

# Moving ahead with a 'patriotic' agenda

## Minister for Commerce and Industries Tofail Ahmed talks to Toufique Imrose Khalidi



**“It is the BNP government which identified 55 industries to be disinvested. They could disinvest only 10. Now it is our turn to implement the unfinished task. But when we are trying to implement the reform programme, the opposition comes from the major opposition party.”**

**T**OFAIL Ahmed, the firebrand student leader of the sixties and one of the prime movers of the War of Liberation, has an astonishing flare when he talks about commerce and industry, which are not supposed to be his cup of tea. Roughly three years into the two key ministries, he exudes confidence while speaking of his agenda at home and abroad. He has learnt the tricks of the trade well enough to make his counterparts from the developed countries agree to his proposal at international meetings. In Geneva, all agreed to accord market access to LDCs when Tofail Ahmed led the campaign for the 48 poor nations. Excerpts of a revealing interview (See the Star Website for details).

**THE DAILY STAR (DS): You have been the minister for Commerce and Industries for nearly three years now. Have you been able to make any changes?**

**Tofail Ahmed (TA):** Of course. When I started working in the ministry of commerce, it was such a ministry that I was really wondering what is to be done. Just after taking the responsibility, I solved the irregularities of GSP certificates. And even a time came when our export to European Union was about to be halted and I had to take the responsibility of resolving it. After successful negotiation with important leaders of the European Union - I had three rounds of discussion with them - I was ultimately successful in resolving the problem. And this also proved that we were transparent in the affairs of the ministry and that the government was accountable to the people. So this is number one.

And then, many decisions had been pending for 2-3 years. Even a small decision could not be given by the past government like providing permission for opening of the American Chamber of Commerce and Industry in Bangladesh.

I became the minister on June 23 and entered the Secretariat on June 26 after twenty-one years. After the killing of the Father of the Nation I never entered the Secretariat. On June 27, the American Ambassador David Merrill met me in my ministry and told me that in the last two and half years they had been showing interest to have the permission for opening of the American Chamber of Commerce in Bangladesh but they did not get it. I picked up the red telephone and talked to the Prime Minister. I promised the American Ambassador that within the following seventy-two hours this permission would be given. It took me 48 hours. And within a month, I inaugurated the American Chamber of Commerce and Industry in Bangladesh. So, this was the situation.

Similarly, the officials of the ministry of commerce did not know what is to be done with regard to WTO, the World Trade Organisation, of which we are a member. Bangladesh is not only a member of WTO, it is also a spokesman and co-ordinator for the Least Developed Countries. Neither our government nor the developed countries could pressurise the mobilise opinion for getting the market access to the more developed economies. In the first ministers' conference in Singapore, I played a very important role. Not only did I represent my country I also represented 48 nations as their spokesman and co-ordinator. When the proposal of getting market access was almost rejected, it was I who took the floor and spoke not less than half an hour to the developed nations. There I proposed that we have to have the market access. In the declaration of the ministers' conference, there must be a paragraph where it must be included that market access is to be given to the least developed countries. Many countries opposed my proposal and after I had spoken, the meeting was postponed for twenty minutes and ultimately my proposal was accepted.

Then I went to Geneva to attend the high-level meeting where I was the co-chairman. I also played a very important role there. The meeting was divided into two parts. One was led by the South African Commerce Minister and another was chaired by me. The South African Commerce Minister led a thematic discussion on the report and I played on the declaration of the thematic discussion. So for the first time, the world multilateral organisations like WTO, IMF, UNDP, took the decision that a comprehensive plan of action will be taken in favour of the Least Developed Countries.

Then Bangladesh is the first country in the world from where ICP or the Integrated Country Programme was launched. The UNCTAD Secretary General came. Then the UNIDO conference was held in November 1997 and I was chairman of the conference. It played a very important role. So in this way the ministry of commerce is now playing a very important role in the international forum. And being the commerce minister, I visited many countries of the world and I had the opportunity to attend many international meetings. I could place Bangladesh in a very high position. The people of the world have now started thinking that Bangladesh is not only a country of cyclones and famine, Bangladesh is a country of pride.

**DS: So you also undertook the task of building Bangladesh's image abroad.**

**TA:** The commerce ministries in all the countries of the world are playing a very important role. Commerce is a major issue all over the world now. As a commerce minister I get the

opportunity to visit many countries, have discussions, negotiations, trade negotiations. I attended the commerce ministers' meeting in Bangkok. I attended the DTI meet in UK three times. I was in Washington in the month of June last year where I inaugurated the US-Bangladesh Business Council. Many reputed US companies were present to express their interest in investing in Bangladesh. So I've been to many parts of the world where I have had the chance to project Bangladesh's image.

