has benefited from a favorable climate, geography, and abundant natural reserves. All of these factors contributed to the development of an extensive transportation network during the period of the former Soviet Union. Serious neglect of this infrastructure and regional disputes following the collapse of the Soviet union, however, have resulted in high transport costs. Such problems are complicated by dilapidated transport infrastructure in Azerbaijan’s neighbour countries (i.e. Georgia).

The three main transport corridors linking Azerbaijan to the sea are through Georgia, Iran, and Russia. Each of these corridors has presented significant obstacles to Azerbaijani trade: the Georgian corridor has suffered from particularly poor infrastructure on the Georgian side of the border as well as the Georgian civil wars of the 1990s; the Iranian corridor is the farthest of the three, generally taking 10-12 days by road; and the Russian corridor has been subject to the tensions between Russia and Georgia (i.e. 1994 blockade) as well as the Chechnyan war.

Road

Since the collapse of the Soviet Union, road transport has become increasingly important for Azerbaijan. The east-west corridor from Baku through Alyat to Georgia has now become the most important corridor for goods to and from Azerbaijan. A 2000 World Bank transport study found the Azerbaijani portion of this route to be in poor/bad condition; the Georgian section is considered to be even worse. In fact, while shipment of a container via this highway only takes 3-5 days its average cost is US\$2,200; shipment to Bandar Abbas takes 10-12 days and costs US\$700-800. The highway’s incorporation into the new TRACECA Silk Route project should bring about significant improvements. A US\$40 million World Bank sponsored Highway Project has already been initiated to improve this route.

Azerbaijan’s internal road network, while extensive, is also in severely dilapidated state. A study by Kocks Consult estimated that 56% of the main road network was in a poor state of repair. The poor condition of the roads has not only contributed to costs associated with delays and accidents but is considered to have increased vehicle operating costs by between 28 and 44 percent (WB HW project). The dilapidated condition of Azerbaijani roads can largely be attributed to minimal road funding since independence which has only been one quarter of the required level. In addition to the poor condition

of the infrastructure, unofficial obstacles to trade shipments in Azerbaijan are subject to an *ex ante* facilitation payment of \$500-1500 per consignment (World Bank 2002).

The Azerbaijani government's participation in the Silk Route revival project, the TIR Carnet Convention and the European International Highways Agreement is testimony to its conscious awareness of its road transport difficulties and commitment to them. Such regional cooperation has been hampered by continuing tensions with Armenia.

Rail

Since the fall of the Soviet Union, Azerbaijan's railways have witnessed a precipitous decline (90%) in freight traffic. The infrastructure has fallen into a state of disrepair: the EU estimates that nearly 900 kms of rail need to be replaced, and only 30 locomotives out of an "inherited fleet" of 560 are operable (EU TRACECA). Recent efforts associated with TRACECA have already brought about significant improvements in rail efficiency. Most of the improvements have been focused on improving the east-west rail corridor from Baku to Georgia, which is Azerbaijan's most important rail corridor. The European Bank for Reconstruction and Development has specifically allotted US\$20.2m for rehabilitation of these railways.

Azerbaijan has also benefited from the recent (1999) construction of a rail to Russia that bypasses Chechnya, thereby avoiding the Chechnyan war. The rail corridor to Iran remains of minimal importance, suffering from limited capacity, disrepair, and vandalism.

Ports and Waterways

Azerbaijan's port of Baku on the Caspian sea primarily serves as a transshipment point for cargo traveling east. As Azerbaijan's primary trading partners are primarily member states of the EU, the port does not handle much Azerbaijani freight traffic. The port is currently operating at only 30% capacity and suffers from poor infrastructure.

As part of the new Silk Route the port of Poti (Georgia) will continue to play a leading role in Azerbaijan's freight traffic. The port was established in 1858 and is considered to be outdated. Its infrastructure was damaged in Georgia's two civil wars in the mid 1990s. It has traditionally transported cargo in bulk and will require significant improvements if it is to serve as one of the principle ports along the TRACECA route. Recent efforts have been made to improve the efficiency and increase the overall capacity of the port.

The Caspian Sea is linked to the Black Sea by the Volgo-Don canal, which is open 220 days of the year and has a handling capacity of 16.5 million tons through a system of 13 locks. It is Russian sovereign territory and is currently closed to foreign ships (Golden Book of Russia 2000).

TRADE

Azerbaijan's economy has become increasingly dependent on oil (and gas) exports, which accounted for more than 91% of total exports in 2001 compared to 59% in 1997. The increased dependence on oil has been accompanied by a reorientation of trade away from Russia, Iran and other CIS states: Iran and Russia, combined, accounted for 4% of Azerbaijan's total exports in 2001, compared to 53% in 1996. Azerbaijan's most important destination for exports was Italy in 2001 which accounted for 57% of total exports. The largest share of Azerbaijani imports came from the US in 2001; five years earlier, the US accounted for less than 2% of Azerbaijan's imports. Russia and Turkey continue to be important sources of imports for Azerbaijan.

In the last few years, Azerbaijan has demonstrated an increasing commitment to liberalizing trade policy. Official trade barriers are not, however, Azerbaijan's biggest obstacle to trade. Rather, corruption, little protection from extortion, and crimes against property present the major barriers to trade. While all Caucasus countries suffer from such obstacles, Azerbaijan is considered to suffer from the worst corruption in the region. It consistently ranks as one of the most corrupt and least democratic countries in the world (<http://www.worldaudit.org/countries/aj.htm>).

Azerbaijan is a member of the Commonwealth of Independent States, Economic Union of the CIS, the Black Sea Economic Co-operation Organisation, European Bank for Reconstruction and Development, GUUAM²⁸, and the Economic Cooperation Organisation which includes Afghanistan, Iran, Pakistan and Turkey. Azerbaijan's participation in a multiplicity of trading regimes poses both political and logistical challenges. In fact, GUUAM was organised as an alternative to CIS amongst the regional countries most wary of Russia's influence. The organisation, like CIS, has failed to operate on an effective multilateral scale – most agreements have thus far been bilateral.

INTERNATIONAL RELATIONS

Azerbaijan's recent political history has been marked by domestic instability and regional boundary conflicts. Since independence Azerbaijan has suffered several coups and attempted coups, many of which related directly to the success of the Azerbaijani war against Armenia over Nagorny Karabakh. The ongoing struggle with Armenia over this enclave, situated between the two Azerbaijani territories, continues to dominate Azerbaijan's political scene. Dating back to the 1920s, the conflict can be traced back to a debated boundary demarcation by the Soviet Union. It was not, however, until the late 1980s that the conflict exploded into a full scale military conflict and the resulting border closure. The dispute has left the nation of Azerbaijan divided into two disjoint sections, severely complicating transport to and from the western enclave.

Boundary disputes over the Caspian Sea and its rich natural resources have further weakened Azerbaijan's regional relations. The most notable of these disputes has been with Azerbaijan's southern neighbour Iran. Tensions escalated in July 2001 when two Azerbaijani ships surveying the Caspian Sea for BP were confronted by an Iranian gunboat and forced to turn back. Azerbaijan's economic ties to the US and Israel, and the

²⁸ Georgia, Ukraine, Uzbekistan, Azerbaijan, and Moldova.

presence of separatist Azerbaijani groups in Iran have further weakened relations between the two countries. Paralleling the deteriorating relations, Azerbaijan's exports to Iran have fallen from 24% in 1997 to less than 0.5% in 2001.

Azerbaijan's relations with Russia have shown recent signs of improvement, but have traditionally been uneasy as a result of Azerbaijan's support for Chechnia. During the first Chechen conflict in 1994, Russia imposed a complete transport blockade of Azerbaijan, closing both its maritime and overland borders. At this time, Russia was a vital trading partner of Azerbaijan accounting for 70% of its exports.

(<http://www.eurasianet.org/departments/insight/articles/eav082400.shtml>)

Russia's close ties and military support for Armenia, as well as property right disputes on the Caspian Sea have also contributed to the strained relations. Current Russian President Vladimir Putin, however, has demonstrated a new resolve to strengthen relations with Azerbaijan, including a proposed settlement over the Caspian Sea.

Azerbaijan maintains warm relations with Georgia, its main transit neighbour. The two nations met earlier this year and promised to seek greater political and economic cooperation. Both countries have been cooperating on the construction of the new Baku-Ceyhan pipeline. While relations remain strong, Azerbaijan has been adversely affected by Georgia's internal civil wars.

MOLDOVA

The nearest open sea is the Black Sea at a distance of approximately 50km from the border and 200km from the capital Chisinau. Hence in distance terms, Moldova is one of the least landlocked of our sample. In addition, Moldova is one of few developing landlocked countries to have relatively wealthy neighbours. A recent civil war fuelled by Moldova's largest trade partner, Russia, and poor links to surrounding countries, in particular Romania, has limited Moldova's trading performance and contributing to the fact that Moldova is the poorest country in Europe.

TRANSPORT INFRASTRUCTURE

Roads

The country's 12,657 km of road, of which 87% are paved, account for 96% of domestic cargo movement and more than 85% of passenger travel (EIU 2000, US Department of State 2001). During the Soviet era road connections between Chisinau and the Ukraine (in particular Kiev, Odessa and Western Ukraine) were reasonably well developed. In contrast, there is only one major road that crosses into neighbouring Romania. As a result road-based exports to Western Europe tend to pass via Ukraine and Poland.

