

OUTCOME DOCUMENT

BIMRAD MARITIME DIALOGUE Prospects and Challenges of Ocean Shipping in Bangladesh



06 June 2022



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PROSPECTS AND CHALLENGES OF OCEAN SHIPPING
IN BANGLADESH

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On 06 June 2022, the Bangladesh Institute of Maritime Research and Development (BIMRAD) organised the BIMRAD Maritime dialogue on a virtual platform. The first episode of this dialogue series was held on the topic 'Prospects and Challenges of Ocean Shipping in Bangladesh'. Participants included representatives from regulatory bodies of the shipping industry, ports authority, merchant mariners, business representatives, Bangladesh Navy Officials (serving and retired), and representatives of prominent think tanks of Bangladesh.

The dialogue identified the immense prospects of the shipping industry in Bangladesh and the probable challenges emanating from internal and external sources. As the geopolitical and geo-economic dynamics have become more complex, the shipping industry has been at the forefront of the current global situation, affecting every aspect of the global economy. Bangladesh is implementing a master infrastructural development plan to boost its growing economy. The discussants agreed that the shipping industry should be supported with a comprehensive plan to tackle the ongoing challenges to get the most out of the country's developmental trajectory.

This outcome document summarises the key takeaways of the discussion and recommendations for more significant contributions of the shipping industry to the national economy. These outcomes will also be made available to the dialogue participants and the relevant stakeholders for their consideration.

The Prospects of Ocean Shipping in Bangladesh

1. Bangladesh's booming economic growth mainly depends on the sea and its shipping sectors as more than two-thirds of Bangladesh's trade by volume is transported by ships of different sorts and sizes. "The more we earn from abroad, the better we live at home" - this should be the fundamental essence of ocean shipping for Bangladesh. The shipping industry's contribution to the country's economic sustainability is enormous and will even be more in the future. Bangladesh's global trade value for exports and imports was \$74.47 billion in 2014, which grew by \$116.23 billion by 2021. The trade growth is 2.68% compared to the global growth of 6.61%. Interestingly, the growth trend of the shipping industry was promising even during the COVID pandemic. In fact, the pandemic can be termed a blessing in terms of blooming the shipping sector as the vessel number increased from 48 to 80 by June 2022. In addition, China's wage hiking and Srilanka's bad governance leading to an economic mess are helping Bangladesh's RMG industry get more orders. Realising the potential of Bangladesh's ocean shipping sector to the fullest extent will be a crucial aspect of achieving the SDG goals. In brief, Bangladesh has huge prospects in the shipping sector.
2. Chittagong port alone handles the overwhelming majority of the country's imports and exports, making it the prime port of Bangladesh. Various export items like clothes, jute, leather items, tea and frozen foods are taken through this port to the outside world, and consequently, the country earns foreign currency. Despite numerous limitations, the staple port of Bangladesh handles 3.2 million TEUs of the container and 119 million MT of cargo yearly. More than 4000 ships visit the port every year. The container, cargo and ship handling increased by 13% in 2021. The prospect of direct container shipping from Chittagong Port to European destinations is also widening as the port has recently introduced direct service to some major European ports like the Rotterdam in the Netherlands and Liverpool in the UK. And at least four more countries have expressed interest in transporting goods by sea from Chittagong to Europe.
3. The government has invested in massive development projects to assist GDP growth multiplication. The mega-projects around the port and shipping sector have been designed to tackle the upcoming challenges and materialise the country's Vision 2041 goals. The development of the Matarbari Trans-Shipment Hub will be a game-changer for the shipping industry. The rising freight charge will be reduced significantly at the Matarbari seaport. Shipping and global trading will be more vibrant through this port. RMG industry will immensely benefit from the reduction of freight charges as there will be direct services from this port to EU countries, the USA and so on. It is worthwhile to mention that another promising opportunity for Matarbari port is the introduction of feeder services. Coastal shipping from India, Sri Lanka, Singapore, Malaysia, Thailand and Myanmar ports might be a game-changer in the feeder services.
4. There are about 1.5 million active seafarers around the globe, and the Philippines alone provides almost 40% of these global seafarers. Bangladesh's population of 18 million provides only 2% of global seafarers. Bangladesh has vast potential in this regard. Seafarers are relatively highly-paid professionals, and most of their salaries are sent to their home countries as remittances. Therefore, this sector's positive developments will also contribute to the national economy.

