

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

*Expert Meeting on the Development of Multimodal Transport and
Logistics Services*

(24-26 September 2003, Geneva)

PAKISTAN COUNTRY PAPER*

by

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Pakistan Country Paper

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1. Pakistan is strategically located with Iran and Afghanistan to its west, China in the north and India to the east. The Arabian Sea in the south provides the sea access for the international trade the ports of Karachi and Bin Qasim located in close proximity of each other. Another port of Gwadar is being developed with Chinese assistance mainly for shipments of cargo for the Central Asian States (CAS) through Afghanistan. The port is geographically located at Gwadar East Bay, about 460 KM from Karachi. It has immense strategic and socio-economic significance as it provides the shortest land route for access to the land locked Central Asian States. After its completion in three years (by March, 2005) it will be capable of handling ship of 30,000 DWT Bulk carriers and 25,000 DWT container vessels.

2. The Government of Pakistan has accorded top priority to development of an efficient transport & communication network. By June 2003 it has achieved road network of 251,845 km. The National Highway Authority (NHA), Pakistan's premier road management and regulatory agency is custodian of 17 National Highways Motor Ways and strategic roads. Pakistan Railway's network comprises 7,791 route km. Government of Pakistan has envisaged a Perspective Plan of modernization of Railway Operations viz infrastructure, rolling stock and communication through transfer of technology from China. Implementation of the Plan will result in increased speed of passenger & freight trains.

3. Civil Aviation Authority (CAA) is the agency in public sector responsible for undertaking development work of airports. It is providing facilitation, air space management, air traffic control, and fire fighting service at 8 international and 34 domestic airports in Pakistan. The Authority, despite of adverse effects of September 11 events on the global and national air traffic, has completed New Terminal Complex at Lahore and undertaken construction of New Islamabad International Airport. It has also upgraded Rahim Yar Khan and Bahawalpur airports for operation of B-747 and B-737 aircrafts, respectively. Upgrading the Gwadar and Turbat airports is also in progress. Sialkot International Airport is under construction by the private sector.

4. The national flag carrier PIA has a network of 23 domestic and 28 international stations. Closure of its air space by India since January 2002 has resulted in suspension of PIA flights to Delhi, Mumbai, Khatmandu, Dhaka, and Colombo. Flights to Bangkok, Hong Kong, Singapore, Manila, and Tokyo have become highly uneconomical due to re-routing. Recently India and Pakistan officials have started negotiations for resumption of flights. Besides PIA, there are three other airlines operating in private sector: Aero Asia, Bhoja Airline, and Shaheen Airline. These airlines operate domestically, though Aero Asia is also operating some Middle East routes.

5. Eight dry ports have been established at the major industrial and commercial centers to enable multimodal transport of containers. The dry ports are located at:

- Lahore
- Faisalabad
- Sialkot
- Multan
- Rawalpindi
- Peshawar
- Hyderabad
- Quetta

The map in Figure 1 shows the location of seaports, dry ports and the major national highways.



Figure 1: Sea Ports, Dry Ports and Highways

The facilities available at Karachi Port and Port Qasim are indicated in Table 1.

Facilities	Karachi Port	Port Qasim
Container Terminal	KICT – 4 berths PICT – 4 berths	QICT – 3 berths
Dry bulk berths	-	1
Multipurpose berth	18	4
Liquid bulk berths	3	2
Tank terminal	Petroleum products Molasses Edible oil	Petroleum products LPG Liquid chemicals Molasses Edible oil

Table 1: Port Facilities

6. Multimodal transport containers shipped to or from inland destinations are Customs cleared at the dry ports. Pakistan Railways operates about 50 container trains per month between Karachi and Lahore and 18 container trains per month between Karachi and Faisalabad. Most of the containers are, however, transported by road. The National Logistic Cell (NLC) in the public sector operates a large fleet of tractors and trailers. A number of private road hauliers are also operating as bonded carriers.

7. Over 95 percent of international trade of Pakistan is transported through sea. During 2002-2003 the volume of sea borne trade was above 37 million tonnes. About 10 million tonnes of this was general cargo. Over 80 percent of general cargo is now transported in containers. The combined throughput of Karachi and Port Qasim now exceeds 1 million TEU. Tables 2 and 3 provide a breakdown of imports and exports through the two ports.

