Chapter 1. Introduction

1.1 Background

Port development and productivity play a crucial role in economic development and regional connectivity in Asia and the Pacific. Over the recent years, the rates of economic and trade growth in the Asia-Pacific region have shown to be higher than the world average and this situation is expected to continue, although to a lesser degree. The rate of growth of the maritime and port traffic, which is driven by global economic growth and international trade, is likely to decline slightly due to the global economic downturn and difficult trade relations, but the growth trend is expected to be maintained.

The shortage of ports’ capacity directly hinders international trade, prompting Governments to seek to “unlock” the capacity constraints in and around ports. In many cases, the port territory (seabed and land) is owned by Government, which, in principle, should enable greater facilitation of trade and policy implementation, bringing wider economic benefits at the local, national or regional level. This theory is challenged by fiscal reality. Increasingly competing calls on the public budget mean that Governments do not have the financial resources to spend, or the inclination to commit available funds, to unlock port capacity constraints and to improve efficiency.

Unlocking capacity constraints and improving efficiency at ports can be achieved through various techniques, enhancing port capacity and associated inland logistics (through infrastructure enhancement or development) and increasing the efficiency of marine and inland operations (through infrastructure enhancement and service innovation). Competition between ports (and between terminals within ports) also drives efficiency. Competition in the shipping industry has an impact on port development with the shipping industry exerting pressure on ports to invest in order to accommodate increasingly larger vessels.

Because ports are valuable assets, and the port capacity, in itself, is valuable, there is a strong interest from the private sector to invest in their development, as demonstrated by the development of trans-shipment ports around the world (including the world’s largest ports in Singapore). New ports and new port infrastructure are being increasingly developed with the involvement of the private sector, comprising some of the world’s most known companies. This brings also a wider dissemination of global best practices, leading to increased quality of service, improved efficiency of operations and improvement in the allocation of public spending.

1.2 Objective of the report

In Asia and the Pacific, port capacity is under the daily pressure of growing commercial demand, making enhancing that capacity a crucial part of the port’s development strategy. Often, this can

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lead to an accumulation of projects. However, these numerous projects are sometimes carried out without adequate long-term vision, which, in turn, limits their impact and benefits. By a way of example, it is already acknowledged that building new ports next to each other is no longer a valid option for financial, land-use related and environmental reasons. The concept of “Integrated Intermodal Transport” has been increasingly considered around the world as a way to address capacity constraint issues in ports. Other ports enhancements, such as transshipment operations, have also shown potential for enhancing efficiency and smooth operation of container transport.

Although Asian countries have been historically exposed to port development and maritime trade as a driver of their economic growth, the status of port development is still fragmented and largely different across the region. This is largely due to different level of economic development, financial resources, technical capacity and a lack of effective implementation. Some Asian ports, display high level of technological and operational development and ports in the region, placing them among global leaders in port performance, but this is far from being true for most of the ports in the region. The unevenness of port development ultimately reduces the benefit of the regional port system. To unlock its full potential, tangible outputs, proper governance, enforcement and implementation strategies must be put in place. There is a general recognition among governments and private sector in the region that any procurement structure should be structured in a way that ensures that the port capacity and its value are optimized. Regional cooperation and coordination are key in this respect, as they allow to maximize interoperability and tailor solutions to the local conditions. According to UNCTAD, ports should adopt sustainable growth strategies to protect ports from climate change as well as strengthening greener and more sustainable ports. However, the transition to a greener and more sustainable port requires not only procurement of large-scale investment resources, but also technical support for developing countries and various measures to strengthen their capabilities.²

Against this background, this report aims to provide key information and policy guidelines on improving port productivity and enhancing cooperation between public agencies and the private sector including shipping lines and shippers. The report also highlights the link between the roles and functions of ports and the implementation of the Sustainable Development Goals (SDGs), due to the port’s direct impact on international and domestic trade as well as on local economic, environmental and social development.