



Maritime trade-dependence of Bangladesh, Myanmar and Sri Lanka: Implications and way forward

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ABSTRACT

Maritime trade is a key contributor to economy in many countries particularly those that are bordering on oceans. Sri Lanka is geographically located in proximity to the main East–West sea route creating multiple logistics advantages to the adjunct countries. This paper considers the maritime trade dependence between Bangladesh, Myanmar and Sri Lanka that focuses on potential implications and a futuristic view. The paper primarily provides an appraisal of maritime trade about Bangladesh, Myanmar, and Sri Lanka. Thereafter, it identifies the historical connections between these countries and discusses the related developments and implications in the maritime industry. It consists of a review and comparison of shipping performance of the countries and an appraisal of Logistics Performance. In addition, it provides an indication of the global perception about other key factors pertaining to logistics and transport. Port project developments, One Belt One Road Initiative, maritime security, risk of Cyber-attacks, a rule based maritime order, trade and investment, transport, energy, and tourism are other factors that are highlighted in this paper.

KEYWORDS

Bay of Bengal; maritime trade; maritime connectivity; Bangladesh; Myanmar; Sri Lanka

Introduction

The Bay of Bengal connects the Indian Ocean with the Western Pacific Ocean. This is a relatively peaceful ocean region with no maritime boundary disputes. In this region Bangladesh, Myanmar and Sri Lanka form a vital triangle covering the entire Bay of Bengal. Sri Lanka has the unique advantage of connecting this region to the Western Indian Ocean. Maritime commerce has been a cornerstone in the history of these three countries that are members of the Bay of Bengal Initiative on Multi Sectoral Technical and Economic Cooperation (BIMSTEC) as well. People of these three countries have been seafarers and travellers since ancient times. They have also welcomed foreigners to trade, learn and explore. The three countries were well-connected across the Bay of Bengal long before the arrival of colonial powers. They have traded in spices, elephants, jute products, timber and also provided plenty of raw materials for building and repair of wooden hulled sailing ships. They enjoyed early diplomatic relations and the coastal regions flourished due to maritime trade.

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Transportation systems play a key role in a country's economic well-being, development and prosperity. As more and more countries develop in South Asia they will need to produce and trade more. Incidentally, the Indian Ocean is becoming the key ocean together with the Pacific Ocean in the 21st century, which is also referred to as the "Asian Century". The unprecedented rise of the economic power of China and rapid growth of India are two key factors impacting the Indian Ocean. The Indian Ocean now accounts for movement of 70% oil, 50% containers and 35% bulk cargo of the world. This ocean is also called the "Energy super highway" of the world. As the countries develop, their energy requirement has also grown and these countries are now net-importers of energy. The Persian Gulf, a marginal sea of the Indian Ocean, is the world's main oil producing region. Many developed and developing countries are deeply concerned about "energy security" in the Indian Ocean.

As per the United Nations high level advisory group on sustainable transport, Sustainable Transport is defined as "provision of services and infrastructure for the mobility of people and goods advancing economic and social development to benefit today's and future generations in a manner that is safe, affordable, accessible and efficient and resilient while minimizing carbon emissions and environmental impacts".¹ Transport is a key development issue in many countries and a major driving force behind a growing demand for energy. Transport and mobility are vital for sustainable development. Without sustainable transport, there will be no lasting progress on climate action, which will also impact on Sustainable Development Goals. Belt and Road Initiative (BRI), is a planned transport network of overland road and rail routes, oil and natural gas pipelines and other infrastructure projects that will stretch from Xian in central China, through central Asia, and ultimately reach Moscow, Rotterdam and Venice. BRI covers 63% of global population and 29% of the global economy. Hence, emphasis must be put on the sustainable use of transport in this initiative, which should include Equity, Efficiency, Safety and Climate responsiveness. Shipping can be considered one of the least carbon emitting mode of mass transport. Ships are becoming more energy efficient and less polluting with better emission controls. Maritime trade is witnessing the merger of mega container lines and the entry of bigger ships. This will be the new trend in shipping and the global maritime community needs to be prepared for it.

This report primarily focuses on the dependence of Bangladesh, Myanmar and Sri Lanka in the maritime trade. Thereafter it analyses the present developments and potential implications. Finally, it discusses the way forward.