A significant obstacle to increasing trade relationships with the CIS is the closure of the main road linking Chisinau with Kiev in Ukraine due to the Transdnestr conflict. As a result all road traffic needs to make a detour via Tiraspol on small and poorly-maintained roads (Williams and Wildman, 2001). The same source describes custom checks at border crossings with Romania and the Ukraine as onerous and extremely time consuming. This results in long delays for cargo traffic.

Rail

The railway network includes 1,140 km of tracks and forms the principal means of transporting cargo. Railway freight carriage totaled 8.3m tones in 2000, up from 6.6m tones in 1999 (EIU 2002, p. 61) and accounted for 95% of transborder shipments (US Department of State 2001).

Rail links with Romania are made difficult by the fact that the Moldavian railway network uses the wider Soviet gauge standard. At border crossings every carriage needs to be transferred onto a different rolling stock – a costly procedure that can take several days for cargo trains. Railway transport of any perishable agricultural goods for export to Western markets is made difficult through the difference in rail track standards.

Waterways

The two major rivers, the Dniestr and the Prut, are used for transport of local goods. Important domestic ports are Bender, Ribnita and Ungheni.

It appears that the relative proximity of the Black Sea along the Dniestr (< 200km from Chisinau) is not used for international trade links. In principle this could provide access

to nearby Odeassa (Ukraine) with a well-developed port. Instead Moldova has recently been investing in transport infrastructure along the Prut that connects to the Danube delta. The main purpose of constructions along the river is to facilitate oil import from non-CIS countries to reduce Moldova's dependence on Russian primary energy sources.

TRADE

The state monopoly on foreign trade was removed in 1992, but trade diversification continues to progress extremely slowly. During the Soviet era, Moldova's trade relied predominantly on agricultural exports and enjoyed significant subsidies, including artificially low prices for energy supplies. Since independence Moldova has maintained its dependence on agricultural exports, with food and beverages, agricultural produce and tobacco accounting for around 55% of export revenue (EIU 2002).

Despite the fact that textiles only account for 2% of total manufacturing they make up 20% of Moldvian exports. This sector has been growing steadily as a result of extensive subcontracting by foreign firms that make use of Moldova's extremely low wages.

Moldavian trade continues to depend on the CIS countries, with Russia (44% of exports and 15% of imports) and Ukraine (10% of exports and 17% of imports) its largest trading partners. Particularly noteworthy is the low contribution of trade with Romania, brought about due to the poor infrastructure linkages detailed above. Trade with the EU has doubled between 1990 and 1998. However, there have been no further increases since then as the economic recovery of Russia has strengthened traditional ties (Center for Strategic Studies and Reform, 2002).

The trade deficit remains large at \$306 million (2001) or 22% of GDP (IMF BOPS 2001).

Moldova has set up five Foreign Trade Zones (FEZ) in Chisinau, Tvardita, Taracilia, Valcanes, and Otaci. Residents in the FEZ are exempted from income tax for periods between 5 and 10 years. However, it has been reported that the laws governing FEZ have changed frequently – often to the detriment of resident companies. This has acted as a significant obstacle to their expansion (US Department of State 2001).

INTERNATIONAL RELATIONS

Full independence of Moldova from the Soviet Union was achieved in 1991. The Transdnistr region east of the Dniestr with its predominantly Russian and Ukrainian population regarded Moldavian independence as an ominous first step towards reunification with Romania, and voted for independence in late 1991. Following the central government's refusal to accept the region's independence civil war broke out. During this conflict the Russian army supplied arms to the Transdnistr separatists while Moldova received military support from Romania. A ceasefire was negotiated in 1992. Since then Transdnistr has enjoyed quasi-independence, including its own currency, central bank and customs posts. It also continues to adhere to the Cyrillic alphabet. Trade links between Moldova and Transdnistr have been significantly weakened in this process.

Moldova's constitution reaffirms its status as a neutral country and there are no open border disputes with either Romania or the Ukraine. Since 2001 Moldova is governed by the Communist Party, which has reoriented the foreign policy towards a rapprochement with Russia. Partly as a result, relationships with Rumania have started to deteriorate. In March 2002, following allegations by the Moldavian President Voronin that Romania was instigating protest rallies in Chisinau, the ambassadors of both countries were called back.

ASIA - EASTERN

BHUTAN

India is the main partner for the overwhelming majority of trade with Bhutan: it accounts for 94.6% of Bhutan's exports and 69.4% of Bhutan's imports (IMF 1999). Transit trade is therefore of less importance to Bhutan than the bilateral relationship with India. In any case, India is Bhutan's only transit neighbour as the Himalayan ranges block the route to China, Bhutan's only other neighbour. The bilateral relationship with India is generally very strong and any friction between the two nations has been minimised.

The generally reasonable Indian rail system is not used by Bhutan for transit as the rail system does not continue into Bhutan. Instead Bhutan relies on the poor quality Indian road system to use the reasonable quality port of Calcutta.

TRANSPORT INFRASTRUCTURE

Transit trade is not subject to Customs duties and trade restrictions by Indian authorities. In practice, Bhutan's transit trade at Calcutta is controlled by Royal Bhutan Customs and hence there is no activity involving Indian Customs at Calcutta Port. This is in contrast to Nepalese cargoes, which do not receive similar facilitation (Chakra Infrastructure Consultants 2001).

Road

There is one main road in Bhutan, the National Highways. Around two thirds of the roads are paved. In 1997, total road length was 3,375km. Three north-south roads connect Bhutan with India and a lateral road running roughly east-west in the middle of the country connects these. Normally trucks of <10 tonnes transport goods, although larger container vehicles can move by exception (Chakra Infrastructure Consultants 2001).

Twelve exit/entry points are available in India for Bhutanese trade. In general, Bhutan's imports are unstuffed in Calcutta Port and are transported break bulk with a transit pass to Phuentsholing/Jaigon by road. As lower tonnage trucks are only permitted on Bhutan roads, goods are then loaded onto smaller trucks for distribution within Bhutan (Chakra Infrastructure Consultants 2001). The Indian road system is of poor quality relative even to most African roads (Canning 1998).

Rail

Bhutan has neither railways nor a domestic air service. It is possible for Bhutan to use the Indian rail system to deliver exports within India however statistics are not available as to how much this mode is used.

Ports

Calcutta is the only port with any volume of transit trade. Calcutta Port has a throughput of 6,000 tonnes per year for Bhutan, comprising mainly of imports. The port is of fair quality and can easily handle Bhutanese trade in addition to much other trade.

It is possible to utilise Haldia (also run by the Calcutta Port Authority) or alternatively the ports of Mongla or Chittagong in Bangladesh, although this would involve a double border crossing. Given current volumes of traffic (India is the destination of 94.6% of Bhutan's exports (IMF 1999)), there is little benefit of an alternative route. A UNDP funded study for a dry port in Phuentsholing was completed in 1999 but the site was damaged by flooding in 2000 (Chakra Infrastructure Consultants 2001).

TRADE

Bhutan's trade deficit has increased markedly in the last few years from around 14.0% of GDP in 1997 to 28.2% of GDP in 2000 (IFS 2002). This increase is largely due to an increase in the import of capital goods needed in the production of hydroelectricity, Bhutan's largest export earner (ADB 2002). The deficit is financed largely by foreign aid so in most years there is an increase in foreign exchange (ADB 2002).

Transit trade is of less importance to Bhutan as it is to most other landlocked countries because Bhutan trades largely with India. India is overwhelmingly Bhutan's largest export market, accounting for 94.6% of exports, with Bangladesh accounting for almost all remaining exports. 31.8% of exports to India consisted of hydroelectric power (IMF 1999). Further analysis of export composition is not possible because of a lack of data. 69.4% of imports come from India, followed by Japan (16.9%) and Singapore (2.8%). Similarly to Nepal, trade with China (exports and imports <1%) is minimal due to the difficulty of travel through the Himalayan Ranges.

INTERNATIONAL RELATIONS

Bhutan is a protectorate of India, meaning that India protects Bhutan's borders from external threat. As such, the country's foreign policy will rarely contradict the foreign policy of India. Bhutan and India signed the Treaty of Friendship in 1949 and the bilateral relationship has since been generally very strong, partly because of India's interest in minimizing China's influence in the area. More recently, the relationship has been strained due to the use of southern Bhutan by north-east Indian militant groups fighting against India, but Bhutanese military cooperation with the Indian military has minimised the strain on the bilateral relationship (CountryWatch 2002).

Bhutan's relationship with Nepal has been strained by the protests by ethnic Nepalese in southern Bhutan. Negotiations over this issue continue and are the major component of the Bhutan – Nepal agenda.

A small area (269 km²) of disputed land exists between Bhutan and China. Negotiations between the two countries over the disputed land are progressing positively although are far from being tension free. No formal diplomatic ties exist between the two countries.

Bhutan is a member of the South Asian Association for Regional Cooperation (SAARC) with Bangladesh, India, Maldives, Nepal, Pakistan and Sri Lanka (WDI 2002). SAARC established the SAARC Preferential Trading Arrangement (SAPTA), which gives preferential treatment for trade within the region. While SAARC has had some success in promoting cooperation among its members, the level of integration and cooperation does not match that of other institutions such as the SADC in Southern Africa.

