

Huda sees bright  
future of local  
cuisine abroad

Information Minister Nazmul Huda Tuesday said that Bangladesh's image abroad was now much more brighter and positive, reports BSS.

"Our image in the community of nations was heightened for excellence in manufacturing of garments and skilled manpower working in different countries. Huda said while addressing a function in the city organised by Bangladesh Caterers Association in the Great Britain.

Huda said catering of country's cuisine in the restaurants owned by Bangladeshis in England and other parts of the world would further brighten the image of the country.

The Association is formally going to launch "Bangladeshi cuisine" at a function at the British House of Commons in June 20 next which is expected to be attended by many British dignitaries including ministers, members of parliament, eminent personalities of trade and business and people from various walks of life.

Islami Bank opens  
new branch

By Staff Correspondent

The Islami Bank Bangladesh Limited has opened its new branch at Shahjapur under Sirajganj district.

The operation of this branch started on Monday through a simple ceremony. The site for the new branch was previously located at Baghabari.

The inaugural function was chaired by the Deputy Commissioner of Sirajganj, Syed Abdul Maleq and addressed by Mir Quasem Ali, Chairman of the bank's Executive Committee, Mohammad Ataur Rahman Khan, Director and Kamaluddin Chowdhury, Executive President of the bank. Sirajganj Thana Nirbahi Officer, prominent businessmen and others.

Cyclone causes loss of Tk 30 cr  
in shrimp producing farms

The cyclone that mauled the country's coastal belt on May 2 damaged shrimp producing farms in two thanas of Cox's Bazar district causing a loss of about Tk 30 crore, according to shrimp growers, reports UNB.

This was the second blow on the export potential sector after the 1991 cyclone which damaged infrastructure and shrimp production worth about Tk 50 crore. That catastrophe caused sharp fall in shrimp production.

The shrimp sector also faced a devastating flood in 1988 and worldwide recession in the same year. In some cases the damage was more than the projects cost.

President of Bangladesh Frozen Food Exporters' Association (BFEEA) Syed Mahmudul Huq said that about 550 tons of stocking worth

about Tk 15 crore in Ukha and Teknaf thanas were wiped out by the powerful hurricane.

Some 20 kilometres of embankment, out of total 48 kilometres, were damaged by 80 per cent while the rest by 50 per cent. The loss due to embankment damage was estimated at Tk 10 crore.

The potential sector also incurred a loss of Tk five crore as the storm damaged about 240 kilometres of dikes in the farm areas.

Huq said the production loss might make it difficult for the shrimp exporters to achieve the export target of Tk 800 crore this year. "The loss may increase if the affected farms are not rehabilitated immediately," the BFEEA president said.

He said ECNEC in 1992 sanctioned a fund under Saudi grant to construct embank-

ments in Teknaf thana to protect shrimp producing land. The Water Development Board was given the responsibility to construct the embankment. But even the tender of work has not yet been floated.

"If the embankment was constructed in due time, not only the shrimp farms but also a huge land could be saved from the cyclone," he said.

Referring to the report of technical committee for identifying areas suitable for semi-intensive shrimp culture, the BFEEA president said Teknaf is the only ideal place for semi-intensive shrimp culture.

The committee report also pointed out that Teknaf is the largest area under one bloc suitable for semi-intensive culture which can produce two crops with a yield of five tons per hectare per crop.

Huq said shrimp worth

about Tk 400 crore can be produced in only Teknaf thana where, according to fisheries extension department, 1146 hectare of land is suitable for shrimp culture.

Presently most of the lands are cultivated under extensive method of culture which yield some 100 kg per acre per one crop. Two crops can be yielded through the semi-intensive method, he said.

He suggested that the embankment in Teknaf thana should be constructed on priority basis to facilitate the semi-intensive shrimp cultivation as the culture is highly site-effective.

The BFEEA also demands the reconstruction of dikes under food for work programme to enable the small farmers to go for restocking since the monsoon has not yet set in.



Showket Hossain, Country Sales & Marketing Manager, DHL Worldwide Express, seen with other participants from Indonesia, Thailand and Maldives along with the course tutor Robin and Colin Banks of Scotwork Negotiating Skills, UK, at the concluding ceremony of a week-long training course on "Negotiating Skills" at Sheraton Towers Hotel in Singapore recently.

Tea sale in Ctg shows  
sign of improvement

CHITTAGONG, May 18: The weekly tea sale held here Tuesday was marked by an improvement in sale when foreign buyers competed actively for different grades of teas, market sources said, reports BSS.

