

## Strategic Importance of Chittagong in the Context of Belt and Road Initiative: Analysis of Contemporary Thoughts

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### Prelude

*The Belt and Road Initiative (BRI) or the Silk Road Economic Belt and the 21st-century Maritime Silk Road is a development strategy proposed by the Chinese government which focuses on connectivity and cooperation between Eurasian countries, primarily the People's Republic of China (PRC), the land-based Silk Road Economic Belt (SREB) and the ocean-going Maritime Silk Road (MSR).*

*The Chinese government calls the initiative "a bid to enhance regional connectivity and embrace a brighter future".[3] Others see China's push to take a more prominent role in global affairs with a China-centered trading network. Ref; Wikipedia*

*The Belt and Road Initiative addresses an "infrastructure gap" and thus can accelerate economic growth across the Asia Pacific area and Central and Eastern Europe.*

*The Belt and Road Initiative is geographically structured along several land corridors and the maritime silk road.]infrastructure corridors encompass around 60 countries, primarily in Asia and Europe and including Oceania and East Africa. The initiative calls for integrating the region into a cohesive economic area through building infrastructure, increasing cultural exchanges, and broadening trade.*

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### Maritime Silk Road

The Maritime Silk Road, also known as the "21st Century Maritime Silk Road", is a complementary initiative aimed at investing and fostering collaboration in Southeast Asia, Oceania, and North Africa, through several contiguous bodies of water: the South China Sea, the South Pacific Ocean, and the wider Indian Ocean area.

The land corridors include:[15]

- The New Eurasian Land Bridge runs from Western China to Western Russia through Kazakhstan and includes the Silk Road Railway through China's Xinjiang Autonomous Region, Kazakhstan, Russia, Belarus, Poland and Germany.
- The China–Mongolia–Russia Corridor will run from Northern China to the Russian Far East. The Russian government established the Russian Direct Investment Fund and China Investment Corporation, a Chinese government investment agency, partnered in 2012 to create the Sino-Russian Investment Fund, which concentrates on opportunities in bilateral integration.[21][22]
- The China-Central Asia–West Asia Corridor will run from Western China to Turkey.
- The China–Indochina Peninsula Corridor will run from Southern China to Singapore.
- The Bangladesh-China-India-Myanmar (BCIM) Economic Corridor runs from southern China to Myanmar and is officially classified as "closely related to the Belt and Road Initiative".[23]
- The China–Pakistan Economic Corridor (Chinese: 中巴经济走廊; also known by the acronym CPEC), also classified as "closely related to the Belt and Road Initiative,"[23] which is a US\$62 billion collection of infrastructure projects throughout Pakistan [24][25][26] that aims to rapidly modernize Pakistan's transportation networks, energy infrastructure, and economy. November 13, 2016, CPEC became partly operational when Chinese cargo was transported overland to Gwadar Port for onward maritime shipment to Africa and West Asia.

An opportunity for Bangladesh officially became part of OBOR in 2016 after a visit by Chinese President Xi Jinping when the two countries signed several deals worth \$21.5 billion. However, some reports say that all these deals are still on paper only due to bureaucratic complexities. Nevertheless, Bangladesh is part of the proposed Bangladesh-China-India-Myanmar corridor (BCIM), one of the six corridors of OBOR.

China plans to invest up to \$4tn in OBOR-related projects in the next couple of decades. With proper policy coordination, Bangladesh can attract a large chunk of that investment. China has already shown interest in developing a deep seaport in Bangladesh under the 21st century maritime Silk Road initiative. Memoranda of Understanding (MOU) have also been signed with China to build several components of the Pyra deep seaport.

Geographically, Bangladesh can be a connecting corridor between semi-industrialized ASEAN countries and the highly populated Indian sub-continent. It is strategically located between South Asia and South-East Asia, making it a crucial player in trans-regional integration. Bangladesh has the potential to leverage its geographical advantage through this initiative. China plans to invest up to \$4tn in OBOR-related projects in the next couple of decades. With proper policy coordination, Bangladesh can attract a large chunk of that investment. The Chinese economy is transforming on a fundamental level. The country is moving away from low-tech industries to high-tech ones. Beijing is seeking to export its surplus industrial capacity abroad for the smooth transition into a developed economy. As such, China is looking for cheap labour and highly productive economies for long-term investment. A large population, coupled with our advantageous geographical position, thus makes Bangladesh a perfect candidate for that.