LAOS

Thailand is Laos' main transit nation, and an agreement was reached on transit goods in 1999. Thailand has proved itself willing to develop facilities and legal frameworks to facilitate the movement of Laotian goods through the country (UNCTAD 1999a). Imports generally pass through the border crossing at Thanaleng, while the larger share of exports pass through Savannakhet as this is closer to the main export producing areas (wood, coffee). All imports passing through Thailand must pass through the transit warehouse facility at Klong Toey (near Bangkok) whether the imports landed at Bangkok or elsewhere. Hence, there is little incentive to diversify trade routes and ports in Thailand.

Most imports through Viet Nam travel through the port of Da Nang, and to a lesser extent, the ports of Cua Lo, Xuan Hai and Quy Nhon. The port of Vung Ang is currently under construction and is envisaged to be dedicated to Lao PDR transit goods. Viet Nam only serves a small proportion of Laos' transit export trade as the main road routes (via Paksane and Savannakhet) are steep and involve tight radius turns (Cabanius and Bouaphanh 2001).

China is not a transit country for Lao PDR. However, Lao PDR is expected to be a transit country between China and Thailand, as well as Cambodia.

Transit operations through Cambodia are not yet operational but will potentially provide a link through the port of Sihanoukville.

TRANSPORT INFRASTRUCTURE

While the level and quality of Laotian transport infrastructure is not high, Laos is fortunate to have a transit neighbour, Thailand, with a high level of infrastructure and strong modal links. Laos and Thailand have a mixed relationship, although Thailand has been willing to invest in transit infrastructure to facilitate both Thai – Laos bilateral trade and Laos transit trade.

The Mekong, which forms much of Laos' western border, until recently was only passable by ferry. However two bridges linking Laos with Thailand have now been completed, and work on a third is due to begin in 2003. Thailand has completed a railway line that now extends from Bangkok to the centre of the bridge near Vientiane. Laos has not yet started construction of the short section of the rail line from the bridge to Vientiane.

The government of Laos aims to take advantage of its landlocked position by transforming itself into a link between the large markets of Thailand, Vietnam and China, however, this goal is severely hampered by Laos' lack of reliable physical infrastructure.

Road

The country has 23,300 km of roads, and fewer than half were paved in 1998. 41% of the population live more than 6km from a main road, and many dirt roads are unusable in the

rainy season (EIU 2001). Two thirds of freight traffic moves by road, and the remainder by river, with a small volume by air (EIU 2002).

Most transit trade passes through Thailand. Thai roads are generally of high quality. Unfortunately, Thai-owned freight trucks (which are run as a monopoly on Laos trade) cannot enter Laos, and vice versa. Hence, transshipment must occur at Nong Khai (at the Thai-Laos border) to transfer between Thai/Laotian owned trucks. In contrast, Laotian and Vietnamese trucks may carry transit goods freely between the two countries (Cabanius and Bouaphanh 2001). This transshipment of goods through Thailand increases the prices of Laos' goods greatly, between 60 – 300% depending on the good and source of data.

The three main road transit corridors (imports & exports) between Bangkok and Laos are through:

- Vientiane: The route between Bangkok and Nong Khai (at the Thai – Laos border) is a four lane highway. Then it is a short trip to Vientiane. (640km)
- Savannaket: Currently a bridge across the Mekong is under construction. Also, Thailand is planning to widen the route into a four-lane highway. (663km)
- Pakse: The bridge across the Mekong was finished in 2000 and the route through Thailand is via paved road. (747km)

Vietnam carries only a small proportion of Lao transit export trade as Thai routes are generally cheaper and more reliable. The main routes between Laos and Vietnamese ports are steep and involve tight radius turns (Cabanius and Bouaphanh 2001). Most imports through Vietnam travel through the port of Da Nang, and to a lesser extent, the ports of Cua Lo, Xuan Hai and Quy Nhon. The port of Vung Ang is currently under construction and is envisaged to be dedicated to Lao transit goods.

The road link between China and Laos is in minimal use for trade and involves a 100 kilometre stretch of dirt track passable only during the dry season (Library of Congress 2002).

Rail

Laos has no rail network.

Thailand has shown its willingness in supporting Laos – Thai trade by completing its railway section from Bangkok to the centre of the Friendship Bridge over the Mekong River at Nong Khai, although the short link on the Laos side from the bridge to Vientiane is still under survey. (Cabanius and Bouaphanh 2001)(Library of Congress 2002). Currently transit by rail therefore involves transshipment between truck and rail on the Thai side of the border.

Waterway

The Mekong River supplies an alternative form of transport, with 4600km of navigable waterways available along the river and its tributaries (EIU 2001). The government is encouraging waterway use by upgrading river ports and improving river access. The river

is navigable upstream to China although only in smaller craft. River traffic to Cambodia and consequent access to the sea is prevented by the Phapheng Falls.

TRADE

Since the collapse of trade with the Eastern bloc, Laos has reoriented towards Asia. Membership of ASEAN and AFTA, which Laos joined in 1997, has prompted the government to pursue policies of foreign trade liberalization (MITI 2002). Almost half of external trade is with Vietnam and Thailand, with the majority of imports coming from Thailand (62.1%) and the majority of exports going to Vietnam (25.1%) and Thailand (19.1%) (IMF DOTS 2002). Trade with China is more significant than official statistics suggest, since there is a large amount of smuggling across the northern border.

Laos remains economically dependant on Thailand, as Thailand is both a strong bilateral trading partner and a transit nation, which proved inopportune during the Asian financial crisis, when the collapse of Thai markets triggered triple digit inflation in Laos. Inflation has since stabilised, and it appears that the prevalent subsistence economy provided some buffer to the ravages of the crisis.

A clear path to a steady foreign income and regional influence is for Laos to become the major source of hydroelectric power for neighbouring countries. Mountainous terrain and heavy annual rainfall give the Mekong River and its tributaries an estimated hydroelectric potential of between 18,000 and 22,000 megawatts. A major power-purchasing agreement, signed in February of this year, will generate a total of US\$2bn in fees, considerably easing the dependence of Laos on foreign aid (Hirsch 1996).

INTERNATIONAL RELATIONS

Laos has a history of border disputes, specifically with Cambodia, Myanmar and Thailand. Cambodia and Laos have held four rounds of talks since 1995, agreeing to recognise the internationally accepted principles of border limitation. Myanmar and Laos have had improved relationship following the signing of the Treaty on the Demarcation of Boundaries in 1994. Thailand and Lao fought a war in 1987 over the ownership of three border villages, and although the two countries have grown closer through trade and investment, political relations are characterised by mistrust, with frequent border problems.

Laos is a member of the ASEAN Free Trade Agreement (AFTA), which allows the free movement of capital and is also expanding to include primary products. Laos has agreed to maximise the product lines in the 0-5% tariff categories by 2006 for AFTA members (MITI 2002).

NEPAL

Due to the Himalayan range to the north of the country limiting trade and contact with China, and because Nepal is landlocked, Nepal remains heavily reliant for both bilateral and transit trade upon its only other neighbour, India. India has had a strong role in Nepalese politics for many years, but since the 1990 blockade of Nepal by India, causing the overthrow of the Nepalese *panchayat* government, the full independence of Nepal from India has been questioned. One Indian commentator stated that Nepal had to maintain an “image of independence... Mind you, not independence, just an image of independence.” (Spotlight, May 1991, as cited in (Mishra 2002)). More recently, in 2001 and 2002, India had placed restrictions on Nepalese trade while they renegotiated trade treaties. Due to its landlocked status, Nepal has few alternatives but to cede to India’s wishes.

When blockades or restrictions are not in place, Nepal is able to use the good quality Indian rail network as well as several Indian road corridors to the ports of Calcutta and Haldia. This network has recently been enhanced by the construction of an inland container depot (dry port) on the India/Nepal border at Birganj. This allows for the stuffing, customs clearance and loading onto rail of containers at Birganj so that there is only a modal change and no customs procedures at the land/sea port.

TRANSPORT INFRASTRUCTURE

As transit operations through China are not practical due to the impassable Himalayan Mountains, all of Nepal’s transit trade passes solely through India. Nepal has a mixed although often cooperative relationship with India, which has reasonable infrastructure levels. Transit operations are mainly governed by the Indo-Nepal Treaty of Transit (renewed most recently in 2002 (Government of Nepal 2002)), which assists in the development of multi-modal transport systems to and from Nepal through India. India has provided 15 transit routes and has agreed to provide facilities for Nepalese transit trade through Mumbai and Kandla in addition to the existing facilities at Calcutta and Haldia (UNCTAD 1999b). Trade between Nepal and China is conducted through the Kodari route, although this route is not used for transit trade and direct trade through this route is minimal. Further Nepal – China routes are being investigated (WTNN 1995).

While much of Nepal’s sea trade is via container, prior to the finalisation of the dry ports, most cargo was converted to break-bulk in facilities at port. However, in December 2000 a US\$50 million project was completed to provide three border facilities to handle containerised cargo. The principal one, Biranj now has a direct rail connection to Calcutta Port. The other two terminals, Biratnagara and Bhairava are road based.