Pakistan, Poland and other foreign countries bought increased weight of teas.

Internal buyers continued to be quite active and lent a useful support specially for good liquoring brokens and fannings.

Bold brokens met with a slightly improved enquiry and a larger weight was sold between Tk 46/50 and Tk. 47/50. Large brokens were a good market selling between Tk 48/- and Tk. 49/- per kg. Medium and small brokens were a strong market and prices were generally dearer by Tk 1/- per kg. A few popular types were sold between

Tk 54/- and Tk. 57/20 per kg. All primary fannings met with a strong demand and were generally dearer by Tk. one to Tk two. A fair weight of popular types were also a dearer market selling between Tk 55/- and Tk. 58/80.

There were 14,310 chests and 31 paper sacks on offer.

Export of high  
quality fruits  
likely soon

Agriculture and Irrigation, Water Development and Flood Control Minister M Majid-ul Haq said Bangladesh would be able to export high quality fruits and vegetables within a very short time, reports, UNB.

He said this while South Korean Ambassador in Bangladesh Jong Kyou Byun made a courtesy call on at his office in Secretariat Tuesday.

Myanmar trade  
minister visits  
Grameen Bank

The visiting Trade Minister of Myanmar, Lieutenant General Tun Kyi, Tuesday described as "Realistic" the lending programmes of Grameen Bank for poverty alleviation, reports BSS.

Tun Kyi made the observation during an exchange of views with the Managing Director of the Grameen Bank, Dr Mohammad Yunus.

Esrarul off  
to Tokyo

Esrarul Huq, Director (Sales) of Bangladesh Television left Dhaka for Tokyo via Bangkok on Sunday to attend a six-week course on "Television Broadcasting Management" at the invitation of Japanese government.



Commerce Minister Shamsul Islam and the visiting Myanmar Trade Minister Lt General Tun Kyi seen exchanging the border trade agreement after initialling it on behalf of their respective governments at the state guest house Padma yesterday. Story on Page 1

## KAFCO: Controversial start and an uncertain future, with potential of a grand success

KARNAPHULI Fertilizer Company (KAFCO) is the largest ever multinational joint venture industrial enterprise of the country. Being built at a cost of US\$ 510 millions, it is a 100% export oriented company which will generate around US\$100 millions (Tk. 400 crores) a year of sales — all of it in foreign exchange. It will have the latest state-of-the-art technologies to ensure high reliability and consistent quality and will easily stand out head and shoulders above the rest of its kind in Bangladesh. But because of its checkered history and the great controversy over this major project, even today when it is almost complete, dark clouds of uncertainty hang over its fate and ultimate success. "Kafco will serve as a symbol and as a brilliant testimony for future foreign investment in Bangladesh", says Dr Manucher Towhidi, the Iranian-born British Technocrat and Managing Director KAFCO.

In an exclusive interview with The Daily Star Dr Towhidi discussed his views and concerns for KAFCO and Bangladesh.

DS: What are your views on the industrialization process of Bangladesh? What are your recommendations in the light of your long working experience in the regions?

MT: Sadly, the process has been slow. But I am convinced that Bangladesh has great potential for industrialization which has hitherto remained untapped. The public sector is far too dominant at the expense of the private sector. I believe, the era of wholly owned public sector projects should come to an end and Bangladesh should plan its future industrial projects, large or small, in terms of joint-sector or fully private sector enterprises and in the case of joint-sector, the involvement of the public sector in respect of equity should be kept as low 20-25%.

However, one of the great problems in Bangladesh is the underdeveloped infrastructure. By infrastructure, I mean road transportation, railways, waterways, air links, power, gas and water supply, sanitation facilities, telecommunication systems, housing etc, and above all, a qualified and trained manpower base. In the

absence of a sound manpower base, capital intensive projects are difficult to promote. I strongly feel the government should concentrate resources on the creation of the right infrastructure for the promotion of small, medium and large scale industries in the private



Dr Manucher Towhidi

or joint-sectors. I also see enormous potential in the further creation of export-oriented industries based on medium to high technologies which are of labour intensive nature. At the same time, I would like to see Bangladesh move away from concentration on the garments sector to the promotion of small as well as large scale diversified industries.

DS: What according to you are the bottlenecks towards our industrialization?

