

An Economic Analysis of Shipping Industry in Bangladesh: Implications for Sustainable Development

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Abstract

Shipping business and industry is as primeval as human civilization. Also in Bangladesh shipping business is very ancient. The economic influence of shipping is undoubtedly great on our economy. But this sector is not as widened as it was expected. This article has explored the probable economic aspects of shipping in Bangladesh. It is expected that the participation of Bangladesh in the economic opportunities created by shipping and maritime activities will have huge benefit for total economic welfares. Policy makers should give more emphasis on shipping industry which is the significant part of blue economy. Private sector engagement in this sector will be beneficial in the long run as without private engagement, this sector will not be boomed. The research is an exploratory research based on secondary data.

Keywords: Shipping and Shipping industries, economic aspect of shipping

1.0 Introduction

The maritime industry includes all enterprises involved in the business of designing, assembling, manufacturing, acquiring, operating, supplying, repairing and/or maintaining vessels or component parts, there of managing and/or operating shipping lines, stevedoring and customs related brokerage services, shipyards, dry docks, marine railways, marine repair shops, shipping and freight forwarding services and similar enterprises. This paper is predominantly concerned with management and operation of shipping industries and its role in the economic development of Bangladesh. It can entitle the movement of cargo by ship from point A to point B, or from port A to port B, or from one country to another.

The maritime industry and its impact occupy a very prominent position in the economy of nations all over the world [1]. The industry in its strict sense embraces all the maritime related business activities which take place within the country's maritime environment. These include offshore economic activities such as fishing, salvage, towage, underwater resources and on-shore economic activities such as port activities, maritime transport (shipping), ship construction, repairs and maintenance activities. Of all these activities, shipping stands out as the greatest boost to a nation's

economic growth and advancement. This is so because all other maritime activities revolve around shipping.

Due to close linkage between shipping activities and economic development, most nations cannot endow to treat it with levity, hence a mindful intervention needed to ensure that the national interest is protected [2]. Shipping as a primary logistics provider is critical in the process of Bangladesh's international trade and economic development. As a mode of transport, shipping provides the cheapest and most effectual modes of moving large dimensions of import and export round the world thereby creating jobs and adding value to the economy [3].

2.0 World shipping industry

The procedure of navigating or engaging in commerce through various types of navigable waters introduces the related idea of shipping [4]. defines shipping as relating to ships, concentration in shipping, shipping affairs, shipping business, shipping concerns [4]. Rolins viewed shipping vessel, as receiving on board a ship for transportation, to have transported by a carrier, to take or draw into a boat, to engage, to serve on a ship. Shipping involves the art of transporting goods, often termed cargo, from one point to another on any spring of water. Shipping could therefore be on land also. Shipping business can be said to be one of the oldest businesses in the world. Historically, it constitutes a major source of political power and territorial influence for "he who rules the sea, rules the world" [5], a fact underscored by the various conquests of the Egyptians, Turkish, Roman, and Spanish, Greek, Portuguese and British empires.

The story of the shipping industry since the Second World War has been one of ingenuity, professionalism, fabulous profits and some miscalculations. Adam Smith, the father of modern economics, viewed shipping as one of the principal stepping stones to economic expansion. In chapter three of the "Wealth of Nations", he claimed that the central force in a capitalist society is the division of labor and the level to which it can be practiced depends largely and crucially upon the size of the market. He saw shipping as a source of cheap transport which can open up wider markets to concentration, offering charges way below every other means of transportation [6].

The shipping industry is closely connected with the state of the global economy. It is complex and notoriously volatile in nature. Shipping being highly dependent on trade flows across the globe has seen cyclic booms and busts following the fluctuations in the world's economy. The recent economic turmoil has resulted in attenuation of container trade as global demand for raw materials and finished goods jumped.

Presently, more than one million seafarers managing around 50,000 internationally trading ships of various types around the globe exist. The basic type of ships includes container ships, bulk carriers, tankers, ferries, cruise ships and specialized ships. General cargo ships made up about 37% of the world's fleet in terms of deadweight tonnage (dwt), 25 % tankers, 14% bulk carriers, 12% passenger ships and 8 % container ships. The remaining 4% includes ships of specialized nature and which cannot be included in the above-mentioned categories.

The registered total world shipping tonnage is in more than 150 nations with Panama leading at 173 million tons followed by Liberia (79 million tons), Bahamas (47 million tons), Marshal Island (38 million tons) and Singapore (37 million tons). Other big registry countries comprise Hong Kong, Greece, Malta, China and USA [7].

The world fleet raised by 3.5 per cent in the 12 months to 1 January 2016 (in terms of dead-weight tonnage (dwt)). This is the lowest growth rate since 2003, yet still higher than the 2.1 per cent growth in demand, leading to a continued situation of global overcapacity.