Roads

Nepal has 15,500km of roads, of which less than one third are paved. Construction and maintenance of paved highways is heavily reliant on foreign aid – development assistance to the transport sector totaled \$US450m between 1990-99 (Stone 2001). The majority of roads are graveled or dirt roads, and wash out frequently during the June-

September rainy season. Most hill and mountain trails are only suitable for pedestrians and pack animals (EIU 2001).

Rail

Nepal has a new 5.2 km broad gauge railway connecting its new inland container depot (dry port) at Birganj to India's rail network, allowing the direct transport of cargo to Indian ports. In contrast with most of India's infrastructure, India's rail network is of good quality. Nepal's other rail line is a 41km spur connecting the eastern Terai town of Jankpur with the city of Jayanagar in Bihar, India. A rail route for transit through Bangladesh has also been agreed but is not used, most likely because of the need for two border crossings to provide access to the sea.

The Birganj dry port was opened in February 2001 and rail traffic is now predicted to increase significantly as the dry port offers an improvement in cost, speed (up to 10 days faster (Chakra Infrastructure Consultants 2001)) and reliability of transit. Following this, the focus should shift towards providing Through Bills of Lading (TBLs) to remove the need for Customs clearance at Calcutta. This could be done electronically using EDIFACT (Electronic Data Interchange for Administration, Commerce and Transport) (Chakra Infrastructure Consultants 2001).

Ports

Transit trade passes mainly through Calcutta Port (425,000 tonnes p.a.) and Haldia Port (160,000 tonnes p.a., mainly imports), both of which are characterised by inefficient management and excessive delays and costs (Subramanian and Arnold 2001). There are direct services from Calcutta to Singapore, Colombo and Hong Kong. Nepal leases transit warehouses at Calcutta. Transit between the ports and the two kingdoms is almost entirely by road (Chakra Infrastructure Consultants 2001).

TRADE

The primary destination for Nepalese trade is the USA (35%) and India (34%) followed by Germany (11%). Due to the physical barrier of the Himalayas, Nepal trades little with its northern neighbour China (<1%) (IMF DOTS 2002).

Nepalese trade with India will have temporarily slowed somewhat since these figures due to the additional duties (some as high as 20%) imposed by India during the breakdown of the bilateral relationship through 2001 and early 2002. These duties were removed by November 2002.

INTERNATIONAL RELATIONS

As a small country bordering two major regional powers, India and China, Nepal employs a policy of non-alignment. Due to Nepal's landlocked status, and its reliance on Indian ports for trade, it has historically been subject to Indian demands. The downfall of the Nepalese *panchayat* government in 1990 has been partially attributed to Indian blockades of the country.

The 1950 Peace and Friendship Treaty allows for the free movement of goods between the two countries while favouring India in security, investment and employment opportunities. A deterioration of relationships due to, according to India, a “surge” of Nepalese imports, led to the non-renewal of a preferential trade treaty agreement in late 2001. Restrictions were placed on Nepalese trade until November 2002 following the renewal of the Treaty in March 2002 (Kahn 2000; CountryWatch 2002; EIU 2002). The India – Nepal treaty has been extended to 2007 allowing free trade between the two countries with some export quotas on key products (Government of Nepal 2002). Transit traffic was not harmed by the breakdown in the 2001/2002 Indo-Nepal relationship.

Chinese influence has been strengthened by high-level visits in recent years, however trade is limited by the Himalayan Mountains between the two countries. China remains a substantial aid donor.

Nepal’s relationship with Bhutan is marred by the tension over the presence of Nepalese refugees in Bhutan (CountryWatch 2002).

Nepal is a member of the South Asian Association for Regional Cooperation (SAARC) with Bangladesh, Bhutan, India, Maldives, Pakistan and Sri Lanka (WDI 2002). SAARC established the SAARC Preferential Trading Arrangement (SAPTA), which gives preferential treatment for trade within the region. While SAARC has had some success in promoting cooperation among its members, the level of integration and cooperation does not match that of other institutions such as the SADC in Southern Africa.

MONGOLIA

As the landlocked country with the largest area and lowest population density (1.5 persons/km² compared with Botswana, the second least dense with 2.7 persons/km² (WDI 2002)), Mongolia has a problem with both transit access to the sea and internal access within the country.

Transit through Russia (to St Petersburg, Vladivostok, Nakhoda or Vostochny) and through China (to Tianjin) is almost without exception by rail. Transit infrastructure levels are reasonable although a diversification of modes to facilitate competition between road and rail would be advantageous. Mongolia's relationship with Russia and China are reasonable and improving.

The quality of infrastructure within Mongolia is of poor quality, hampering the transport of goods to market.

TRANSPORT INFRASTRUCTURE

Road

While Mongolia has a great length of roads, particularly given its population size, transport is hampered by a poor quality and largely unpaved road network (Canning 1998), limited supplies of fuel (EIU 2001) and an impoverished national air carrier (EIU 2001). The roads are currently being upgraded, largely through external aid (\$US250m in development assistance was committed to improving transport infrastructure between 1990-99 (Stone 2001)). Construction of an east-west arterial road began in 2001. The low quality of the roads leads to the problem of long transport times, but also the destruction of many goods which travel over the potholed roads.

While roads are not used for transit through China nor Russia, there is potential for a feasible road route to be improved to reasonable levels through to Tianjin. Currently Mongolian, Russian and Chinese trucks are not able to operate within each other's territory (United Nations General Assembly 2000) so the success of a road route would depend on allowing trucks from Mongolia to pass through the transit route. Mongolia has signed bilateral transit agreements with China and Russia. A protocol was signed with Russia which enables the transport of passengers by road in either territory without taxes or fees (UNCTAD 1999a). Negotiations are currently underway which would allow the right of transit for Mongolia, Russia and China and the obligation to provide transit facilities (UNCTAD 2002a).

Rail

The Ulaanbaatar Railway is Mongolia's primary transportation infrastructure, linking freight and passengers with Russia and China. It serves the three largest industrial areas of Mongolia - Ulaanbaatar, Darkhan and Erdenet. There is little competition to the rail network from the road network.

The three principal transit routes are:

- (i) via China to Tianjin (Xingang),
- (ii) via Russia to Vladivostok, Nakhoda or Vostochny, and
- (iii) via Russia to St Petersburg.

Currently these routes are only served only by rail. Rail cargo to and from Russia and Europe is transported via a broad-gauge line with no interruption. Cargo to and from China however must be transshipped at Zamyn Uud because of two different rail gauges. Slow transshipment during peak harvest period in China is still a major concern to Mongolia (UNCTAD 1999a).

TRADE

The trade balance has deteriorated over the past five years, and a deficit of US\$148.4 million was recorded in 2000, partly due to poor export performance. Mineral products, particularly copper, accounted for 41% of total export earnings in 2000, which makes the economy vulnerable to shifts in world commodity prices. China has become an increasingly important trade partner since 1990, accounting for 58.9% of Mongolian exports in 2000 and supplying 20.5% of its imports. Other important trading partners include Japan, South Korea and the EU. Russia, once Mongolia's primary export market, purchased only 9.7% of Mongolian exports.

Since 1990 the country has attracted approximately US\$700m of foreign direct investment (UNCTAD 2002b). China has been the largest FDI contributor, with about one third of the total, followed by South Korea (US\$58m), Japan (US\$50M), the US (US\$34m) and Russia (US\$40m). Around 30% of the money has been concentrated on mining. Other sectors that have attracted significant amounts of FDI include light industry with 17% and agriculture with 10% of total FDI (EIU 2001; IMF DOTS 2002).

INTERNATIONAL RELATIONS

Mongolia has a free trade regime (USCS 2001). Mongolia's relationship with Russia has been improving since the early 1990s and the Soviet troop withdrawal in September 1992. The two countries have signed a number of treaties on trade, security and stability, including a transit agreement allowing tax-free and fee-free transit. Relations with China have been mixed, with a general improvement since their normalisation in 1989 to the point where, in that year, President Bagabandi was the first Mongolian head of state to visit China. China is Mongolia's number one trade partner (IMF DOTS 2002) and is the largest investor in Mongolia (CountryWatch 2002).

SOUTH AMERICA

BOLIVIA

Bolivia's economic mainstay has been the hydrocarbons industry of oil and natural gas. Minerals, oil and gas activities account for 47.5% of Bolivia's total export. Several new pipelines such as the Rio Grande-Campinas pipeline to Brazil in 1998 have been constructed and continue to spur Bolivia's most dynamic sector. According to Castellón (2001), "it is expected that within 10 years 80% of regional trade could be passing through Bolivia's Tax Free Zone, making it a potential regional centre of energy and trade." Bolivia has also seen significant growth in its telecommunications sector after privatization and has become a fiber optics cable network distribution centre for South America.

The natural environment of Bolivia presents several challenges to its development. With a mean elevation of over 1,000 metres, and two mountain ranges with a height of 3,650-3,900 metres Bolivia faces severe transportation challenges. Bolivia has a poor quality road and rail networks, although links between Bolivia and its transit neighbours are strong and improving.