MT: Essentially infrastructure, as I have already pointed out. Side by side, there should be far greater emphasis by the Govt. on the growth of technical universities and other types of technical training so as to provide the technicians of tomorrow which are in short supply in this country. There is a distinct shortage of skilled labour — welders, for instance and technicians. These are the people who operate and maintain the industries.

DS: What is your impression about the law and order situation of the Country?

MT: Law and order as well as industrial peace and tranquility are fundamental to industrial growth and to the attraction of foreign investment to Bangladesh.

DS: What according to you is the current state of foreign investment in Bangladesh? What should Bangladesh do to attract further foreign investment to Bangladesh?

MT: You will appreciate that a foreign investor has a choice. He will go to those countries that offer him the most attractive investment promotion package. Therefore, Banglad-

esh, in this region alone, not to speak of the whole world, is in competition with India, Vietnam, Thailand, Malaysia, Indonesia etc. and all of them have already created a more attractive investment climate. It is fundamental that Bangladesh creates the right climate which is conducive to foreign investment.

This brings me to KAFCO. KAFCO is the most unique project not only in Bangladesh, but to my knowledge, anywhere else in the world. If you look at the list of shareholders of KAFCO, it reads like a 'who's who'. We have four government organizations, Commonwealth Development Corporation of the United Kingdom, OECF of Japan, Industrialisation Fund for Developing Countries of Denmark, and Bangladesh Chemical Industries Corporation (BCIC) and four major private sector multi-nationals as partners in KAFCO, namely Marubeni Corp and Chiyoda Corp. of Japan, Haldor Topsoe A/S of Denmark and Stamicarbon bv of Holland. Such a combination as well as the level of commitment made by the foreign shareholders and financiers is unique anywhere in the world. Until mid-92 when I came to KAFCO, I spent 8 years living and working in India and I watched the phenomenal growth of the fertilizer industries there over the years. But even India, as hard as it has tried, could not come up with a multi-national project like KAFCO. Bangladesh can and should be justly proud of KAFCO and the fact that such a huge investment has been made in a world class industrial project in this country.

My answer to the second part of your question is make sure that KAFCO is a success! Not only the Japanese but the world is watching to see how KAFCO succeeds and how the Govt. of Bangladesh honors its commitments towards KAFCO and its shareholders. Because, to them KAFCO is the 'litmus test' for future investment in Bangladesh. If the Govt. of Bangladesh fails to deliver the goods, the foreign investors will treat this as a negative signal which, in my view, will turn out as a great deterrent to future foreign investment in this country.

DS: Our Prime Minister was recently on a state visit to Japan. Her visit is being dubbed as an act of economic diplomacy more than anything else. What do you think in the light of her visit, are the prospects for further Japanese investment in this country?

MT: Begum Khaleida Zia's visit to Japan took place at the

## - Interview with Dr. Manucher Towhidi, Managing Director, KAFCO

By Staff Correspondent

most appropriate time and was well received. I believe, she and her entourage made a very substantial impact. Because Japan's position amongst the donor countries is so dominant, one could certainly say that economic diplomacy played a part.

However, I believe, there is a genuine desire in Bangladesh to attract greater Japanese investment and KAFCO is a supreme example of the opportunities made available in that direction. But I do not believe that there will be substantial additional Japanese investments in this country until the Japanese are convinced that "the KAFCO experiment" has been a success. So in many ways, the future of Bangladesh-Japan cooperation as well as the investment in this country

efforts of everybody in KAFCO and of course, our contractors, will make up some of the time lost due to the one year suspension of the project. We now believe that we can go into full commercial production about two months earlier than planned in November this year, provided of course, that we have gas, but perhaps more on that later.

