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Book

Bangladesh's seaports : securing domestic and regional economic interests

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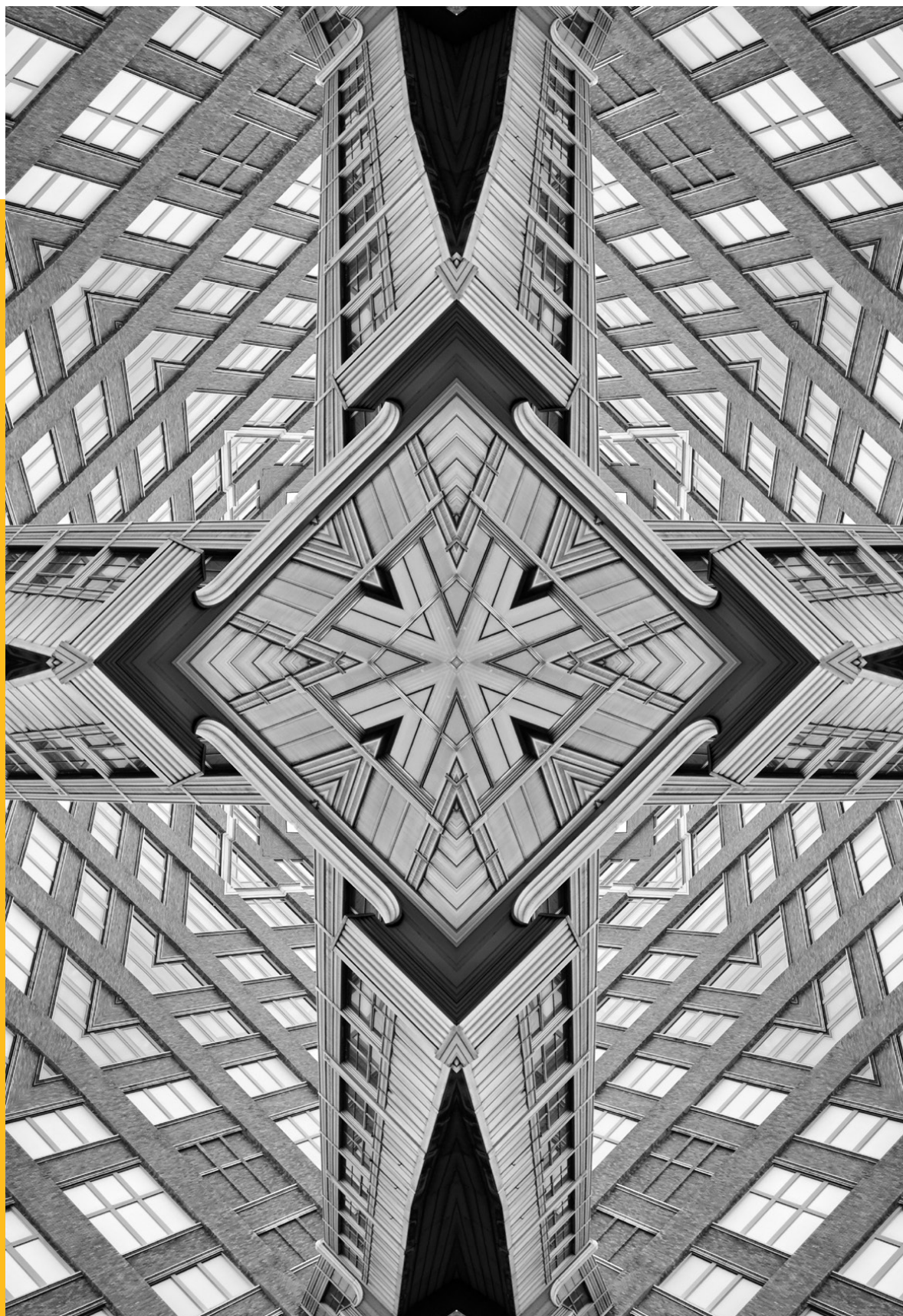
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Bangladesh's Seaports: Securing Domestic and Regional Economic Interests

Sohini Bose

Abstract

Bangladesh is one of the fastest growing economies globally. Over 90 percent of the country's international trade is through the ports of Chattogram and Mongla, which also provide the neighbouring countries an access to the sea for trade and connectivity. This paper seeks to assess the significance of the two seaports in advancing Bangladesh's domestic trade development, and their role in facilitating maritime commerce in the Bay of Bengal region.

Once labelled a ‘basket case’ by US Secretary of State Henry Kissinger in the aftermath of its economy-crippling liberation war, Bangladesh is now considered as one of the fastest growing economies in the world.¹ From being one of the poorest nations at its birth in 1971, Bangladesh attained lower-middle-income status in 2015, and, as of 2022, is on track to exit the United Nations’ list of least developed countries in 2026.² Bangladesh is enclosed almost entirely by India (in the west, north, and east), with its south opening to the Bay of Bengal. As such, its seaports are crucial to the economy, and currently conduct over 90 percent of the country’s international trade.³ Indeed, Bangladesh’s location at the north of the Bay allows for access to the important sea lines of communication (SLOCs)^a that cross these waters.

Bangladesh has two seaports—the Port of Chattogram^b and the Port of Mongla (see Map 1). Although both are built on riverbanks, they are referred to as seaports because they are located a few kilometres upstream from the Bay. The maze of waterways on which both ports are built forms an integral part of a multimodal network that links the country to the hinterland, a contiguous zone of neighbouring countries (India, Nepal, Bhutan, Myanmar, and Thailand). As such, Bangladesh can assist the landlocked Himalayan countries of Nepal and Bhutan, and India’s Northeast region by providing them an access to the sea through its seaports. The Chattogram Port can also engage with the Sittwe Port in Myanmar, given its physical proximity to the country, and further with the Yangon Port in Thailand. As such, Bangladesh’s seaports are important maritime gateways for the neighbouring countries, especially those landlocked, with the potential to boost their trade. This also converges with the countries’ interest in strengthening cooperation—bilaterally and through the Bay of Bengal Multi-Sectoral Technical and Economic Cooperation (BIMSTEC)^{4,5}—in the Bay region following the strategic resurgence of this maritime space. Indeed, Bangladesh’s seaports have the potential to increase trade and connectivity in six of the seven BIMSTEC member countries.^c

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- a Sea lines of communication are maritime shipping routes between ports that are used for the trade of goods, the transfer of passengers, and naval purposes.
 - b In April 2018, Bangladesh changed the name of Chittagong city to Chattogram, based on its Bengali spelling and pronunciation. The change also applied to the port located in the city, but the port authority continues to be known as the Chittagong Port Authority.
 - c Sri Lanka is the only BIMSTEC country that does not share any land boundaries with Bangladesh, nor is it located near that country. As such, Bangladesh’s seaports are unlikely to enhance Sri Lanka’s trade, unless through any regional arrangements.

This paper aims to understand the importance of Bangladesh's Chattogram and Mongla seaports in advancing the country's economic interests and facilitating regional commerce.

Map 1

The Chattogram (Chittagong) and Mongla Port in Bangladesh



Source: World Atlas⁶

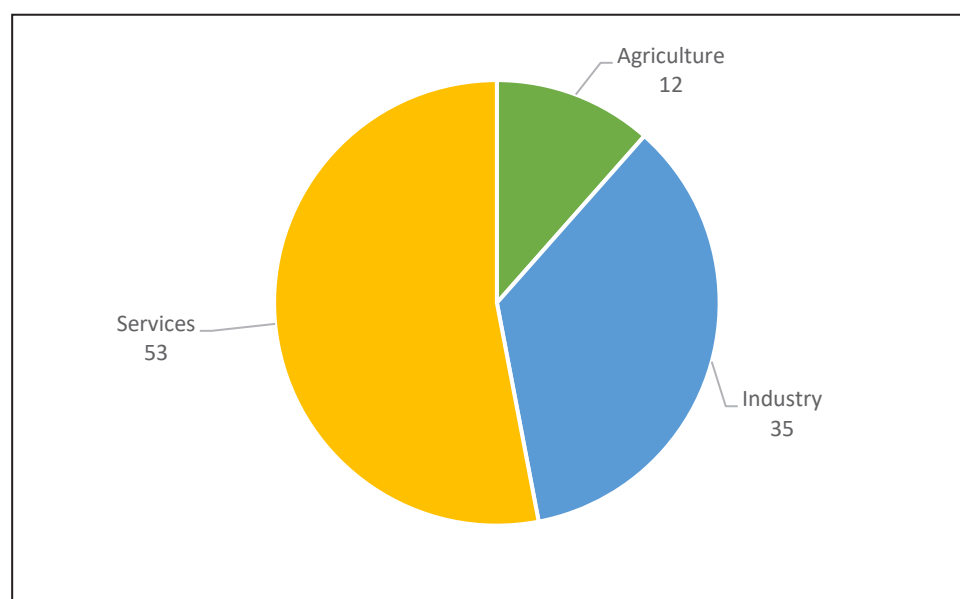
Note: The author has modified the base map to mark the ports.