Type of Cargo	Commodities	Karachi (Mil. T)	Port Qasim (Mil. T)	Total (Mil. T)
Liquid bulk	Crude oil Petroleum products Edible oil Chemicals, LPG	11.375	6.178	17.553
Dry bulk	Iron ore Coal, Fertilizer Wheat	2.178	3.180	5.358
General cargo	Iron & Steel Chemicals, Jute Paper, Misc.	6.055	0.586	6.643
Total		19.609	9.944	29.553
Containers (TEU)		384,846	136,000	520,846

Table 2: Seaborne Trade of Pakistan – Imports

Type of Cargo	Commodities	Karachi (Mil. T)	Port Qasim (Mil. T)	Total (Mil. T)
Liquid bulk	Molasses, Crude oil Naphtha, Chemicals	1.975	0.302	2.277
Dry bulk	Rice, Wheat Chrome ore Fertilizer, Sugar	1.168	0.988	2.156
General cargo	Textiles, Cotton Cotton yarn Miscellaneous	3.101	-	3.101
Total		6.244	1.290	7.534
Containers (TEU)		353,760	153,000	506,760

Table 3: Seaborne Trade of Pakistan – Exports

The main trading partners of Pakistan are North America, Western Europe, Middle East and South East Asia. Table 4 shows the share of trade of Pakistan with various regions.

Region	Imports	Exports	Total
North America	7.38%	26.66%	16.42%
Central America	0.14%	1.01%	0.55%
South America	0.67%	0.86%	0.76%
Western Europe	18.71%	27.98%	23.06%
Eastern Europe	1.52%	0.96%	1.26%
Middle East (Asia)	35.18%	16.25%	26.30%
Africa	3.38%	4.67%	3.99%
South East Asia	30.14%	20.15%	25.45%
Oceania	2.88%	1.47%	2.22%

Table 4: Share of Trade of Pakistan with Different Regions

8. Efficient trade through Multimodal transport with all the trading partners requires regular liner services between Pakistan and these regions. The national flag carrier Pakistan National Shipping Corporation does not operate a container service, but many foreign shipping lines are offering regular services to the main trading regions of Pakistan either directly or through transshipment from a regional hub port. The major shipping lines operating the services are:

- Maersk, Denmark
- P & O NedLloyd
- APL, Singapore
- Hanjin
- Yan Ming Line
- Evergreen
- NYK, Japan
- Mitsui-OSK, Japan
- CSCL, China
- COSCO, China
- K Line, Japan
- OOCL, Hong Kong
- Senator Line

9. Although Pakistan has not yet ratified the Brussels 1924 Convention "The Hague Rules" as amended by the Protocol of 1968, "The Hague-Visby Rules," and the Protocol of 1979 "SDR Protocol," all shipping Bills of Lading by PNSC as well as the foreign shipping lines are issued under Hague-Visby Rules. Pakistan's legislation on carriage of goods by sea dates back to 1925. Similarly, legislations on carriage of goods by air, multimodal transport, and road rail and air are also quite outdated and need modernization.

10. In fact Pakistan's domestic and foreign trade is plagued by non-standard trade and transport procedures and documents. This results in higher logistic costs and loan delivery and consequent higher costs of import and export to and from Pakistan. In order to remedy the situation Ministry of Commerce is at present executing a trade and transport facilitation project of United Nation Conference on Trade and Development (UNCTAD) as main contractor. The World Bank has funded the project with an IDA soft loan of US\$ 3 million at 0.75% annual interest repayable in 20 years. The total cost of the project is Rs. 175 million (US\$ 3.5 million). Pakistan Shipper's Council (PSC) of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) will contribute US\$ 0.5 million (Rs. 25 million). The project is to be implemented in three years. The contractor (UNCTAD) started its activities in August 2001 and was affected by the events of 9/11, which slowed down its progress in the beginning. The work by UNCTAD is likely to be completed by December 2003. However, the project will end in June 2004.

11. Under the TTF project Ministry of Commerce, Government of Pakistan has established a National Trade and Transport Facilitation Committee (NTTFC) to progress the work on trade and transport facilitation in Pakistan. The composition of the NTTFC is as under:

CHAIRMAN

Secretary Ministry of Commerce, Government of Pakistan.

