



CAREC SENIOR OFFICIALS' MEETING
(Manila; 8-9 September 2007)

PAKISTAN'S NATIONAL TRADE CORRIDOR PROGRAM

by

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Pakistan's Vision 2030

*“ Developed, industrialized, just and prosperous
Pakistan through rapid and sustainable
development in a resource constrained economy
by deploying knowledge inputs ”*

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Pakistan has Started on a 25 Years' Quest for Excellence

- **Technology Centres** Known for competitiveness, innovation, and productivity
- **Communications** Would be at the centre of major North-South and East-West transport corridors

This Vision is
circumscribed by

Global Imperatives
Our Choices
Our Implementation

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TRADE & TRANSPORT SECTOR VISION

- Improve competitiveness of Pakistani trade internationally
 - Enhance Pakistan's share of world trade (currently only 0.2%)
 - Increase Pakistan's exports from US\$ 17 billion in 2006 to between US\$ 250 – 300 billion by 2030
- Establish an efficient and well integrated transport system that will facilitate the development of a competitive economy
- Reduce transport costs and enhance affordability
- Ensure safety in mobility
- **Enhance regional connectivity**

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International Dynamics

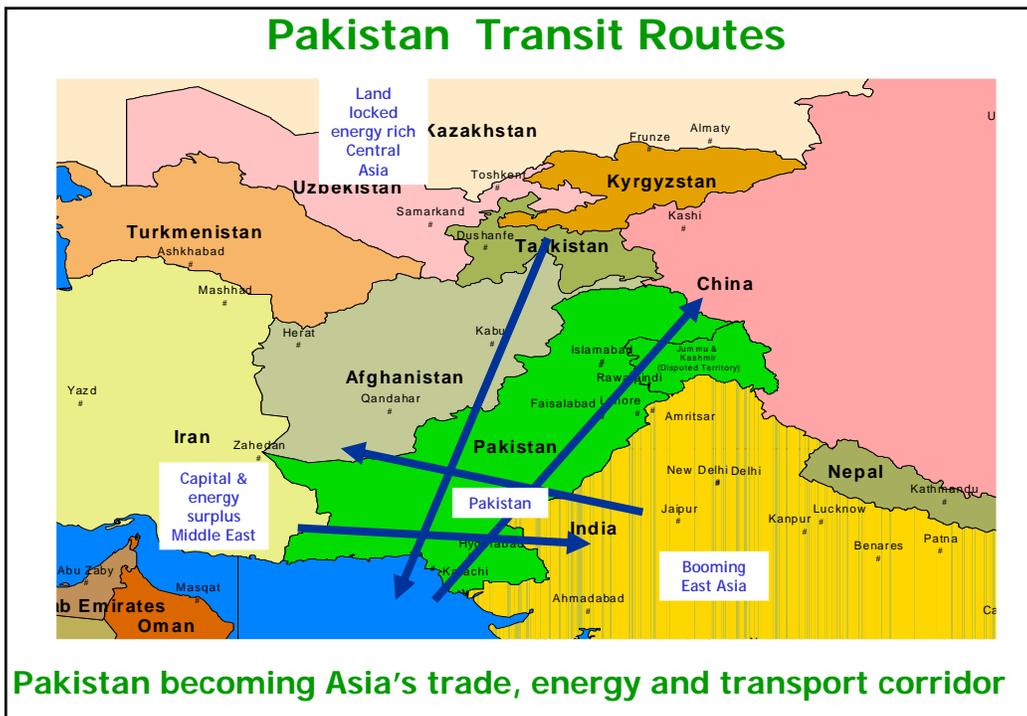
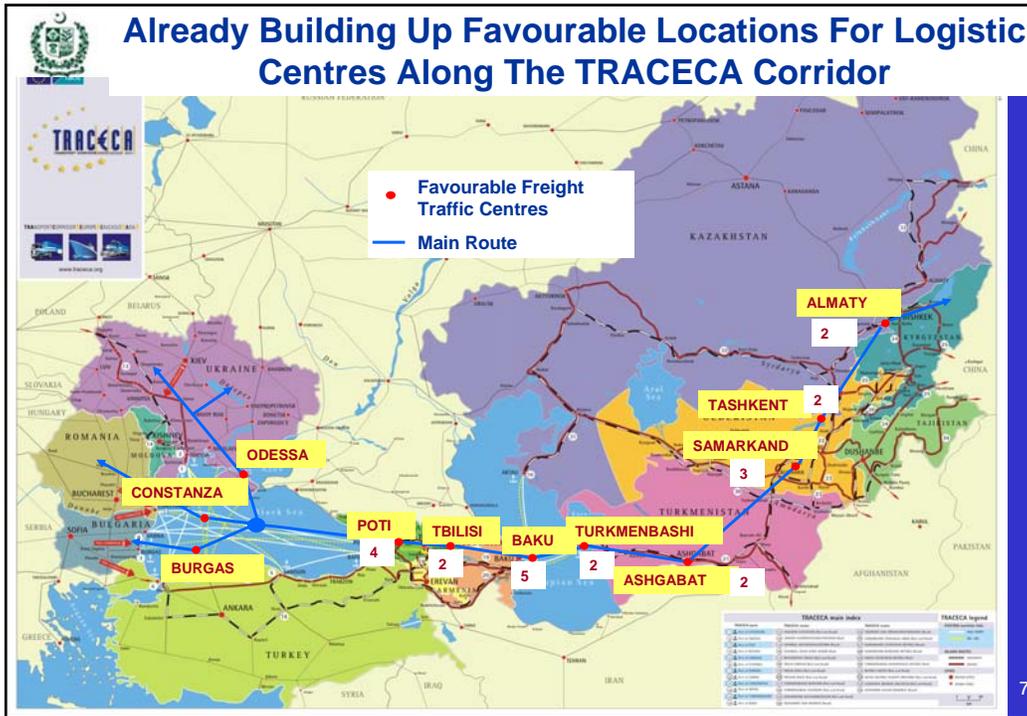
The Historic Silk Road—Trading Route Over 2000 Years