Assessing the Importance of Bangladesh's Seaports

The Chattogram and Mongla seaports are the nerve-centres of Bangladesh's foreign trade, with the former shouldering a 90 percent share of the country's maritime commerce.⁷ As such, both ports are extremely important for its economy. In FY 2021-2022, the Chattogram Port earned a revenue of TK 307 crore (US\$29.7 million),⁸ while Mongla earned a revenue of TK 31.08 crore (US\$3 million).⁹ Although there is no available information in the public domain on the seaports' contribution to Bangladesh's GDP in percentage terms, this can be inferred from some other data points.

The seaports are considered to be under Bangladesh's service sector, which accounts for over half of the country's GDP (see Figure 1).

Figure 1
Sector-wise Breakup of Bangladesh's GDP (2021-22; in percentage)

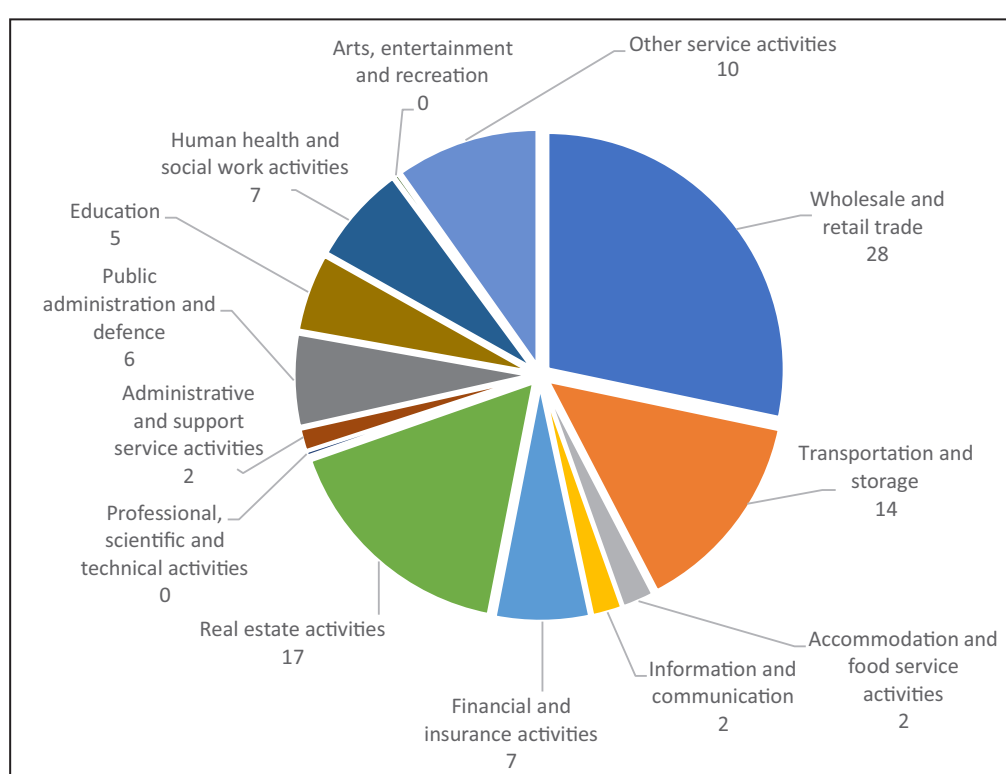


Source: Author's own based on GDP data at current prices.¹⁰

Note: See Appendix 1 for the numerical table.

Within the service sector, the seaports facilitate the subsectors of trade and transport, which make up the largest shares of the service sector's contribution to national GDP (see Figure 2).

Figure 2
Subsector-wise Breakup of the Service Sector's Contribution to Bangladesh's GDP (2021-22; in percentage)



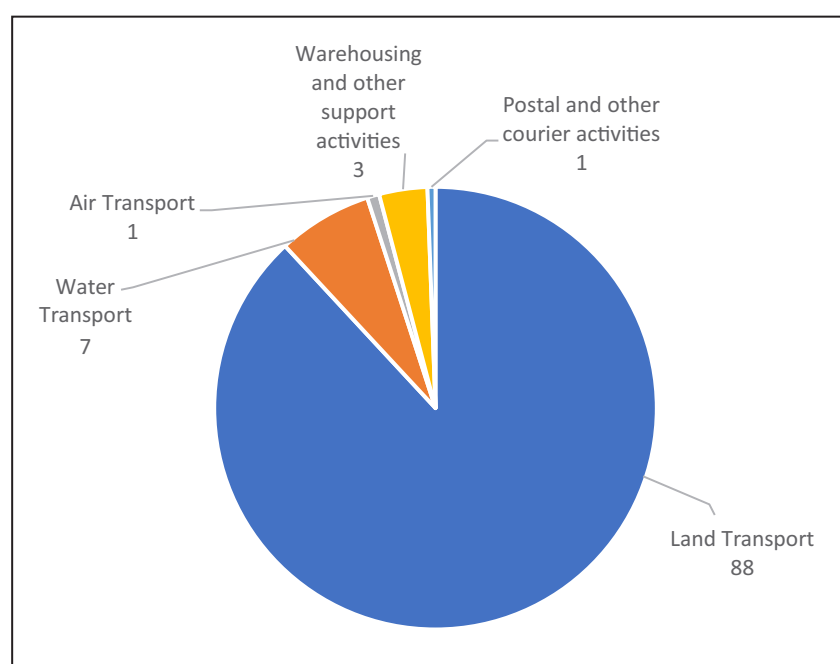
Source: Author's own based on GDP data at current prices.¹¹

Note: See Appendix 2 for the numerical table.

Within the 'transportation and storage' subsector, ports have a key role in facilitating 'water transport,' which adds largely to this specific category (see Figure 3).

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Figure 3
Contribution of various modes of transport under the 'Transportation and Storage' subsector to Bangladesh's GDP (2021-22; in percentage)



Source: Author's own based on GDP data at current prices.¹²

Note: See Appendix 3 for the numerical table.

Bangladesh's all-important readymade garment industry has also increased the significance of its seaports. At independence, Bangladesh was primarily an agriculture-based economy, with fertile deltaic soil, the numerous rivers providing a system of natural irrigation, and most of its population living in rural areas. Tea and jute were the country's top exports commodities. However, incessant flooding, declining prices of jute fibre, and a significant decrease in world demand reduced the jute sector's contribution to the country's economy. At the same time, there was a global 'relocation of production'. Fuelled by trade liberalisation and globalisation in the late 1980s and early 1990s, developed countries began shifting their production bases to developing countries where wages and other associated costs were lower, and environmental and legal checks less complicated and more lenient. Bangladesh, seeking to expand international economic activities, seized the opportunity to advance its manufacturing sector, particularly

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the garment industry.¹³ Given its advantages of cheap labour, ability to export without any restriction (being a least developed country), its quotas under the Multi-Fibre Arrangement^d in the American market, and preferential access to European markets, Bangladesh became a favourable option for the relocation of production. Consequently, the readymade garment industry became the chief source of foreign exchange for Bangladesh and its main export sector.¹⁴

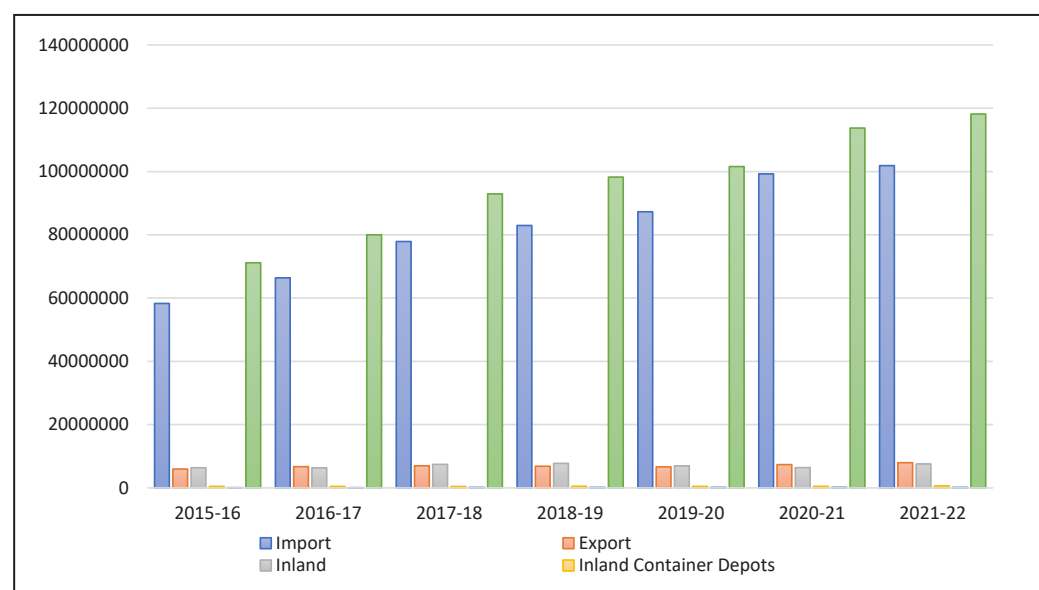
Bangladesh's seaports are the backbone of this garment industry, facilitating the transport of raw materials into the country and the export of the finished product. The global rise in demand for readymade garments has resulted in increased traffic at the seaports. The efficient functioning of these ports is thus crucial to the country's prosperity; faulty operating procedures, inadequate facilities, and excessive charges at the ports will hamper Bangladesh economic development. As such, it is crucial to assess the concerns and potential of the two seaports to ensure their efficacy.

