



Operationalisation of Sittwe Port and What It Means for Regional Connectivity in Bay of Bengal

Introduction

The Sittwe port has become operational on 9 May 2023. It was a dream of former Prime Minister Atal Bihari Vajpayee, who first envisaged opening of an alternate sea route for the Northeastern part of India in 2003. The public sector consultancy company (RITES) did a study way back in 2002-2003. This was the origin of Sittwe port redevelopment under India's financial assistance. Earlier, Akyab, the earlier name of Sittwe, was a town in the Bengal Presidency and headquarter of the Akyab district of Burma (Myanmar).¹ Way back in 19th century British India, there were regular shipping services between Calcutta and Akyab (Sittwe), operated by British India Steam Navigation Company (successor of the Calcutta and Burmah Steam Navigation Company) during late 19th to mid. 20th century.² The Calcutta – Akyab shipping services later discontinued.

Today, operationalization of Sittwe port's new terminal is a major milestone that India and Myanmar have achieved. It is an important component of the Kaladan Multi-modal Transit Transport Project (KMTTP) for which a framework agreement was signed between India and Myanmar as the contracting parties on 2 April 2008.³ Although it took over two decades from the year of planning to operationalisation of the port, the revamped Sittwe port (the new terminal) is all set to start commercial operation.⁴ Sittwe port is located

at Kaladan river delta. The new terminal of Sittwe port consists of pier jetties that extend out into the river and provide the depth necessary to handle vessels up to 20,000 dwt, although most vessels calling are smaller coastal vessels.⁵ These jetties constructed under the Indian assistance can only handle small-sized cargo vessels. The other existing jetties in Sittwe port handle general cargoes like rice, timber, pulses, etc., destined mostly for Yangon.⁶

Sittwe port has been established as part of a framework agreement between India and Myanmar for the building and management of a multi-modal transit transport facility, namely, the KMTTP (Figure 1). The port was built with a grant-in-aid of approx. US\$ 500 million from the Indian government. Indian Ministry of External Affairs (MEA) entered into a Framework Agreement with the Myanmar government in April 2008 to facilitate implementation of the project. The Framework Agreement was based on a Detailed Project Report (DPR) for development of the Multimodal Transit Transport system to the Northeastern states through Myanmar prepared by RITES in 2002-2003. Inland Waterways Authority of India (IWAI) was the Project Development Consultant (PDC), appointed by the MEA in March 2009 for implementation of the Port and IWT components. Essar Projects India Limited, Mumbai was the main contractor for

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¹ Refer, *Burma Gazetteer: District Series: Akyab District Vol A 1917*, available at <https://archive.org/details/in.ernet.dli.2015.210387/mode/2up>

² Refer, for example, <http://www.biship.com/history.htm>. British-India Steam Navigation Company was later taken over by the Peninsular and Oriental Steam Navigation Company (P&O).

³ Refer, <http://www.mea.gov.in/Portal/LegalTreatiesDoc/MM08B0360.pdf>

⁴ Besides, Sittwe (India terminal), there are 2 main jetties in Sittwe. The largest one is located in Sittwe downtown within the Myanma Port Authority (MPA) compound, called Five Star gate. The second port is Min Gan port. This port is located little away from Sittwe downtown. Both ports have a maximum draft of 4.6m (15 ft) and are accessible for vessels up to 4000 GRT. Refer, <https://dlca.logcluster.org/214-myanmar-port-sittwe>

⁵ Also read, ADB (2019) *Maritime Cooperation South Asia Subregional Economic Cooperation*, Manila, available at <https://www.adb.org/sites/default/files/publication/529551/sasec-maritime-cooperation.pdf>

these components appointed by MEA in April 2010 and the Agreement was signed in May 2010. India and Myanmar again signed an MoU for the operationalisation of the Sittwe Port and Paletwa and Sittwe Inland Water Transport (IWT) terminals on 22 October 22, 2018, which then allowed the Indian agency to own and operate the newly built terminal.

Indian Minister of Ports, Shipping & Waterways and Ayush inaugurated the new terminal of the Sittwe port by receiving the cargo vessel at the terminal on 9 May 2023, which sailed from Kolkata port on 4 May 2023.⁷ While this journey is rather symbolic, the reestablishment of port connectivity between Kolkata and Sittwe carries many important implications for regional connectivity in Bay of Bengal. Let me highlight some of them.

Connecting Sittwe port with Northeast Indian states

The KMTTP has two major components: waterways component and road component. As on date, the waterways component, which includes construction of port and IWT terminal and back-up facilities at Sittwe and Paletwa; dredging at Sittwe port; dredging of river on Sittwe-Paletwa stretch (158 km); and delivery of 6 IWT vessels; has been completed. On the other hand, the road component, which includes construction of a 109 km double lane highway

between Paletwa and Zorinouri, is still work in progress. Until this highway is completed, Northeast India's access to Bay of Bengal through Sittwe will remain incomplete.