Historical connections

Seaborne trade in the Indian Ocean underwent many changes with the advent of European colonial powers. The Portuguese in the 16th century, and subsequently the Dutch, followed by the French and finally the British dominated seaborne commerce in the Indian Ocean. However, prior to this period there existed connections between the three nations which are discussed country wise.

Sri Lanka

Sri Lanka's historical chronicle "Mahavansa" speaks about two Myanmar (Okkala-Rangoon) trading brothers, Thapassu and Balluka, who had offered the first meal to

Gautham Buddha after enlightenment while travelling through Sri Lanka ports and depositing hair relic of lord Buddha for safe keeping, in the 7th century CE. This later became the first recorded Buddhist Stupa in the country. The same Chronicle mentions that a king of Sri Lanka carried out a naval campaign in 12th century CE against a Myanmar's kings decree to discontinue the payment of elephants as tribute and their unfair increase of the price for individual animals, making it difficult to trade in tuskers. The campaign was successful and normalcy prevailed. According to the Chronicle "Mahavansa", the first king of Sri Lanka, Prince Vijaya, and several hundreds of his followers came to Sri Lanka by ships after being expelled from an Indian Kingdom from present day West Bengal. As per industry experts, seaborne commerce in ancient and medieval times was carried out by mercantile groups who extended their activities over several ports along the countries lying athwart sea routes. Due to Sri Lanka's central and strategic position in the Indian Ocean along maritime trade routes and its numerous bays and anchorages with adequate facilities for sailing ships, the island was a centre of transit trade from the very early days. Sri Lanka had been an Emporium, where the traders from southern, western and north-eastern regions of the Indian Ocean, as well as Arab world and south east Asian countries carried out their trade. There have also been many trade, religious, diplomatic and even military missions to resolve trade disputes carried out between the three countries since historical times.

Myanmar

Myanmar (formerly Burma) is a Southeast Asian nation of more than 100 ethnic groups, bordering India, Bangladesh, China, Laos and Thailand. Yangon (formerly Rangoon), the country's largest city, is home to bustling markets, numerous parks and lakes, and the towering, gilded Shwedagon Pagoda, which contains Buddhist relics and dates to the 6th century. Various ethnic Burmese and ethnic minority city-states or kingdoms occupied the present borders through the 19th century. Over a period of 62 years (1824-1886), Britain conquered Burma and incorporated the country into its Indian Empire. Burma was administered as a province of India until 1937 when it became a separate, self-governing colony. In 1948, Burma attained independence from the British Commonwealth. General NE WIN dominated the government from 1962 to 1988, first as military ruler, then as self-appointed president, and later as political kingpin. In response to widespread civil unrest, NE WIN resigned in 1988, but within months the military crushed the student-led protests and took power.² Myanmar is a big country with a coast line of 2832 kilometres and a land area of 676,577 square kilometres, which is five times the size of Bangladesh. Greater energy security for China may also be achieved by making use of alternative routes to the Straits of Malacca through Myanmar, as well as Pakistan and Thailand.³ Ghana, Iran and Myanmar registered transport projects for the first time in over 10 years, all in the ports sector: Tema Port expansion, Chabahar Port development and Myanmar Industrial Port modernization, respectively.⁴

Myanmar's economy is growing. Growth is supported by investor optimism following policy reforms, the reinstatement of Myanmar in the EU Generalised System of Preference (GSP) for duty free and quota free market access, and gradual easing of restrictions on financial institutions. The country is changing from a centrally planned economy to a market-oriented system. Series of structural reforms have been introduced and new

legal policy instruments were enacted paving the way for a market-oriented economy. As one of the least developed countries in Asia, Myanmar has many market opportunities in nearly every sector. The IMP predicts that Myanmar's GDP would quadruple by 2030. The country's urban population is expected to double in the same period. Hence, potential for trade and investment are enormous. Tourism too has a huge potential. Myanmar is blessed with huge quantities of natural resources such as oil, gas minerals and timber. Agriculture is a major sector of the economy. However, Myanmar needs to address the issue of Rohingya's in an internationally acceptable and humane manner as it is impeding progress. The recent exodus of nearly 600,000 Rohingya refugees to Bangladesh and India has seen voices of protest and concern against Myanmar at international forums. This does not argue well for the development and progress of Myanmar.