Port of Chattogram: The Crowning Glory of Bangladesh's Maritime Trade

Established in 1976 at the mouth of the Karnafuli river in Patenga, 16 km upstream of the sea, the Chattogram port is Bangladesh's principal seaport, and has a critical role in the country's development.¹⁵ It is managed by the Chittagong Port Authority (CPA), a self-financing organisation¹⁶ that implements all development projects using its own resources.¹⁷ Chattogram is the busiest port along the Bay of Bengal coastline and is also among the busiest in the world, ranking 64 in Lloyd's List Intelligence's 2022 assessment of the top 100 ports.¹⁸ This decline from the country's 2020 position (58)—although it is an improvement from its 2021 standing (67)—was due to the impact of the COVID-19 pandemic on garment trade and the subsequent loss of container throughput. The port handles over 90 percent of Bangladesh's maritime trade (see Figure 4), primarily containerised and manufactured articles such as clothes, jute, leather goods, and raw resources.

d The Multi-Fibre Arrangement (MFA) was an international trade agreement established in 1974 that imposed quotas on the amount of clothing and textile that developing countries could export to developed nations. The US imposed the pact on Bangladesh in 1987, allowing only a 6-percent growth rate in its MFA imports from the country. Despite its binding constraints, MFA also provided the much-required market access facilities to least developed countries like Bangladesh, reducing competition from the other relatively efficient and advanced developing countries such as India. Consequently, Bangladesh's readymade garment industry boomed. The MFA was replaced by the Agreement on Textiles and Clothing in 1995. Although this led to the elimination of the quotas, it allowed Bangladesh to receive benefits under the Generalised System of Preferences, and gain access to the European Union and US markets, as long as it meets the standards set by the International Labour Organization.

Figure 4
Chattogram Port Annual Cargo Handling (in metric tonnes)



Source: Author's own using data from the Chittagong Port Authority.¹⁹

Note: Data for FY 2021-22 is till July 2022.

See Appendix 4 for the numerical table.

The Chattogram Port is a 'gateway port'—a term used to denote a port of entry into a country or region, where customs clearance for cargo occurs, and where freight moving from one territory to another is interchanged between transportation lines.²⁰ Therefore, in addition to facilitating the export-import trade of its home country, a gateway port also undertakes transshipment activities, which refers to the act of off-loading a container from one ship and loading it onto another to be carried to its final port of discharge. Ports with over 75 percent of their total throughput as transshipment activity are designated as transshipment hubs. Traffic at a gateway port is derived from hinterland and inland freight distribution, and a certain degree of transshipments.²¹ Accordingly, the traffic at Chattogram Port is mix of domestic export-import and transshipment cargo from the neighbouring countries. It is also a service port, as the CPA owns, maintains, and operates every available asset and cargo-handling activities by employing labour directly.²² The CPA also provides a wide range of services,

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from customs clearance to cargo processing functions, including inspections, entry, collections, and verification.²³ These services add value to the products being transported and boosts the overall trade.²⁴

The Chattogram Port has three container terminals—two are run by a private operator under a tool port governance model,^{e,25} and the third is operated and maintained by the CPA under a service port governance model.^f The port has seen exponential growth of about 4.93 times in its container throughput between 2000 and 2018.²⁶

Strengths

The efficiency of the Chattogram Port depends on how it manages the vessel traffic, container throughput and tonnage, and imports and exports. Factors boosting its credibility include:

- **Strategic location:** The port is located near the international border with India and Myanmar, and in close proximity to Nepal and Bhutan. It also overlooks many important SLOCs traversing the Bay, especially the East-West shipping route, which is critical for energy trade. As such, it has a crucial role in Bangladesh's logistics network and is also an integral part of the subregional transport system.²⁷ Importantly, it has the potential to evolve from being the gateway port of Bangladesh to that of South Asia.²⁸
- **Strong networks with transshipment hubs:** The Chattogram Port is well connected via a feeder line service with four major regional transshipment hubs—

Colombo Port in Sri Lanka, Port of Singapore, and Port of Tanjung Pelepas and Port Klang in Malaysia.²⁹ As such, many container liners are keen to use the port.

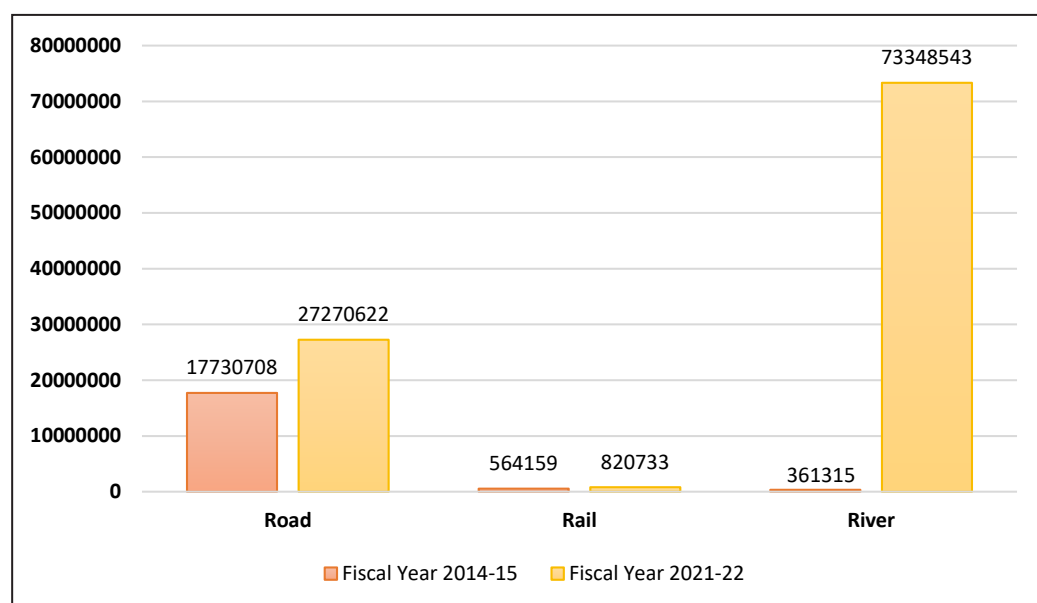
e In a tool port model, the port authority provides infrastructure and superstructure, equipment, and other supplies, which the port operator uses to conduct the port operation. The primary objective behind tool ports is to increase private involvement for port efficiency. Tools ports can thus be considered as a stage in transforming public/state-owned ports to private ports.

f In a service port model, the port authority is responsible for providing infrastructure, superstructure, recruiting employees, and administration and operation of the port. The port authority acts in public interest and the full ownership of the port remains with the government. In such a system, the main objective is to provide a secured transaction through the port, while generating employment, rather than focusing on profits.

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- **Well-connected with the hinterland:** The port is well-connected to the hinterland through the rail, road, and river (or inland waterways) networks, and sea routes in the Bay of Bengal.³⁰ Since 2015, the inland waterways networks have been drastically expanded under the India-Bangladesh Protocol on Inland Water Transit and Trade and is currently responsible for clearance of the bulk of the dry cargo from the port. The roads and railways have not been developed at the same pace and are still not adequate or heavy enough to facilitate the movement of cargo vehicles (See Figure 5).³¹

Figure 5
Dry Cargo Clearance via Road, Rail, and River Networks in FY 2014-15 and FY 2021-22 (in metric tonnes)



Source: Chittagong Port Authority Annual Report 2015-16³² and 2021-22³³

See Appendix 5 for the numerical table.

- **Bay terminal:** Under the Bay Terminal project, scheduled to be completed by 2024, three container terminals and 13 jetties are being developed at a distance of six kilometre from the Chattogram Port, over a length of 6.15 kilometres, stretching from the rear end of the Chattogram Export Processing Zone to Rasmonighat at the Haliahar coast of the Bay of

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Bengal.³⁴ This project will address the problem of low draft and allow ships with a maximum carrying capacity of 6,000 Twenty-foot equivalent units (TEUs) to berth at the port in a 10-12-metre drafts.³⁵

- **Enhancing container handling capacity:** In 2007, the Chattogram Port handled 290 TEUs per hour, with only 45 percent equipment availability.^g In 2012, with additional equipment, it handled to 442 TEUs per hour, with 74 percent equipment availability. Given this, the CPA has procured more container-handling equipment to enhance its efficiency.³⁶
- **Green port:** Chattogram Port has transitioned from paper-based terminal management to modern electronic terminal operations and document processing.³⁷ It is also being developed as a 'climate resilient' port to tackle risks associated with sea-level rise in the disaster-prone Bay of Bengal region.³⁸

Challenges

Chattogram port remains the preferred point of passage for Bangladeshi traders due to the absence of a comparable alternative, reinforcing its monopoly.³⁹ Still, the high berth occupancy and the projected growth of traffic, particularly containerised cargo, has underscored the need for urgent enhancements of the port's capacity. As such, it is important that the existing challenges are overcome to improve functionality.

