

# **Role of Logistics in Trade Promotion with reference to Pakistan**

*By  
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In today's globalized world, whether a country is able to move goods quickly, cost effectively and reliably across borders largely determines its degree of inclusion in the global markets as trade logistics facilitate trade. Trade logistics plays a very important role in the volume and value of international trade and poor quality logistics is a key barrier to trade. High quality logistics services improve the competitiveness of a country's exports by reducing the cost involved in transporting goods. Across the board, elements of trade logistics, such as customs procedures, tracking and tracing services, overall infrastructure and logistics competence impact trade relatively more than less policy-dependent trade determinants such as distance and transport costs.

Talking about the Transport which is one of the most expensive components of Trade Logistics, an adequate infrastructure is crucial to facilitate transportation. According to Pakistan Infrastructure Implementation Capacity Assessment, the transport sector inefficiencies are costing economy between 4 to 5% of GDP (Rs. 500 b) each year indicating the need for massive investment in Road, Rail, Air and Sea Ports. Our ranking in infrastructure under Logistics Performance Index is 120 which is even lower than our overall ranking. Another significant component of logistics services is a well developed information system. Information flows may be electronic, paper-based or voice based. If economies, and in particular, developing economies, are to participate fully in global production and supply of intermediate and finished goods, their ability to do so will be affected by the standards of their Information and Communication. Technology infrastructure is an important component of trade and transport facilitation. Our state of the art information technology system at the ports helps in tracking the shipments all through arrival till departure, however there is a paramount need for a tracking system to be in place during the transportation which is the one of the most time consuming elements. Furthermore, indirect costs such as time delays in shipping can take several forms but ultimately they increase the cost to firms that are then passed on to consumers. Lower shipping times are associated with higher volumes of trade. Findings of a recent research carried out indicated that every extra day needed to ready goods for import or export may reduce trade by around 4%. The recent shift from PACCS to WEOC has intensified the procedures thereby increasing time to get customs release eventually causing delays in exporting/importing the cargoes.

Having talked about the role of logistics in Trade and the situation prevailing in the country, I would now like to highlight a few recent opportunities arose that, if tapped well, are likely to open many doors for our industry, a few challenges being faced and related recommendations.

Talking first about the opportunities, Government of Pakistan's recent emphasis on Public Private Partnership Program includes Transport and Logistics as one of the major areas to be worked on as investment in this area would certainly enhance trade. We request the Government to take this forward on priority basis and involve private sector extensively in the project as this is need of the hour.

2. The recent emphasis of our Government on 'Trade not Aid' is likely to open markets for Pakistani products to foreign markets. This implies a huge opportunity as successful trade has to be backed up by strong logistics and urges public and private sectors to look into enhancing logistics competency to another level.

3. The recently signed Agreement on Trade in Services by SAARC members is expected to open many doors not only to facilitate trade among the members countries but the development of infrastructure with special emphasis on intra regional connectivity through the construction of road, rail and air networks.

4. Government's strategy of improving Bilateral Trade with neighboring countries would be a great opportunity that would not only reduce the trade logistics cost but also decrease the risk element involved in the transport of perishable cargo due to shorter transit.

Now to the challenges and related recommendations, The biggest challenge, I believe, is the provision of electricity and gas supply to the industry which is not only paralyzing the entire industry but is also the main hurdle in managing the cold chain logistics that causes huge production losses.

2. Pakistan loses an estimated 40% of its production of fruits, vegetables and dairy products due to the lack of an adequate cold supply chain, according to figures released by the Punjab Board of Investment and Trade. Pakistan gets, on average, only 41% of the international price on its food exports owing to weak cold chains in the country.

3. Limited capacity of ports with regard to space becomes a huge challenge due to the unstable political situations. A couple of days of strike causes huge blockage at the ports resulting in vehicles getting stuck in Karachi and hugely disturbing the import and export logistics flow. There is a paramount need to increase capacities of our ports.

4. The road infrastructure is to be enhanced with immediate effect in order to ensure smooth transportation.

5. The fifth challenge pertains to the limited options for inland movement. The domestic rail infrastructure is to be worked on extensively in order for the exporters/importers to have multiple options for inland movement. Having various multi model facilities is an important aspect of the Transport infrastructure of a country.

Coming towards the CONCLUSION, the growth in Trade and Logistics are directly proportional to each other. Investments in logistic services and infrastructure can highly enhance trade. In addition it can also guide as to which infrastructure investments are likely to bring larger gains which will benefit countries the most. This brings me to another important aspect which is promoting policies to continue to move trade facilitation reforms forward. This reflects the need of having a separate Logistics Ministry on Board to address all these issues with regular participation and support from the Private Sector through Public Private Partnership Program. Pakistan is one of the finest producers of cotton, rice, wheat, sugar, various fruits and vegetables and has adequate resources to transform the raw materials to finished product; the only need is to bring about synergy among the Trade and Logistics for which a platform is needed in the shape of a separate ministry to address all the challenges.