China and Singapore have invested heavily in Myanmar. China constructed a deep-sea port in Kyaukphyu with a pipeline running from rom Kyaukphyu to Kunming in the Yunnan province. This pipeline can transfer around 400,000 barrels of oil per day. China has also drilled seven gas blocks since 2007 and is building a rail line to connect the two countries. Singapore's investment was aimed at bringing Myanmar closer to the level of ASEAN countries. China has all along maintained good economic links with Myanmar, even supporting Myanmar's government in overcoming economic sanctions imposed by the west. India too has close links with the Myanmar government to gain maritime access to its land locked north-eastern states and to fight against terrorism. India developed a port in Sittwe, situated at the mouth of Kaladan river to dock ships with displacement of up to 20,000 tons. This project was handed over to Mynamar and is expected to be fully operational by 2019 with inland waterway links to Peletwa in Myanmar's Chin state and Mizoram in India.

Bangladesh

Bangladesh, situated on the northern rim of the Bay of Bengal, is a South Asian country with many inland waterways. Three of Asia's largest rivers, the Ganges, the Brahmaputra and the Meghna, flow through Bangladesh and form the fertile Bengal delta – the largest delta in the world. With rich biodiversity, Bangladesh is home to 700 rivers, most of the world's largest mangrove forests and a 370-mile coastline with one of the world's longest beaches. Bangladesh is also one of the most densely populated countries in the world, ranking alongside South Korea and Monaco. Although Bangladesh and Myanmar share a land border of approximately 271 kilometres, connection by train or road is limited. Initiatives such as the Bangladesh, China, India and Myanmar (BCIM) transport corridor have not progressed due to strategic mistrust between India and China. Therefore, there is a need to examine the possibility of pursuing only BIM. Bangladesh appears to be following India's look east policy for establishing enhanced trade with South Eastern countries, amongst whom Myanmar is a good start point. Trade between the two countries is likely to grow and stabilise despite the differences over the Rohingya crisis. Around 536,000 Rohingya Internally Displaced People (IDPs) have fled Rakhine state in Myanmar to Bangladesh since August 2017. Apart from official trade there is informal trade across the land border and hence the actual trade is quite high. There is also enormous potential for coastal shipping connection between the two countries. However, for the coastal trade to flourish, Myanmar needs to stabilise the coastal state of Rakhine, which is rich in minerals and other natural resources.

The Bangladesh economy has recorded a steady growth of close to 6% and is expected to grow at 5.8% annually from 2015 to 2025. The main commodities imported are raw textile materials and consumables, whereas the main commodities exported are finished articles of clothing and apparel to Europe and North America. The Government of Bangladesh has initiated several schemes such as liberalising trade, improving transport, supporting entrepreneurship by reducing the transaction costs of doing business, and strengthening the transparency and accountability of both the public and private sectors. Export of textiles and garments will be the principal source of foreign exchange earnings for Bangladesh. Transshipment efficiency and flexible supply chain solutions such as sea/ air and air/ sea would be vital for Bangladesh remaining competitive in this dynamic industry. Therefore, to be competitive in the apparel industry, Bangladesh will have to look for more cost effective and time efficient transportation methods.

Sri Lanka

Sri Lanka (formerly Ceylon) is an island nation south of India in the Indian Ocean. Sri Lanka's overreliance on imports and inability to boost exports, tight control on key sectors of the economy by local business elite, cumbersome and bureaucratic red tape for foreigners to invest are some of the barriers that deter foreign investors. Any post war growth has been mainly due to investment in infrastructure. Government revenue is also import dependent. Sri Lanka's Foreign Direct Investment (FDI) has been confined mainly in the construction and real estate sectors and thus the manufacturing and service sectors have been largely neglected. China has been the most significant investor with India coming second; however, there is a large margin between the investments.