The Challenges of Ocean Shipping in Bangladesh

5. The COVID-19 pandemic's impact on the global economy can still be felt in all sectors. On top of that, global geopolitical turmoil has triggered uncertainties regarding the stability of international ocean shipping and the recovery of the global economy. The challenges are staggering for the shipping industry triggered by a series of global events: the India-China trade war, the US-China trade war, sanctions on Iran and Venezuela, the Suez canal ship stuck crisis, a global pandemic, Russia-Ukraine war etc. These resulted in a cascading effect on the shipping industry, taking ship chartering prices to an all-time high. The impacts of these uncertainties are noticeable in the financial markets, as the prices of oil, natural gas, metals and food commodities have surged. In this regard, Bangladesh's shipping industry has to venture through these ever-changing geopolitical and geo-economic landscapes more carefully than ever before.

6. In broader terms, the shipping industries face two types of challenges – market-driven ones (high bunker price and fuel price, unstable dollar rate, high vessel price) and policy-level ones. On average, the business entities currently pay thousand and five hundred dollars extra per day for the bunker. The policy-level challenges are constant in nature. Several challenges of this type are as follows: the policy-level barriers in utilising flag protection rules, the issue of paying a minimum of three percentage non-refundable taxes on bringing freight due to the NBR policy, the limitations of Chittagong Dry Dock in maintaining ships, the absence of any dedicated repair berth for ships at the Chittagong port, inadequate bunker facility in Chittagong, inadequate anchorage areas in the context of an increasing number of ships, the absence of outward cargo at the national level etc.

7. Shipping is a complex business involving dozens of stakeholders where the brunt of the challenges is faced by the operators and owners of the platforms. There are some notable financial aspects to be considered before venturing through the ocean shipping industry. Ship owners must consider the prospect of profitability before venturing through new routes. In addition to the challenging aspects of ship maintenance, the trade imbalance also comes into play. Regarding container shipping, most of our imports come from China, whereas most exports go to Europe. In terms of bulk carriers shipping, we import from all over the world but export nothing. It has some important implications. If a new bulk carrier company wants to enter the business and transport cargo, it will find the business less profitable. Because the business will be one way as the carrier will depart from the Chittagong port empty. But the existing bulk carrier companies mainly transport their cargo, and therefore, they can sustain the negative impact of this one-way transshipment.

8. Despite having a better geographical location, navigability, interconnectivity among the regional countries and a favourable regulatory regime, we are yet to emerge as a sub-regional transshipment hub using the seaport. In this regard, inadequate port facilities, shipping cargos, and other factors are responsible. We don't have enough seaport infrastructure, maritime transport facilities and human resource conditions to explore the sector properly and handle the growing demand. There is an insignificant number of national flag carriers which can carry our cargo. Bangladesh currently possesses 85 ocean-going vessels with a total GRT of 23,66,858 tons. Of these vessels, the majority (66) are bulk carriers, and the rest are container ships (6), crude oil

tankers (10), and gas carriers (3). These ships can carry only 6-7% of the total demand. As a result, business people are chartering foreign flag bearing containers ships and vessels from the international market, and we are losing a considerable amount of foreign currency. The freight charge of maritime transportation has increased eight times greater than during the COVID period. Legal protection, tax benefits and rising freight charges – all have encouraged new entrepreneurs to sign up in the ocean-going shipping sector with the intent to take a bigger slice of freight charges that now essentially go to foreign ship operators. However, it is still not enough to meet most of our demands.

9. The primal port of Bangladesh - Chittagong port, faces a lot of limitations and challenges unparalleled to any other port in the world. It is a tidal port where the entry and exit of ships depend on the tidal factor. The absence of CFS operated by Freight Forwarders limits seamless operation/ service for both export and import. Moreover, CPA berth's draft and length limitation, lack of Dedicated Container Terminal, yard space congestion, hinterland connectivity limitation, limited river ports and railway connectivity, lack in import and export balance, limited IT use in operation /documentation allowing the scope of delay, lack of automation like paper-based customs clearance and the absence of PCS (Port Community System), slow auction process, a limited number of AEOs (Authorized Economic Operator) etc. are some of the remarkable challenges in ocean shipping.