### **BCIM Economic Corridor**

The Bangladesh, China, India and Myanmar Economic Corridor is conceptualized for significant gains through sub-regional economic cooperation within the BCIM. The multimodal corridor will be the first expressway between India and China and pass through Myanmar and Bangladesh.[3][4]

These advantages are envisaged to accrue from greater market access for goods, services and energy, elimination of non-tariff barriers, better trade facilitation, investment in infrastructure development, joint exploration and development of mineral, water, and other natural resources, development of value and supply chains based on comparative advantages, by translating comparative advantages into competitive advantages, and through closer people to people contact.[5]

The proposed corridor will cover 1.65 million square kilometres, encompassing an estimated 440 million people in China's Yunnan province, Bangladesh, Myanmar, and West Bengal in Eastern India through the combination of road, rail, water and air linkages in the region. This interconnectedness would facilitate the cross-border flow of people and goods, minimize overland trade obstacles, ensure greater market access and increase multilateral trade.

### **Benefits of the corridor**

The economic advantages of the BCIM trade corridor are considerable, most notably: access to numerous markets in Southeast Asia, improvement of transportation infrastructure and creation of industrial zones.[7][10]

The construction of industrial zones will have a twofold benefit. Firstly, it will lead to industrial transfer boosting industries such as processing, manufacturing and commerce logistics. Secondly, as labour costs rise in China, labour-intensive industries such as textile and agro-processing will eventually be shifted out of China. These industries will need to be transferred to new regions with lower labour costs. Companies operating in China will likely give priority to the trade corridor region given its established infrastructure, improved logistics and ease of access[7][10]

India's isolated eastern and north-eastern states also stand to gain higher trade and connectivity with China and the rest of Asia.

### **Cooperation**

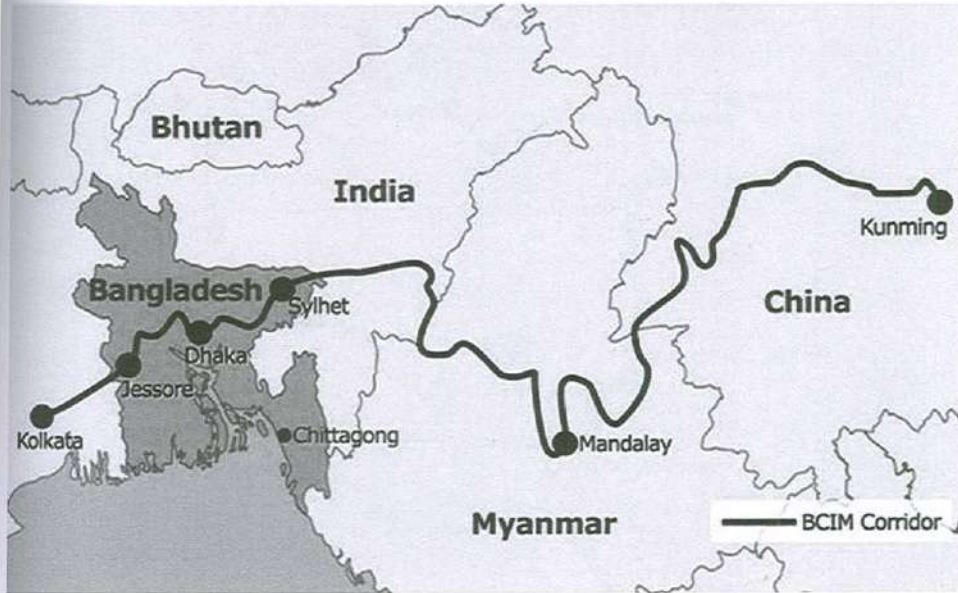
By linking the ASEAN Free Trade Area, ASEAN-China Free Trade Area and the ASEAN-India Free Trade Area, the corridor would constitute one of the largest free trade areas. Bangladesh, China, India and Myanmar hope to create a corridor that effectively combines road, rail, water and air linkages in the region. It will also improve foreign trade of the BCIM countries and empower bilateral trading]

Bangladesh needs a deep seaport. The country has one of the world's fastest growing economies, which is expected to rise at a 7.1 per cent clip this year. It is on Goldman Sachs's list of the "Next 11" emerging economic powerhouses of the 21st century. On the strength of the world's second-most dynamic textile industry, Bangladesh's export sector is booming and is expected to eclipse \$50 billion per year in value by 2021. It is all in a country without adequate maritime infrastructure.