Sri Lanka is currently negotiating an Economic and Technology Cooperative Agreement (ETCA) with India and Free Trade Agreements with Singapore and China. If the ECTA is successful, Sri Lanka will have access to India's fast growing economy and huge consumer base. Sri Lanka has been a key investment hub for China's BRI. There is also a discussion of a tri-nation economic pact between Sri Lanka, Singapore and five southern states of India. These five southern states of India have a large consumer market and supply chain sectors. For Singapore this proposed arrangement will help to expand its importance and capacity for business networking in the region. For India, Sri Lanka's unique geo-strategic location at the cross roads of major shipping routes is important. These proposals argue well for enhanced shipping in the region, from which all countries could benefit. India has been a leading investor in Sri Lanka with investments topping one billion USD since 2003. Indian interests are diverse; petroleum retail, IT, financial services, real estate, telecommunication, hospitality and infrastructure development (rail, power, water supply). Colombo One is a major 400 plus USD project undertaken by ITC to construct hotel, residential and leisure projects. This project is also right opposite the Colombo International Financial City (CIFC) and will contribute in developing Colombo as a regional maritime and financial hub.⁵

Sri Lanka has laid heavy emphasis on improving infrastructure to facilitate the hub concept.⁶ The Port of Colombo presently handles about 72% of transshipment containers from India. Amidst ambitious development of deep-water ports in India and marketing, it would not be advisable to totally rely on transshipment of Indian containers.

Therefore, enhancing local cargo volume is a necessity for the future maritime industry of the country. Industrial and agriculture capacities need to be enhanced with government initiatives and private sector participation. Ports and terminals should be continuously upgraded to ensure that efficiency and competitiveness. The Port of Trincomalee, which is a huge deep natural harbour in the region, should be developed to enhance connectivity in the Bay of Bengal region. Coastal trade between ports especially on the eastern coast of India, Bangladesh and Myanmar should be enhanced to improve trade connectivity. Trincomalee can also be used as a sea port for land locked Nepal. Trincomalee can be the petro-chemical hub of the region with the availability of 98 large tanks built by the British and lying largely unused. Ports of Trincomalee and those in northern Sri Lanka can be linked to the Sagarmala project of India to enhance maritime trade connectivity. The Port of Hambantota, which is run by a joint venture between Sri Lanka Ports Authority and China Merchant Port Holding Company, can play a crucial role in China's BRI or Asia Africa Growth Corridor (AAGC). Therefore, "Sri Lanka should transform a separate statutory body for logistics. This would contribute immensely in enhancing the necessary coordination between all border management agencies."⁷

An appraisal of maritime trade about Bangladesh, Myanmar, and Sri Lanka

Two major components of the shipping industry are ships and cargo. Ports and Terminals and other allied maritime services come next. Shipping agency and freight forwarding are minor components of the shipping industry, but in Sri Lanka are considered major components. Sri Lanka neither has a large shipping fleet nor a large volume of local import and export cargo to boost its shipping industry. Sri Lanka, however, has a sizable maritime industry with ports and terminals as the primary part of the maritime industry, which currently thrives on transshipment cargo. Hence, restructuring of the shipping industry is necessary to promote ease of doing business, to remove non-applicable regulations, and change archaic regulations to match current industry needs. Further liberalisation of the shipping industry would attract large ships owners or operators to set office, like in Hong Kong or Singapore. Registration of ships in Sri Lanka must be made attractive for ships to register under the flag of convenience or flag of opportunity.

Bangladesh is a fast-developing economy in the SAARC-BIMSTEC region, whose development is linked to maritime trade. As Bangladesh is situated on the world's largest delta more than 90% of its trade is transported by sea and inland waterways. Hence shipping and seafarers are always considered to be most important factor for development of the national economy. Bangladesh has more than 40 ocean going ships in both public and private sectors. Bangladesh is also has a large-scale ship breaking business and a ship building industry, and there is a huge potential to develop ship building technologically. Bangladesh possesses three sea ports and 22 river ports, and about 90% of overseas trade is routed through the ports of Chittagong and Mongla. While Bangladesh has a mixed integrated economy, dependent to a larger degree on foreign earnings, the textile and ready-made garments industries are the country's largest manufacturing sector, which in 2014 brought 25 billion USD. The government has been pursuing a policy of encouraging the private sector to grow side by side and share responsibility towards

national shipping trade. Bangladeshi sea fearers are employed across the global and bring in much needed foreign revenue.