Already Major International Activities in Reviving this Network

The EU and TRACECA

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Pakistan becoming Asia's trade, energy and transport corridor



NTC VISION

- Evolve strategic plan to tackle the logistics and business development to contribute to economic growth and **enhance regional connectivity**
- Upgrade existing transport infrastructure and create new assets
- **Develop broad range of world class support services such as shipping, freight management, trucking, insurance, banking, customs clearance and border terminals**
- **Quantum leap in regional trade, particularly with CARs**
- Bring about substantive and qualitative changes to the industrial and services base by better economic mix to promote value addition, job creation and poverty reduction

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PAKISTAN'S TOTAL TRADE (By Volume)

	(billion ton-km)
Total Present Land Trade (Demand)	132
Total North South Corridor Trade (80%)	100
Present N-S System Capacity	136
Total Projected Trade on NTC by 2010	138
Total Projected Trade on NTC by 2012	160

Under the NTC Improvement Program, the NTC capacity would be increased to 204 btk by 2012

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EXISTING SITUATION



- Container dwell times at ports are 7-9 days — 3 times that of developed countries / East Asia
- Road freight (95 % of land freight) takes 4-6 days between ports and upcountry — Twice the equivalent time in Europe / East Asia
- Trucking quality, speed and service are low, obsolete models / non-euro compliant, individual ownership (not an industry)
- Rail carries < 5 % of freight and is 2 to 3 times slower than in China and USA
- Low performance costing economy 4-6 % of GDP (per annum)

THE EXISTING CAPACITY CANNOT SUPPORT 7-8 % SUSTAINED GROWTH

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NTC STRATEGIC THRUST



Rationale:

- To gain competitive advantage in the fast globalizing world
- Enhance efficiencies and affordability through:
 - ✓ provision of world class infrastructure,
 - ✓ efficient logistics chain,
 - ✓ smooth interface between the public and private sectors,
 - ✓ better rural-urban & regional connectivity

NTC development adopts a
Holistic and Integrated Approach to:
**Reduce the cost of doing business by improving
trade logistics to international standards**

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WORKING ARRANGEMENTS, METHODOLOGY & OUTCOMES



- Prime Minister's Inter-agency **NTC Task Force** chaired by **Deputy Chairman, Planning Commission (PC)**, operating through several sectoral Committees
- NTC Core Group established (Govt. / WB / ADB / JBIC)
- Action Plans being refined into **World Class Business Plans** to attract investment from the private sector, both domestic & international
- **Investments** estimated at over **USD 6 billion** (next 5 to 6 years) to be sequenced strategically
- Road shows for investors as marketing events
- Interaction with other regional countries with experience on holistic corridor development