TRANSPORT INFRASTRUCTURE

Road

70% of intra-regional transport within the Andean Community (CAN) is by road (Vera 25). Coupled with the fact that the Andean Community and MERCOSUR account for 53% of Bolivia's total exports, this suggests the vital importance of road infrastructure to the Bolivian economy. The road network, however, is considered the poorest in Latin America (Castellón) with estimates ranging from 5-20% of the road system that is paved (UNCTAD says its 5%, EIU 20%), and approximately 70% consisting of unmade earth.

Moreover, the cost of road transport is high and there are frequent delays at international border crossings and in loading and unloading (C 21). The system faces difficulties due to poor topography, frequent flooding, social upheaval, low population density, a depressed economy and bad management of the system. To deal with many of these problems, the Andean Community has approved a program to both rehabilitate national roads and accelerate the development of a regional highway system, the Andean Highway System. Each country is pursuing its own strategy with Bolivia's focusing on connecting its road system with Peru, Chile and Bolivia in order to gain access to the sea. (see page 30 Vera, p 13 EIU)

Rail

The Bolivian rail system is considered largely inadequate and has had a history of difficulties: in 1995 less than half of the soya produced was able to be transported to

Puerto Aguirre due to a lack of hauling capacity of the railroad system. The railroad system continues to face difficulties dealing with the peak soya season. This poses a particular problem since it is essential to reach the ports during winter (in the Northern hemisphere) when the prices are high. In fact, much of the Bolivian soya does not reach the ports until the prices have begun falling.

Much of the recent difficulties faced by the system can be attributed to a lack of investment. Other difficulties being faced are a lack of forwarders consolidating cargo which has limited the amount of container traffic, and disruptions in Peru, Chile, and Argentina that disrupt normal cargo exchange.

Other Transport Infrastructure

While river transport has yet to play a significant role in trade due to a lack of technology and resources, it holds the potential to do so. In 1996 the Accord of Fluvial Navigation on the Paraguay-Paraná Rivers was signed by Argentina, Bolivia, Brazil, Paraguay and Uruguay. It provides for “free navigation, equal treatment, free transit and reciprocity, multilateral treatment of cargo reservations, transport and trade facilitation, and port and navigational services.” Bolivia is also in the process of constructing a road that will connect La Paz with Puerto Suárez on the Paraguay River (V 30).

TRADE

Bolivia is currently a member of the CAN (Andean Community) custom union, and an associate member of MERCOSUR. Trade with these partners has witnessed recent increases, and accounts for 53% of Bolivia’s exports in 2001 while trade with the EU and US has been declining. Despite the increasing trade, Bolivia could potentially suffer economic losses as tariffs for agricultural exports from MERCOSUR to CAN are reduced. Bolivia is also involved in the preparatory process for the Free Trade Area of the Americas (FTAA), which intends to further the economic integration of the region. It currently operates a number of Tax Free Zones in La Paz, Santa Cruz and Puerto Suárez where goods can enter duty-free, be transformed or completed and then re-exported. Bolivia has also signed a General System of Preferences with the US, EU, and Japan.

INTERNATIONAL RELATIONS

Bolivia lost its Pacific maritime coastline to Chile in the war of 1878-1883. While Bolivia has gained some preferential rights of access to some of Chile and Peru’s Pacific coast, sovereign access to the land lost has not been achieved. In fact, many of the arrangements between Bolivia and Chile are seen as largely inadequate to the Bolivians and remain a source of tension. Relations between the two nations have been poor for much of the last 100 years. Diplomatic ties have been severed between the two nations, so Bolivia only maintains consular relations with Chile. An increase in the natural gas supply, however, and the corresponding increase in exports from Chilean ports promises to give Bolivia an additional lever in negotiating greater access to the Pacific coast, and the relationship has been slowly improving since 2000 when Bolivia and Chile’s Ministers of Defense met to discuss their border problem (EIU, CountryWatch).

Bolivia has a good political relationship with Peru, Brazil, Paraguay and Argentina, which are improving through mutual involvements in regional groups such as the Organisation of American States, the Rio Group, and MERCOSUR (CountryWatch).

PARAGUAY

Paraguay has several transit options through Argentina and Brazil, which take advantage of the good infrastructure levels in these countries. In addition, much of Paraguay's trade is within the region so it does not have to travel far to reach its destination.

Problematic domestic politics – including the 34 year dictatorship of General Alfredo Stroessner ending in 1989 and the consequent internal political conflict – have contributed to the poor levels of infrastructure within the country, and a level of distrust between Paraguay and its neighbours.

TRANSPORT INFRASTRUCTURE

Paraguay has duty free zones or sheds in the ports of:

- Buenos Aires and Rosario in Argentina
- Rio Grande do Sul Paranagua and Santos in Brazil
- Montevideo and Nueva Palmira in Uruguay
- Antofagasta in Chile

to store and distribute Paraguayan imports and exports (Castellón 2001).

Roads

80% of national cargo is transported by road. The road network covers 55,873km, of which, 3,224 are paved (Castellón 2001). Relative to other landlocked countries, the quality of road infrastructure is quite high. The Paraguayan government continues to place an emphasis on the development of an efficient road system and has negotiated a \$82.3 million dollar loan from the IDB for several road system projects. The government will have to compensate for significant damage to roads and bridges cause by excessive flooding to the Paraguay River during El Nino (UN Department of Humanitarian Affairs). It should also be noted Paraguay's first private toll project is suffering severe economic difficulties (27 EIU).

A road from Asunción to the duty-free port of Paranagua, Brazil serves as the main route for both imports and exports. The bulk of goods transported to Argentina are carried across the Paraná and Paraguay Rivers by truck. Delays, however, are common, making the shipment of perishables risky (<http://www.planetlatino.net/paraguay.htm>).

Rail

Paraguay's 135 year old railroad, The Ferrocarril Central del Paraguay, whose main line links Asunción with Encarnación is considered to be in substantial need of renovation. It currently provides links with railroads in Argentina, Uruguay, and Brazil. While the Paraguayan government has tried to privatise the railroad, the substantial investment needed to upgrade the current system has precluded any private interest.

The main railway line connects Asuncion city with Encarnacion and links with the international rail networks of Argentina, Brazil and Uruguay through the international bridge Encarnacion Posadas.

Waterways

The potential of Paraguay's river system for transport has not been fully realised owing to insufficient storage facilities, severe financial constraints in developing and upgrading inland ports, irregular services, very high freight charges, and a lack of shipping space. These problems are complicated by navigational difficulties. To promote regional trade, the Paraguay-Paraná Hidrovia Project was proposed in an effort to lower transport costs and facilitate the interconnection of the region. If completed, it would connect Bolivia and Paraguay to the Atlantic Ocean. This project, however, has been delayed due to environmental concerns.

INTERNATIONAL RELATIONS

Paraguay's political history has been characterised by a series of dictators and political instability. These events have had a dramatic effect on Paraguay's relationship with its outside neighbours. For the 34 years prior to 1989, Paraguay was characterised by political isolation under General Alfredo Stroessner. With the overthrow of Stroessner came a period of attempted coups and impeachments, infighting, assassinations, resignations, and a constant shift in leadership. These political problems strained the relationship between Paraguay and its MERCOSUR partners Argentina, Brazil and Uruguay. Following a political upheaval in 1996, the MERCOSUR partners agreed that only democracies could be a member of the trading bloc, implying that Paraguay has had to convince its MERCOSUR neighbours that it is indeed a democracy.

TRADE

As a member of MERCOSUR, Paraguay trades primarily with Argentina, Brazil and Uruguay, accounting for over 40% of its total trade. Paraguay has imposed a 10% duty on 332 goods imported from MERCOSUR despite the refusal from other MERCOSUR members to allow such a tariff. Notwithstanding this special tariff, Paraguay is noted for its relatively low import tariffs in the region (EIU). Paraguay has successfully negotiated bilateral treaties with several South American countries, Argentina and Brazil in particular, that allow duty-free zones and warehouses in these countries (Castellon 29). A recently improved customs clearing process has also helped facilitate trade.

Despite these attempts to promote trade, Paraguayan trade has recently suffered from the decline of the Brazilian Real, the EU's failure to grant it a Hilton quota for meat exports (Paraguay remains the only MERCOSUR country not to be allowed access to the EU beef market), and high transport costs for forest exports from the Chaco. Brazil's recent decision to increase border enforcement and limit duty-free purchases has had dramatic consequences for the Paraguayan economy, including a doubling of its trade deficit (Castellón 2001). Moreover, the phase-in of the MERCOSUR Common External Tariff could widen the already growing trade deficit (EIU 34, 36).