The situation of countries within global container shipping networks is echoed in the UNCTAD liner shipping connectivity index. In May 2016, the best associated countries were Morocco, Egypt and South Africa in Africa; China and the Republic of Korea in Eastern Asia; Panama and Colombia in Latin America and the Caribbean; Sri Lanka and India in South Asia; and Singapore and Malaysia in South-East Asia.

Diversified countries participate in different sectors of the shipping business, grasping opportunities to produce income and employment. As at January 2016, the top five ship owning economies (in terms of dwt) were Greece, Japan, China, Germany and Singapore, while the top five economies by flag of registration were Panama, Liberia, the Marshall Islands, Hong Kong (China) and Singapore. The largest shipbuilding countries are China, Japan and the Republic of Korea, accounting for 91.4 per cent of gross tonnage constructed in 2015. Most shipbreaking takes place in Asia; four countries – Bangladesh, India, Pakistan and China – accounted for 95 per cent of ship scrapping gross tonnage in 2015. The biggest suppliers of seafarers are China, Indonesia and the Philippines. As countries concentrate in different maritime subsectors, a process of specialization of the industry occurs. As each maritime business locates in a smaller number of countries, most countries host a decreasing number of maritime businesses, albeit with growing market segments in the subsectors [8].

3.0 Overview of shipping industry in bangladesh:

There are three types of shipping services in shipping industry i.e. liner, industry and tramp services. In Bangladesh, these three types of shipping business are operated with the help of domestic

and international shipping companies. MGH group has shipping lines which maneuver their business privately through Yang Ming Line, China Shipping Container Lines, Compania Sudamericana de Vapores (CSAV), Sitara Shipping Lines, Balaji Shipping Lines etc. East Coast Shipping Lines Ltd is one of the most professional shipping agents in Bangladesh. Since the beginning of East Coast Shipping Lines Limited, it has successfully controlled 668 ships which include Oil Tankers, Bulk and Liquid Cargoes, General Import Cargoes, Heavy Lift Cargoes, Dangerous and Hazardous Cargoes Carriers in both the sea ports of Bangladesh [9]. Ananda Shipways Ltd. is close to its extinction of operation. CMA CGM Bangladesh Shipping Limited is a shareholding subsidiary of French container shipping group CMA CGM which has invariably captured a big market of shipping in Bangladesh. Summit Oil and Shipping Company Limited (SOSCL), an enterprise of Summit Group owns 6 coastal oil tankers with an accumulated carrying capacity of 9,600 MT [10]. HRC, a shipping company and the largest private sector Bangladesh flag carrier with 9 container feeder vessels and a total capacity of 4995 TUES [11]. Deshbandhu Shipping Ltd. a sister concern of Deshbandhu Group is the owner of two ocean-going ships named Mv. Golam-E-Mostafa & Mv. Deshbandhu-1. Bashundhara Logistics Ltd of Bashundhara Group has more than 25 coaster vessels and bulk careers which are used to transporting clinker, slag, gypsum, fertilizer, fly ash, cement, jute, rice, sugar, sand, limestone etc. from Chittagong/Noapara/Sylhet/Chatok to various inland riverine termini. Under the banner of Comfort Group of Companies, there are some shipping lines which mainly conduct their shipping business under Bangladesh Petroleum Corporation. Kanta Shipping started its business with transportation of petroleum having 4 coastal oil tankers. Madina Maritime of Madina Group has four ships with a total capacity of 300 m. tons. United Shipping Lines is an important wing of Meghna Group of Industries which provides a comprehensive range of integrated cargo transportation & logistic services to MGI and offers point to point cargo shipment facility and provides services in the offshore sector. The maximum shipping lines either private or public operate their business through Chittagong port as it is the country's major gateway to international trade and perform about 92% of the maritime trade of Bangladesh. The listed shipping line-operators of Chittagong port is shown in the following table with its route, port rotation and deployed capacity:

OPERATOR	ROUTE	PORT ROTATION	DEPLOYED CAPACITY (TEU) TOTAL	OPERATOR	ROUTE	PORT ROTATION	DEPLOYED CAPACITY (TEU) TOTAL
ADVANCE CONTAINER	SGP/BGD	SIN/CGP/SIN	2384	MCC TRANSPORT	SE ASIA/BGD	PTP/SIN/CGP/PKG/PTP	2065
ADVANCE CONTAINER	SE ASIA/BG	SIN/CGP/MNL/SIN	780	MCC TRANSPORT	SE ASIA/BGD	SIN/PTP/CGP/PKG/PTP/SIN	2916
ADVANCE CONTAINER	SE ASIA/BG	SIN/CGP/PEN/SIN	1876	OEL	LKA/BGD	CMB/CGP/CMB	1987
CMA-CGM	SE ASIA/BG	PKG/PTP/CGP/PKG	1157	OEL	SE ASIA/BGD	SIN/PKG/CGP/SIN	2960
GOLD STAR/XPRESSES	SE ASIA/BG	SIN/PKG/CGP/PEN/SIN	2410	QC CONTAINER	SE ASIA/BGD	SIN/PTP/PKG/CGP/SIN	956
X-PRESS	SE ASIA/BG	SIN/PKG/CGP/SIN	2936	SAMUDERA	SGP/BGD	SIN/CGP/SIN	2967
HRC SHPP	BGD /LKA	CMB/CGP/CMB	908	X-PRESS	SE ASIA/BGD	SIN/PKG/CGP/SIN	3020
HRC SHPP	MYS/BGD	SIN/CGP/SIN	1179	X-PRESS	LKA/BGD	CMB/CGP/CMB	7884
HRC SHPP	SGP/BGD	SIN/PKG/CGP/SIN	1020	YANG MING	SE ASIA/BGD	SIN/PKG/CGP/SIN	3095
HRC SHPP	SE ASIA/BGD	SIN/CGP/MNL/SIN	528				