10. The shipping business requires specialised and skilled seafarers with proper education and training on related subjects. Considering the current flag vessels, the required number of seafarers is approximately 3600, including the onboard seafarers and their relievers. The requirement will be doubled in the next 2-3 years, considering the trend of increasing flag vessels. We do not have the required number of seafarers to operate the Bangladeshi flag vessels and supply seafarers to foreign ship owners. It takes more than ten years for an apprentice to go to the highest strength in his profession. There are only 16000 registered seafarers, 11000 officers and 5000 ratings in Bangladesh. As per the statistics of BMMOA, approximately eight thousand officers and four thousand ratings are active. Other than the shortage of skilled human resources, problems regarding recognising the certification of Bangladeshi seafarers and visa issuance still persist. Countries like the UK, Malta, Bermuda etc., do not recognise the certifications issued by our country, and due to visa issues, our seafarers cannot join vessels in countries like Hong Kong, Taiwan, Kuwait etc. There is also the longstanding problem of desertion in ports of foreign countries like the USA, Canada and Australia. This malpractice is prevalent mostly among the ratings.

11. The Government of Bangladesh formulated the first Flagship Protection Ordinance in 1982 and, afterwards, introduced Bangladesh Flag Vessel Protection Act 2019. But, the utilisation of these legal instruments is virtually non-existence. Compared to the Indian initiatives to safeguard the interests of their flag carriers, like the right of first refusal, we have a long way to go. As per the BSC law 2017 and Flag Vessel Protection Act 2019, most of the shipping are done through the Cost and Freight (CFR) or Cost, Insurance and Freight (CIF), not in Free on Board (FOB). Because of this trend, the foreign ships are getting advantages, and we are losing much foreign currency.

The Way Forward

12. A comprehensive, integrated ocean shipping and management system will reduce the risk of a progressive decline and irreversible damage to our shipping industry. Bangladesh has enormous opportunities in ocean shipping. Efficient management of maritime trade and commerce in export-import, and the development of seaport with modern facilities can change the fate of a nation like us. Policy support from the government, capacity building, human resource development and coordinated efforts are needed to explore this industry successfully.

13. We have to increase the number of flag vessels. There is a growing need to expand Bangladesh's ocean shipping industry by including a more diversified fleet. In this regard, an increasing number of container ships, LNG/LPG carriers can strengthen our revenue. In addition, to increase our deadweight, we need to strengthen our capacity for terminal operation and management, ship chartering and brokering. Flag protection law should be implemented. In this regard, the owners must be innovative and have the mindset to compete in the international market by carrying cargo other than their own. Otherwise, the benefits of flag protection might not be of any use to our flag vessels.

14. The local shipping industry should be incentivised with monetary support to wither away from the adverse impacts of the unpredictable market dynamics. The Chittagong Port Authority might consider waiving some charges like light dues as a token of the favourable attitude of the home port towards the local shipping industries. The relevant authority should work on improving our Port State Control (PSC) rating at foreign ports, as it is directly linked with the image of the national shipping industry in the outside world.

15. Focusing only on financial incentives cannot be a solution without starting to work on human capacity development. Without producing an active and capable workforce for our future, the sector will not be able to compete globally and fulfil the country's demands. Bangladesh needs to develop state-of-the-art training facilities for seafarers and shipping shore staff to prepare them to face the upcoming challenges of the shipping industry. In this regard, we should provide the scope of establishing marine academies by foreign nationals in our country. In order to encourage the young generation to join this profession, the government should work to resolve the visa issues as our seafarers cannot join vessels in countries like Hong Kong, Taiwan, Kuwait etc. Moreover, the government should also work on securing the recognition of the certificates issued by Bangladeshi authorities across the globe. The Ministry of Shipping and the Department of Shipping have the scope of doing more marketing of our seafarers across the globe. The Department of Shipping should hold professional exams more frequently and publish the results in the shortest time. Any issue of desertion in ports of foreign countries like the USA, Canada and Australia should be handled strictly. Actions should be taken promptly against the deserted seafarers as per the Merchant Shipping Act.