- **Congestion:** Located in Bangladesh's second-largest city, Chattogram Port must contend with the issues that arise due to urbanisation and the growing population size. There has been a rise in the number of commercial establishments and industries, and the number of vehicles in the city. Chattogram Port's rising cargo traffic, the lack of container off-docks, the limited capacity of the railways, and the number of port-related vehicles add to congestion within the city, and hinder traffic flow to and from the port.⁴⁰
- **Tide-dependent:** Although designated as a seaport, Chattogram Port is essentially riverine and so its traffic movement is dependent on the tidal currents of the Karnaphuli river, making it difficult to maintain a systemic schedule for the ships.⁴¹

g Equipment availability is a metric used to measure the percentage of time a machine can be used.

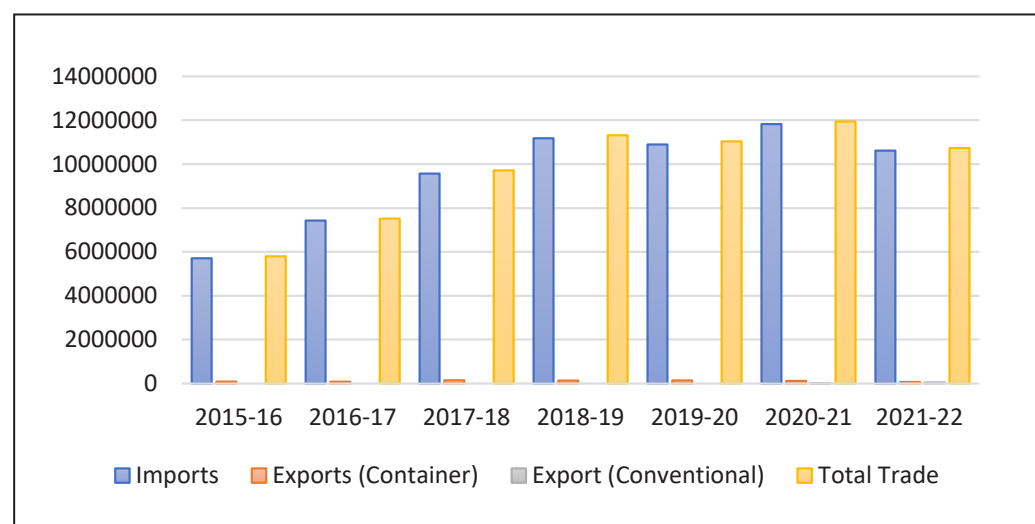
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- **Limited draft:** Being a riverine port, it suffers from the problem of siltation. Therefore, large vessels are unable to enter the port. Small feeder vessels are used to transport bulk cargo to the port from its outer anchorage.⁴² However, the operationalisation of the Bay Terminal should largely ease this problem, with its provision for a deeper draft to accommodate three dozen vessels of 5000 TEUs each.⁴³
- **Insufficient jetties and storage capacities:** Chattogram Port does not have sufficient jetties and cargo and container handling capacities. The completion of the Bay Terminal should address this issue.⁴⁴
- **Dated tariff system:** Chattogram Port runs on a tariff system introduced in 1986. In 2008, tariff charges were made for only eight items, with the rest still under the old system. As a result, although the cost of capital items of the port has increased, it has not been adjusted with the tariff, leading to a potential revenue shortfall. Moreover, the rent inside the port is also relatively low and importers prefer keeping their goods inside the port, adding to the space crunch.⁴⁵
- **Corruption:** Despite immense potential, the port's reputation has been tarnished due to several irregularities, corruption in management and labour organisations, bureaucratic complexities, and lack of safety for ships. As a result, Chattogram Port is also considered among the riskiest ports in the world.⁴⁶

Port of Mongla: The Reawakening of a Sleeping Seaport

Mongla Port is the second busiest seaport in Bangladesh. Formerly known as the Chalna Port, it was rechristened in 1987, with the Mongla Port Authority (MPA) taking charge.⁴⁷ Built on the Prasur river, it is located in southwestern Bangladesh in the Bagerghat district, about 62 kilometres north of the Bay coastline. The chief exports out of Mongla include jute, leather, tobacco, and frozen fish and shrimp, and the major imports consist of grain, cement, fertilizer, coal, and wood pulp.⁴⁸ According to the MPA 2020-21 annual report, the port has a capacity to handle 1,00,000 TEUs with 50 berthing facilities, 153 cargo handling pieces of equipment, and 38 assisting vessels.⁴⁹ Presently, it has the capacity to handle 17.8 million tonnes of cargo each year (see Figure 6).⁵⁰

Figure 6
Mongla Port Authority Annual Cargo Handling (in metric tonnes)



Source: Author's own using data from the Mongla Port Authority.⁵¹

Note: Data for FY 2021-22 is till May 2022.

See Appendix 6 for the numerical table.

In 2008, only 10 foreign ships were docking each month at Mongla Port. The jetty had a draft of only 4.5 metres during low tide and ship owners complained that it was “not economically viable to send our ships there. We cannot load them to full capacity due to the low draft”.⁵² Furthermore, the port channel held the wreckages of sunken ships, threatening safe navigation and current flow in the channel. Users were thus dissuaded by the port's poor image, navigability problems and lack of transport links. Mongla's performance was in stark contrast to Chattogram.⁵³ The situation has improved since then, with the government undertaking several development projects.⁵⁴

These include increasing the port's handling capacity to 3,000 ships, 30,000 vehicles, 800,000 TEU containers, and 40 million MT cargo by 2025-30. The idea is to address the problem of congestion at the Chattogram Port. To meet the anticipated future demand, 15 projects were implemented between 2009 and 2020 at a cost of TK 1372.8 crore (US\$13.2 million), and nine more projects are underway. Arrangements are being made to bring ships of nine-and-a-half metres in the 130-km naval channel from Bay of Bengal.⁵⁵ In 2021, the Mongla Port superseded all its previous records of transactions.⁵⁶

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Strengths

- **Good location:** The Mongla Port has a good channel from port jetty to the Bay of Bengal. It also has a good connection with the riverway through which goods can be transported across the country at a lower cost compared to other means of transit. The anchorage facility at the Prasur channel allows cargo to be loaded and unloaded from both sides of the ships.⁵⁷
- **Potential to facilitate subregional trade:** Developing the port can facilitate overseas trading activities in the southwest part of Bangladesh and enable Mongla to be used as a transit port for the landlocked countries of Nepal and Bhutan. A more vibrant port will also help tackle the emerging regional inequalities in the country and facilitate increased international trade.⁵⁸ The port is being upgraded into a regional trading hub.⁵⁹
- **Capacity to strengthen port-led industries:** Mongla Port has the potentiality to encourage shrimp cultivation as it is used for the trade of agro-produce. It can also accelerate jute industrialisation in the southwest region of the country and support the medium-scale enterprises situated herein. Its development will accelerate the growth of cement manufacturing firms dependent on the port and establishment of new firms. Thus, it will boost the economic development of southwest Bangladesh.⁶⁰
- **Completion of the Padma Bridge:** Mongla Port is the nearest seaport from Dhaka, the capital, and is surrounded by a large number of industries that have so far depended entirely on the far away Chattogram Port, thereby incurring a higher cost and time loss. Using the Mongla Port is more convenient for businesses located in Dhaka, which is about 170 km away, especially following the construction and inauguration of the Padma multipurpose road-rail bridge that connects Dhaka and the adjoining areas with the country's southwest region.⁶¹ The use of the port is also expected to increase because of the rail tracks being built between Khulna and Mongla, and the construction of the Khan Jahan Ali Airport in Bagerhat, which is near the port.⁶²

Challenges

- **Low draft:** Mongla Port, located at the confluence of Prasur and Mongla rivers, faces the problem of siltation, due to which it has a low draft and is unable to cater to large vessels with over eight-metre depths. As a result, the port is underutilised. In 2018, Mongla port's utilisation rate was 70 percent, with ample spare capacity.⁶³ Smaller vessels also face difficulty in arriving at the port. The depth of the Prasur channel decreases from 8.5