HIGHWAYS MODERNIZATION



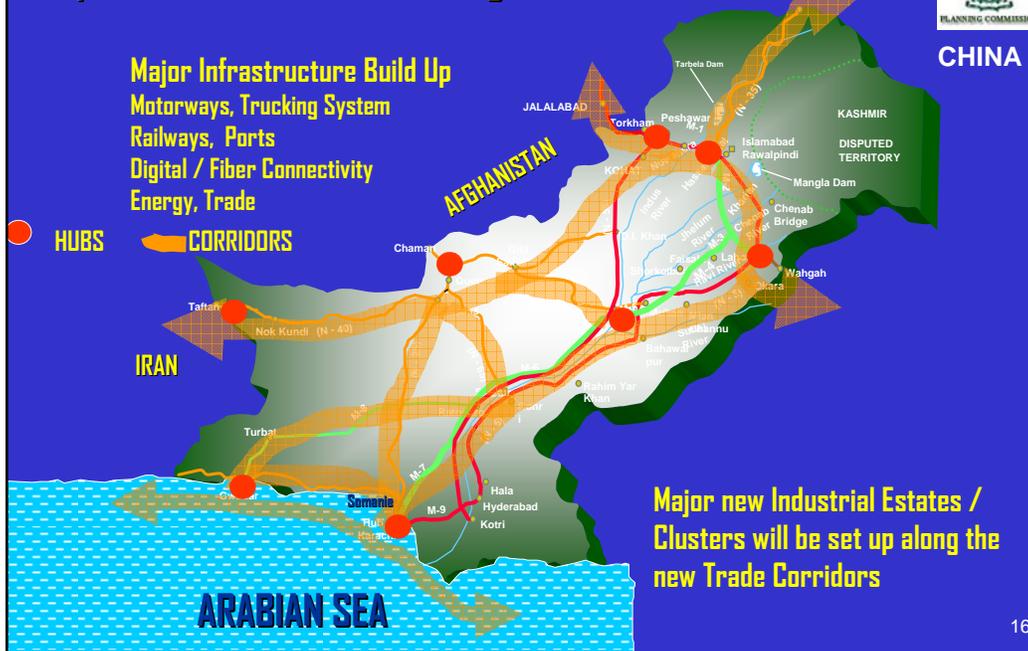
- Enhance capacity of North-South (N-S) & allied National Highways
- Commercial management of N-S highways and introduction of Intelligent Transport System (starting with electronic tolling)
- Segregation between non-motorized / local & motorized traffic and through traffic