In its 45-year history as an independent state, Bangladesh has never built a new port. While \$60 billion of annual trade currently pours through the country's two existing seaports, Chittagong and Mongla, both are too shallow for large container ships and require costly load transfers to smaller vessels to get the cargo in and out — an added step that can cost an additional \$15,000 per day and severely decreases the ports' global competitiveness.

However, finding solutions to this problem has proven problematic for Bangladesh. However, this is not because of a lack of options, a deficit of investors, or even a dearth of international support, but precisely the opposite: too many influential players are pushing for too many contending plans. It has left Bangladesh geopolitically stalemated, making and breaking deals, going with one project and then changing position and going with another. Ultimately, this

### Route of the BCIM Economic Corridor



plethora of options has pitted China, Japan, and India in direct competition with each other to build Bangladesh's first deep seaport.

The Asian Century has begun with the conjunction of the two growth poles of Asia – the East and South Asia through the Bangladesh-China-India-Myanmar Economic Corridor Initiative (BCIM-EC). China and India are the world's second and third largest economies in Purchasing Power Parity terms. Bangladesh and Myanmar, endowed with rich natural and human resources, stand to benefit from harnessing the untapped potential of enhanced connectivity with their two giant neighbours. The economic corridor could enable the four countries to realize accelerated economic growth.

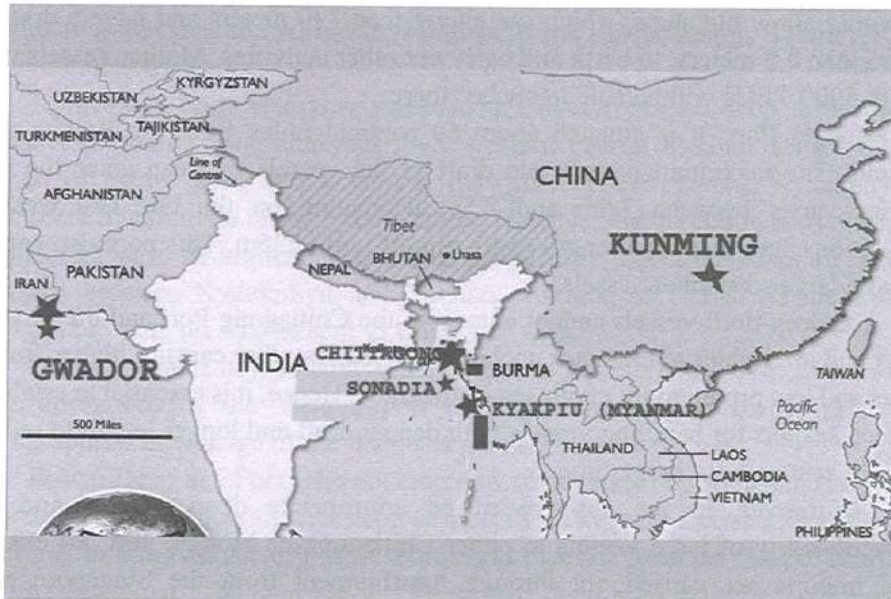
By developing connectivity with China, India, and Myanmar by roads, rail and other ways, Bangladesh can transform itself into an industrial nexus and commercial hub linking up South and Southeast Asia. It can be done by constructing the multimodal Southern Silk Road in the form of shorter and cheaper routes linking India and China through Bangladesh. The China Communications Construction Company Ltd (CCCC) has proposed to build the Bangladesh portion of the silk route that would pass through Dhaka and Chittagong. Indo-Bangladesh connectivity could be strengthened through a rail link between Akhaura and Agartala, providing a direct railway route between Bangladesh and the North-Eastern States of India, thus generating almost 50



percent savings in travel. Road connectivity between Kolkata and the North-East Indian states would cut the distance by half. It would be a win-win situation for both the countries since India would gain from savings in transport cost and travel time, and Bangladesh could tap a new source of earning foreign exchange in transit fees for cargoes and containers. Inadequate port facilities in Bangladesh hamstring maritime transport.