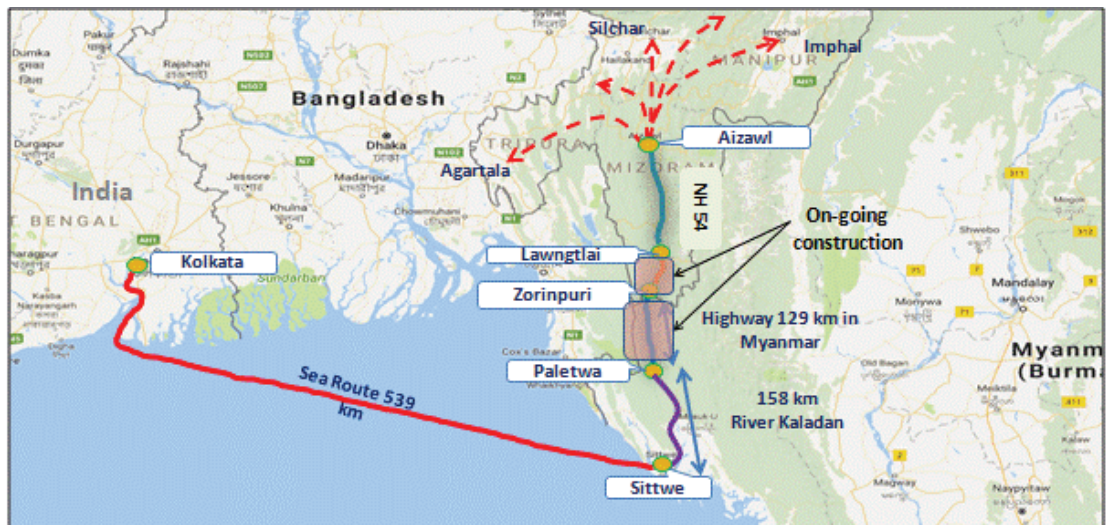
Scope of trade in Indian rupee

With the opening of the Sittwe port, trade between Myanmar and India is likely to get a boost. Exports from India to Myanmar through this new shipping route may include construction materials such as cement, steel and bricks, among others, whereas India's imports from Myanmar would be rice, timber, fish and seafood, petroleum products, garments, etc. Trade in rupee may help facilitate not only the trade between Myanmar and India but also procurement and shipment of projects goods which are needed for implementation of Indian projects in Myanmar.⁸

New opportunities of value chains

It is widely agreed that accelerating infrastructure investments in Northeast India and neighboring countries, along with connectivity projects with Bangladesh and Myanmar, hold high promise for unlocking Northeast's economic potential.⁹ The Sittwe port will open new opportunities for India's Northeast as well as Myanmar states of Rakhine and Chin. Access to Bay of Bengal may give new impetus to value chains in Northeast, particularly states of Mizoram and Tripura.

Figure 1: Kaladan Project



Source: Author.

Sectors like agro-horticulture, bamboo, rubber, processed food, etc. may gain from the opening of the Sittwe port provided the road components between Paletwa (Myanmar) and Zorinpuri (Myanmar) is completed on fast-track basis, and Myanmar allows third country trade for India's Northeast through Sittwe port. Increased size of the market may facilitate production levels in the region. In parallel, India may consider assisting Myanmar in developing a modern port community system, leading to strengthening the technology-based port operation in place of manual operation.

Promoting multi-modal transportation

Bay of Bengal countries are primarily riverine, but access to inland parts, particularly hilly terrain, requires land transportation. River transportation across Bangladesh, Myanmar and Northeast India and West Bengal is less expensive and environment friendly. It has been reported in the Press Release of the Indian Ministry of Ports, Shipping and IWT: "While the length of road from Kolkata to Agartala is around 1600 km and takes four days via roadways, the Sittwe to Chittagong to Sarboom to Agartala will be done in 2 days, saving cost and time. In addition to reduction of traffic on the road, the use of marine transport will considerably bring down

environmental cost of transport with drop in fossil fuel carbon emission."¹⁰ Undoubtedly, multi-modal transportation offers the best solution because of the involvement of more than one country for a single consignment. Transportation will be faster and hassle-free with multi-modal operators.¹¹