GLOSSARY

BOPS	IMF Balance of Payment Statistics.
Break Bulk	Cargo which is shipped as a unit (i.e. palletised cargo, boxed cargo, large machinery, trucks and pre-slung cargo). This type of cargo is not containerised.
CAN	Comunidad Andina (Andean Community).
CAR	Central African Republic.
CEEAC/ECCAS	Communauté Economique des Etats de l'Afrique Centrale (Economic Community of Central African States).
CEMAC	Communauté économique et monétaire de l'Afrique centrale (Central African Economic and Monetary Community).
CEPGL	Communauté économique des pays des grands lacs (Economic Community of the Great Lakes Countries).
CIF	Cost of a good, including insurance and freight. See also FOB and CIF/FOB ratio.
CILSS	Comite inter-Etats de lutte contre la secheresse au Sahel (Permanent Interstate Committee for Drought Control in the Sahel).
COMESA	Common Market for Eastern and Southern Africa.
DAF	Delivered at Frontier.
DRC	Democratic Republic of Congo.
EAC	East African Community.
ECOWAS	Economic Community Of West African States.
EU	European Union.
FEZ	Foreign Economic Zones/Foreign Trade Zones.
FDI	Foreign Direct Investment.
FOB	Cost of a good, free on board. That is, cost of a good without the cost of freight and insurance.
FTAA	Free Trade Area of the Americas.
HDI	Human Development Index.
IMF	International Monetary Fund.
LDC	Least Developed Country.
LLC	Landlocked Country.
MERCOSUR	Southern Common Market/Treaty of Asunción.
NTB	Non-tariff barrier.
OCBN	Organisation commune Benin-Niger (Benin-Niger Organisation).
Rake	Wagons/carriages semi permanently joined in an articulation.
RCD-Goma	Congolese Rally for Democracy – Goma.
SAARC	South Asian Association for Regional Cooperation.
SADC	Southern African Development Community.
SAPTA	SAARC Preferential Trading Arrangement.
SNTN	Societe Nationale des Transports du Niger (Niger National Transport Society).
STRN	Syndicat des Transporteurs Routiers du Niger (Niger Transport Route Syndicate).
TN	Transit Nation.
UDEAC	Douanière des Etats de l'Afrique Centrale (Central African Customs and Economic Union).
UEMOA	Union économique et monétaire ouest-africaine (West African Economic and Monetary Union).
UN	United Nations.
UNCTAD	United Nations Conference on Trade and Development.
WDI	World Bank World Development Indicators.

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APPENDICES

Table 1: Human Development Indicator - Rankings and Components

HDI rank	Country	HDI	HDI Components		
			GDP /capita	Life Expectancy	Education
Medium human development					
54	Mexico	0.80	9,023	0.79	0.84
55	Cuba	0.80		0.85	0.90
56	Belarus	0.79	7,544	0.73	0.92
57	Panama	0.79	6,000	0.82	0.86
58	Belize	0.78	5,606	0.82	0.86
59	Malaysia	0.78	9,068	0.79	0.80
60	Russian Federation	0.78	8,377	0.68	0.92
61	Dominica	0.78	5,880	0.80	0.86
62	Bulgaria	0.78	5,710	0.76	0.90
63	Romania	0.78	6,423	0.75	0.88
64	Libya	0.77	7,570	0.76	0.84
65	Macedonia	0.77	5,086	0.80	0.86
66	Saint Lucia	0.77	5,703	0.81	0.83
67	Mauritius	0.77	10,017	0.77	0.77
68	Colombia	0.77	6,248	0.77	0.85
69	Venezuela	0.77	5,794	0.80	0.83
70	Thailand	0.76	6,402	0.75	0.84
71	Saudi Arabia	0.76	11,367	0.78	0.71
72	Fiji	0.76	4,668	0.73	0.90
73	Brazil	0.76	7,625	0.71	0.83
74	Suriname	0.76	3,799	0.76	0.90
75	Lebanon	0.76	4,308	0.80	0.83
76	Armenia	0.75	2,559	0.80	0.92
77	Philippines	0.75	3,971	0.74	0.91
78	Oman	0.75	13,356	0.77	0.67
79	Kazakhstan	0.75	5,871	0.66	0.91
80	Ukraine	0.75	3,816	0.72	0.92
81	Georgia	0.75	2,664	0.80	0.89
82	Peru	0.75	4,799	0.73	0.87
83	Grenada	0.75	7,580	0.67	0.85
84	Maldives	0.74	4,485	0.69	0.90
85	Turkey	0.74	6,974	0.75	0.77
86	Jamaica	0.74	3,639	0.84	0.79
87	Turkmenistan	0.74	3,956	0.69	0.92
88	Azerbaijan	0.74	2,936	0.78	0.88
89	Sri Lanka	0.74	3,530	0.79	0.84
90	Paraguay	0.74	4,426	0.75	0.83
91	Saint Vincent and the Grenadines	0.73	5,555	0.74	0.79
92	Albania	0.73	3,506	0.80	0.80
93	Ecuador	0.73	3,203	0.75	0.87
94	Dominican Republic	0.73	6,033	0.70	0.80
95	Uzbekistan	0.73	2,441	0.73	0.91
96	China	0.73	3,976	0.76	0.80
97	Tunisia	0.72	6,363	0.75	0.72
98	Iran, Islamic Rep. of	0.72	5,884	0.73	0.75
99	Jordan	0.72	3,966	0.76	0.78
100	Cape Verde	0.72	4,863	0.75	0.75
101	Samoa (Western)	0.72	5,041	0.74	0.75
102	Kyrgyzstan	0.71	2,711	0.71	0.87
103	Guyana	0.71	3,963	0.63	0.88
104	El Salvador	0.71	4,497	0.75	0.74
105	Moldova	0.70	2,109	0.69	0.90
106	Algeria	0.70	5,308	0.74	0.69
107	South Africa	0.70	9,401	0.45	0.88
108	Syrian Arab Republic	0.69	3,556	0.77	0.71
109	Viet Nam	0.69	1,996	0.72	0.84
110	Indonesia	0.68	3,043	0.69	0.79
111	Equatorial Guinea	0.68	15,073	0.43	0.77
112	Tajikistan	0.67	1,152	0.71	0.88
113	Mongolia	0.66	1,783	0.63	0.85
114	Bolivia	0.65	2,424	0.62	0.80
115	Egypt	0.64	3,635	0.70	0.62
116	Honduras	0.64	2,453	0.68	0.70
117	Gabon	0.64	6,237	0.46	0.76
118	Nicaragua	0.64	2,366	0.72	0.65
119	Sao Tome and Principe	0.63	1,792	0.67	0.75
120	Guatemala	0.63	3,821	0.66	0.62
121	Solomon Islands	0.62	1,648	0.72	0.68
122	Namibia	0.61	6,431	0.33	0.81
123	Morocco	0.60	3,546	0.71	0.50
124	India	0.58	2,358	0.64	0.57
125	Swaziland	0.58	4,492	0.32	0.77
126	Botswana	0.57	7,184	0.25	0.75
127	Myanmar	0.55	1,027	0.52	0.75
128	Zimbabwe	0.55	2,635	0.30	0.81
129	Ghana	0.55	1,964	0.53	0.62
130	Cambodia	0.54	1,446	0.52	0.66
131	Vanuatu	0.54	2,802	0.72	0.35
132	Lesotho	0.54	2,031	0.34	0.76
133	Papua New Guinea	0.54	2,280	0.53	0.55
134	Kenya	0.51	1,022	0.43	0.72
135	Cameroon	0.51	1,703	0.42	0.65
136	Congo	0.51	825	0.44	0.75
137	Comoros	0.51	1,588	0.58	0.49
Low human development					
138	Pakistan	0.50	1,928	0.58	0.42
139	Sudan	0.50	1,797	0.52	0.50
140	Bhutan	0.49	1,412	0.62	0.42
141	Togo	0.49	1,442	0.45	0.59
142	Nepal	0.49	1,327	0.56	0.48
143	Laos	0.49	1,575	0.47	0.52
144	Yemen	0.48	893	0.59	0.48
145	Bangladesh	0.48	1,602	0.57	0.40
146	Haiti	0.47	1,467	0.46	0.50
147	Madagascar	0.47	840	0.46	0.59
148	Nigeria	0.46	896	0.44	0.58
149	Djibouti	0.45	2,377	0.30	0.50
150	Uganda	0.44	1,208	0.32	0.60
151	Tanzania	0.44	523	0.43	0.61
152	Mauritania	0.44	1,677	0.44	0.40
153	Zambia	0.43	780	0.27	0.68
154	Senegal	0.43	1,510	0.47	0.37
155	Congo, DR	0.43	765	0.44	0.51
156	Côte d'Ivoire	0.43	1,630	0.38	0.44
157	Eritrea	0.42	837	0.45	0.46
158	Benin	0.42	990	0.48	0.40
159	Guinea	0.41	1,982	0.38	0.37
160	Gambia	0.41	1,649	0.35	0.39
161	Angola	0.40	2,187	0.34	0.36
162	Rwanda	0.40	943	0.25	0.58
163	Malawi	0.40	615	0.25	0.65
164	Mali	0.39	797	0.44	0.37
165	CAR	0.38	1,172	0.32	0.39
166	Chad	0.37	871	0.35	0.39
167	Guinea-Bissau	0.35	755	0.33	0.38
168	Ethiopia	0.33	668	0.31	0.35
169	Burkina Faso	0.33	976	0.36	0.23
170	Mozambique	0.32	854	0.24	0.37
171	Burundi	0.31	591	0.26	0.38
172	Niger	0.28	746	0.34	0.16
173	Sierra Leone	0.28	490	0.23	0.33
Average		0.59	3,160	0.57	0.66
Average over all landlocked		0.54	2,151	0.48	0.65

Source: Human Development Report (2002)