Port project developments are a prominent feature of the One Belt One Road (OBOR) Initiative. Several Asian countries, including Malaysia, Myanmar, Pakistan and Sri Lanka, have been at the forefront of these plans.⁸ China's OBOR infrastructure investments in Sri Lanka Deepwater port in Hambantota (600 million USD) and Port of Colombo (500 million USD)⁹ will have a substantial impact in the maritime sector. The Port of Colombo in Sri Lanka is a "must stop" destination connecting the shippers of west and east. This port has emerged as South Asia's main hub port. The world's top 20 shipping lines call on the port of Colombo and play a huge role in Global trade as these shipping lines handle 87% of global shipping. This is a huge advantage for the port of Colombo. Some of the other advantages for the Port of Colombo are, the centralised location in the Indian Ocean; halfway on the Singapore-Rotterdam 10000 nautical miles trade route, highly competitive logistic costs, strong and continuous air connectivity and reliable and efficient telecom and IT connectivity. As per the world shipping council ranking, amongst the top fifty ports in the world, Shanghai ranks number one, Singapore is at number two, Jabel Ali in Dubai at number nine and Port Klang in Malaysia at number 12. The Port of Colombo ranks number 28 and JNPT, India is at 34.¹⁰ This is a clear indication that the Port of Colombo is the life line of South Asia and part of BIMSTEC region. As these regions are developing fast, hub ports will play an increasingly important role.

The state-owned Ceylon Shipping Corporation Limited (CSCL) is planning to operate a feeder service between Sri Lanka and Bangladesh, in lines of the same which existed in the 1980s and 1990s. This would be a joint feeder service between the shipping corporations of the two countries. CSCL is also planning the resumption of passenger cum cargo ferry service between Colombo and Tuticorin. In order to facilitate transfer of crude oil requirement of the country, CSCL is planning to operate a Tanker ship through joint venture. As per a Ceylon Association of shipping Agents report, the two South Asian nations have historical ties that predate the sub-continent's colonisation by the British. The volume of trade between Bangladesh and Sri Lanka increased to over 115 million USD in 2014-15 from 24 million USD ten years ago. Although the growth of bilateral trade in the last few years is significant, the volume of trade is not commensurate to the potentials. The two countries are members of the South Asian Free Trade Area (SAFTA), which is a multi-lateral free trade agreement committed to reducing tariffs and facilitating trade in the South Asian region. The container throughput globally grew by an estimated 6.7% in the first six months of 2017 and the momentum is expected to continue in the second half, based on a survey done by Alphaliner. South Asian ports recorded the strongest growth rate of 9.3% with India, Sri Lanka and Bangladesh being significant contributors. In 2015 the container throughput of India was 12.31 million TEUs, whereas Sri Lanka and Bangladesh recorded 5.2 million TEUs and 1.87 million TEUs respectively. The continuing growth of the Apparel Industry is one reason for this regional growth as Apparel exports in the region have also grown by 10% annually from 2005 to 2014.

Colombo and Hambantota would be preferred transshipment ports for Bangladesh exporters as the Apparel Industry relies on speed-to-market, and savings in transit time will have a significant impact on the supply chain. For example, shipping cargo westbound from Bangladesh via Singapore would involve at least four days of sailing from Bangladesh to Singapore and a further four days of sailing from Singapore to cross Sri Lanka. However,

shipping the same cargo via Colombo would instantaneously reduce four days of sailing time. This would also reduce the carbon footprint which could appeal to eco-friendly customers in the west. Both Colombo and Hambantota can provide flexible supply chain solutions such as sea/ air and air/ sea due to the proximity of the airport to the seaport. In addition, Bangladesh exporters will also have the opportunity of consolidating cargo, in the South Asian region, which will provide benefits to the shipper and the consignee, as well as the port. Throughput overall will increase and, in particular, will benefit Jaya Container Terminal (JCT) due to the increased number of feeders calling on Colombo. The overall capacity of Sri Lankan ports is expected to increase with the Colombo International Container Terminals (CICT), and the proposed East Container Terminal (ECT) and West Container Terminal (WCT) coming into operation subsequently.