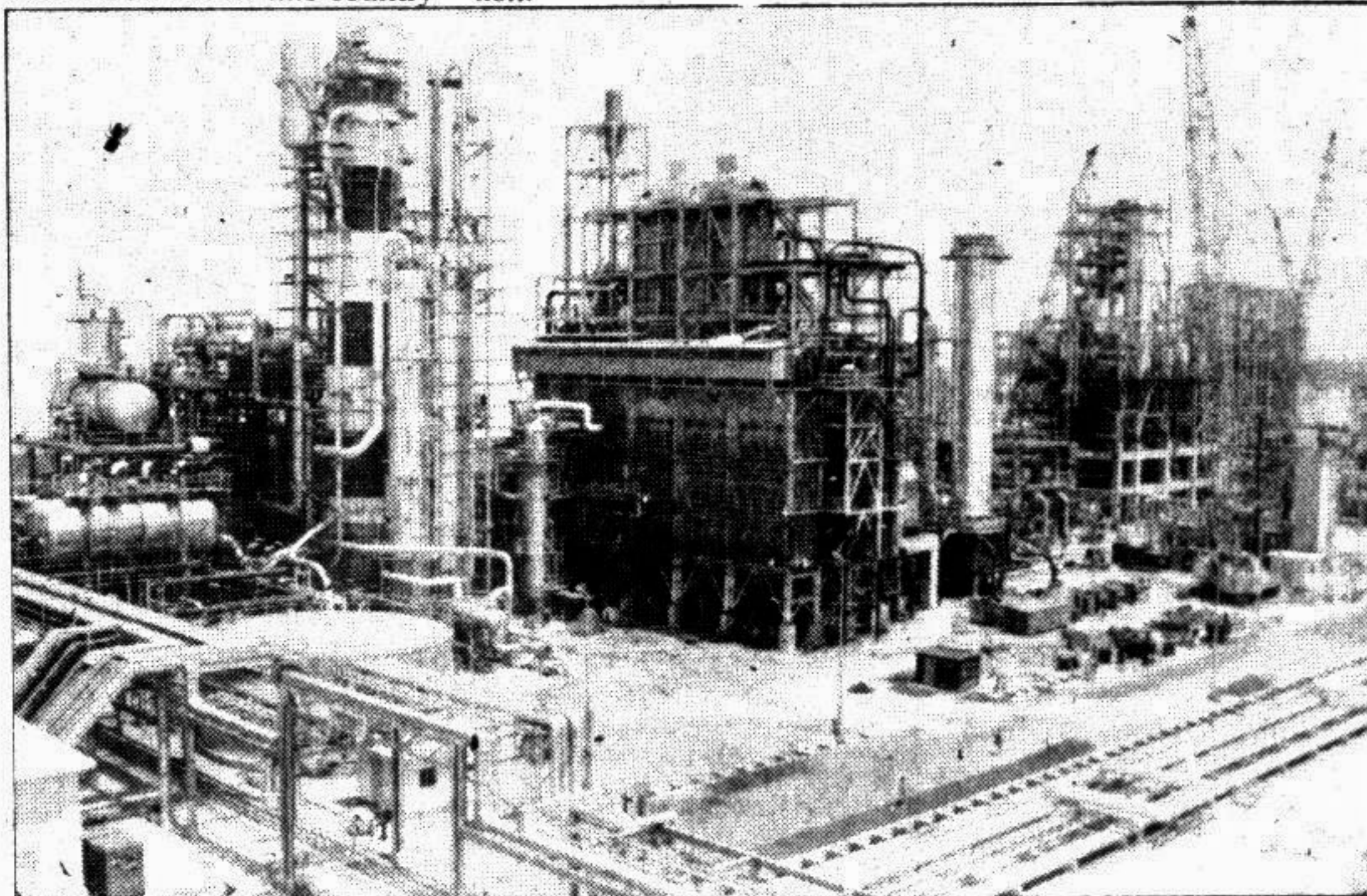
DS: How is the financing package of KAFCO structured?

MT: KAFCO's financing package is one of the most unique ever assembled for a developing country. So much so, that in 1990, the KAFCO project was elected as the "deal of the year" by Trade Finance, a world renowned international financial publica-

agreements with two of the world's foremost companies in the marketing of fertilizers — with Transammonia of Switzerland for marketing of all its urea and Marubeni Corporation of Japan for all its liquid ammonia production. Both agreements are for a period of seven years from commercial production and sales prices will be negotiated on a quarterly basis and will be in line with prevailing international prices. The products will be exported to India, Thailand, People's Republic of China, Australia and some even to USA.

DS: How far will KAFCO contribute in terms of Technology Transfer? How efficient will your operations be?

MT: KAFCO has purchased



A partial view of KAFCO plant in Chittagong.

depends, in my view, on the fate of KAFCO. Remember, the Japanese are the biggest foreign shareholders in KAFCO with an investment slightly less than that of the Govt. of Bangladesh's share holding of 40%.

DS: What is the present status of your factory? When do you expect to go into production?