Note: No data available for Afghanistan

Table 2: Human Development - Landlocked Countries and their Maritime Neighbours

Southern Africa	Human Development Index Rank	Human Development Index	GDP per capita	Education Index	Health Index
Botswana	126	0.57	7184	0.75	0.25
Lesotho	132	0.54	2031	0.76	0.34
Malawi	163	0.40	615	0.65	0.25
Swaziland	125	0.58	4492	0.77	0.32
Zambia	153	0.43	780	0.68	0.27
Zimbabwe	128	0.55	2635	0.81	0.30
<i>Average of LLCs</i>	<i>137.8</i>	<i>0.51</i>	<i>2956</i>	<i>0.74</i>	<i>0.29</i>
<i>Average of maritime neighbors</i>	<i>142.2</i>	<i>0.49</i>	<i>3879</i>	<i>0.61</i>	<i>0.36</i>

East Africa	Human Development Index Rank	Human Development Index	GDP per capita	Education Index	Health Index
Burundi	171	0.31	591	0.38	0.26
Ethiopia	168	0.33	668	0.35	0.31
Rwanda	162	0.40	943	0.58	0.25
Uganda	150	0.44	1208	0.60	0.32
<i>Average of LLCs</i>	<i>162.8</i>	<i>0.37</i>	<i>853</i>	<i>0.48</i>	<i>0.29</i>
<i>Average of maritime neighbors</i>	<i>147.2</i>	<i>0.46</i>	<i>989</i>	<i>0.56</i>	<i>0.45</i>

West Africa	Human Development Index Rank	Human Development Index	GDP per capita	Education Index	Health Index
Burkina Faso	169	0.33	976	0.23	0.36
Central African Republic	165	0.38	1172	0.39	0.32
Chad	166	0.37	871	0.39	0.35
Mali	164	0.39	797	0.37	0.44
Niger	172	0.28	746	0.16	0.34
<i>Average of LLCs</i>	<i>167.2</i>	<i>0.35</i>	<i>912</i>	<i>0.31</i>	<i>0.36</i>
<i>Average of maritime neighbors</i>	<i>145.9</i>	<i>0.47</i>	<i>1798</i>	<i>0.54</i>	<i>0.44</i>

East Asia	Human Development Index Rank	Human Development Index	GDP per capita	Education Index	Health Index
Bhutan	140	0.49	1412	0.42	0.62
Laos	143	0.49	1575	0.52	0.47
Mongolia	113	0.66	1783	0.85	0.63
Nepal	142	0.49	1327	0.48	0.56
<i>Average of LLCs</i>	<i>134.5</i>	<i>0.53</i>	<i>1524</i>	<i>0.57</i>	<i>0.57</i>
<i>Average of maritime neighbors</i>	<i>105.2</i>	<i>0.66</i>	<i>3152</i>	<i>0.76</i>	<i>0.68</i>

Central Asia	Human Development Index Rank	Human Development Index	GDP per capita	Education Index	Health Index
Afghanistan					
Kazakhstan	79	0.75	5871	0.91	0.66
Kyrgyzstan	102	0.71	2711	0.87	0.71
Tajikistan	112	0.67	1152	0.88	0.71
Turkmenistan	87	0.74	3956	0.92	0.69
Uzbekistan	95	0.73	2441	0.91	0.73
<i>Average of LLCs</i>	<i>95.0</i>	<i>0.72</i>	<i>3226</i>	<i>0.90</i>	<i>0.70</i>
<i>Average of maritime neighbors</i>	<i>98.0</i>	<i>0.68</i>	<i>5041</i>	<i>0.72</i>	<i>0.69</i>

Caucasus & Moldova	Human Development Index Rank	Human Development Index	GDP per capita	Education Index	Health Index
Armenia	76	0.75	2559	0.92	0.80
Azerbaijan	88	0.74	2936	0.88	0.78
Moldova	105	0.70	2109	0.90	0.69
<i>Average of LLCs</i>	<i>89.7</i>	<i>0.73</i>	<i>2535</i>	<i>0.90</i>	<i>0.76</i>
<i>Average of maritime neighbors</i>	<i>68.8</i>	<i>0.77</i>	<i>6782</i>	<i>0.88</i>	<i>0.74</i>

South America	Human Development Index Rank	Human Development Index	GDP per capita	Education Index	Health Index
Bolivia	114	0.65	2424	0.80	0.62
Paraguay	90	0.74	4426	0.83	0.75
<i>Average of LLCs</i>	<i>102.0</i>	<i>0.70</i>	<i>3425</i>	<i>0.82</i>	<i>0.69</i>
<i>Average of maritime neighbors</i>	<i>56.8</i>	<i>0.79</i>	<i>8555</i>	<i>0.88</i>	<i>0.77</i>

Source: Human Development Report (2002)

Table 3: Ratio of Exports per Capita of Landlocked Countries to their Maritime Neighbours

Country	Ratio of exports/capita of country to that of maritime neighbours
Swaziland	2.38
Malawi	1.44
Kazakhstan	1.27
Botswana	0.97
Nepal	0.92
Ethiopia	0.89
Turkmenistan	0.80
Azerbaijan	0.65
Tajikistan	0.62
Kyrgyzstan	0.62
Mongolia	0.62
Paraguay	0.61
Uganda	0.53
Zimbabwe	0.52
Niger	0.37
Moldova	0.36
Rwanda	0.36
Zambia	0.31
Burkina Faso	0.27
Bolivia	0.26
Mali	0.26
Burundi	0.26
Armenia	0.25
Chad	0.21
Lesotho	0.13
CAR	0.09
Average	0.61

Source: World Development Indicators (2002)

Table 4: Regional Trade Statistics of Landlocked Countries

Southern Africa		EXPORTS		IMPORTS	
Landlocked Countries	% to Africa	% to Industrial Countries	% from Africa	% from Industrial Countries	
Malawi	13	63	73	18	
Zambia	26	32	75	14	
Zimbabwe	8	34	62	18	
<i>Average of LLCs</i>	<i>15.7</i>	<i>43.0</i>	<i>70.0</i>	<i>16.7</i>	
Maritime Countries					
Angola	0.2	75	12	53	
Mozambique	16	67	44	25	
South Africa	18	61	3	67	
<i>Average of Maritime Countries</i>	<i>11.4</i>	<i>67.7</i>	<i>19.7</i>	<i>48.3</i>	

*Data not available for Botswana, Lesotho, Namibia, and Swaziland

West Africa		EXPORTS		IMPORTS	
Landlocked Countries	% to Africa	% to Industrial Countries	% from Africa	% from Industrial Countries	
Burkina Fasso	19	41	39	46	
Central African Republic	3	79	12.4	53	
Chad	14	68	11	83	
Mali	15	34	53	33	
Niger	42	57	37	40	
<i>Average of LLCs</i>	<i>18.6</i>	<i>55.8</i>	<i>30.48</i>	<i>51</i>	
Maritime Countries					
Benin	14	30	9	40	
Côte d'Ivoire	31	54	25	53	
Ghana	11	67	34	44	
Nigeria	10	69	5	59	
Senegal	24	56	24	56	
<i>Average of Maritime Countries</i>	<i>18.0</i>	<i>55.2</i>	<i>19.4</i>	<i>50.4</i>	

East Asia		EXPORTS		IMPORTS	
Landlocked Countries	% to Asia	% to Industrial Countries	% from Asia	% from Industrial Countries	
Laos	47	30	89	8	
Mongolia	58	41	75	20	
Nepal	38	59	73	11	
<i>Average of LLCs</i>	<i>47.7</i>	<i>43.3</i>	<i>79</i>	<i>13</i>	
Maritime Countries					
India	24	53	25	40	
Thailand	35	57	33	51	
Vietnam	30	62	66	29	
<i>Average of Maritime Countries</i>	<i>29.7</i>	<i>57.3</i>	<i>41.3</i>	<i>40.0</i>	

*Russia was included in Asia for Mongolia due to their shared border

Central Asia		EXPORTS		IMPORTS	
Landlocked Countries	% to Eastern Europe & Former	% to Industrial Countries	% to Eastern Europe & Former USSR	% from Industrial Countries	
Armenia	38	48	41	43	
Azerbaijan	15	74	48	42	
Kazakhstan	34	30	57	33	
Kyrgyzstan	40	53	61	21	
Tajikistan	41	52	83	7	
Turkmenistan	78	15	48	37	
Uzbekistan	40	18	33	22	
<i>Average of LLCs</i>	<i>41.3</i>	<i>40.3</i>	<i>55.0</i>	<i>27.0</i>	
Maritime Countries					
Iran	30	39	13	46	
Russia	35	51	29	54	
Turkey	13	63	15	60	
Ukraine	49	26	61	32	
<i>Average of Maritime Countries</i>	<i>31.8</i>	<i>44.8</i>	<i>29.5</i>	<i>48.0</i>	

*Iran was included in Eastern Europe for Armenia, Azerbaijan, and Turkmenistan's imports & exports due to their shared border

East Africa		EXPORTS		IMPORTS	
Landlocked Countries	% to Africa	% to Industrial Countries	% from Africa	% from Industrial Countries	
Burundi	15	82	24	44	
Ethiopia	21	51	4	33	
Rwanda	8	43	33	32	
Uganda	7	75	55	28	
<i>Average of LLCs</i>	<i>12.75</i>	<i>62.75</i>	<i>29</i>	<i>34.25</i>	
Maritime Countries					
Djibouti	49	27	14	36	
Kenya	35	42	9	49	
Somalia	1	4	40	10	
Tanzania	19	51	23	40	
<i>Average of Maritime Countries</i>	<i>26.0</i>	<i>31.0</i>	<i>21.5</i>	<i>33.8</i>	