Infrastructure investments of this nature are quite beneficial for the country and its economy. In order to benefit, Sri Lankan Ports would have to reduce the waiting time for such feeders by either providing dedicated berthing arrangements in shallower berths or allowing Bangladesh feeders to berth at any terminal with free or less costly Inter Terminal Trucking (ITT) charges. Such initiatives will result in savings on fuel and efficiency gains which will bring down the net cost of transshipments. Colombo International Financial Centre (CIFIC), adjacent to the Port of Colombo could be developed as a special zone along the line of Dubai's International Financial Centre. This is the biggest FDI project in Sri Lanka which was halted after January 2015 elections but subsequently restarted. It was started at an initial cost of 1.51 Billion USD and is expected to rise to 8.29 billion USD on completion. Financial backing and development is provided by the state-owned China Harbour Engineering Corporation (CHEC) and China has asked India to participate in order to alleviate strategic concerns. This offshore project aims to attract more than 12.8 billion USD from investors, banks, hotels and malls. This project too will benefit maritime connectivity across the Indian Ocean.

Bangladesh is one of the five countries that surround Myanmar and both states share a border approximately 271 kilometres long as well as historical and social linkages. However, amongst all the neighbours, Bangladesh is facing the real brunt of the Rohingya crisis, with the influx of droves of Rohingya refugees.¹¹ Therefore, when it comes to relations between Myanmar and Bangladesh, the Rohingya issue cannot be overlooked. The issue between two countries is rooted in history, and many people have raised the question of the nationality of the Rohingya people. Border tension occurs sporadically with nearly a million Rohingya now living in the sprawling refugee settlements in Cox's Bazar near the Myanmar-Bangladesh border.¹²

While Myanmar's trade relations with Bangladesh are dramatically lower than those with other neighbouring countries such as Thailand, India and China, Maritime Review 2016 reiterates a number of studies. These include the Bangladesh-China-India-Myanmar corridor; deep-water port, Payra with respect to the projected infrastructure investments by China under the one Belt, one Road Initiative (OBOR).¹³ This report also focuses the Bangladesh-China-India-Myanmar transport network, including roads, railways, waterways and airports; Kyaukphyu-Kunming oil and gas pipelines; Myanmar-Yunnan optical cable.

In Sri Lanka's enhancing economic engagement with Asian neighbours, Myanmar can play an important role. Imports and exports between the two countries have great potential to improve and the two countries can even think of a FTA. Myanmar can be a big source of cheap staple food such as rice and onions. Myanmar is a member of ASEAN

and AFTA and both are members of the BIMSTEC as well. These aspects could be exploited for the benefit of Sri Lanka. .

Developments and implications

Shipping is the most popular mode for cargo transportation. It is acknowledged that more than 90% of global trade is carried by sea.¹⁴ The system, that proved its potential as an increasingly efficient and swift method of transport, led to greatly reduced transport costs, and supported a vast increase in international trade.¹⁵ Firstly, this section considers the performance and trends in the shipping industry pertaining to Bangladesh, Myanmar, and Sri Lanka, however, in economic terms, shipping is a “Derived demand” of the international trading and not a direct demand.¹⁶ Secondly this section reviews various other factors that may impact on the maritime trade in the respective countries.

Review and comparison of shipping performance

The liner shipping connectivity index illustrates trends in different countries¹⁷ (see table 1) The index, uses five components: the number of ships deployed to and from each country’s seaports, their combined container-carrying capacity, the number of companies that provide regular services, the number of services and the size of the largest ship.

For a more detailed analysis, it is also useful to look at the components of the index. Table 2 provides data relating to the five components for selected countries.

Due to containerisation and trans-shipment, any country can effectively trade with another country, even if there is no direct service connecting the two. As reviewed in UNCTAD 2017, UNCTAD has developed the bilateral liner shipping connectivity index to capture the level of bilateral connectivity for those cases where there is no direct service, Unlike the country-level index, which provides an index value per country, the bilateral liner shipping connectivity index provides 160 values per country, namely a coastal country’s connectivity with other coastal countries. Table 3 shows the details for two selected country pairs. Data for Myanmar was not available.

Table 1. Liner shipping connectivity index, annual, 2004–2017.