**DS: Back home, what are the areas in which you have made things change as far as policies are concerned?**

**TA:** The present government is the only government working in very close co-operation with the private sector. We have a task force in the ministry of commerce of which the private sector leaders are members. After every two or three months, we get together and identify the problems and resolve them. The goal of the present government is to play the role of a facilitator. The present government does not control business. We see businessmen as businessmen and we don't try to identify them by their political affiliation.

I have an advisory council consisting of chamber leaders. Here too, we get together and resolve problems. There are even members from the opposition. There are members from almost all the political parties who have representation in parliament. Members of Jatiya Party, BNP, Jamaat are all present in these meetings. They are the key players for our economic development, so we take their advice because they are the ones who are facing the problems. There is the Governor of Bangladesh Bank, Chairman of NBR, officers from relevant ministries who are there. So the ministries of commerce and industry are playing the role of a facilitator. And this is a very important role.

We have made a change in our industrial policy. Previously it was for three years. Now it is for five years. These changes in policy are also made in consultation with the private sector people. Members of opposition were taken into those meetings where we decided to change the industrial policy. At these meetings we had economic leaders of the country, business leaders of the country and members of political parties.

**DS: Were the decisions unanimous when political leaders were also part of the process?**

**TA:** Yes, we are unanimous in our decisions because the major opposition party and the present government believe in the same economic policy - market economy, liberalisation.

We had a committee for distribution of fertiliser. There also we had opposition representation. We have a Privatisation Board. There also, the opposition parties have members. The government may change with time, but the policies will remain. That is why we wanted national consensus on such an important issue. And successfully in the last three years, we could distribute fertiliser to the farmers. There was an increase in price of fertiliser, but the farmers are buying the fertiliser at the same price. It rose by a thousand taka but farmers have not been affected. Because we have proper monitoring.

**DS: Is it becoming the middlemen are no longer reaping the benefits?**

**TA:** Yes, that's right. That's where we have acted.

**DS: Now, turning to regional trade, what is the situation in this area? Where do we stand today?**

**TA:** When I attended a Saarc Commerce Ministers' conference in Islamabad, I was thundered when I saw the Rules of Origin criteria. They did not expect anything from member states of Saarc, because the domestic value added contents was supposed to be 50 per cent for the developed countries within Saarc, the developing countries like India, Pakistan, Sri Lanka, and 40 per cent for the LDCs like Bangladesh, Nepal, Bhutan and Maldives. I proposed 20 to 30 per cent value added contents and ultimately it was done. On the basis of my proposal it was agreed that it would be 30 per cent. Now we will be able to export our products to India.

Then, what did the past government do? They reduced the customs duty. As a result, Bangladesh became a market for other countries including India. But nobody reciprocated. But we had the obligation.

But now, this year we exported 20 million dollars more to India, but India exported less to Bangladesh. India has already announced that they will withdraw barriers to most of the items. On an average, 50 per cent tariff concessions will be given to us. Our maximum tariff duty was 350 per cent. So it was reduced to 300 per cent. In the third year of their (BNP government's) term, they reduced it to 50 per cent.

True, we are members of WTO and we have a lot of obligations and we will have to liberalise our trade regime. But tariff on finished products was less than that of raw materials.

**DS: What could have been the rationale behind that?**

**TA:** The past government was interested in imports. The paper had 15 per cent customs duty. But if you imported the raw material for it, the duty would be 30 per cent.

**DS: So the BNP government acted in the interests of the importers?**

**TA:** I don't like to say it like that, but you can understand why. Say, if there is no customs duty on the import of SSP and TSP, but there is customs duty if

my Chittagong SSP, TSP plants import raw materials like rock phosphate. So there is no duty on finished products, but there is duty on the raw material!

**DS: What is the Tariff Commission doing then?**

**TA:** It's true that there exists the Tariff Commission. After 1975, after the killing of the Father of the Nation, the Tariff Commission is an entity which does not have any value. The NBR does not give any importance to the Tariff Commission. They put forward hundreds of recommendations and only five or six are accepted.

So there were many anomalies in the tariff regime. We are now updating it. The finance minister and myself are working together to update it.

