Payra Port Development Will Enhance India-Bangladesh Ties – Analysis

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By Rupak Bhattacharjee*

In its efforts to further strengthen India-Bangladesh friendship, New Delhi is eager to develop the neighbouring country's proposed Payra sea port. Recent reports suggest that the Sheikh Hasina government in Bangladesh is also likely to award some segments of the Payra Port Project in south-western Patuakhali district to India.

India Ports Global, a joint venture between state-run Mumbai-based Jawaharlal Nehru Port Trust and Gujarat-based Kandla Port Trust for overseas ports, is the frontrunner for the contract. It has agreed to design, fund and build Bangladesh's first deep-sea port at Payra on its own. The initiative by India, if it materialises, will take bilateral ties between the two neighbours to a new high.

Bangladesh's international trade is carried out mostly through the sea route but the country has not developed a new sea port since its independence in 1971. Bangladesh immediately needs a deep-sea port as its two ports of Chittagong and Mongla are too shallow for handling large container ships. The capacity of the country's busiest Chittagong port is reported to be almost exhausted. The maximum draft available at the port is 9.2 metres, which cannot handle bigger ships.

As part of its policy to develop a blue economy in Bangladesh, the Awami League (AL) government has attached priority to harnessing the country's vast marine resources following the peaceful settlement of maritime boundary disputes with Myanmar and India.

The idea of the proposed Payra port was first conceived in 2013. The Jatiya Sangsad (parliament) passed the Payra Sea Port Authority Act on November 3, 2013. A fortnight later, Prime Minister Hasina formally opened the work of the Payra Sea Port at Ramnabad Channel of Kalapaara Upazila (sub-district) in Patuakhali district on November 19.

The construction work at the Payra port gained momentum since 2014 when a Payra Sea Port Authority was established under the Chittagong administrative authority. In November 2015, the AL government sanctioned Taka 1,128 crore ($143.37 million) to begin construction of the port.

Soon after the approval, India expressed its intent on developing the port under a government-to-government (G-to-G) deal. Since the Payra sea port is a strategically important project, India does not want its adversary China to build a maritime infrastructure just next to the
country’s coastline. Reports say New Delhi is ready to take up the project though it may not be financially viable.

The AL government is funding primary infrastructure at the Payra port to enhance Bangladesh’s international trade as the two other sea ports are facing numerous problems in coping with the growing volumes of exports and imports. According to local reports, supporting infrastructures, including the most modern container carrier and a jetty, have already been installed and the building of additional structures is underway.

The Bangladesh government wants to gradually transform the Payra port into a deep sea port. It is expected to handle 75,000 containers a year when it becomes fully operational. This capacity is five times more than the existing sea ports.

Experts opine that in order to maintain required draft for heavy vessels at the Payra port, a massive amount of dredging would be needed. Bangladesh’s Panning Minister A.H.M. Mustafa Kamal said 94 lakh cubic metre dredging would be carried out to sustain navigability of the port. British firm HR Wallingford, appointed by the AL government in January 2015 to conduct the feasibility study, noted in its draft report that about 35 per cent of the estimated $20 billion would be needed to be spent for dredging only. Dhaka’s media reports say the government has already engaged Jan De Nul, a Belgian dredging company, for the feasibility study on the Payra port.

To bring about all-round development of the Payra port region, the AL government has drawn a master plan. Reports indicate that the government has initiated the process of acquiring land for the port, five power plants, a land-based liquefied natural gas (LNG) terminal, an Exclusive Economic Zone (EEC), an oil refinery, an airport and a naval base around the port. Besides, the port will be connected to a dual-gauge rail line and four-lane highway within the next three years.

In an important development on December 21, 2016, the United Kingdom’s (UK) DK Rail inked a memorandum of understanding (MoU) with Bangladesh Railway for the building of the proposed 240-km Dhaka-Payra rail link. This rail connectivity is crucial as the government seeks to build the Payra port as the main sea port of the country by 2023. The Payra port became functional on a limited scale in August 2016 after it was inaugurated by Prime Minister Hasina.
It is also planned to develop a link between the Payra port and India's isolated North East. Once it becomes operational, the Payra port could easily be used by the north-eastern states and the landlocked Himalayan nations such as Nepal and Bhutan. Bangladesh may earn much needed foreign exchange by allowing these countries to use the port facilities. There is also enough scope for making the Payra port a centre of the proposed Bangladesh, China, India and Myanmar-Economic Corridor (BCIM-EC). Thus the development of a deep seaport at Payra has the potential to turn Bangladesh into a regional hub of trade, transit and connectivity.

In the recent months, India and Bangladesh have been engaged in hectic negotiations over the Payra Port Project. According to reports, Bangladesh's shipping ministry has agreed to award the contract to India under a G-to-G deal during the bilateral Shipping Secretary-level talks held in January 2016. India's Shipping Minister Nitin Gadkari said on April 11, 2016 that his ministry has been working on the details of the project with its Bangladeshi counterpart and there is a strong possibility that India Ports Global would be selected to develop the port. Reports suggest that India has already sent a team to Bangladesh to conduct a study on the proposed port.

India is making serious attempts to clinch the deal as access to another seaport will significantly reduce the north-eastern states’ dependence on the narrow Siliguri Corridor for transportation of goods. The Payra port, which is located in the south-western corner of Bangladesh, is also much closer to the Indian coastline.

During Prime Minister Narendra Modi's landmark visit to Dhaka in June 2015, India signed a coastal shipping agreement with Bangladesh. Since 2009, Bangladesh under Hasina has been receptive to India's vital connectivity needs and security concerns and the progress on the Payra project talks reflects the growing understanding between the political leadership of the two neighbouring countries.

However, the other regional powers, including China, have also stepped up their efforts to get a toehold in the Bay of Bengal through Bangladesh, which is centrally positioned in the area, to advance their geopolitical and economic interests. China is equally interested to build the Payra port and is ready to invest in the project in collaboration with any country. In a major development in Dhaka on December 8, 2016, Bangladesh signed two MoUs worth $600 million with two Chinese
companies for setting up two of the 19 components of the Payra Port Project.

According to reports, China Harbour Engineering Company is to build the core port infrastructure, while China State Construction Engineering Corporation is to execute riparian liabilities and build housing, healthcare and education facilities in the Payra port. This new development assumes significance as it indicates that Dhaka will do a balancing act while awarding the contract of building the Payra port to foreign countries. At this point, there is no official confirmation regarding the volume of India's share in the remaining 17 components of Bangladesh's first deep seaport project at Payra.

During the last one year, India and Bangladesh have been working closely to enhance maritime cooperation and the conclusion of the Payra deal will add further impetus to it, especially in the domain of maritime security and disaster management.

The Bangladesh government plans to make the Payra port a centre for disaster preparedness and maritime surveillance ensuring security to the country's southern coast, including the Sunderbans. India could assist Bangladesh in such capacity-building efforts.

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