Highways modernization can save Pakistan US\$ 2 bill annually

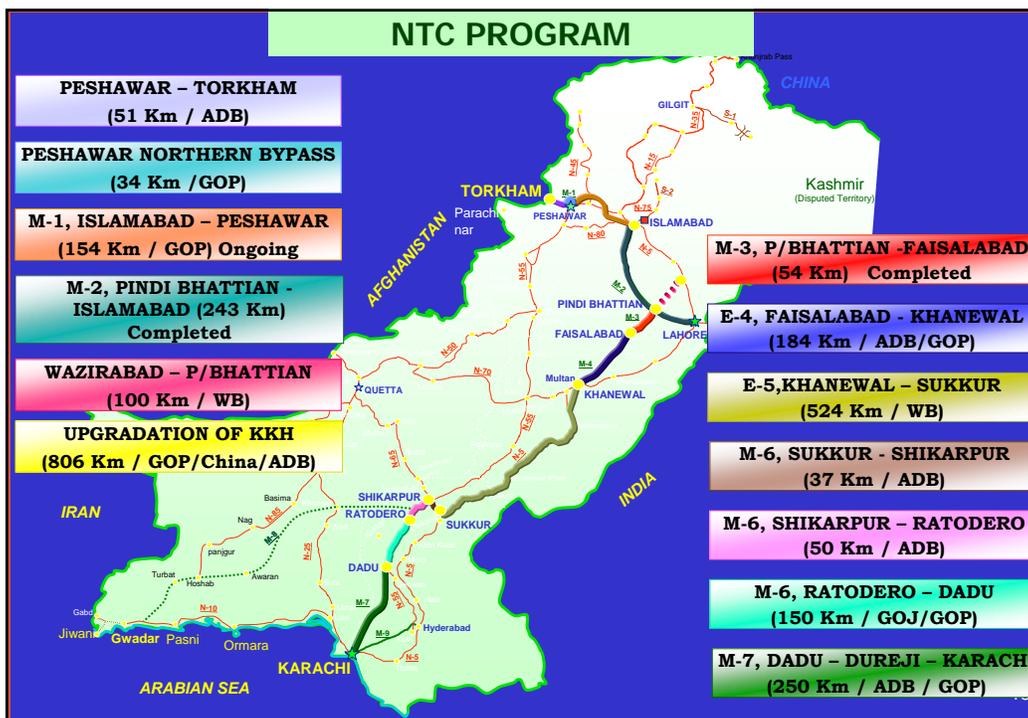
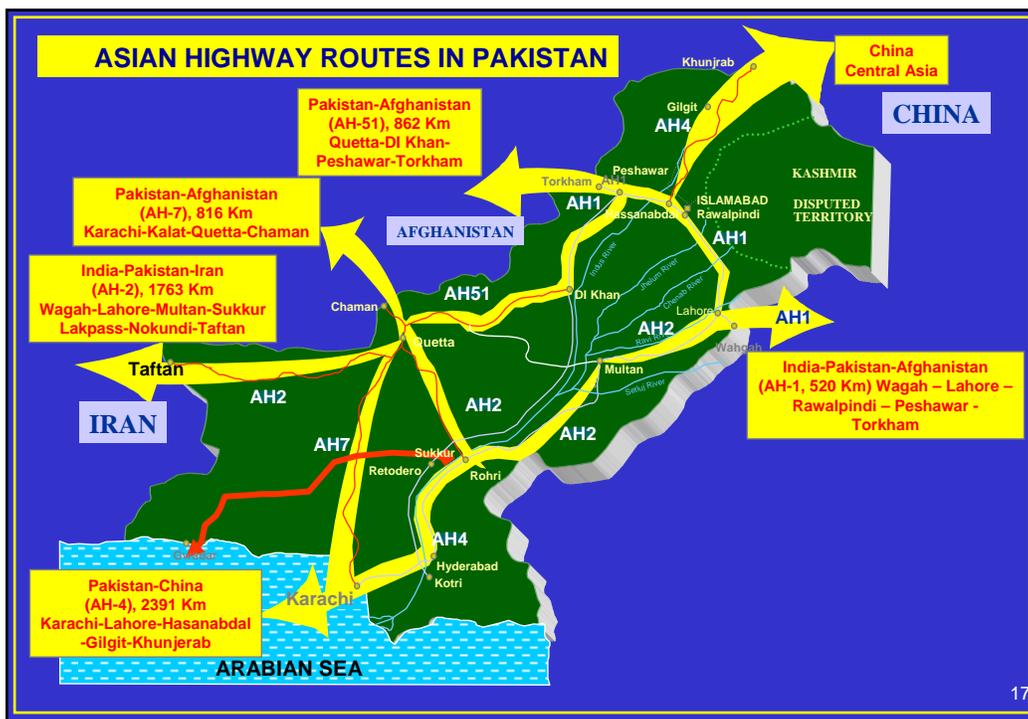
Physical Infrastructure: Strategic Thrust



Major Infrastructure Build Up
 Motorways, Trucking System
 Railways, Ports
 Digital / Fiber Connectivity
 Energy, Trade



Major new Industrial Estates / Clusters will be set up along the new Trade Corridors



TRUCKING MODERNIZATION



- Make Pakistan regional hub for international trade / facilitate expanding trade volume
- Effectively control overloading, environmental externalities and fuels quality
- Reduce operating costs, achieve fuel efficiency & save road assets
- Replace obsolete 2-axle and 3-axle rigid trucks
- Encourage introduction of modern prime movers / multi-axle, euro standard trucks by rationalizing import tariffs
- Incentivize fleet operations – declare trucking as an industry
- Replace ineffective MVE System
- Revise National Truck Specifications and mainstream roadside assembly / conversion / modification accordingly

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Progress



PLANNING COMMISSION

- New Trucking Policy devised to improve and incentivize the trucking sector for approval of the Cabinet by the M/o Industries. Initiative is being taken under the NTC plan.
- Proposals with regard to converting the trucking sector into an industry and corporatizing it, are being considered for implementation
- Multi-axle trucks complying Euro-III conditions would be allowed with tariff exemption for long haul trade enhancing the regional connectivity
- Financing for old trucks buy-back schemes will also be introduced