Encouraging greater port cooperation

Maritime transport is still a dominant logistics in the Bay of Bengal region. With participation of Chennai, Kolkata, Haldia, Sittwe, Yangon, Chattogram, Matarbari and Mongla ports in Bay of Bengal, multi-modal connectivity is likely to gain momentum. Ports cannot run alone until they are connected with regular shipping services. With new ports joining the league, opportunities for short sea shipping have expanded. Both Sittwe and Kyaukphyu Deep Sea Port (DSP) are located in Rakhine state and the distance between them is just 65 nautical miles. However, Kyaukphyu DSP enjoys higher navigable depth, and it is proposed to have two sets of terminals, one for container and the other for general cargo. There are few more ports being planned along the Myanmar coast in Bay of Bengal such as Dawei and some ports are lined up for redevelopment such as Thilawa, Patheingyi, Myeik, all in Myanmar, and Ranong in Thailand. In Bangladesh, Matarbari DSP is

⁶ Refer, <https://dlca.logcluster.org/214-myanmar-port-sittwe>

⁷ The vessel MV-ITT LION (V-273) carrying 20,000 bags holding 1,000 metric tonnes of cement left the Syama Prasad Mookerjee Port in Kolkata on 4 May 2023 for Sittwe. The total sailing time was 5 days to cover 540 km from Kolkata to Sittwe.

⁸ Border trade in Rupee and Kyat or Thai Bhat and Kyat is a common feature.

⁹ Also read, for example, Kathuria, Sanjay and Mathur, Priya. 2020. *Strengthening Cross-Border Value Chains: Opportunities for India and Bangladesh*. Washington, DC: World Bank. <http://hdl.handle.net/10986/32719>

¹⁰ <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1922176>

¹¹ To put it simply is that there is only ever one bill of lading for a multimodal shipment since the various modes of transport are covered under a single contract.

Figure 2: Ports and Short Sea Shipping in Bay of Bengal



¹² Refer, <https://www.mfa.go.th/en/content/bimstec-mm-2023-2?page=5d5bd3cb15e39c306002a9ac&menu=5d5bd3cb15e39c306002a9ae>

under construction, and India has planned a DSP at Galathea Bay of the Great Nicobar Island in Bay of Bengal, where the proposed transshipment hub may get a navigable depth of 18 to 20 m to handle bigger vessels. Each port is unique in terms of location, hinterland and development objectives (refer Figure 2). While some ports such as Sittwe have started operating, some are in the planning stage or under construction. Promoting greater cooperation among the ports in Bay of Bengal may lead to improved port performance and gain from their strategic locations.

Resume strategic dialogues on maritime connectivity

The current version of the BIMSTEC Agreement on Maritime Cooperation, which is likely to be signed in the coming BIMSTEC Summit to be held in November 2023 in Bangkok¹², has provision for cabotage-free intra-BIMSTEC water transportation. But, it does not deal with the mandates of port cooperation or competition. Bay of Bengal countries may implement activities that encourage dialogue among stakeholders in the maritime sector. For example, countries require dialogue on emerging issues like greening of ports and shipping, digitalization, etc. More dialogue per issue may help countries narrow the gaps in information and help them design the best strategy to deal with the challenges. Therefore, today or later, Bay of Bengal

countries may require strategic dialogue based on a set of common issues and challenges that require deeper understanding and coordination. This engagement may help them to avoid costly policy mistakes.

Activating the next phase post-Sittwe

Next phase could be for India and Myanmar to build a container terminal next to the general cargo berth. Container terminal is needed in order to facilitate seamless movement of goods through the Sittwe port. Besides, setting up a special economic zone or industrial park in Sittwe may generate additional economic activities including exports of goods and services and investment. Sittwe offers fresh opportunities to Japan, ASEAN countries and India for enhanced engagement in port-based economic activities and industrial value chains for mutual benefit.

Concluding Remarks

The operationalization of Sittwe Port is a path-breaking achievement leading to further strengthening the regional connectivity and growth prospects in Bay of Bengal. It is a bilateral project, but has several strong regional implications. This policy brief has identified some of those as a way forward. Dividends will be more once the Kaladan Multi-modal Transit Transport Project becomes fully operational, which will then give Northeast Indian states true access to the Bay of Bengal.

About CMEC at RIS: The Centre for Maritime Economy and Connectivity (CMEC) has been established at RIS under the aegis of the Ministry of Ports, Shipping and Waterways (MoPS&W), Government of India. The Centre is a collaboration between Research and Information System for Developing Countries (RIS) and Indian Ports Association (IPA). CMEC at RIS has been mandated to act as an advisory/technological arm of MoPSW to provide the analytical support on policies and their implementation. Among other, it seeks to work on the Maritime India Vision-2030 of the Government of India.

Core IV-B, Fourth Floor, India Habitat Centre, Lodhi Road, New Delhi-110 003, India., Tel. 91-11-24682177-80, Fax: 91-11-24682173-74-75, Email: dgoffice@ris.org.in, Website: www.ris.org.in



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