



# ECONOMIC RELEASE





## Gloomy Pakistan's Ports and Shipping Need More Investment, Proper Administration

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**PAGE:** Could you tell us about the state of the ports and shipping in Pakistan?

**Ismail Suttar:** The existing scenario of ports and shipping sector looks utterly dismal. There are countless challenges pertaining to facilities, infrastructure and administration; all of which have hindered the growth of this industry since nationalization of 70s. Nationalization of 70s, was the worst period in our country's economic history as many of the private shipping companies were unjustly seized which killed the spirit of the sector. Our fleet of commercial ships is narrow and the bureaucratic bottlenecks owed to weak administration of past governments have discouraged local investors to take interest in the expansion of this sector.

However, a growing issue is the consistent reliance on Flag of Convenience (FOC) for a country which trades more than \$60 billion worth of imports and exports. Under an FOC, the owning company registers her ships in a foreign nation and through this practice, certain rules and regulations of their home nation can be evaded. For the past many years, most companies in Pakistan have adopted the FOC, and availed the cheap labor, low regulations, minimum operational costs and no minimum wage requirements accrued to it. This may sound convenient but the extremely ease registration and documentation have actually marred the development of the shipping industry and encouraged illegal trade of goods. There is no guarantee of observance of basic human rights, rational pay scale and provision of friendly accommodation for workers.

The representation of Pakistani crews is marginal but I am happy the ministries are pushing shipping line giants such as Maersk to employ locals. This is only icing on the cake and if one delves deeper, then more challenges such as poor cold storage, port handling and phytochemical certification have not only prolonged the loading time but also build trust deficit of trading partners on our goods.

The Maritime Ministry, over the past many years have remained more or less soporific to the growing woes of manufacturers connected with this industry. I must apologetically confess that Pakistan National Shipping Corporation (PNSC), which imports most of the bulk crude oil in vessels carrying Pakistan's flag





and earned turnover worth Rs902 million in the first half of FY19, has lost interest in the shipping industry over vested interests in real estate sector abroad. During the same period, Port Qasim, handled a total volume of 21.367 million tons which is an increase of 24.5 percent over the 17.165 million tons recorded in the same period last fiscal year. On the other hand, with the breakup of export and import of 14.9 percent and 1.6 percent respectively, as compared to corresponding period of last year, Karachi Port Trust (KPT) showed progress of 5.1 percent. While these numbers seem promising, the corporatization and modernization of ports as promised by the Ministry of Maritime, has not been realized.

The governments of the past have shown very little or no interest in the development of this sector and as a result, private investors have remained at bay. Today, 90 percent of the trade is done via sea but the high freight cost associated with each shipment eats up most the revenue which has added to the cost of doing business.

**PAGE:** What must be done to bring more investment in ports and shipping?

**Ismail Suttar:** The \$2 billion investment proposed by Singapore-based company by the name of Global Radiance Group in the development of the Ship Building industry sounds exciting! In fact, I foresee good prospects for investment once the Hammad Port of Qatar is connected with Gwadar Port. The current state of economy begs for more such investment opportunities. The \$62 billion Belt and Road initiative, CPEC which eyes to connect Gwadar Port of Pakistan to the Xinjiang Province of China through a multitude of railway, roads and energy pipeline connectivity is bound to change the game for Pakistan in the region. It promises to link the European, Middle East and Africa, and Central Asian markets to China through cost and time- effective means. This Gwadar Port, sits on a huge consumer market of Asia, encompassing over a third of world's population. With rising global demand for natural resources, the strategic location of Gwadar Port makes it the mother of all shipping terminals. The port can be extensively used to exchange large volumes of oil, gas and minerals extracted from the estimated 29 trillion cubic feet of natural gas and 6 billion barrels of oil that makes up the reserves of Balochistan.

With Gwadar, not only can Pakistan provide comparatively cheaper natural resources to bordering Iran and the Central Asian Republics (CARs), but a shorter route too. As a matter of fact, the new oil and gas depots discovered in the Caspian Sea, will most definitely seek outlets for their products and the two-way outlet to markets in the East and in the West offered by Gwadar can prove to be a win-win for the entire region. Beijing can easily receive cargo to and from Gwadar Sea Port, and the 3000 km network and rail,



road and gas pipelines can be tapped to not only fulfill the growing energy needs of China but of the rest of the world as well.

The global trade arena is saturated by vessels and the global trade outlook looks bust. There is high competition and regional players like Bangladesh and even landlocked countries like Mongolia are doing really well!

If we are to bring in investors, we must clear the bureaucratic hurdles and chart out a feasible plan to cut down freight costs, direct FDI towards installation of technologically advanced port handling facilities and purchase commercial ships. Under the new government, the Minister of Maritime Affairs is looking forward to charting out a national policy on local shipping industry. I am also anxiously worried on the Merchant Marine Policy which is expiring next year and suggest the mandated UN policy of 40:40:20 is rationally implemented.

I must also add raise a concern that poor treatment of exported items, especially fruits which are not provided consistent cold storage facility (and scanners technology) and inspected in bulk for quality also poses a threat to our exports. Once fruit containers are opened, temperature rises and the perishable covering compromises quality. This malpractice is largely on part of the customs and the government needs to involve them as well as the TDAP to enhance bilateral trade relations has tainted image of Pakistani exports.

**Media Link:** <http://www.pakistaneconomist.com/2019/06/17/gloomy-pakistans-ports-and-shipping-need-more-investment-proper-administration/>