16. In order to comply with the stringent environmental regulations, the newer inventions in logistics and digitalisation, hydrodynamics, machinery, fuels and energy resources have to be incorporated. In addition to the shipping vessels, ports can also be adaptive to reduce emissions in various ways, e.g. provision of alternative fuel, reduction of waiting times, providing shore power,

electrification of equipment, environment-friendly lighting, refrigeration, landside transport, construction, power generation etc. To comply with the environmental regulation, automated operating systems like Maritime Autonomous Surface Ship (MASS) are coming, and Bangladesh's seafarers must be prepared to handle these changes. Moreover, safety measures should be prioritised to avoid the hazardous impacts of incidents like the 2020 Beirut port explosion. And the relevant stakeholders should also look into the digitalisation aspect of port management.

17. In order to tackle the challenges of the fluctuating market, close cooperation between private sectors and government organisations like Bangladesh Shipping Corporation (BSC) is needed. There is also an urgent need for more investment at the national level to face the complex challenges emanating from the international arena. In this regard, the owners and the employees must come out of their comfort zone and change their course of actions following the global imperatives. Moreover, there is an emerging need to forge strong coordination among the relevant stakeholders, and frequent dissemination of information should be done regularly. In this regard, the information on shipping and ports should be easily accessible and be presented in an eye-catching manner.

Conclusion

18. The participants recognised the timely organisation of the dialogue on a critical issue for Bangladesh. The speakers agreed that Bangladesh is on the right trajectory to ensure the much-needed infrastructural development for the smooth operation of the shipping industry. At the same time, it has immense scope of work to realise its true potential as a regional shipping hub. There is a growing need to enrich our maritime wisdom, and this dialogue is expected to contribute to this regard.

BIMRAD Maritime Dialogue 06 June 2022

List of Participants

Welcome Address and Opening Remarks

Rear Admiral M Mahbub-ul Islam, BSP, ndc, psc, BN
Acting Chairman, BIMRAD

Session Chair

Rear Admiral Muhammad Anwarul Islam NGP, ndc, afwc, psc, BN (retd)
Bangladesh Navy

Lead Presenter

Rear Admiral M Shahjahan, NPP, BCGMS, ndc, psc, BN
Chairman, Chittagong Port Authority

Commentators

Commodore A Z M Jalal Uddin, (C), PCGM, ndc, psc, BN
Director General, Department of Shipping

Mr. Mehrul Karim, CEO, SR SHIPPING LTD
Representation of Chittagong Chamber of Commerce & Industry

Rear Admiral A S M Abdul Baten, (E), BSP, ndc, psc, BN (retd)
Secretary-General of Bangladesh Ocean Going Ship Owners' Association

Capt. Syed Sohel Hasnat
Director, Bangladesh Shipping Agents' Association

Capt. Golam Mohiuddin Quadrey
Vice President, Bangladesh Merchant Marine Officers' Association (BMMOA)

Commodore S M Moniruzzaman, (C), OSP, ndc, ncc, psc, BN
Managing Director, Bangladesh Shipping Corporation

Syed Ariful Islam, (TAS), ndc, psc, BN (retd)
Ex-DG, Department of Shipping

Concluding Remarks and Vote of Thanks

Captain M Minarul Hoque, (H), BCGM, psc, BN
Director General, BIMRAD

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Concept Note and Agenda

Ocean shipping has always been intrinsically linked with the growth of the global economy. The primary transport mode for global trade is ocean shipping, through which around 90% of traded goods are carried. Thereby, the oceans provide the main transport arteries for global trade. However, it comes with both opportunities and challenges. With the increased global freight demand, maritime trade volumes are expected to be tripled by 2050. Maritime transport forms part of a whole cluster of economic activities that dictates the global economic outlook trajectory. Developing the national capacity in this sector is crucial to ensure national economic prosperity, and it requires comprehensive initiatives. Developments in maritime transport – such as increased market concentration and ever-larger ships – have consequences for public infrastructures, such as ports, for which public authorities and governments are responsible.