* No data available for Eritrea; Somalia exports primarily to the Middle East (87%)

Latin America		EXPORTS		IMPORTS	
Landlocked Countries	% to Latin America	% to Industrial Countries	% from Latin America	% from Industrial Countries	
Bolivia	59	39	56	32	
Paraguay	72	22	59	29	
<i>Average of LLCs</i>	<i>65.5</i>	<i>30.5</i>	<i>57.5</i>	<i>30.5</i>	
Maritime Countries					
Argentina	46	31	35	48	
Brazil	23	56	18	60	
Chile	22	57	34	40	
Peru	20	66	34	58	
<i>Average of Maritime Countries</i>	<i>27.8</i>	<i>52.5</i>	<i>30.3</i>	<i>51.5</i>	

Source: Direction of Trade Statistics, International Monetary Fund (2002)

Table 5: Degree of Landlockedness

Country	Measures of Trade		Measure of Distance	Measures of Infrastructure Quality					Measures of Civil and External Conflict			
	Freight Costs (index)	Export volume (index)		Proportion of paved roads (index)	TN's proportion of paved roads (index)	Paved Road Quality (index)	Paved Road Quality of Neighbours (index)	Length of rail lines /capita (index)	Length & severity of civil conflict (index)	TN's length & severity of civil conflict (index)	Length & severity of external conflict (index)	TN's length & severity of external conflict (index)
Afghanistan	0.62		1,960				0.01		1.00	0.76	0.88	0.97
Armenia	0.49	0.08	693		0.36				0.00	0.00	0.74	0.60
Azerbaijan	0.08	0.15	870						0.70	0.88	0.74	1.00
Burundi	0.53	0.00	1,254	0.37	0.16	0.72	0.49	0.00	0.81		0.00	0.00
Burkina Faso	0.46	0.01	1,154	0.41	0.68	0.48	0.12	0.07	0.19	0.19	0.59	
Bolivia	0.36	0.16	414	0.07	0.22	0.44	0.16	0.60	0.00	0.00	0.00	0.00
Bhutan			775				0.00		0.00	0.00	0.00	0.00
Botswana	0.25	1.00	905	1.00	1.00	1.00		0.73	0.00	0.00	0.00	0.00
Central African Republic	0.45	0.03	1,518	0.01	0.00	0.53	0.27	0.00	0.00	0.00	0.21	0.82
Ethiopia	0.50	0.00	781	0.33	0.36	0.69	0.74	0.02	0.98	0.46	0.87	
Kazakhstan	0.04	0.47	3,750		0.61		0.07		0.00	0.00	0.00	0.00
Kyrgyzstan	0.19	0.10	3,600		0.61		0.07		0.00	0.00	0.36	0.74
Laos	0.11	0.07	620		0.63		0.61	0.00	0.46	0.46	0.44	0.45
Lesotho	0.19	0.10	575	0.36	1.00	0.72		0.01	0.19	0.99	0.00	0.00
Moldova	0.14	0.15	170				1.00		0.33	0.19	0.00	0.00
Mali	0.62	0.04	1,225	0.36	0.41	0.81	0.47	0.08	0.33	0.51	0.21	0.60
Mongolia	0.25	0.22	1,693	0.45	0.61		0.07	1.00	0.00	0.00	0.00	0.00
Malawi	1.00	0.03	803	0.40	0.21	0.76	0.34	0.10	0.00	0.00	0.00	0.00
Niger	0.48	0.02	1,057	0.52	0.84	0.73	0.37	0.00	0.00	0.00	0.00	0.00
Nepal	0.05	0.04	1,160	0.95		0.58	0.00	0.00	0.54	1.00	0.00	0.00
Paraguay	0.27	0.34	1,022		0.30	0.87	0.16	0.11	0.19		0.00	0.00
Rwanda	0.92	0.00	1,867	0.11	0.26	0.62	0.23	0.40	0.84	0.87	0.78	0.58
Swaziland	0.00	0.89	193	0.65	0.51	0.52	0.19	0.44	0.00	0.00	0.00	0.00
Chad	0.92	0.02	1,669	0.00	0.00	0.00	0.27	0.00	0.62	0.06	0.99	0.21
Tajikistan		0.09	3,100		0.61		0.07		0.67	0.87	0.82	0.83
Turkmenistan	0.23	0.27	1,700						0.00	0.00	0.00	0.00
Uganda	0.61	0.02	1,187	0.34	0.16	0.40	0.47	0.08	1.00	0.64	0.72	0.56
Uzbekistan		0.12	2,950						0.00	0.00	0.74	0.89
Zambia	0.28	0.07	1,975	0.40	0.47	0.55	0.91	0.17	0.00	0.00	0.00	0.00
Zimbabwe	0.24	0.20	464	0.36	0.72	0.86	0.82	0.30	0.00	0.00	0.72	0.68

Sources: Trade Data: IMF BOPS (2001), WDI (2002)
Distance Data: Various
Infrastructure Data: Canning (World Bank) (2002)
Conflict Data: PRIO (2002)

Note: TN = Transit Neighbour

Figure 1: Excess HDI Rankings over Maritime Neighbours Average

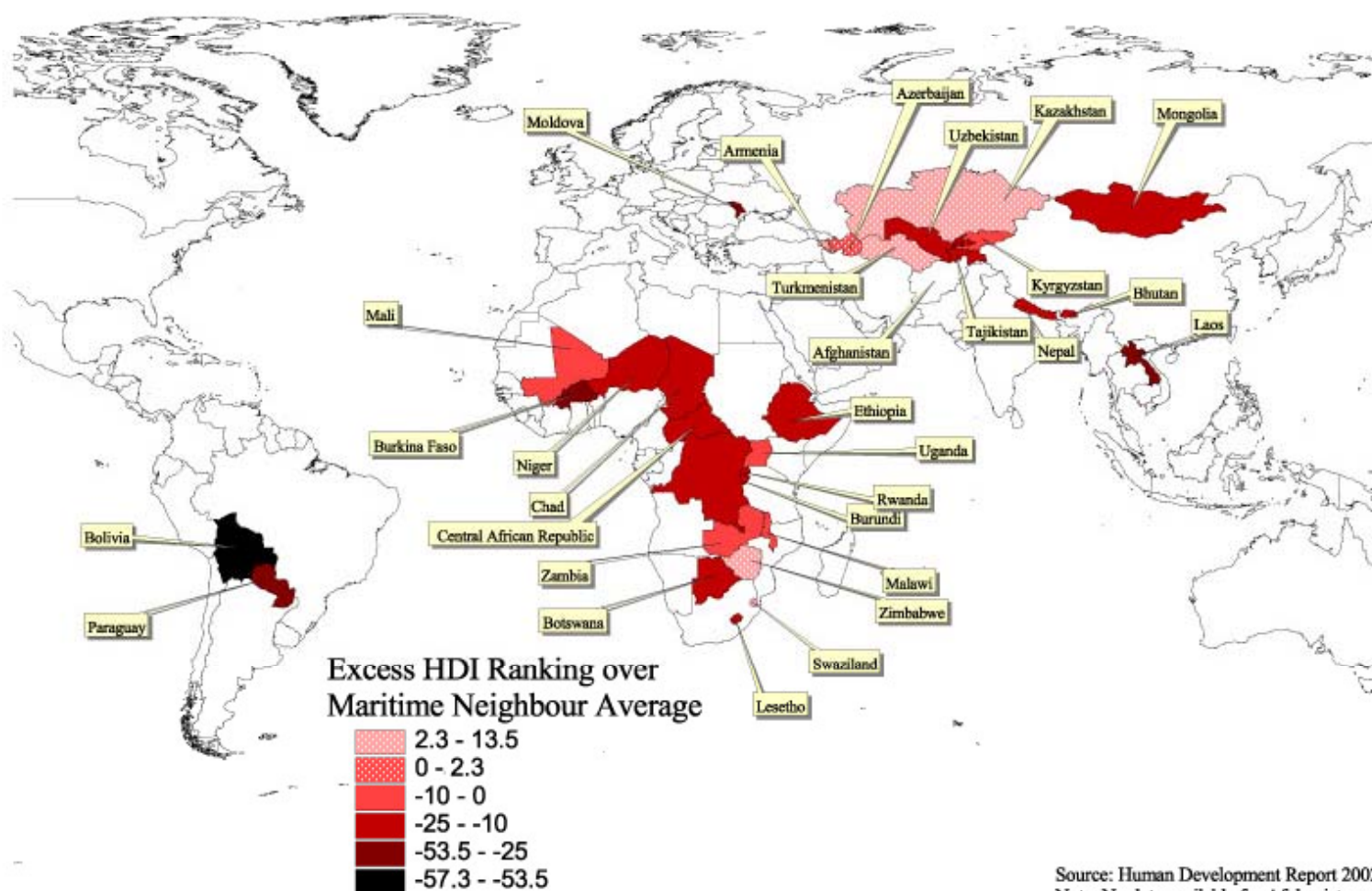


Figure 2: HDI Rankings of Developing Landlocked Countries

