



Several ships are being constructed on the yard of Western Marine Shipyard Ltd on the bank of the Karnaphuli river in Kolagaon, Patiya of Chattogram. Although ship exports from Bangladesh have failed to meet expectations, rising local demand has kept the sector alive. The photo was taken recently.

PHOTO: RAJIB RAIHAN

Ship export sinks

SUKANTA HALDER and MD ASADUZ ZAMAN

Bangladesh emerged as a shipbuilding nation in 2008 when it exported its first ocean-going vessel to a Danish company and suddenly there were talks about the sector's immense potential and the country capturing a major share of the global shipbuilding market.

Ananda Shipyard & Slipways Ltd became the first shipbuilder to achieve the feat of exporting sea-going ships from Bangladesh, in a display of the country's growing manufacturing prowess.

Soon, existing companies pumped hundreds of crores of taka into expanding their footprint. New shipbuilders also sprang up.

But, within a few years, the momentum was lost as demand from western buyers, hit by the dragging impacts of the global financial crisis, evaporated. On the domestic front, local entrepreneurs failed to build on the initial success, maintain international standards and deliver vessels on time, denting the confidence of buyers.

A liquidity crunch and higher interest rates on industrial loans also contributed to the decline.

Subsequently, ship exports from the country started to fall. Exporters fetched only \$0.2 million in the last fiscal year, the lowest in a decade, according to data from the Export Promotion Bureau.

Export proceeds stood at \$0.18 million in the July-April period of the current fiscal year, slightly up from \$0.16 million during the same period a year ago.

Since 2008, Bangladesh earned around \$180 million by exporting 40 ships to several countries in Europe, Africa, and Asia. However, no sea-going ships were exported in the last two years.

The last ships were exported in January of 2020 when Western Marine delivered two ships to Jindal Steel Works of India.

Bangladesh has more than 100 shipbuilding yards, with most serving the local market.

RIDDLED WITH CHALLENGES
Shipbuilders have to import around 50-60 per cent of raw materials since there is no backward linkage industry. As a result, it takes additional time to build a ship in Bangladesh compared to global competitors.

ships. The design work has to be done in Singapore, China, Europe, or India.

Until recently, a model ship could not be tested in Bangladesh as well.

A shipbuilder says they are facing a fund crisis as banks usually don't want to extend loans to them. Five to six companies that jumped into the bandwagon of building ships relying on bank loans are now unable to repay because of a lack of a steady revenue stream.

"It has created a negative impression among lenders," he said.

Oriented Shipbuilding Industry of Bangladesh (AEOSIB), exporters lost capital. Later, the coronavirus pandemic exacerbated the situation.

"We repeatedly demanded from the government a guaranteed reserve fund of \$500 million to provide capital to the shipbuilding industry. We did not receive it. Nobody is paying attention to our demands."

Ananda Shipyard and Slipways Ltd, where Bari is the chairman, is set to send a ship to Germany with an export value of \$7-8 million.

Uttam Ghosh, a deputy general manager of FMC Group of Companies, says the cost of building ships in Bangladesh is 15-20 per cent higher than in other countries such as China, Korea, Japan, and India.

Taxes on the imported spare parts have further increased the cost of manufacturing ships.

Prof NM Golam Zakaria, head of the naval architecture and marine engineering department at the Bangladesh University of Engineering and Technology, says the backward linkage industry has not been developed in Bangladesh despite its huge potential.

SADDLING WITH DEBTS
Because of the high-interest rate of bank loans, the sector has been in a severe financial crisis since 2010.

Shipbuilders borrowed Tk 1,500 crore at high interest rates. As a result, they are now saddled with interests and debts.

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BY THE NUMBERS

Bangladesh first exported ocean-going vessel in 2008

Since 2008, 40 ships worth \$180m exported

No ships exported in last two years

Over 100 shipbuilding yards, mostly domestic market-oriented

50,000-60,000 people are working directly in the shipbuilding sector

Total investment in sector: Tk 5,000cr

REASONS FOR EXPORT DOWNFALL

Fall in demand from Western buyers

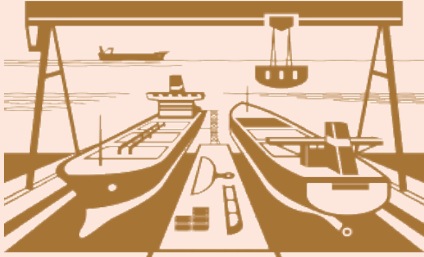
Order cancellation by some buyers

Failure to maintain standards

Failure to deliver vessels on time

Global financial crunch

Capital shortfall



Vietnam takes one and a half years to build a ship, whereas Bangladesh takes two years to two and a half years. "So, buyers are shying away," said Sohail Hasan, managing director of Western Marine Shipyard Ltd.