The BCIM-EC initiative is unfolding when China is transitioning from an inward-looking nation to a more strategically active member of the international community playing a fundamental role in shaping the pattern of development in the Asia-Pacific. In recent years, China has expressed serious interest in providing financial and technical assistance to Bangladesh over several significant initiatives, including the deep sea port, the rail bridge over Jamuna River, Dhaka-Cumilla train lines, and a multi-lane tunnel undersea tunnel Karnaphuli River. The Government of Bangladesh has adopted the plan to establish an economic zone for Chinese investors.

The establishment of a deep seaport (DSP) has become strategically critical for Bangladesh considering its potential impact on its accelerated development and economic growth. In this respect, the proposal to construct a deep-sea port at Sonadia deserves special attention. Such a port will allow the country to reap the benefit of connectivity that China's One Belt, One Road (OBOR) initiative offers.



The economic history of maritime powers, such as Britain, Spain, Portugal, China, Japan, Singapore, and Rotterdam, clearly demonstrates the significant and critical role of deep sea ports in developing their economies.

### The Existing Port Facilities

**Chittagong Port:** Built-in 1887 near the Karnaphuli River, 16 Km upstream of the Bay of Bengal, Chittagong Port (CP) is an integral part of the sub-regional transport and logistics chain. CP plays a pivotal role in achieving sustainable economic growth through facilitating international trade.

In 2016, Chittagong Port handled 2.346 million twenty-foot equivalent units (TEUs) of containers with 51.38 million tons (MT) of cargo, and in 2015, there were 2.024 million TEUs of containers having more than 50 million tons of cargo. It is apprehended that there will be a three-fold rise in container traffic in the next 15 years. The average size of container vessels serving the Chittagong port is 2500 TEUs to 3000 TEUs having a draft of 9.1 meters (more modernized seaports are found handling container vessels of 5000-18,000 TEUs). The expected figures are 2.7 million TEUs in 2020 and 5.4 million TEUs in 2040. This rapid growth of international trade would necessitate the establishment of a deep sea port at a suitable location in the Bay of Bengal to handle high-draft larger vessels for transportation of goods directly to different countries.

**Bay Terminal:** It has been envisaged to construct a 'Bay Terminal' at Patenga coast on 900 acres of land behind the Chittagong Export Processing Zone (CEPZ).

It would allow big ships, which are longer than 190 meters and have a draft of more than 9.5 meters, to berth and carry out other activities. Mother vessels with up to 5000 TEUs will be able to anchor there.

**Mongla Port:** It is situated about 69 nautical miles from the Pashur river mouth. The maximum permissible draft of the vessels that can enter the port jetties varies between 7.0m and 8.5m depending on the tide and weather conditions, and there is a length restriction of up to 225m. This port also cannot handle larger container vessels.

The deep-draft vessels cannot enter into the Chittagong Port and the Mongla Port and are lighter at the outer anchorage in the Bay that causing higher freight rates and low productivity of our sea-borne trade. Hence, it is essential to establish a deep seaport for handling vessels with deeper draft and longer length to reduce freight cost and discharge time.

Moreover, in the absence of an appropriate deep seaport and the inaccessibility of large vessels to either Chittagong or Mongla port, all exports and imports are carried out through transshipment from the Singapore port, incurring high transportation costs delayed shipment.

**Matarbari Port:** Construction of a deep seaport, terminal for liquefied natural gas (LNG), four 600MW coal-fed power plants, along with communication networks such as rail lines and roadways, is underway at Matarbari, about 25 Km from the Sonadia island. The daily coal requirement will be over 60,000 tonnes and should be imported by 'Handymax' or 'Supramax'-sized vessels drawing 12-15 meters' draft.

### **Initiatives of India and Myanmar**

**Sittwe Port, Myanmar:** The Sittwe port in Rakhine Province of Myanmar can presently handle vessels of up to 2,000-3,000 tonnes of deadweight tonnage (DWT). The port will be further developed to handle vessels up to 4,000-6,000 tonnes dwt which are considered coastal vessels with minimal capability and cannot be deployed in worldwide international trade.