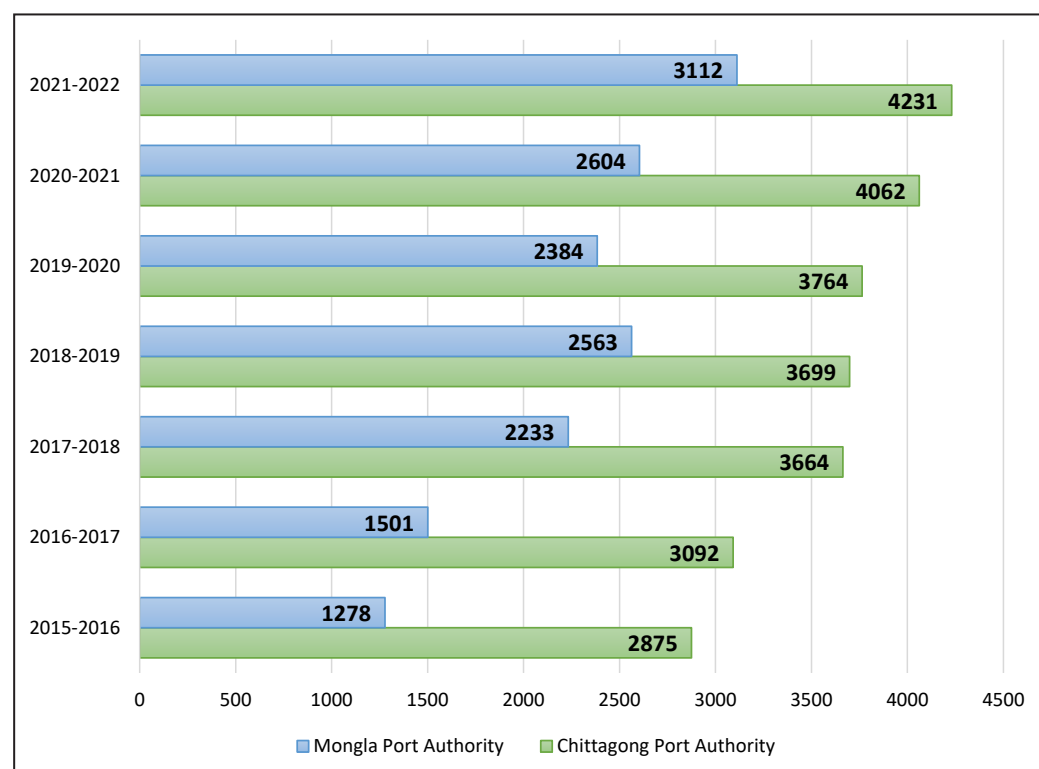
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metres to 6 metres during normal time and to 4.5 metres during low tide. Consequently, businesses prefer to use the Chattogram Port despite the severe traffic congestion and the high turnaround time. As a result, the government has begun to dredge the channel to improve the port's ship-handling capacity.⁶⁴

- **Inadequate connectivity:** The port's hinterland linkages are yet to be developed to their full capacity. Port users view the city's limited rail and airway facilities as a disadvantage, although the Padma Bridge should assuage some of these difficulties.⁶⁵
- **Closed industries:** The closure of many local manufacturing units and the lack of efforts to establish new industrial units has decreased cargo supply at the port, impacting its export volume. The use of dated equipment has impacted the loading and unloading of containers, resulting in an increased turnaround time and variable costs for port users.⁶⁶ However, this situation is on the mend with port modernisation projects underway.
- **Environmental concerns:** Vessels destined for the Mongla port need to cross the Sundarban mangroves, an UNESCO world heritage with a delicate ecological balance.⁶⁷ Therefore, the MPA must be especially careful about the waste reception at the port, as ships generate a substantial amount of garbage, inducing environmental vulnerability. Vessel traffic at the port is consistently increasing with the Mongla port slated to share 40 percent of Bangladesh's maritime trade by 2040, while the Chattogram port caters to 50 percent.⁶⁸ The Mongla port also attracts special kinds of cargo as it is trying to develop as an industrial port by establishing LNG terminals within its premises. Unfortunately, despite these circumstances, the Mongla port is yet to implement a proper International Maritime Organisation approved waste management system, thereby raising environmental concerns.⁶⁹
- **Corruption:** Corruption hampers the efficient utilisation of the allotted budget for the port. The World Food Programme had previously blacklisted the MPA and stopped sending foodgrain ships to the port. The Bangladesh government also curtailed its import of foodgrain through this port. Crime in the port's vicinity is also a pressing issue.⁷⁰

Despite these challenges, in FY 2021-22, during the COVID-19 pandemic, the Mongla Port saw a record TK 31 crore (US\$3 million) revenue by loading and unloading over 1.19 crore tonnes of goods.⁷¹ Still, the Chattogram Port is far superior to the Mongla Port, with its vessel handling capacities outpacing that of the latter (see Figure 7). Chattogram has far superior cargo- and container-handling capacities, and strong hinterland connectivity options. Chattogram handles more than 92 percent of Bangladesh's entire international seaborne trade.⁷²

Figure 7
Number of Vessels Handled by the Chattogram and Mongla Ports



Source: Author's own based on data from the Chittagong and Mongla port authorities.^{73,74}

Note: The data for FY 2021-22 is till July 2022 for Chittagong Port Authority, and May 2022 for Mongla Port Authority.

See Appendix 7 for the numerical table.

Mongla Port was developed to relieve Chattogram of some of its overwhelming cargo traffic and provide a major seaport to the western half of the country. If Mongla port is used optimally, it will draw some of the traffic generated by businesses in Bangladesh's western region. But with some of the excess burden relieved, the CPA will be able to further develop its transshipment activities, thereby earning even more revenue for Bangladesh. Importantly, both ports suffer from low draft, which is why Bangladesh is keen to develop deep water ports.

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Deep-Sea Ports: Payra and Matarbari

To relieve the pressures at the Chattogram and Mongla seaports, the Bangladesh government built the Payra Port as one of its 10 fast-track projects.^{h,75} Inaugurated in 2016, the port is situated on the western bank of the Rabnadbab Channel at the confluence of Rivers Galachipa and Tetulia. It is a deep-sea port with a 16-metre draft. The Payra Port Authority and Belgian maritime infrastructure firm Jan De Nul have inked a deal on the capital dredging of the main channel of the port to enable the entry of large vessels that cannot do so at the Chattogram or Mongla ports. The first terminal of the Payra port is still under construction, although it has been operational since 2016 in a limited capacity.⁷⁶ As of December 2021, around 134 commercial cargoes have arrived at Payra, generating a revenue of TK 300 crore (US\$29 million).⁷⁷ Plans are underway to create a bulk-cargo handling terminal for coal, a container terminal, and oil and LNG terminals. The port will also have road and waterway links with Dhaka. The Payra Port will also be vital for connectivity with India's Northeast, and Bhutan and Nepal.⁷⁸ However, although it was envisaged to become Bangladesh's primary seaport by 2022, the completion and full operationalisation of the Payra Port has encountered several difficulties. This is primarily due to its location near the Sunderbans and the potential biodiversity and habitat loss its development would entail. There will also be water, air, land, and noise pollution as well as beach erosion and accretion.⁷⁹

The Matarbari Port (a part of the Matarbari power plant project) is a deep-sea port in the Matarbari area, Cox's Bazar District.⁸⁰ Financed by the Japan International Cooperation Agency, its implementation is yet to be realised due to social and environmental concerns. A Joint report prepared by Greenpeace Japan and Greenpeace Southeast Asia, on air pollution from Japan funded coal power plants, stated that the Matarbari power project would hike number of premature deaths to 14,000 due to its hazardous emissions, within 30 years of its operation.⁸¹ Still, given the low draft and congestion at the Chattogram Port, the Matarbari Port is deemed necessary. Efforts will thus have to be made to transition the project to renewable energy sources. The Matarbari Port is envisioned to have a draft of 18 metres for deep-draft vessels and is expected to compete with Sri Lanka's Colombo Port, the region's current transshipment hub.⁸²

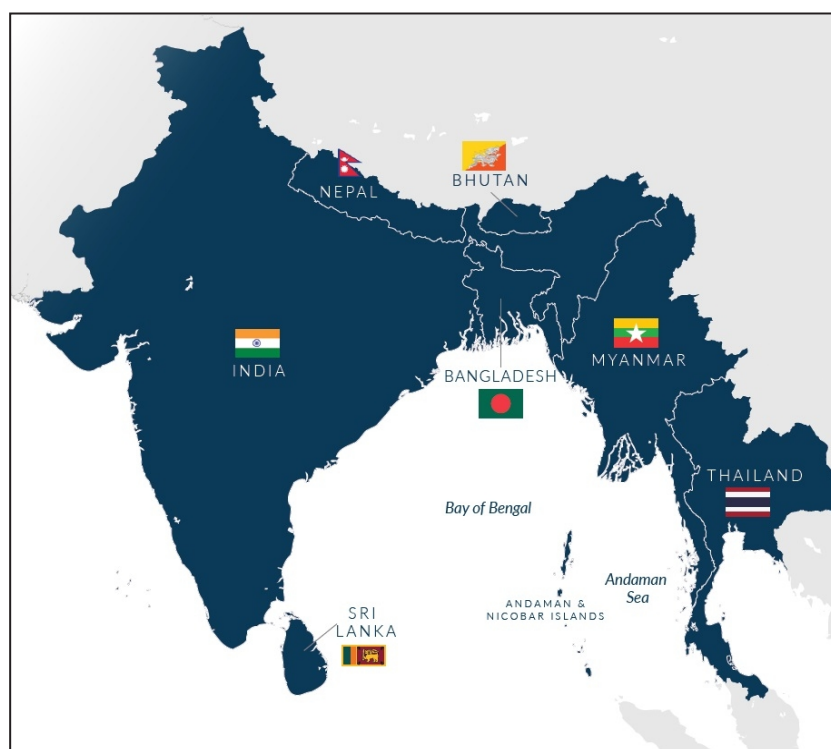
Until the Payra and Matarbari ports are fully operational, Bangladesh will continue to rely on the Chattogram and Mongla seaports, which will remain critical for domestic and regional trade.