**DS: Coming back to SAPTA...**

**TA:** SAPTA was framed in 1993. It came into being in 1995. As one of the signatories to SAPTA, Bangladesh could not play its due role. They agreed in the Rules of Origin that the value-added contents would be 40 per cent. Then there was the question of SAPTA, the South Asian Free Trade Area. I said very boldly that unless we could fulfil the obligations of SAPTA, we cannot enter into SAPTA. Even we are interested to have a market access to Pakistan, Sri Lanka, India on non-reciprocal basis.

**DS: How are these countries responding?**

**TA:** It is still at the negotiating level. But we hope it will be decided in the third ministerial meeting of WTO in Seattle in November this year. And there I will play a very important role. If it is proved that LDCs are marginalised, then measures will be taken in favour of the least developed countries. But as I mentioned, there was a meeting in Marrakesh, there were ministers in the United Nations. And for the first time, in the first ministers' conference, it was I, on behalf of Bangladesh and the 48 nations, who proposed it, and it was accepted. Now it is moving towards implementation. So in that meeting we hope that the Least Developed Countries will get market access.

Of course by this time, Australia, Switzerland and many other countries are according us market access. We are getting a market in the European Union through GSP. We are getting quota from the United States of America. We are the fifth largest readymade garment exporters to USA and sixth to the EU.

Sometimes we are talking about trade imbalance between India and Bangladesh. There is trade imbalance between China and Bangladesh also. There is trade imbalance between USA and Bangladesh also. Europe and Bangladesh also. Sometimes it is in our favour; sometimes it is in their favour. You know, we are surrounded by India, so we are importing rice from India, we are importing yarn from India, cotton from India, fabric from India and so many things. So that is the reason that they export more to us. On the other hand, we have a good market in India for such products like ceramics, finished leather goods. Our exporters have the European market, American market and export less of their products to the market of India.

**DS: Do we really have a strong product base to export to India?**

**TA:** Let me tell you that India is a country that first looks at the interests of its domestic industries. India is also a member of WTO, but it did not liberalise as fast as we did. That is the

difference. India exports about 35 to 40 billion dollars every year and imports 40 to 50 billion dollars. That is their trade imbalance, which they try to reduce. We are also narrowing our imbalance. Now we can meet from our exports about 70 per cent of our imports. When we took over it was 59 per cent. Our exports have increased by 10 per cent in terms of the import bill.

When I became the minister, our exports were US\$ 3.8 billion. In our first year, exports grew to US\$ 4.42 billion, at 13 per cent.

**DS: But that was the trend of growth at that time.**

**TA:** In the second year of our terms, our exports were US\$ 5.16 billion growing at 16.81 per cent. And this year, our exports will be US\$ 5.6 billion. And I hope that we'll be able to reach the target.

**DS: Last year's floods halted much of the economic activity. Still you are hoping to hit the target?**

**TA:** I'll be frank with you. I made an ambitious target in the past. In our export policy for five years, the first year's target was US\$ 5.63 billion. In the second year, it is US\$ 6.1 billion. It increased like this and in the terminal year it was US\$ 8.1 billion. But when I saw the performance of the last year, the growth of 16.81 per cent, I thought, let it be more. So whatever we estimated in our XXim Policy, that is 5.63, I made 200 million dollars more.

**DS: It is still garment-based. Why?**

**TA:** We have started diversifying our export basket items. We have got a massive help from the World Bank - US\$ 47 million which is being called matching grant fund or MGF. If a private sector company, for example, gives 50 thousand taka, they will be given 50 thousand from this grant. So it's fifty-fifty. And I have proposed to make the chairman of this fund management from the private sector.

Then, we have identified computer sector as a thrust area, and you know many companies are coming up. I have already inaugurated five or six

companies - NIIT, IBM, TATA etc. So many companies are coming and boys are getting trained.

We already have a fund with EPB and we will distribute this fund for diversification of export. Banks are giving funds to young unemployed but energetic boys who have involved themselves in computer software business. We are updating the laws and putting in place the intellectual property rights act. It is difficult to get the exact data on software export. Officially it is said that US\$ 10 million is exported, but it may be more. Maybe we have already exported US\$ 100 million. So if we can develop this IT sector, it will play a more important role than readymade garments.

**DS: What are other areas which you think hold potential in Bangladesh for export and growth?**

**TA:** We think there are many items like diamond jewellery, artificial flowers, natural flowers, computer software, agricultural products, melamine, ceramics. So diversification effort is there. Though at this moment we are earning 72-73 per cent from RMG, but other sectors will come up.