In Bangladesh, there is no facility for designing international standard

M Abdur Rashid, managing director of Karnaphuli Ship Builders Ltd, which makes both ocean-going and inland vessels, says negative perception about Bangladesh among foreign buyers is hampering the industry.

According to Abdullah Bari, president of the Association of Export-

SHIPBUILDING SECTOR

Investment rises despite gloom

SUKANTA HALDER and MD ASADUZ ZAMAN

Entrepreneurs in Bangladesh have pumped billions of dollars into the shipbuilding sector in recent years to meet their own demand for vessels as well as regain the international market.

Their entry came despite sinking ship exports from Bangladesh, driven by the global financial crisis of 2007-2008, collapse in demand, and failure to maintain international standards and deliver vessels on time.

Ship exporters fetched only \$0.2 million in the last fiscal year, the lowest in a decade, according to data from the Export Promotion Bureau.

Export proceeds stood at \$0.18 million in the July-April period of the current fiscal year, slightly up from \$0.16 million during the same period a year ago.

Although the ship export is in a tight spot, a big market has been created, thanks to Bangladesh's fast-expanding international trade through sea routes.

More than 90 per cent of the country's \$110 billion international trade takes place through seas. Hundreds of ships are needed every year to provide the service.

Today, Bangladesh has more than 100 shipbuilding yards, with most serving the local market, worth more than Tk 3,000 crore.

According to the latest report of the United Nations Conference on Trade and Development, Bangladesh has moved 13 places up to 14th in the shipbuilding industry in a span of five years, ahead of the US, India, Singapore, and Spain.

The success has been achieved by major industrial groups, including Meghna Group, City Group, and Delta Shipyard, a joint investment of TK Group and Seacom Group.

Meghna Group has so far manufactured the highest number of ships of international standards.

The group started investing in the sector in 2008 and has built 110 ships so far at the Meghna Shipbuilders & Dockyard, a subsidiary of the group, at Meghnaghat in Sonargaon of Narayanganj.

In the last three years, the company has produced 45 ships operating in coastal areas.

"In order to bring raw materials from the Chattogram port to factories or warehouses by inland waterways, a larger ship is needed instead of a lighter ship," said Mostafa Kamal, chairman and managing director of Meghna Group, recently.

"As the movement of goods is increasing, it is not possible to handle them in small ships. So, I've invested a lot in building relatively large ships."

The group has invested Tk 700-800 crore so far and employs more than 1,200 people.

"After meeting our own needs, we are now ready to export ships," Kamal said.

City Group, one of the largest commodity processors in Bangladesh, made its foray into the sector in 1996 to carry goods and raw materials from Chattogram to Dhaka.

It had a shipbuilding yard in Rupganj of Narayanganj that has now been shifted to Meghnaghat.

So far, it has built 60-65 ships. Another 20-25 ships are being built currently, said Biswajit Saha, director for corporate and regulatory affairs of the group, recently.

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Hungary holds up EU plan to ban Russian oil

AFP, Brussels

The European Union's hopes to quickly impose a ban on Russian oil imports could be dashed after Hungary demanded expensive guarantees for its own fuel supplies, diplomats say.

"I am sure we will have an agreement -- we need this agreement, and we will have it," EU foreign policy chief Josep Borrell told reporters Friday in Germany as G7 ministers met.

But he added if EU diplomats could not overcome resistance among certain member states, then foreign ministers meeting Monday in Brussels would need to "provide the political impetus".

The European Union has already imposed five rounds of sanctions against the Russian economy and individuals in President Vladimir Putin's inner circle in response to the invasion of Ukraine.

A sixth round would add some names to the sanctions list and hit some Russian media outlets, but most importantly include a ban on Russian crude oil imports.

EU chief Ursula von der Leyen's European Commission has drawn up a proposed text for such a package, but this needs unanimous approval of all 27 EU member states.

Hungary is holding out, and several of its neighbours who are also highly dependent on Russian crude for their oil refineries are reluctant to sign up.

Brussels is desperate to avoid the appearance of division in the face of Putin's onslaught and Ukraine's

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A view of the Russian oil producer Gazprom Neft's oil refinery on the south-eastern outskirts of Moscow on April 28.

PHOTO: AFP/FILE

Russia inflation hits 20-year high

AFP, Moscow

Russia's annual inflation jumped to a two-decade high of 17.8 per cent in April, fuelled by Western sanctions over Moscow's military campaign in Ukraine, the statistics agency said on Friday.

Since President Vladimir Putin moved troops into Ukraine on February 24, Russia has been hit with a barrage of international sanctions, including embargoes on key exports, accelerating already high inflation.

Inflation of food prices, a huge concern for Russians on low incomes, has reached 20.5 per cent year-on-year, according to Rosstat.

Pasta has gone up by 29.6 per cent, butter by 26.1 per cent, and fruit and vegetables by 33 per cent.

Annual inflation could reach 23 per cent this year before slowing down next year and returning to the target of 4 per cent

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