^h Fast-tracking is a method by which the different tasks of the project, which would ordinarily have been undertaken sequentially, are instead completed simultaneously. In 2016, the Bangladesh government allocated TK 18,727 crore (US\$1 billion) for eight fast-track mega infrastructural projects to accelerate the country's growth. These were: The Payra Seaport project, Padma Bridge rail link, metro rail, Rooppur nuclear power plant, Rampal power plant, Matarbari power plant and Dohazari-Cox's Bazar-Gundum rail line.

Situated largely in the Bengal delta, Bangladesh is a riverine country. It has about 800 rivers, and their tributaries and distributaries crisscross the land to create one of the world's most complex river systems before flowing into the Bay of Bengal.⁸³ This labyrinth of waterways links the country to the vast continent by the means of multimodal connectivity. Beyond the development of Bangladesh, its seaports also have the potential to facilitate the transit trade of the neighbouring countries, and strengthen maritime trade in the Bay of Bengal region. Bangladesh primarily borders India's Northeastern states, while sharing a small part of its southeastern boundary with northern Myanmar. Although Nepal and Bhutan, both landlocked Himalyan countries, do not share borders with Bangladesh, they lie in its vicinity, and so can also benefit from the latter's seaports. Thailand, which borders Myanmar and is located in the Bay's coastal arc (the Andaman Sea coast), is interested in developing ties with Bangladesh's ports to anchor itself better in this maritime space (see Map 2).

Map 2

The Bay of Bengal Neighbourhood



Source: *Stable Seas*⁸⁴

Note: The author has modified the map.

Bangladeshi Prime Minister Sheikh Hasina is keen to promote connectivity between her country and the neighbourhood to boost its economy, strengthen diplomatic relations, and secure Bangladesh's cardinal position at the heart of the Bay of Bengal region. This interest was reiterated during Hasina's visit to India in September 2022, with 'improving connectivity' at the crux of the joint statement—at the forefront of which are the Chattogram and Mongla seaports.⁸⁵ To realise the practicality of this aspiration, it is important to gauge the connectivity links of each of Bangladesh's seaports with the neighbouring countries, and assessing their significance in regional maritime commerce, with an eye on BIMSTEC.

A Sea Link for India's Landlocked Northeast

The creation of East Pakistan during Partition landlocked India's Northeast region. However, the Northeast region was still allowed to use the ports in East Pakistan until 1965, when the second Kashmir war broke out between India and Pakistan. Since then, India has been keen to regain substantial access to the Chattogram Port, which is much nearer to its Northeast territory than the Port of Kolkata. Moreover, the Chattogram Port is also easier to access for the states in India's Northeast through proper multimodal connectivity, while the Kolkata Port can only be reached via the overland narrow Siliguri Corridor. For instance, the distance by road from Kolkata Port to Agartala (Tripura) via the Siliguri Corridor is approximately 1,570 km, while the transshipment route from Chattogram Port is shorter, with a sea distance of about 360 nautical miles (650 km) from Kolkata to Chattogram Port, and an onwards inland distance of about 250 km from the latter to Agartala via Akhaura in Chattogram Division.⁸⁶ Furthermore, as North Bengal and Assam are often flooded during the monsoons, Chattogram Port offers the most suitable route for the Northeast states' cargo.⁸⁷ As such, connecting India's Northeast with the Chattogram Port is a more viable option to develop the region and enhance its connectivity with the neighbouring countries, as envisioned in India's 'Act East' and 'Neighbourhood First' policies.⁸⁸

Given that Bangladesh and India share a 4,096-km-long international border, it is vital for the two sides to maintain good relations. Additionally, the countries share many transboundary rivers, most of which originate in India before flowing into the neighbouring delta. Water-sharing, therefore, has implications on Bangladesh's sustenance and is a critical area of cooperation. Currently, India is Bangladesh's largest trading partner and closest ally in the region, with the leaders of the two countries describing their relations as a "model" of bilateral

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ties for the entire region.⁸⁹ As such, Bangladesh has maintained a diplomatic policy to allow India access to its ports to maintain ties. Furthermore, allowing India access to the Chattogram and Mongla ports via established multimodal channels will also pave the way for transit cargo to reach these ports from landlocked Nepal and Bhutan, thereby substantially boosting their business and Bangladesh's economy. Notably, the Chattogram Port has been referred to as the core port of countries that are dependent on the Bay of Bengal.⁹⁰

In 2015, India and Bangladesh signed the Agreement on Coastal Shipping and a standard operating procedure (SOP) to operationalise the pact, allowing direct regular shipping between the ports on India's east coast and Bangladesh, particularly Chattogram. This helped reduce the delivery time from 25 days to seven and an estimated savings of US\$300 per container.⁹¹ Within a few months, both signed a memorandum of understanding (MoU) on India's use of the Chattogram and Mongla ports,⁹² which evolved into an agreement in 2018.⁹³ However, this agreement is limited to the movement of India's domestic cargo between the Northeast and the rest of India via Chattogram. It can be expanded to facilitate the movement of third-country export-import cargo, especially from and to India's Northeast.⁹⁴ In 2019, eight routes were identified for accessing India's Northeast region via Bangladesh's seaports. These include Chattogram or Mongla port to Agartala (India) via Akhaura (Bangladesh); Chattogram or Mongla port to Dawki in Meghalaya (India) via Tamabil in Sylhet city (Bangladesh); Chattogram or Mongla port to Sutarkandi in Assam (India) via Sheola (India); and Chattogram or Mongla port to Srimantpur in Tripura (India) via Bibir Bazar (India).

In a trial run in 2020, Tripura received 100 tonnes of cargo from the Chattogram Port at the Akhaura Integrated Check Post. However, there has been no further development apart from inauguration of the Maitri Setu/Feni Bridge in March 2021, connecting Tripura to Chattogram.⁹⁵ In April 2022, Hasina once again offered the use of the Chattogram Port to India during a meeting with India's Minister of External Affairs S. Jaishankar. The CPA has also suggested the port can be used to ferry goods to India's Northeast via the Ashuganj river port, which is close to Tripura. The new Padma Bridge, which can be linked with Kolkata, will add further impetus to India's trade via the Chattogram Port.⁹⁶

There have been several interpretations of Hasina's offer to India. Some reports attribute the move to using New Delhi's good office to mend ties with Washington D.C. as Bangladesh is facing US sanctions over Dhaka's Rapid Action Battalion.⁹⁷ Others see it as an outcome of Dhaka's concern over India's growing trade and connectivity with Myanmar.⁹⁸ A third interpretation is that Bangladesh's offer is an attempt to further strengthen its economy, taking a lesson from the situation in Sri Lanka.⁹⁹ Regardless, the gesture is a welcome move from the Indian perspective.¹⁰⁰

In November 2017, a ro-ro export shipmentⁱ of 240 vehicles booked by Tata Motors, was flagged off from the Kolkata Port to the Mongla Port.¹⁰¹ Such vehicles were usually exported by the company to Bangladesh via the land port at the Benapole-Petrapole border checkpoint. However, severe congestion at that checkpoint delayed consignments by nearly 15 days. This led merchants to explore the sea route from Kolkata to Mongla, where the travel time is only 18 hours.¹⁰² The Mongla Port consequently, earned a revenue of INR 12 crore (US\$1 million) from this shipment. However, this initiative did not gain traction due to delays at ports, shortage of suitable vessels, and the slow handling of cargo.¹⁰³ Still, a trial run for transshipment of cargo from Kolkata to the Northeast via Mongla Port was concluded in August 2022, marking the beginning of India's transshipment to the Northeast states using the India-Bangladesh Protocol Route. However, a detailed study on the trial run is needed to identify and resolve issues relating to ease of movement, include customs and immigration clearances.¹⁰⁴

Nepal's Easiest Sea Connect

Geographically, the Chattogram and Mongla ports lie at a closer distance to Nepal than the Port of Kolkata, through which most of its international cargo is currently routed. However, a gradual shift is being engineered, with the Himalayan country seeking to trade more through the Bangladesh seaports, due to the continuing problem of congestion at Kolkata, which results in the substantial monetary and time losses.¹⁰⁵

In 1976, Bangladesh signed a Trade and Payments Agreement and a Transit Agreement with Nepal, identifying six places for the movement of traffic-in-transit through the multimodal means of transport. This list included four points on the Bangladesh-India border (Biral, Banglabandha, Chilhati, and Benapole) and the seaports of Chattogram and Mongla.¹⁰⁶ However although the Bangladesh seaports began to be cultivated as alternates to the Kolkata port, India remained an important transit country, with Nepalese cargo having to pass through the narrow and congested Siliguri Corridor (even though India was hesitant to allow further traffic into the strategic location). Nonetheless following Hasina's visit to India in 2010, where she said Bangladesh would provide Nepal and Bhutan access to the Mongla and Chattogram ports,¹⁰⁷ India allowed a road connection from Phulbari (at the border with Bangladesh) till Kakarvita-Panitanki (at the Nepal-India border). Subsequently in 2011, Nepal began using the Chattogram Port, with the main transit route being from the port to Raxul-Birganj in Nepal via Singabadi in India.¹⁰⁸

i The 'roll on/roll off' (or ro-ro) process of cargo shipping describes vessels transporting wheeled cargo, such as cars, trucks, buses, trailers, or even industrial vehicles.