YEAR	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Bangladesh	5.2	5.1	5.3	6.4	6.4	7.9	7.6	8.2	8.0	8.0	8.4	9.3	11.3	10.8
Myanmar	3.1	2.5	2.5	3.1	3.6	3.8	3.7	3.2	4.2	6.0	6.3	6.2	9.3	13.8
Sri Lanka	34.7	33.4	37.3	42.4	46.1	34.7	40.2	41.1	43.4	43.0	53.0	54.4	61.9	69.4

Note: MEASURE Index (Maximum 2004 = 100).

Table 2. Country-level container ship deployment May 2017.

Country	Deployed annual capacity (TEUs)	Number of ships scheduled on services	Number of services	Maximum ship capacity (TEUs)
Myanmar	809, 958	43	17	1,468
Sri Lanka	13 719 661	327	59	18 350
Bangladesh		Not available		

Source: UNCTAD secretariat calculations based on data provided by MDS Transmodal.

Table 3. Bilateral container ship deployment, selected country pairs, May 2017.

Country pairs	Deployed annual capacity (TEUs)	Number of ships scheduled on services	Number of services	Maximum ship capacity (TEUs)
Bangladesh–Malaysia	1 612 738	40	16	2 457
India–Sri Lanka	6 982 551	150	37	11 569
Myanmar		Not available		

Source: UNCTAD secretariat calculations based on data provided by MDS Transmodal.

An appraisal of logistics performance

Logistics is the function responsible for the flow of materials from suppliers into an organisation, through operations within the organisation and then out to customers.¹⁸ Maritime and logistics performance are complimentary phenomena. Improving logistics performance is at the core of the economic growth and competitiveness agenda.¹⁹ Table 4 reproduces the global rankings (LPI) as per the connecting to compete report 2016 published by the International Bank for Reconstruction and Development/ The World Bank. The data used comes from a survey of logistics professionals who are asked questions about the foreign countries in which they operate. The connecting to compete report illustrates logistics performance under key six pillars as shown in the table.

Logistics performance is strongly associated with the reliability of supply chains and the predictability of service delivery available to producers and exporters.²⁰ It is clear from above comparison that global perception about logistics performance in Sri Lanka has been comparatively better. However, the global ranking with respect to international shipments of Bangladesh shows substantially better performance. This component considers the ease of arranging competitively priced shipments to and from a country. Controlling logistics costs allows companies to maintain a competitive edge, since lower logistics costs translate into competitive external trade.²¹ The Global Innovation Index provides detailed metrics about the innovation performance of 127 countries and economies around the world. Its 81 indicators explore a broad vision of innovation, including political environment, education, infrastructure and business sophistication. As per the Global Innovation Index 2017 report, the logistics performance of Sri Lanka and Bangladesh are ranked at 83 and 86 respectively.²²

Global perception about other key factors

In a global economy, no nation is self-sufficient. Each is involved at different levels in trade to sell what it produces, to acquire what it lacks and also to produce more efficiently in

Table 4. LPI results across four editions (2007, 2010, 2012, and 2014).

Indicator	LPI Rank			LPI Score		
	Myanmar	Sri Lanka	Bangladesh	Myanmar	Sri Lanka	Bangladesh
Customs	130	79	104	2.25	2.68	2.39
Infrastructure	124	123	105	2.22	2.52	2.38
International Shipments	154	103	77	2.25	2.24	2.81
Logistics Quality & Competence	138	67	93	2.27	2.62	2.62
Tracking and Tracing	113	82	99	2.47	2.84	2.57
Timeliness	121	87	86	2.84	2.71	3.09
Logistics Performance Indicator (LPI)	134	86	91	2.38	3.08	2.65

some economic sectors than its trade partners.²³ The most simple and preliminary stage is to evaluate the respective countries' global rankings in key commercial parameters. Usually these indicators are published by global institutions such as the World Bank. Globalisation has increased the need for interconnectedness for the respective countries to cross their borders.²⁴ The Global Competitiveness Report considers twelve variables for ranking that comprise institutions, infrastructure, macroeconomic framework, health and primary education and higher education and training. The GCI score varies between 1 and 7 scale, and a higher average score means a higher degree of competitiveness. The most recent 2017-2018 edition of Global Competitiveness Report assesses 137 economies. In this report Sri Lanka ranks at 85 with a score of 4.08. Bangladesh ranks at 99 with a score of 3.91. Bangladesh have shown improvements from 106 in the previous report while Sri Lanka has deteriorated from 71. Myanmar last appeared in GCI 2015-16 report at 134 position out of 140 economies with a score of 3.32.