MT: At the moment KAFCO is 98% complete and we have already started precommissioning as well as commissioning activities. According to the original schedule, KAFCO was due to go into full commercial production in January 1994. But thanks to the tremendous

three major technologies — from Stamicarbon bv of Holland for urea, Haldor Topsoe A/S of Denmark for ammonia, and Hydro Agri of Belgium for urea granulation. All of them world class technologies and KAFCO and Bangladesh will benefit from the pool transfer of these know hows and technologies.

We also have an extensive training programme, overseas as well as local on-the-job training programme which is currently in hand and which will ensure that our key technical personnel have absorbed these technologies thoroughly. This is vital because we are committed to operate at peak efficiency from the start. We will not have the luxuries of

DS: What are your arrangements for selling your products?

MT: KAFCO has off-take

the public sector fertilizer plants! We will have to operate at 100% capacity utilization from the start if we are to be a commercial success.

DS: How secure is KAFCO's gas supply?

MT: I am glad you asked that question because the timely and adequate supply of natural gas to KAFCO is the single most important matter of concern to me and of course to all the shareholders of KAFCO, including BCIC.

Natural gas is our raw material. We convert it to Ammonia and then to Urea. Therefore, if we have no gas, we can produce no product. If we have insufficient gas, we will either be unable to operate or, to operate at an uneconomic level. Both options would be disastrous for KAFCO.

The foundation stone of KAFCO is gas, indeed the whole project was conceived and justified based on the ready availability of economically priced gas. This is perhaps why the most important item of the Government of Bangladesh Assurances to KAFCO and its shareholders is the commitment on gas supply and its pricing. Without these, there would certainly have been no project. In order to raise and finally confirm the loans of around US\$370 millions for KAFCO (in June 1992 terms), reaffirmations were obtained by the shareholders, financiers and lenders of KAFCO from the Government of Bangladesh concerning gas.

Therefore, non-supply, shortage of supply or delay in supply are all unthinkable and if they happen, would have dire consequences for KAFCO and, for the Government of Bangladesh not only in terms of the obvious effects in derailing foreign investors, not only because it will be interpreted as a clear signal that assurances of the government are worthless, but also because KAFCO will not be able to generate sufficient funds to service its debts, the substantial part of which are backed by Government of Bangladesh guarantees so that if KAFCO cannot pay, the Government has to pay. Therefore, it is vital to ensure that KAFCO's gas is supplied according to the existing contracts, understandings and commitments.

Because of the inadequacy of gas in the Chittagong region, originally KAFCO was to receive most of its gas from the northern gas fields via the proposed Ashuganj-Bakhrabad Pipeline (A-B Pipeline). Because of prolonged difficulties

which the government has experienced with the World Bank over the financing of this project, the pipeline is still in the planning stage and may not be a reality until late 1996 or even later.

Unfortunately, despite many requests from KAFCO, Petrobangla was rather slow in accepting the inevitability of delay in the A-B Pipeline and only started actively looking for alternative sources of providing gas to KAFCO in July 1993, far too late. Since then, thanks to the tremendous efforts by KAFCO's Japanese shareholders, great strides have been made in identifying and financing of a so-called interim Contingency Plan for the supply of some 62 million cubic feet of gas per day (MCF/D) to KAFCO. This contingency plan proposed by Petrobangla involves the rehabilitation of wells 2 and 4 in the Bakhrabad Gas Field and the drilling of a new well as the Feni Gas Field plus installation of new surface treatment facilities.

In a remarkably quick time, OECF agreed to provide US\$13 millions for funding these projects, the final commitment for which was signed during the recent visit of the Prime Minister to Japan. Petrobangla subsidiary, BGCL, has now awarded various contracts for the execution of these projects, but despite assurances from the Ministry of Energy, our fear is that they may not be completed in time for us.

Under the original plan, KAFCO was due to receive its maximum requirement of gas of 62 MCF/D in November 1994. As I explained earlier, as a result of efforts to make up lost time, we will complete the plant about two months earlier than schedule. This means that we will need about 7 MCF/D till the end of June 1994 and from July 1st, we shall increase our consumption gradually to 34 MCF/D by August 1st. By October 1st, we shall be in full trial production and need the total quantity of 62 MCF/D.

I have to admit that the Ministry of Energy and Petrobangla are making tremendous efforts and we are grateful for this, but there is not much time left and we are very worried about possible delays in gas supply. We are relying entirely on the assurances we have been given so that you could say that our survival is in the hands of the government. If there is failure to supply gas to KAFCO as I have stated earlier, KAFCO faces disastrous consequences.

DS: Thank you.