In May 2016, at the third commerce-secretary-level meeting between Nepal and Bangladesh, the Himalayan country expressed an interest to increase its usage of the Chattogram Port for transit trade. Subsequently, the delegations also agreed to remove trade barriers between the two countries and discussed the modalities of transit cargo transportation and the full-fledged launch of the Kakarbhita-Panirtanki-Fulbari commercial routes.¹⁰⁹ Bangladesh was also intent on giving Nepal access to Chattogram, Mongla, and the Payra ports under the Bangladesh-Bhutan-India-Nepal Agreement that had been signed the same year. A few months later, in September, Nepal was granted access to the Mongla Port for transit trade.¹¹⁰

In 2018, Nepal began using the Mongla Port, with a ship carrying fertilizer from China reaching Mongla from where it was transported to Nepal by train through India. In 2021 and 2022, Hasina repeatedly urged Nepal to use the Mongla, Payra,¹¹¹ and Chattogram ports.¹¹² However, the Kolkata Port remains the main port for Nepal's third-country trade.¹¹³

Bhutan's Quest for an Alternate Seaport

Much like its Himalayan neighbour, Bhutan has also sought to cultivate routes to the Chattogram and Mongla ports to reduce its dependence on the Kolkata Port for all its overseas trade. In 1980, Bhutan entered into a trade and transit agreement with Bangladesh, and subsequently began conducting trade with that country through India, primarily at two border points — Changrabandha (India)-Burimari (Bangladesh), and Phulbari (India)-Banglabandha (Bangladesh).¹¹⁴ The majority of Bhutan's exports to Bangladesh move through the Phunstcholing (Bhutan)-Hasimara and Chengrabandha (India)-Burimari (Bangladesh) route opened in 1988.¹¹⁵ The volume of Bhutan's imports from Bangladesh is significantly lower than its exports to the country, and Bangladesh is Bhutan's second-largest export destination after India.¹¹⁶

The heavy volume of cargo traded through the Changrabandha-Burimari border has resulted in prolonged delays, with a four-day waiting time on average. Additionally, the infrastructure at Burimari is inadequate and excessive documentation requirements lead to further delays in the clearance of goods.¹¹⁷ Given this problem, Thimpu sought other land routes for transit trade, and requested New Delhi for access to the land ports of Dalu and Ghasuapara in Meghalaya as transshipment points for trade with Bangladesh. Dalu and Ghasuapara are adjacent to Bangladesh's Nakuagaon and Haluaghat land ports, and thus provide shorter, cheaper, and more convenient access to the Chattogram and Mongla seaports than from Burimari.¹¹⁸ In 2012, India acceded to Bhutan's request.¹¹⁹

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In 2017, Bhutan's exports to Bangladesh was at its highest, making it the only country with which Bhutan has a massive trade surplus.¹²⁰ With the growth in trade that year, both countries signed an 'MoU on the Use of Inland Waterways for Transportation of Bilateral Trade and Transit Cargoes', allowing Bhutan to use the Chattogram and Mongla ports for trade, via two coastal and inland water routes: Chattogram-Chandpur-Mawa-Aricha-Sirajganj-Chilmari-Daikhawa; and Mongla-Kawkhali-Barisal-Chandpur-Mawa-Aricha-Sirajganj-Chilmari-Daikhawa.¹²¹ Subsequently in 2019, the Phunstcholing-Dhubri-Narayanganj riverine transit trade route via River Brahmaputra and Padma also became operational.¹²²

In 2020, India agreed to Bhutan's request to open new trade routes for Thimpu's transit trade with Agartala, to facilitate trade with Bangladesh.¹²³ In September 2022, Bangladesh opened six new ports of call for use by Bhutan—Aricha, Chilmari, Sirajganj, Mongla, Chattogram, and Payra. An amended SOP for the MoU on the use of inland waterways was also signed, which will provide for numerous places to unload the boulder exports and make many trips, especially along the Brahmaputra basin, before reaching the Bay of Bengal. It is also expected to provide alternative transit routes and complement the Bangladesh-Bhutan Preferential Trade Agreement, which came into effect from 1 July 2022.¹²⁴ Meanwhile the text of the Agreement on the Movement of Traffic (Goods) between the two countries and its protocol has also been finalised. Once the protocol is ratified, it will facilitate the movement of Bhutanese goods in transit through Bangladesh, including the exit through the seaports of Chattogram and Mongla.¹²⁵

Myanmar's New Sea Links

In 2022, the Arakan State Chamber of Commerce and Industry reported that Myanmar and Bangladesh are taking steps to run a coastal shipping line to promote direct trade between the two countries, particularly via the Chattogram port. It is hoped that this will increase trade volume and revenue.¹²⁶ Ginger, pepper, onion, and plum jam are the primary exports to Teknaf Port in Bangladesh via the border trade camps in Arakan State's Maungdaw and Sittwe. Cross-border trade between the two countries is subject to high transportation costs and logistical difficulties on both sides. Merchants thus seek direct transportation routes that will speed up the trade flow and allow the goods to be delivered directly to the Chattogram market. Currently, merchants from Myanmar are transporting goods only till the Bangladesh border. Transportation from there to the Chattogram market, where it is sold, is an expensive process. In 2008-2009, the Myanmar and Bangladesh governments reached an agreement to launch direct trade through inland ports, but this has faced delays because the Myanmar Directorate of Inland Water Transport was reviewing the agreement.¹²⁷ The Rohingya issue brewing between the two

countries and the 2021 coup in Myanmar may be further roadblocks in realising the coastal shipping proposition.

Thailand Seeks to Secure Ties in the Bay

In 2016, a 12-member delegation from the Port Authority of Thailand held the first official discussion with officials from Bangladesh's Ministry of Shipping on direct coastal shipping connectivity between the two countries. A feasibility study on Chattogram Port's capacity and facilities was to be conducted by the two governments, with the intent of signing a MoU to establish direct coastal shipping links with Thailand's Port of Ranong. Such a link would help reduce shipping time for goods and help boost bilateral trade and investment.¹²⁸ Subsequently, Thailand's Ministry of Transportation tasked Port Authority to consider some form of legal instrument to be concluded with Bangladesh (an agreement on port-to-port cooperation). Soon after, the Marine Department of Thailand was given the draft maritime transport agreement to reconsider for modification and make use of this instrument.¹²⁹ However in the months since the initial 2016 meeting, the Rohingya crisis worsened in Myanmar, with some spillover effects in Bangladesh. In such a situation, the Thai government may have considered it prudent to hold off the coastal shipping agreement with Bangladesh as the allotted vessels would have to sail in the Andaman Sea, past Myanmar's Rakhine coast, from where the Rohingya were fleeing into Bangladesh.¹³⁰ However, in December 2021, the Thai Ambassador to Bangladesh Makawadee Sumitmor stated that a bilateral free trade agreement between the two sides is under consideration, while more cost-effective sea transport routes between Thailand's Andaman coast and the Bay of Bengal are being explored. The Port Authority of Thailand and the CPA are preparing to enhance cooperation in this regard.¹³¹

At present, goods between Bangladesh and Thailand are transported through the Singapore port, with each shipment taking about two weeks. Establishing direct coastal shipping will speed up transit times to about eight days, lower trade and shipping costs of goods and services, and create a new trade and transport route. Thailand is developing Ranong Port as a gateway to the Bay of Bengal and as a shipping hub in the Andaman Sea.¹³²

Docking the Bay

As the lead country for the 'trade, investment and development' sector within the BIMSTEC, Bangladesh's seaports have a special responsibility in facilitating regional trade across the Bay.¹³³ Maritime transport plays a key role in trade for all BIMSTEC members, as most of their international trade is carried by sea. Additionally, most intra-BIMSTEC trade in tonnage terms is also seaborne due to the physical constraints of land connectivity, the lower unit costs of maritime

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transport, the types of goods traded, and the concentration of supply and demand along seaboards and re-exports of goods to the landlocked countries. Therefore, seaports are cardinal to the development of the BIMSTEC region.¹³⁴ As the busiest port along the Bay coastline, Chattogram Port holds particular significance. Still, there are certain issues that hinder the optimal utilisation of the Chattogram and Mongla seaports for the region:

- **Borders and Boundaries**

Most ports are devoted to serving the demands of their hinterlands, but artificially imposed land borders often constrain the traffic. This is most evident in western Bangladesh, which, despite being closer to the Kolkata Port, routes its trade through Chattogram. The reverse is also true; India's Northeast, although closer to Chattogram Port, trades through Kolkata via the difficult Siliguri Corridor. Inter-country transit initiatives, as are being undertaken now, are critical to save time and money, and benefit the region. However, ports in this region continue to operate in near isolation and do not see regional collaboration as critical.¹³⁵ This may to some extent be due to the 'sensitivities about sovereignty' that prevail in the region due to its history with colonisation. India has long been cautious of the intervention of any foreign power in its volatile Northeast. But now, with a "golden chapter" unfolding in India-Bangladesh relations,¹³⁶ these inhibitions may finally be overcome.