As an emerging littoral nation of the Bay of Bengal, Bangladesh has an ambitious blue economic plan to tap the opportunities to the fullest extent. In this regard, ocean shipping is considered as one of the front-line industries as an overwhelming portion (90%) of Bangladesh's external freight trade is seaborne. Therefore, the country's exports and imports are primarily dependent on the shipping trade and the economic growth is intertwined with the development of the ocean shipping trade. The industry is dominated mainly by private entities as they own almost 90% of flag carriers. There are some positive developments in this sector even during the pandemic. Over the last two years since the pandemic made inroads in the country, 32 new flag vessels have joined the country's fleet. As of December 2021, the number of vessels increased to 80 from 48 in 2019. This addition of vessels contributed to achieving a new record of 2.22 million GRT. However, the number is unsatisfactory compared to the loads taken by foreign ships at our three national seaports. Bangladesh spends at least \$9 billion in freight charges per annum, where the local shipping industry could tap only 8-10% at best, owing to the shortage of vessels. Now it has the opportunity to retain at least 20% or \$2 billion annually with the increasing number of flag-carrier ships.

Ocean shipping has always been impacted by the changing global politics, economy, and trade trends. Therefore, developing a country's ocean shipping industry requires a comprehensive engagement of stakeholders like ship-owners, seafarers, political leadership, development partners, export-import industry leaders, etc. In order to achieve the SDG goals in the maritime sector, priority should be given to the areas where the interests of Bangladesh Flags can be protected. At the same time, new investors should be given incentives and be provided with a cooperative local and regional politico-economic framework to join and thrive in the business. Against this backdrop, the first episode of the BIMRAD maritime dialogue will draw the attention of stakeholders from different backgrounds to discuss the present status, prospects and challenges of ocean shipping in Bangladesh. The dialogue has been designed to facilitate an engaging conversation among stakeholders who are at the helm of managing the ocean shipping industry, export-import industry, merchant mariners' association etc.

The discussion will be oriented towards finding answers to the following questions:

- > How does the ocean shipping industry in Bangladesh contribute to the country's robust economic growth?
- > What are the current conditions, international exposures and future prospects of the ocean shipping industries in Bangladesh?
- > How should the local ocean shipping industries be incentivised to facilitate competing in the global market?
- > What are the prospects and challenges for RMG industries regarding the raw materials' import and RMG products' exports through ocean shipping?
- > What do the merchant mariners face humane challenges in the changing global political and economic landscape?




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Prospects and Challenges of Ocean Shipping in Bangladesh

Organised by
Bangladesh Institute of Maritime Research and Development (BIMRAD)

Date: 06 June 2022 Time: 0930-1130 (BST)

Home of Maritime Think Tank

Opening Remarks



Rear Admiral M Mahbub-ul Islam
BSP, ndc, psc, BN
Acting Chairman, BIMRAD

Lead Presentation



Rear Admiral M Shahjahan
(N), NPP, BCGMS, ndc, psc, BN
Chairman, Chittagong Port Authority

Session Chair



Rear Admiral Muhammad Anwarul Islam
NCP, ndc, afmc, psc, BN (retd)

Closing Remarks



Captain M Minarul Hoque
(H), BCGM, psc, BN
Director General, BIMRAD

Commentaries From

- ❖ Department of Shipping
- ❖ Bangladesh Shipping Corporation
- ❖ Federation of Bangladesh Chambers of Commerce & Industries (FCCI)
- ❖ Chittagong Chamber of Commerce & Industry
- ❖ Bangladesh Merchant Marine Officers' Association
- ❖ Bangladesh Ocean Going Ship Owners' Association
- ❖ Bangladesh Shipping Agents' Association

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Bangladesh Institute of Maritime Research and Development (BIMRAD) is a charitable independent maritime think tank patronized by Bangladesh Navy. The Institute started its journey on 03 July 2018 to act as the common platform for all maritime intellectuals, researchers, institutions and maritime stakeholders to conduct maritime research with an aim to contribute towards the sustainable development of the country. It was established to conduct research on maritime affairs, security, exploration and conservation of sea resources, maritime science and technology, maritime tourism, maritime pollution, biodiversity, marine ecology, coastal disaster, marine renewable energy and climate change impact, food security, adaptation and so on. The Institute is registered under the Societies Registration Act XXI of 1860.