

Will MFN boost shipping trade with Pak?

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The 'most favoured nation' status granted by Pakistan to India is unlikely to provide a major boost to the sea trade volumes between the two countries in the near future, shipping companies say. The development, however, has brought cheer to the road transportation sector, with some operators mulling fleet expansion.

Due to various restrictions, most Indo-Pak sea-trade was carried out through a longer route via Middle East ports. With the new status, this route is expected to shrink to a simple direct India-Pakistan route. The trade between the two countries is also expected to double to \$5 billion from the current \$2.5 billion.

Anil Devli, CEO, Indian National Shipowners Association (INSA) said at present 70% of the cargo intended for Pakistan markets is moved through Jebel Ali in Middle East and only one Indian shipping firm, Shreyas Shipping and Logistics, operates a direct Indo-Pak service.

"With the new MFN status, this could change. Direct trade between India and Pakistan would mean lower freight charges and the time of transit is also lower. While freight charges will come down significantly, the transit time would reduce from seven days to close to two-and-a-half days," said Devli.

However, most of the other shippers do not expect any major change in this trade pattern in the near future. Interestingly, volumes have been so sluggish this year that Shreyas Shipping had scaled down operations on this route to fortnightly from weekly.

"The main reason for this fall in volumes is Pakistan has minimal requirements to be met through imports from India. Most of it is met through their local production or imports from the Middle East. We generally witness a good volume increase with the start of the cotton season, but that is not the case so far this year," the official said.

Shipping Corporation of India (SCI) is also not keen on operating on this route.

"We do not plan to start any container service on this route at the moment as the segment is facing the brunt of recession," said RK Tandon, vice-president - container, SCI.

Officials from Indian ports on the west coast, too, do not expect any great rush in volumes either. "We do not see any change in volumes in the near future. Trade patterns take a long time to change and thus one could see a gradual change; a significant effect could be seen in a year or so," said Rajeeva Sinha, director, Mundra Port and SEZ Ltd. Industry sources expect ports such as Mundra on the west coast would benefit most in case of any significant increase in volumes on the Indo-Pak route.

R Venkatesh, managing director, Clearship, a freight forwarding company, said most of the players are in a wait-and-watch mode. Venkatesh expects road fleet operators to be early beneficiaries of this new status.

Sources from the road transportation sector said fleet operators plying on the Indo-Pak land route are already mulling a fleet expansion.

“The MFN status is likely to have an immediate effect on the road fleet operators in the form of increased fleet,” said Anand Sheth, president of Association of Multimodal Transport Operators of India.

This addition could be expected from the smaller players more as big players such as Transport Corporation of India (TCI) want certain issues to be ironed out first. TCI had earlier considered the Indo-Pak route for operations, but dropped plans later.

“There are various issues like custom clearance, trans-shipment facilities and handling system at the border which need to be streamlined. We already operate services to most neighbouring companies other than Pakistan,” said Vineet Agarwal, executive director, TCI. The official has not struck off the Indo-Pak route from his list.

“We will not stay away from the route altogether, but certain issues need to be addressed,” he said. Nevertheless, the company is confident the new status would prove positive for everyone in the logistics segment.

The total gain in trade volumes due to the new MFN status is expected to have a positive bias towards the road sector. Sinha from Mundra said this gain would be divided between sea-trade and road movement, depending on the cargo origination point.

“Any additional containerised cargo due to the MFN status for ports such as Mundra would be those from the southern and western India hinterlands. Volumes originating from the northern hinterland will continue to prefer the land routes,” he said.