The Indian government agreed with Myanmar to implement the Kaladan Multi-Modal Transit Transport Project, which envisages linking Lawngtlai in India's north-eastern state of Mizoram via a road and the River Kaladan to the deep seaport at Sittwe. Thus, international trade of India's seven landlocked states still has to be carried out through Kolkata port by traversing over 800 extra kilometres (539km sea + 225km river + 62km road) of extra distance.

However, if and when established, the distance from landlocked states of India to the proposed deep sea port in Sonadia will be less than one-quarter of the



distance to Kolkata and will always remain as the first economic option for their international trade.

**Kyaukphyu Port:** Myanmar agreed with China to build a deep seaport and a special economic zone at Kyaukphyu, western coastal Rakhine state, 100 Km south of Sittwe port, and a railway network between Yunnan-Kyaukphyu to facilitate transit trade through the country. However, due to public resistance, this project is yet to be implemented. China has already implemented an oil pipeline project between Kyaukphyu and Yunnan province of China. About 450,000 barrels of crude oil will be sent to China per year.

A deep seaport in Kyaukphyu may serve as an alternative port to overcome the limitations of the Yangon port of Myanmar but can hardly affect the geographical advantage of the deep-sea port at Sonadia.

**Dawei Deep Sea Port:** The governments of Myanmar and Thailand signed an agreement to develop another deep seaport in Dawei and a connecting road and rail link to Bangkok as well as an oil and gas pipeline from the Gulf of Martaban to the Myanmar/ Thailand border. These two deep seaports will have minimal effect on the proposed deep-sea port at Sonadia.

**Deep seaport near Kolkata port:** Both Kolkata and Haldia ports suffer from chronic siltation of the Hooghly river. To resolve this problem, India plans to develop a deep seaport, 145 kilometres south of Kolkata city, reclaiming land from the sea, to handle large-sized container vessels.

**Port at Diamond Harbour:** Another port at Diamond Harbour, located at the eastern bank of Hooghly River between Kolkata and Haldia, is under study. Due to the low draft of the river, this port will have limitations as a hub port for serving the landlocked states of India, Nepal, China and Myanmar.

**Opportunities for Bangladesh:** The above-mentioned ongoing initiatives and activities demonstrated that the region's present and proposed port developments will not significantly affect the proposed deep-sea port at Sonadia in Bangladesh.

A narrow, deep strip of the bay with a natural depth of 14m has protruded close to the Sonadia Island (nine square miles), south-east of Bangladesh. It is the deepest point of the Bay to approach land. Moreover, the topographical condition of the sea bottom area has been stable for more than 100 years and is hydraulically balanced. The area may be considered as a gift of nature to Bangladesh. Utilizing this rare opportunity, Bangladesh should construct a deep seaport in the area for deep-draft larger vessels. It would serve our present and future need for international trade and facilitate access of our neighbours to the sea.

The strategic location of Bangladesh, facing the Bay of Bengal and the Indian Ocean, has created opportunities for it to serve the cause of sea-borne trade of the entire region to its north, north-east and north-west, which includes seven north-

eastern states of India, Kunming city in China, and Chin and Rakhine states of Myanmar. The proposed Sonadia deep sea port may act as a gateway of this region to the sea. How soon will the project be finalized and its construction begin?

### **Chittagong**

Chittagong positioned a little way up the Karnaphuli River on the northeast curve of the Bay of Bengal has always been the largest and most important seaport in Bangladesh. Once a central hub on the ancient Maritime Silk Road, Chittagong's history stretches back to the fourth century B.C. Ptolemy, the Chinese traveller-monk Faxian, and Ibn Battuta all wrote about the place. Today, this position of relevance still rings true.

"We handle 98 percent of the country's container cargo, 92 percent of the total cargo volume," a port development administrator explained. "So you can imagine how important this port is to Bangladesh. If Chittagong port collapsed, the whole economy would collapse."

Ninety-two percent of Bangladesh's total ocean freight equates to over 30 million tons of bulk cargo and more than 1.8 million TEUs (twenty-foot equivalent units) each year. Furthermore, these numbers are rising fast. Cargo volume through Chittagong port is rising at a 14 to 15 percent clip annually, and at the present growth rate, it is estimated that the port would top out by 2018.

