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Transshipment Hubs in the Bay of Bengal Region

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Abstract

Despite numerous examples to illustrate that dominating the maritime sector is a significant contributor to regional economic growth, the Bay of Bengal region, with its strong geographical advantages, did not explore its full potential in the maritime sector. This region lies strategically halfway along the East-West trade lane, and connects India, a major economy, to the rest of the world. However, the maritime logistics facilities, including seaports, in this region focus on intra-region competition rather than exploring a win-win solution through regional cooperation to develop synergetic power to outperform competitors outside the region. Besides the major ports located in Sri Lanka, India, and Bangladesh, ports in Singapore and Malaysia too, play a vital role in serving the Bay of Bengal region, creating overlapping market coverage. Owing to geographical characteristics, hub and spoke networks dominate in the Bay of Bengal region, allowing major ports such as Colombo and Singapore to be promoted as transshipment hubs. Despite the deviation distance and infrastructure limitations, Indian ports attract some transshipment cargo from Indian feeder ports. However, high network connectivity, together with a strong cargo base, is essential to sustain a transshipment hub in a competitive market. The intense competition among ports in this region discourages the concentration of maritime networks and transshipment cargo at a single port, thereby decreasing competitiveness of the region. While focusing on the transshipment hubs in the Bay of Bengal region, this policy brief addresses the connectivity and cooperation deficit in the maritime sector, and the associated untapped potential that hinders regional development. Best-case scenarios for regional development are presented and analysed. Policy recommendations are provided as actionable steps for realising goals, while also addressing issues concerning stakeholders, and resource constraints.