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Improving Transport Connectivity

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5 December 2014

The Agenda

- ▶ Introduction – the Current Status
- ▶ What needs to be done for improving transport connectivity
 - Liberalization of Transport Services
 - Accession to TIR Convention
 - Revival of Silk Road
 - Trade Facilitation
 - Opening new border routes
 - Building Supply Chains
 - Enhanced use of IT systems
- ▶ Conclusion

Connecting Energy Rich Countries with Energy Deficit Countries



Liberalization of Trade in Transport Services

- ▶ SATIS negotiations almost stagnant
- ▶ Current offers very low on ambition
- ▶ Unilateral liberalization of services may be the best option
- ▶ This would improve access and efficiency
- ▶ Would reduce costs and increase quality

TIR Convention

- ▶ Pakistan and India not yet members of TIR Convention
- ▶ Experience of many countries has shown that TIR greatly facilitated transport connectivity
- ▶ Implementing the TIR involves the following:
 - National guarantee associations and Customs Authorities control access
 - Goods accompanied by TIR Carnet, which serves as the control document in the countries of departure, transit, and destination
 - Duties and taxes covered by an internationally valid guarantee
 - Goods travel in approved secure vehicles and containers
 - Customs control measures taken in country of departure are accepted by the countries of transit and destination

TIR International Guarantee Chain

- 3 million TIR Carnets per year covered financially in 57 countries
- Each TIR Carnet is a financial guarantee for Customs up to 50'000 USD/60'000 €
- IRU issue some \$1 Billion per day in financial guarantees

Trade Facilitation

- ▶ Adopting the following measures would significantly increase transport connectivity:
 - Risk management
 - Streamlined border procedures
 - Harmonization and simplification of documents
 - Automated processes
 - Information availability
- ▶ Implementing the new World Trade Organization Agreement on Trade Facilitation (ATF) would achieve the above objectives

Trade routes that can be easily made operational

- At present only **A** Wagah – Attari is open for limited trade (Annex G items)
- Other land crossings that can easily be re-opened:
 - B** Lahore – Patti (Burki road)
 - C** Kasur – Ferozpur (Ganda Singh)
 - D** Sahiwal – Fazilka (linking Southern Punjab)
 - E** Munabao – Khokhrapar rail (linking Sind)
- Open direct shipping routes



Building supply chains – Plastics and Chemicals

Plastics

- Pakistan imports over \$1 billion of Polyethylene (300kt) and Polypropylene (300kt)
- Less than 10% are imported from India whose petrochemical plants are located near Lahore
- Most plastic manufacturing units (over 400) are located near Lahore
- India can import cheaper and quality plastic goods such as water coolers, bottles and parts



Polyethylene Granules

Plastic goods (e.g. water coolers)



PET (Resin)

Chemicals

- Pakistan has surplus capacity for soda ash and caustic soda
 - India currently imports these products from more expensive sources
- Huge demand in Pakistan for dyes, colouring materials and organic chemicals





Dyes and colouring materials

Textiles



Conclusion

- ▶ Liberalization of Transport Services, Accession to TIR Convention, Opening new Border Routes, Trade Facilitation, Building Supply Chains can greatly expand connectivity
- ▶ Greater connectivity  More economic activity  Less poverty
- ▶ *“When goods cannot cross borders, armies will.”* Frederic Bastiat