MEMBERS

Representatives of related ministries, public sector organization, concerned trade bodies

PAKISTAN SHIPPERS COUNCIL

Infrastructure provider of NTTFC secretariat

12. The scope of work of TTF Project / NTTFC includes:

- Simplification of Customs documents and procedures;
- Modernization of transport legislation;
- Standard terms and conditions of professional qualifications, modern standard trading conditions and code of conduct for freight forwarders; and
- Logistics security requirements.

13. For modernization of transport legislation, carriage of goods by air, sea, multi modal transport, road and rail acts have been updated / re-drafted by UNCTAD international consultants. The latest progress on these acts is summarized below:

Carriage of Good by Air Act

14. The draft carriage of goods by air act based on Montreal Convention 1999 was first prepared by the UNCTAD international legal consultant. It was approved by the stakeholders' and the Ministry of Defense. On presentation to the Law Division they asked for it to be suitably amended in keeping with the practice followed in Pakistan for formulating the text of legislation. The draft Act has therefore been revised to cover all aspects of air transport accordingly and submitted to CAA and PIA for their consideration.

Carriage of Goods by Sea Act

15. The proposed draft carriage of goods by sea act has incorporated the amendments introduced by the protocols of 1968 and 1979. The draft carriage of goods by sea act has been finalized and submitted to PNSC for review. After receiving their concurrence it will be submitted to the Director General (Ports & Shipping) for concurrence of the stakeholders' and approval of the Ministry of Communications.

Multimodal Transport Act

16. There are no provisions in Pakistani transport legislation relating multi modal transport of goods and most of the other national legislations do not contain any particular provisions on the subject. The draft Multi Modal transport of Goods Act is closely based on the provisions of the United Nations Conventions of 1980 and UNCTAD / ICC Rules. Comments of the stake holders' and the Ministry of communications have been received. These are now being examined by the UNCTAD's National Consultants in light of the comments received, national requirements and experience of the countries where similar legislation has been enacted.

Major concerns regarding multimodal transports are as under:

- Out dated transport laws with inadequate carriers liability.
- No national marine insurance law

- Inadequate railways infrastructure
- Unorganized road transport sector
- Few freight forwarders capable of providing economic total logistic solution for door-to-door shipment.
- Lack of TIR carnet regime (although the Federal Cabinet has approved ratification of TIR carnet and ATA carnet, further progress is held up as decision on the National Guaranteeing Agency has not been taken so far).
- New security requirements for shipments to major trading partners.

Carriage of Goods by Road Act

17. The carriage of goods by road is at present governed by the carriers act, 1865. This act does not have all the necessary provisions to meet the present day requirements of road transport. The proposed draft carriage of goods by road act is closely based on the text of the International Convention signed in Geneva in 1956 (CMR Convention). The comments of the Ministry of Communications and the provisional governments have been received. The draft act is now being examined by the National Consultant in light of the comments received.

Carriage of Goods by Rail Act

18. The contract of carriage of goods by rail is subject to provisions of the railways Act 1890. The law is outdated and does not adequately cover the conclusion and performance of the contract of carriage and the liability of the Railways. Initial draft of the carriage of goods by rail act was prepared by the international consultant. The ministry of railways has advised that at present Pakistan Railways is not in apposition to implement the draft act because of the limitation of its infrastructure and certain provisions of the draft act, which are not favored by Pakistan railways. It was therefore decided not to proceed further with this act.

19. There are three major areas of concern relating to security:

- a) International Ship and Port Facility Security (ISPS) Code of International Maritime Organization (IMO), which comes in force on 1st July 2004;
- b) Container Security Initiative (CSI) of US Customs Services; and
- c) Customs Trade Partnership Against Terrorism (C-TPAT) of US Customs Services.

20. Pakistan National Shipping Corporation has already started work for implementation of ISPS Code by the time it comes in force. Port authorities will also be introducing necessary measures for implementation of ISPS Code. However, they would need some guidance to ensure that the security arrangements meet the IMO requirements.

21. CSI is a matter of major concern, because the equipment and facilities required to meet its requirement are very capital intensive. Technical expertise would also be required to ensure correct use of the facilities to satisfy the requirements of US Customs and other governments that may impose such requirements.

22. C-TPAT imposes even greater challenge as it covers the security of the entire logistics supply chain from the producer to the consignee. For meeting these requirements Pakistan will definitely need the technical and financial assistance of the countries imposing such requirements.