The problem with Chittagong is that the current maximum draft of the port is just 9.2 meters — definitely not deep enough for many modern container ships. It requires a time-consuming and costly transfer operation, as smaller ships must be used to transport cargo to and from giant ocean freighters that are anchored out in the Bay.

One proposal to remedy this problem is constructing a new port on a 1,200-acre island in the Bay of Bengal off the coast of Patenga and in proximity to Chittagong. Dubbed the Bay Terminal, this would not technically be a deep seaport—as its maximum draft would be up to 13 or 14 meters, rather than the 15 needed to be granted this designation—but it would allow for larger ships to come directly into the port.

As early as 2010, China was publicly invited to get on board with expanding and modernizing Chittagong port, and at one point, the country pledged \$9 billion toward the endeavour.

This plan bodes well for China's broader ambitions of building an overland corridor from Yunnan province to a port on the Bay of Bengal. The plan would essentially provide China with a link to the sea that, aside from transiting Myanmar, could bypass Southeast Asia and the snake pit of potentially volatile

interests there. It prompted international commentators to quickly brand the Chittagong deep sea port proposal as one of China's "pearls," which put Bangladesh in a rather precarious geopolitical position. So much so that in June 2015, Bangladesh permitted Indian cargo ships to use Chittagong port.

### **Sonadia**

Realizing that Chittagong may fall through, China had a contingency plan for another deep seaport in Bangladesh, all cued up and ready to go. A few years following a 2009 Japanese survey in Sonadia, an island near Cox's Bazar in the south of the country, which determined it a suitable location for a deep-draft port, China jumped in and offered its financial assistance.

It was widely assumed that political pressure was put on Bangladesh from India and the United States to disallow China to build and operate the Sonadia port. With China already building ports in Sri Lanka, Pakistan, the Maldives, and Myanmar, Bangladesh was the last remaining link on a chain to leave India surrounded.

After a period of being quiet about the prospective port, in February of 2016, Bangladesh made the formal announcement that it had been scrapped.

"The cancellation of Sonadia is a strategic decision by Bangladesh, doubtlessly helped along by India, Japan and the U.S.," wrote Indrani Bagchi in an article in the Times of India.

### **Matarbari**

Another reason for the potential cancellation of the Sonadia port was that Bangladesh had granted a contract to Japan to build a deep seaport at Matarbari, just 25 kilometres away.

Japan International Cooperation Agency (JICA) is to build the port along with a liquefied natural gas terminal, a series of four 600 MW coal-fed power plants, rail lines, roadways, and electrical systems as part of a substantial infrastructural package deal. The master plan is that the port would be used to receive coal, which could power an entirely new industrial zone in the far south-east of the country.

To make this happen, JICA offered a loan to take care of \$3.7 billion out of the total \$4.6 billion price tag, at 0.1 percent interest for 30 years and a ten year grace period thrown in on top of that, according to the South China Morning Post.

### **Payra**

Initially seeming like a condolence prize for China, which had been beaten out for a deep seaport in the south by Japan, Bangladesh proposed a deep-sea port at Payra, which is located on the north-western coast of the Bay of Bengal.

The construction of this port, which was being financed on a public-private partnership (PPP) platform, has initially been granted to a Chinese company, and it was starting to look like China was finally going to get its deep seaport in Bangladesh. Then the usual chorus of India, Japan, and the United States resounded once again.

However, as a change of pace, India stepped in and stated that they wanted to get in on the action and be one of the port's big investors. It was a very different strategy than simply trying to prevent China from having their port while offering no other viable alternative, which had previously been the diplomatic model.

The Payra deep seaport was then reconfigured as a cooperative port in which many different countries could invest and operate terminals. It has been reported that Indian companies are now participating, and ten countries have considered jumping in with \$15.5 billion of investment, which is felt to be very different from China having a port in Bangladesh all to themselves.

### **Conclusion**

"India drives Bangladesh politics, and the U.S. to some extent". "Bangladesh cannot move ahead with China in terms of big collaborations, in terms of making the Silk Route or One Belt, One Road or an economic corridor."

Like many other countries along the Belt and Road, Bangladesh wants to leverage its keystone position between major global powers and be "a friend to everyone." However, at this junction, the country finds itself in very turbulent waters as the great game of geopolitics exerts its influence on every horizon.

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