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RAILWAY RESTRUCTURING & MODERNIZATION



- Create a PR Freight Business Unit with dedicated locos and rolling stock
- Create a commercial rail environment eliminating cross subsidies
- Introduce private sector management and financing in rail freight sector
- Ensure Fast Track Access for PR' freight business to reduce travel time for Karachi-Lahore container services to 28 hrs against present 56 hrs
- Door to Door service through involvement of private road transport haulers from Railway Stations

Competitive Railways can save Pakistan USD 1.0 billion annually

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TRADE FACILITATION



- Modernize / streamline trade & transport logistics practices
- Develop trade facilitation strategy
- Expedite implementation of Customs Administrative Reforms
- Develop Freight Forwarding, Insurance, Banking to support trade logistics
- Strengthen National Trade & Transport Facilitation Committee
- Revamp / modernize other trade organizations (such as FPCCI)
- Publicize Trade Facilitation — WTO, SAFTA, ECO

Trade facilitation can save Pakistan US\$ 1.3 billion annually

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Progress



Transit trade promotion strategy: Compliance with *International Standards and accession to TIR Convention 1975*

- **Strengthening bilateral & multilateral regional transit regimes**
 - Revision of Afghan Transit Trade Agreement
 - Operationalization of the ECO Transit Trade Framework Agreement
 - Implementation of the (Pakistan–China–Kyrgyzstan–Kazakhstan) Quadrilateral Transit Agreement
- **Infrastructure Development**
 - Construction of rail-link between Chaman – Spinboldak – Kandahar - Khushka
 - Construction of rail-link between Havelian-Khunjarab to Pak-China border

Scope of transit treaties with neighboring countries planned to be enhanced for greater access

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Progress



- Standardized procedures and capabilities for handling traffic-in-transit
- Multi-agency border stations at Jamroud, Chaman, Taftan, Wagha
- 4 Customs stations along Pak-Iran already operational; work underway on the 3 border stations along Pak-Afghan Border, for facilitating transit trade through Pakistan (via Afghanistan) from Central Asian States
- Pakistan Automated Customs Clearance System through Electronic Data Interchange (EDI) being rolled out at all airports, sea ports and dry ports
- Freight Forwarding Industry Regulation & Development Regulatory regime on the basis of international standards accreditation programme; **24 x 7 working hours** at Ports Customs
- International Freight Forwarders & Transporters Conference held at Karachi in January 2007, with participation of international / CARs delegates; Second Conference planned
- Installation of scanners at all border terminals
- Cold chain enhancement programme

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PORTS IMPROVEMENT & MODERNIZATION

- Ports to reduce costs, improve logistics, and upgrade the existing infrastructure to enhance Pakistan trade competitiveness
- New ports sector master plan & business plan
- Berth draft of Karachi Port and Port Qasim to be deepened to attract larger capacity vessels
- Reduce free cargo dwell time to 3/4 days
- Reduce vessel charges to international norms
- Reduce port costs and terminal handling charges
- Professional port management
- Establish IT Port Community Network

Efficient ports can save Pakistan US\$ 450 million annually

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AVIATION & AIR TRANSPORT MODERNIZATION

- Development & improvement of cargo infrastructure at important airports for meeting delivery needs of a modern global supply chain
- Unilateral open sky policy
- Demand based development of infrastructure
- Regionally competitive user charges & fuel prices
- Bifurcation of regulatory, commercial and operating functions
- Liberalization of air service agreements
- Encouragement of private airlines to operate on international routes

New air trade agreements with CARs, European, Eastern and Far East countries are planned

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CHALLENGES AND NEXT STEPS



- Evolving a new strategic framework for business development along the NTC, with action plans and road shows
 - ✓ diversified industrial base
 - ✓ diversified service industry base (warehousing, distribution, wholesale and retail)
 - ✓ more efficient logistics chain
 - ✓ development of city clusters
 - ✓ Strengthened trading base
- Fully tap the potential savings of over US\$ 7 billion resulting from efficiency in private sector logistics (trade to trade and government to trade transactions) by streamlining areas such as warehousing, shipping, inventory control, and efficient administration
- **Enhance focus on cooperation with CARs (strengthened trade, transportation, industry and energy linkages and exchanges)**

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