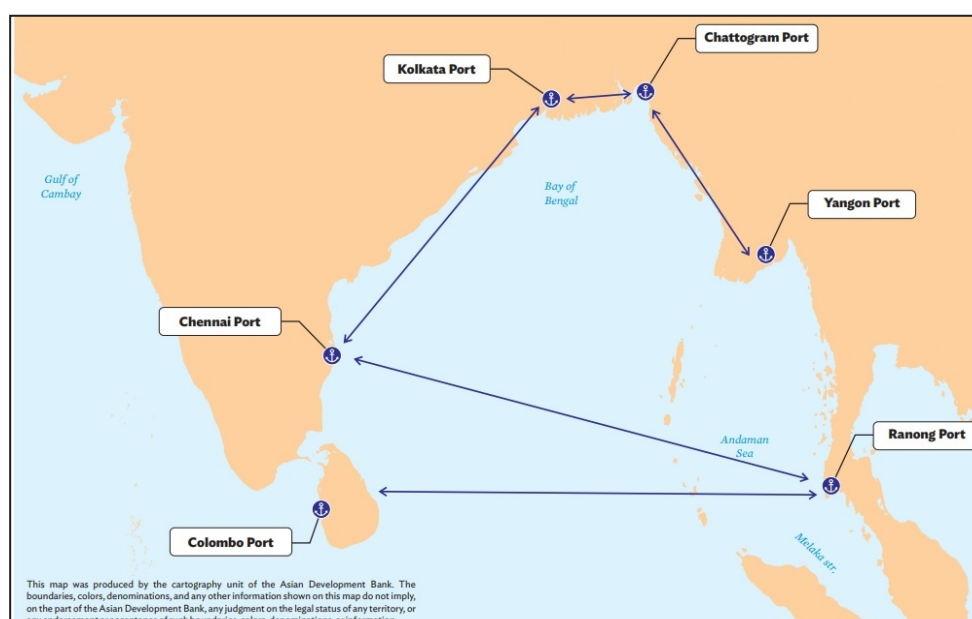
- **Lack of Deep-Water Ports**

Among the ports dotting the Bay coastline, only Colombo—with its strategic hub position and immediate proximity to the Southern Ocean Corridor—is likely to attract the larger container vessels. Other BIMSTEC ports, such as Chattogram, Kolkata, Yangon, and Thilawa are, realistically, expected to attract only smaller container vessels. This is not only due to draft restrictions but also due to the limited traffic demand. As such, although the emergence of mega container vessels requiring 16-metre draft is cited as a reason for developing new deep-water ports, there will likely be insufficient demand in the future for large container vessels in the Bay or the Andaman Sea. Therefore, the demand for deep-water ports relates exclusively to the handling of bulk cargo such as oil, fuel, grain, and steel that moves in large volumes per shipment and where economies of scale are more pronounced. In this regard, BIMSTEC recognises the need for deeper-water ports in the northern parts of the Bay to accommodate larger container feeder vessels, to facilitate trade and promote economic development in the vicinity of port complexes. The construction of the Payra and Matarbari deep-sea ports are, therefore, vital for regional development.¹³⁷

- **Need for Coastal Shipping**

Coastal or short-sea shipping refers to the movement of cargo and passengers along a coast. The BIMSTEC region has a significant opportunity to leverage coastal shipping for regional trade via the coastal arc of the Bay, composed of Sri Lanka, India, Bangladesh, Myanmar, and Thailand. However, this opportunity has not been fully exploited as the commodities by which inter-country trade can be expanded are yet to be identified and coastal shipping agreements between the littoral countries are mostly lacking. For instance, although Bangladesh has a coastal shipping agreement with India, it does not have one with Myanmar and Thailand. The Chattogram Port is uniquely positioned for short-sea shipping with India's east coast, Yangon Port in Myanmar, and Ranong Port in Thailand. As such, there is some interest in connecting the ports in Chattogram and Ranong through direct shipping, which can then be extended to the ports on India's east coast. BIMSTEC is also in the process of negotiating a regional Coastal Shipping Agreement, including SOPs and regulations. Currently, the Asian Development Bank is undertaking a technical assistance study for the development of coastal shipping in the region (see Map 3). It is assessing the existing policy and regulatory framework to develop a comprehensive design which will facilitate domestic and international trade through coastal routes.¹³⁸


Map 3 Proposed New Coastal Shipping Routes in the Bay of Bengal



Source: BIMSTEC Master Plan on Transport and Connectivity¹³⁹

The Chattogram and Mongla ports are crucial to Bangladesh's prosperous future. As the country continues to cultivate its trade-dependent readymade garment sector for its economy, the reliance on these ports will only increase. Bangladesh is leaning more than ever on its trade infrastructure for commercial prosperity. To this end, it is also necessary for the country to nurture relations with its neighbouring countries to increase traffic at its ports. Indeed, profits from transit cargo can further boost Bangladesh's economy.

Bangladesh will need to undertake several measures to ensure the optimal use of the Chattogram and Mongla seaports. The ports must be periodically modernised and maintained; infrastructure must be developed in and around the Chattogram Port to ease the congestion; and the quick development of the Payra and Matarbari deep-sea ports with due environmental caution will help boost bulk cargo trade in the region. Importantly, India must overcome its scepticism over the use of its territory for transit passage between Bangladesh and the Himalayan countries to enable improved regional trade.

Enabling its neighbours, especially the landlocked countries, to use its seaports for their international trade has many benefits. It will place Bangladesh at the centre of regional trade by ensuring it becomes deeply embedded into inter-regional and global value chains. In this capacity, the country can also provide a gateway in the Bay of Bengal for countries in South and Southeast Asia to re-engage with one another more closely. Bangladesh's seaports are, therefore, also vital for BIMSTEC, which seeks to build a 'Bay of Bengal community' by overcoming the limitations of the line that split the Bay into South and Southeast Asia. 

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Appendix 1

**Sector-wise Breakup of Bangladesh's 2021-22 GDP at current prices
(in Tk million)**

Industrial Origin Sector	Amount
Agriculture	4398344
Industry	13541135
Services	20235490

Appendix 2

**Subsector-wise breakup of the Service Sector's Contribution to
Bangladesh's 2021-22 GDP at current prices (in Tk million)**

Sub-sectors within Services	Amount
Wholesale and Retail Trade	5724728
Transportation and Storage	2849857
Accommodation and food service activities	442911
Information and communication	418071
Financial and insurance activities	1305399
Real estate activities	3351471
Professional, scientific, and technical activities	69353
Administrative and support service activities	308297
Public administration and defence	1276652
Education	1075859
Human health and social work activities	1369103
Arts, entertainment, and recreation	60271
Other service activities	1983517

Appendix 3

Contribution of various modes of transport under the ‘Transportation and Storage’ subsector to Bangladesh’s 2021-22 GDP at current prices (in Tk million)

Types of Transportation and Storage	Amount
Land Transport	2352005
Water Transport	184549
Air Transport	23727
Warehousing and other support activities	94019
Postal and other courier activities	15558

Appendix 4

Chattogram Port Annual Cargo Handling Statistics (in metric tonnes)

Year	Import	Export	Inland	ICD	ICT	Total Trade
2015-16	58300931	5971634	6366607	493360	23855	71156387
2016-17	66384885	6709759	6330639	477836	79400	79982519
2017-18	77873615	6995285	7429082	446234	179012	92923228
2018-19	82939731	6846406	7761749	515245	177524	98240655
2019-20	87275248	6645145	6965978	489124	189777	101565272
2020-21	99240759	7368064	6410181	504175	206194	113729373
2021-22	101854474	7969366	7559598	609235	181487	118174160

Appendix 5

Dry Cargo Clearance via Road, Rail, and River Networks in FY 2014-15 and FY 2021-22 (in metric tonnes)

Modes of Transport	Fiscal Year 2014-15	Fiscal Year 2021-22
Road	17730708	27270622
Rail	564159	820733
River	361315	73348543

Appendix 6**Mongla Port Annual Cargo Handling Statistics (in metric tonnes)**

Year	Imports	Exports (Container)	Export (Conventional)	Total Trade
2015-16	5709664	87857	0	5797521
2016-17	7428105	85622	0	7513727
2017-18	9568899	147151	0	9716050
2018-19	11179878	135131	0	11315009
2019-20	10895416	141793	0	11037209
2020-21	11824373	119412	823	11944608
2021-22	10615308	69654	50121	10735043

Appendix 7**Number of Vessels Handled by the Chattogram and Mongla Port Authorities**

Year	Chattogram	Mongla
2015-2016	2875	1278
2016-2017	3092	1501
2017-2018	3664	2233
2018-2019	3699	2563
2019-2020	3764	2384
2020-2021	4062	2604
2021-2022	4231	3112

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