



Feasibility Study on
Third Party EXIM Cargo Transportation
through Coastal and Protocol Routes between
Bangladesh and India

**Submitted to: The Ministry of Shipping,
Government of Bangladesh**

Submitted by: The Bangladesh Foreign Trade Institute (BFTI)

June, 2019.

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Acknowledgement

I extend my heartiest gratitude to the Ministry of Shipping, Government of Bangladesh, for entrusting the Bangladesh Foreign Trade Institute (BFTI) with this work of national and international interest. The BFTI is honoured to be assisting in such a diplomatically important trade-related decision of the country.

The study is the result of a detailed deskwork, visits to the concerned ports not only in Bangladesh, but also in India, and extensive consultations with the relevant stakeholders of both the countries. I owe a debt of gratitude to the individuals who, on various occasions, have contributed to the study by giving us time for interviews and shared their valuable experiences with us, which definitely have enriched the findings of the study. On completion of the study, it was presented before the representatives of the relevant stakeholders. They provided invaluable suggestions relating to different aspects of the study. We have incorporated them all in this final version with a sincere note of thanks to all of them. They greatly helped improve the quality of this final version. I am especially thankful to the officials of the ports of Kolkata, Haldia, Vishakhapatnam and Krishnapatnam for very warmly welcoming the research team with open arms, showering on them the proverbial Indian hospitality and providing the team with all necessary details and documents, some even after its return to Bangladesh.

I would like, especially, to put on record my deep appreciation of the member of my team of the BFTI, for their untiring efforts to complete the study. Without their hard work, the study would not have been what it is now.

Finally, I, on behalf of the BFTI, would like to express my sincere gratitude to the respected Secretary of the Ministry of Shipping, Mr. Md. Abdus Samad, and his wonderful team of officials of the Ministry of Shipping, for providing BFTI with the opportunity to conduct this very important assignment.

Dhaka, June, 2019.

(Ali Ahmed)
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Executive Summary

Bangladesh and India have long-standing bi-lateral trade relations, carried out mainly through land and seaports. In order to facilitate the seaborne trade between Bangladesh and India, two instruments are in place namely, the Coastal Shipping Agreement signed in 2015, and the Protocol on Inland Water Transit & Trade (PIWT&T). The present trade pattern is largely in favour of India and cargo ships and containers mostly return empty from Bangladesh to India. As a result, the freight charges get higher.

Considering the prevailing situation, the Government of India has proposed amendments and additions, respectively, to the Coastal Shipping Agreement and the PIWT&T Agreement with a view to allowing third party EXIM through the proposed ports (Chattogram, Mongla, Pangaon ports of Bangladesh and Kolkata, Haldia, Vishakhapatnam, Krishnapatnam ports of India) under the existing framework. The Indian side sees opportunity of exporting Bangladeshi products, especially RMG to USA and EU, through the proposed ports and aims to explore the potentials of the Pangaon port as most of the RMG factories are located around Pangaon. The idea of the Indian side was to avoid congestions of the Dhaka-Chittagong highway and to export RMG items from Pangaon to EU or USA, via the proposed Indian Ports.

The Bangladesh Foreign Trade Institute (BFTI) was commissioned by the Ministry of Shipping, Government of Bangladesh, to look into the feasibility of the proposed amendments considering cost-benefits of existing system vs. the proposed system, capacity of the proposed ports of both sides, expansion projects of the ports in Bangladesh, projected growth in trade volume and other relevant issues. A research team of the BFTI headed by its' CEO, visited the concerned ports of both Bangladesh and India to make an on-the-spot assessment of the points at case. The major findings from the research work are:

- Due to the lower draught of the Kolkata and Haldia ports, they can not receive mother vessels. Vishakhapatnam and Krishnapatnam ports at present have calls from mother vessels destined only to the Far-East and Middle Eastern countries, and that, too, of a very low frequency. As a result, exporting to North American and EU countries through those ports would mean to have an additional port in the existing system of transportation, leading to longer time and higher cost.
- In terms of time, the proposed system would take 2-5 days higher than the existing one through Chattogram that uses ports like Singapore, Colombo, and Port Klang, while exporting to EU, USA, Far-East and Middle-Eastern countries.
- Analysis of the costs suggest that the proposed system would cost the exporters an additional amount of around \$700 to \$1000, for any 40 ft. container and \$500 to \$900 for any 20 ft. container making the export more expensive.
- The frequency of vessels calling on the proposed Indian ports are much lower than that at the ports like Singapore, Colombo and Port Klang. As a result, the exporters may not be

much interested to use the ports, even if the time-and cost issue suits them. Moreover, as the proposed route is not, at present, commercially popular, the vessels do not get adequate number of containers to run the route.

- The roughness of the Bay of Bengal during the monsoon season from April to October becomes a risk for plying coastal vessels due to their small sizes.
- The Chattogram port may have some revenue loss in the short-run as the Pangaon port enjoys tariff preference. However, the loss is insignificant as the only 3% of the total trade could be diverted to Pangaon port, because of its capacity limitations, if the route becomes commercially viable.
- The Bangladeshi ports are now being more capacitated aiming at handling the growing trade volume of the country and, as a result, port congestions have been gradually reducing. Therefore, using an additional port for saving port-congestion time might not be an issue for the exporters.

The facts and figures suggest that the existing system is more cost-effective and time-saving than the proposed system. The study makes it clear that for the specific purpose of transporting Bangladeshi cargo (exports and imports) to and from international market destinations across the world, the proposed routes through the Visakhapatnam, Krishnapatnam, Kolkata and Haldia ports in India are not commercially viable at the moment. Analysing the data and other relevant issues, the study comes up with the following suggestions:

- Considering the issue of developing an alternative option for traders and operators, the Government of Bangladesh may accept the proposed amendments and allow the third country EXIM cargo to be carried between the designated ports.
- This could be particularly useful in case of any vulnerable situation disrupting the established transshipment route for Bangladesh's trade cargoes, and could be used by the exporters if, at any point of time, they find it viable.
- This may also enable international operators to assess and understand the viability of the route, and if they find it viable, importance of the proposed route may ultimately grow and businesses will also be created in the long run.
- The ongoing government efforts to modernise and develop the Chattogram, Mongla, Payra, and Matarbari ports need to be continued as the Bangladesh ports will remain as the principal points for our seaborne trade.
- In today's world of globalisation, connectivity is ultimately conducive to the growth of an economy. The amendments requesting for may, ultimately, lead to a development of our blue economy.

Acronym

BGMEA	Bangladesh Garments Manufacturers' and Exporters' Association
BKMEA	Bangladesh Knitwear Manufacturers' and Exporters' Association
BIMCO	Baltic and International Maritime Council
BIWTA	Bangladesh Inland Water Transport Authority
BTMA	Bangladesh Textile Mills Association
CCA	Connecting Carrier Agreement
CFS	Container Freight Station
COL	Colombo
CPA	Chattogram Port Authority
CTG	Chattogram
DCCI	Dhaka Chamber of Commerce & Industry
EXIM	Export & Import
KoPT	Kolkata Port Trust
VIZAG	Vishakhapatnam
IMO	International Maritime Organization
MCCI	Metropolitan Chamber of Commerce and Industries
MLO	Main Line Operators
OOCL	Orient Overseas Container Line
PCT	Pangaon Container Terminal
PIWT&T	Protocol on Inland Water Transit & Trade (PIWT&T)
SIN	Singapore
TEU	20-foot equivalent unit