The World Bank group flagship report, "Doing Business" published by the International Bank for Reconstruction and Development measures the processes for starting a business, obtaining a building permit, getting an electricity connection, transferring property, paying taxes, taking a commercial dispute to court, and resolving an insolvency case, as well as credit and equity market regulations and logistics of importing and exporting goods. Doing Business (DB) focuses on key areas of interaction between the government and entrepreneurs, where policy makers and regulators can directly influence procedures to facilitate these interactions. The DB 2018 rankings are benchmarked to June 2017 and based on the average of each economy's distance to frontier (DTF) scores for the 10 topics included in the aggregate ranking.²⁵ See [table 5](#) for details.

This report also ranks Sri Lanka at 86^h position out of 190 economies for trading across borders. In contrast, Myanmar and Bangladesh are at 163 and 173 respectively. It is imperative that maritime policies of countries consider the basic needs of their citizens. International Food Policy Research Institute publishes the Global Hunger Index annually. It categorises countries based on the severity of hunger problem. The 2017 Global Hunger Index ranked Myanmar, Sri Lanka and Bangladesh under the serious (20.0–34.9) category and the trend is illustrated in [table 6](#). [Table 6](#) reveals that similar problems are faced by the three countries and Sri Lanka has even experienced a decline in 2017.

Table 5. Doing Business Rank and Score of selected countries.

Economy	2018 DB Rank	DTF score	DTF change
Sri Lanka	111	58.86	+0.13
Myanmar	171	44.21	+0.30
Bangladesh	177	40.99	+0.15

Table 6. The Global Hunger Index of Selected Economies.

Economy	Rank according to 2017 GHI	Global Hunger Index (GHI)			
		1992	2000	2008	2017
Myanmar	77	55.6	43.6	30.1	22.6
Sri Lanka	84	31.6	26.8	24.2	25.5
Bangladesh	88	53.6	37.6	32.2	26.5

Conclusion and the way forward

South Asia was overshadowed by the rapid growth of world trade integration of national economies. SAARC, despite SAPTA, has not delivered and is presently stagnant. BIMSTEC after twenty years of existence has found a renewed vigour and is moving forward. This is a good opportunity for the BIMSTEC region to benefit from enhanced maritime connectivity. The way forward is to develop sustainable shipping connecting the economies of BIMSTEC countries. These countries should benefit from the economic growth of China and India. Strategic competition among the major powers in the Indian Ocean Region is hampering the economic progress of countries in the region. Maritime security due to state rivalry and presence of non-state actors is a great vulnerability in the region. There is a risk of Cyber-attacks against ports and facilities as well. Automation of port operations allows ports to handle containers more efficiently. However, unless steps are not taken to guard against Cyber-attacks, maritime transport networks can be disrupted. There is a need for a new regional security architecture or a Code of Conduct to ensure that collaborative efforts are taken by the states in the region and outside players to address this threat.

A rule based maritime order and a peaceful environment is essential for the region to flourish. Trade and investment, transport, energy, tourism are some of the key areas in which collaboration is possible. In a highly competitive world economy, transport cost is a significant determinant of competitiveness. An integrated and efficient environment is an essential element for economic integration at any level. Countries should work together to address the issues of tariff barriers, customs regulations, out dated, restrictive and discriminatory shipping laws and documentation process to ensure that maritime trade continues freely and efficiently. Logistics competence is a key factor in improving the supply chain efficiency. Therefore, logistics education and training play a key role, and should be factored in the education system.

Port project developments are also a prominent feature of the One Belt One Road Initiative. Several Asian countries, including Malaysia, Myanmar, Pakistan and Sri Lanka, have been at the forefront of these plans.²⁶ Therefore, the countries need a systematic approach considering their individual weakness and strengths to reap the due advantages of the initiative. The synergy that could be generated through collaboration would be the key in this aspect. Certain serious and recurring issues produce a degree of uncertainty which impact supply chain processes. Global container inventory imbalance is one such issue that is part and partial of container shipping.²⁷ Therefore, it could be fruitful for Bangladesh, Myanmar and Sri Lanka to study their container trends and derive potential advantages of collaboration.

Notes

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