Source: *Drewry Maritime Research Report as of January 2011*

4.0 Economic opportunities in Bangladesh shipping industry

The investment climate in Bangladesh shipping industry is directed by the current national economic development policy which has the objective of promoting a strong private focused industry with the government as the enabler. Some of the crucial and definite investment opportunities in the Bangladesh maritime sector especially in shipping are:

4.1 Dry bulk shipping

Dry bulk shipping trade is the strongest shipping in Bangladesh. Chittagong port has handled 48,94,1406 metric tons and 5,839,986 metric tons as import and export respectively in the financial year 2014-15 (Cargo Handling Statistics at CPA, FY: 2014-15). Almost 60% of the total trade is operated under dry bulk shipping. Domestic demand for grains, fertilizers, sugar, cement salt etc. is supported by import. This is expected to continue for a substantial period, predominantly in the grain market where some agronomic factors do not lend themselves to domestic production.

4.2 Tanker shipping

Bangladesh is importing mostly refined oil, lube base oil, crude oil as any other countries in the world. The main user of tanker in Bangladesh is Bangladesh Petroleum Corporation (BPC). Its oil product imports comprise 95 RON gasoline, jet A-1 fuel, superior kerosene, 0.25% sulfur gasoil, 0.05% sulfur gasoil and 180 CST high sulfur fuel oil with maximum 3.5% sulfur content [12].

However, BPC imports maximum of its petroleum by Bangladesh Shipping Corporation. So, private investment in this sector will not be beneficial except some legislative changes.

4.3 Liner/container shipping

Liner shipping services is increasing its circumference day by day. The shipping traffic to Bangladeshi ports carries mainly high valued finished and semi-finished containerized goods. It is not only sustainable, but also expanding considerably as a direct outcome of the economic reforms. Similarly, export trade in agriculture, industrial raw materials and semi-finished goods are experiencing significant growth because of a well-structured fiscal regime on export trade.

4.4 Coastal passenger/cruise services

Passenger service is marginally exploited despite its potentials as a worthwhile alternative to the road mode, especially for coastal taxi of the Chittagong to Cox's Bazar route. Recently Chittagong Port Authority has taken initiative to enhance maritime transport in the aforesaid route for coastal and cruise passenger.

It is expected that the participation of Bangladesh in the economic opportunities created by shipping and maritime activities will have huge benefit for total economic benefits. Investment in this area accommodates foreign and domestic trade through joint ventures. A broad list of the investment corridors with the domestic shipping market includes:

Dry docking; b) Ship repairs; c) Coastal shipping services; d) Trawlers; e) Terminal/jetty infrastructure; f) Offshore construction and fabrication; g) Supply boats to offshore oil fields; h) Crew boats; i) Tug Boats/Anchor handling; j) Cables/pipe laying vessels; k) Dredgers; l) Passengers/ferry services; m) Tourism service.

5.0 Conclusion and recommendation

Shipping has a great importance on Bangladesh economy. One of the major challenges faced by Bangladesh at present is the non-meaningful participation in the shipping industry on which the country depends both for exports and imports. On the other hand, port facilities should be upgraded and modernized for quick discharge of consignments since a ship owner is more interested in timely turnaround of his ship for next engagement and avoid lay time and lay days. Albeit all shortcoming, for the notable development of the economy of Bangladesh, the country needs some proactive actions. By exploring the whole industry, finally we have come up with following recommendations:

- a) We need to carefully assess the competitive environment for each maritime subsector which they wish to develop especially the shipping ancillary services.

- b) The govt. should consider the value addition of this sector for the total economy including possible synergies and spillover effects into.
- c) Policymakers are recommended to identify and invest in shipping sector in which the country may have a comparative advantage. Supporting the shipping sector is no longer a policy choice. Rather, the challenge is to identify and support selected shipping businesses.
- d) Private sector engagement in this sector will be beneficial in the long run as without private engagement, this sector will not be boomed.
- e) Inland transportation should be emphasized to maximize the transport in cargo, container and passenger. In sequel, it will reduce road and highways congestion.

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