



White elephant or transformational infrastructural investment?

BY ALISON RATCLIFFE | 01.12.2015



Inefficiencies at the port of Dar es Salaam in Tanzania are depriving the country's economy of \$1.8 billion. © 123RF

The governments of China, Oman and Tanzania hope the new port now being built at Bagamoyo, 45 miles north of the major port of Dar es Salaam, will be the latter.

Tanzania's new port could process 20 million containers within ten years – around 40 times the capacity of Dar es Salaam and eight times that of Durban – and has a naturally deep harbour that can welcome mega ships too large for existing East African ports to handle.

State-owned port developer China Merchants Holding International (CMHI) and Oman's sovereign wealth fund, the State Government Reserve Fund, are together providing up to \$11 billion of finance for the project.

The new port will ease pressure on Dar es Salaam's congested facilities, where inefficiencies are ramping up import costs and, the World Bank estimates, depriving Tanzania of \$1.8bn in additional annual revenue. The new project includes road and rail links, and industrial and trading zones.

Yet Bagamoyo's significance extends beyond dollars spent and goods shipped – it is a central element in the Tanzanian government's plan to ignite a nationwide industrial revolution. Over the next 25 years, Tanzania aims to become a net exporter – in 2012 its trade deficit stood at \$7 billion – with China as a key market: Africa's exports to China have soared from \$55 billion in 2008 to \$116 billion in 2014.

The new port will help meet the growing import demands of a country of 51 million people – at the current rate that figure could double within 25 years – and stimulate Tanzania's economy. GDP will probably increase by 7 per cent this year despite the restraints imposed by inadequate freight infrastructure.

Beyond Tanzania's borders, Bagamoyo will buttress its strategy of becoming a service point for landlocked neighbours Rwanda, Burundi, Zambia and Uganda. The bottlenecks at Dar es Salaam's port have hampered their growth too.

The rationale behind Oman's investment is two-fold: the country wants to remain a strategically placed maritime transport player and is also keen to tap into CMHI's 28-port global network, and the 130 trading companies it partners with.

China stands to gain greater access to minerals – especially cobalt, copper and coal – it needs and will look to export its manufactured goods to east Africa, as the region's consumers enjoy more disposable income.

Dar es Salaam currently handles 90 per cent of Tanzania's international trade. Major imports include raw materials, machinery, wheat and cotton, while its major exports are cement, copper, sisal, coffee, beans and peas. The country has huge iron and coal projects in development, while 53.28 trillion cubic feet of offshore gas remains unexploited. The construction of Bagamoyo follows separate Chinese investment in a natural gas pipeline.

Dar es Salaam is also the hub of less edifying trades. Tanzania is the world's largest exporter of illicit ivory, with China the largest importer. Heroin arrives via busy Indian Ocean smuggling routes. The UN Office on Drugs and Crime believes there are 500,000 drugs users in East Africa, around 60 per cent of them in Tanzania. Port authority directors have also been involved in corruption enquiries in recent times.

Bagamoyo is not without its critics. One infrastructure analyst described it as "a really good example of a white elephant. If you're going to have two major ports, isn't the place to have it in the south, where the gas is?" The Tanzania Shipping Agents Association has warned that the country's economy would not support the mega ships it wants to attract, while the port will probably need to be regularly and expensively dredged.

Whatever its impact on Tanzania's economy, Bagamoyo will provide an interesting test of China's global economic strategy. Its leaders believe that its economic miracle was driven by heavy investment in its infrastructure and are convinced this model could transform Africa's economies too.

That belief will certainly be tested in East Africa. When Bagamoyo does open – able to welcome 8,000 container ships within two to three years – the port will face competition from a new Kenyan facility at Lamu that could handle 24 million tonnes of cargo by 2030.

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