



Matarbari to be a potential game changer

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In Bangladesh-Japan strategic partnership

The Bangladesh economy is soon to get a boost from the nexus of regional trade and development.

The Government of Bangladesh (GOB) has launched a new development strategy encompassing the Indo-Pacific region to ignite augmented trade, broad-based connectivity,

and develop an industrial hub in Bangladesh with regional value chain integration, leading to sustainable and inclusive growth over the medium- and long-term.

In addition to ongoing implementation of mega projects under various bilateral and multilateral assistance, GOB is likely to seek further support from bilateral (e.g. Japan) and multilateral agencies (e.g. ADB, WB, AIIB) for implementing its Indo-Pacific centered development strategy. Given Bangladesh's exemplary record of making effective use of international aid with a stellar repayment history, it is likely that the country will attract substantial donor assistance in the future for implementation of its Indo-Pacific Outlook (IPO). In this regard, there are positive vibes coming out of Tokyo and Washington.

Three key components of the IPO relate specifically to trade and growth:

(a) Promoting shared prosperity through open, rules-based multilateral systems to drive sustainable and inclusive growth and development;

(b) Enhancing regional connectivity – physical, digital, energy, human — to facilitate movement of goods, services, capital, and people throughout the region.

(c) Augmenting trade and commerce in the region by leveraging agriculture, manufacturing, and service sector potentials towards fostering regional and global value chain integration.

In light of PM Sheikh Hasina's visit to Japan and the eight agreements and MOUs signed between the two nations, relationship between the two Asian nations is now elevated to a 'strategic partnership' that goes beyond economic and trade interconnectedness. The most strategic component of the new agreements is the idea of creating an industrial and connectivity hub centered around Bangladesh. Under this concept, the on-going power and port project at Matarbari in Cox's Bazar district is expected to be augmented to convert Matarbari into a deep-sea port which can be accessed by oceangoing mother vessels that cannot now access Chattogram port. To this end, additional Japanese aid of \$1.27 billion was committed by Japanese PM Fumio Kishida recently to promote an industrial hub in the Bay of Bengal region that will bolster development and lift millions of people out of poverty. Bangladesh Government is on board with this idea as can be gleaned from the IPO.

MATARBARI DEEP-SEA PORT AS PIVOT. A deep-sea port off the coast of Chattogram could be a game changer not just to the Bangladesh economy but to all the economies in the Bay of Bengal region. The proposed deep-sea port on the Maheshkhali channel at Matarbari, expected to be operational by 2027, could boost trade, industry, and commerce for the entire region along the coast of Bay of Bengal and its hinterland that includes Bangladesh, North-East India, Nepal and Bhutan, including the rest of India. The Matarbari deep-sea port will have a 16 meter draught to be accessible to oceangoing mother vessels that could not negotiate the Karnafuli channel at Chattogram port. With a handling capacity of up to 1 million TEUs in the first phase substantial handling capacity enhancement is expected in the second phase.

The port is planned to be a major transshipment hub connecting Bangladesh with other countries in the region, which would enhance trade and commerce activities. The idea of an industrial hub in Bangladesh centering around the establishment of a deep-sea port in Matarbari was first tabled in 2020 by former Japanese Prime Minister Shinzo Abe. A \$2 billion JICA-GOB project comprising a 1200 MW coal-fired power plant, with port docking facilities for coal carrying vessels, is already under implementation at Matarbari with completion expected in 2027. This project is now substantially augmented with Matarbari becoming a deep-sea port for which the current Japanese PM Kishida recently committed another \$1.27 billion.

THE REGIONAL DEVELOPMENT CONTEXT. Some potential prospects of the Matarbari deep-sea port project for regional economic development are as follows:

- a). **TRADE:** The deep-sea port would attract international shipping lines and become a vital gateway for industries trading with nations in the region. This, in turn, is expected to increase cross-border trade and commerce activities.
- b). **EMPLOYMENT GENERATION:** The project would require a large workforce for its construction and operation, in addition to the stimulus it would give to economic activity in the region thus creating huge employment and income in the region.
- c). **INDUSTRIALIZATION:** The Matarbari deep-sea port would allow industries around the Bay of Bengal region to access global markets easily. The development of an industrial hub in Bangladesh built around the operation of Matarbari would be a foregone conclusion.

d). **INFRASTRUCTURE DEVELOPMENT:** The port project would require the development of supporting infrastructure, such as roads, rail and river networks, and other necessary facilities, further augmenting intra-regional connectivity and triggering commercial activities for rapid growth.

Overall, the Matarbari deep-sea port could be a game changer for development around the Bay of Bengal region. Unlike the trade integration experienced by ASEAN and European Union countries, South Asia regional trade has been very limited. Even bilateral trade relations between Bangladesh and India face many challenges that have limited the ability to reap the full benefits of better trade integration of the two countries. Consequently, the natural advantage presented by geography in terms of easy physical access to each other's market and associated low transport cost of trading has not been fully utilized owing to limited trade and investment cooperation. Matarbari, with complementary trade and infrastructure investment could change that.

There are districts of Bangladesh and states of India that are largely agricultural, are relatively land locked, have higher than average incidence of poverty, and are vulnerable to natural disasters. While many policy and institutional constraints contribute to this phenomenon, research shows that an important contributing factor to problems of the lagging regions is isolation from growth centers due to physical barriers and exposure to natural disasters. The isolation from growth centers is often created by lack of or fragmented infrastructure and cross-border restrictions and barriers to trade.

For example, the 8 states of North-East India (NEI) are isolated from the growth centers of India due to physical distance and high transport cost, in addition to being constrained by the limited transit facilities over Bangladesh. Neither India's nor Bangladesh's growth impacts have reached NEI in a meaningful way. Yet, economic growth in the region can be boosted through augmented trade and investment between Bangladesh and NEI, via transit access to Bangladesh sea ports not only for NEI but also for Nepal, Bhutan, and the littoral states around the Bay of Bengal .

A deep-sea port at Matarbari could fuel this regional growth dynamics. The deltaic region north of the Bay of Bengal is a resource rich hinterland of agricultural and mineral resources waiting to be harnessed. Linking the deep-sea port with road and rail connectivity could

augment trade and economic activities eventually leading to the emergence of an industrial growth belt of the future to match those in East Asia. Investments in infrastructure could attract private investors, international companies and mobile industries, to invest in the region, thereby strengthening its economic landscape. An industrial hub off the Bay of Bengal could attract business and investment from all of developing Asia, the fastest growing region of the world.

Thus the Matarbari deep-sea port project has the potential to strengthen regional trade relations, increase investment, generate employment, and promote infrastructural development, thereby stimulating economic growth for Bangladesh, Northeast India (India), Nepal, and Bhutan, as well as the contiguous regions of the Bay of Bengal.

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