I can assure you, we are giving cash incentives to the leather sector and jute sector also. But all over the world the consumer items are facing a setback, so the prices are also low. Jute market is very dull. Leather market is very dull. We have a potential leather industry. Yesterday I had the opportunity to talk to Mr. Manzur Elahi. He is a member of our Export Promotion Bureau. This year he is expecting 20 million US dollars from exports. But there are not that many companies who are interested to export. Then, there is the frozen food industry. The prospects of these sectors are very bright. And we are giving them help.

We are interested in backward linkage industries. I have visited many industries. I was really amazed. Our entrepreneurs have the potential. Some of these industries are most modern, computerised. I was really impressed.

**DS: But still there are not many coming up in backward linkages.**

**TA:** Let me tell you the reason. This year, India is investing 25 thousand crore rupees in this year. India is investing in textiles and in jute. They are giving the money to real investors, not to sick industries, at a subsidised rate of interest. The price of yarn in India is US\$ 2.5. Here it is 3.5. We are giving one dollar in cash incentive, so that our people can buy it. But unfortunately, it became good for the exporters but bad for the industrialists, the backward linkage industrialists. Derogation of rules of origin by the EU from three-stage to two-stage has made exporters very happy, but we can only meet 30-35 per cent of our demand and the rest is imported. When we negotiated the two-stage derogation, our knitwear exporters became very happy, but we shall have to help the backward linkage industries, otherwise they will shut down. I have already talked with the finance minister.

**DS: The government has been talking about all these things for long, but nothing much has happened so far.**

**TA:** This year, we have withdrawn 2.5 per cent DSC (development surcharge) from textiles and three per cent advance income tax. This will take effect from July 1. Every exporter will benefit from it. We are upgrading our customs department also.

**DS: Do you get support or co-operation from BNP when it comes to national economic agenda?**

**TA:** No, we do not. It is the BNP government which identified 55 industries to be disinvested. They could disinvest only 10. Now it is our turn to implement the unfinished task. We made Saifur Rahman a member of the Privatisation Board, but later he declined and now Kamal Ibrn Yusuf (of BNP) and some others are members of the Board. So when we are trying to implement the reform programme, the opposition comes from the major opposition party.

It was BNP which decided to privatise the Chittagong Steel Mills. We haven't decided whether it will be given to private sector. Now, when BNP was in government, they sold goods from Chittagong Steel Mills to such people who have not paid till now. There is a man belonging to BNP who is not paying. There are many companies like that. There were such irregularities.

**DS: Why do we need the industry ministry? Do you think the state should continue to own and run businesses?**

**TA:** No, we don't think the government should continue doing that. Gradually...

**DS: But I remember you having said that the government would set up more fertiliser factories in public sector...**

**TA:** No, no. Not at all. Only in private sector. You know there is this Western Region Integrated Project submitted by Unocal to utilise gas in Shahbazpur. They have expressed interest to set up three fertiliser factories on their own. One in Bhola one is Jessore and another in North Bengal. For Shahjhal (in Sylhet), we have already floated tender and got response from four international companies like ABCDL, Foster Wheeler, an Italian company and an Indian company.

**DS: And a Chinese company as well?**

**TA:** No. When BNP was in government, it was decided to give it to a Chinese company under supplier's credit. We have given up that idea. Even the Shahjhal will be in private

sector. Whatever land and machinery we have will be our equity. And we may get 10, 15 or 20 per cent share. But a export-oriented foreign company will be the owner of this Shahjhal factory.

Another we are thinking of may be in Chandpur or somewhere else which will be producing ammonia or nitrogen. So we are not going to establish any fertiliser factory in public sector.

Then question comes about the private sector projects like KAFCO. We will take a lesson from KAFCO and will be very careful in future. The government will not be a guarantor as it is in KAFCO. And gas price will be decided according to international rates. Everything will be done in a proper way - transparent, accountable and definitely in the interests of the country.

**DS: So it has been a bitter experience for you in the government. How bitter is it?**

**TA:** The people who were involved in this should be tried because they sold the interest of the country. I cannot think of this. I am a minister, a responsible man in the government. The negotiation is going on and I will not be able to tell you everything. And definitely, I am sure, you will not ask me. Simply I will say that when Ershad was the President, this project came into being. He sold our country to the foreigners.

When BNP was in the government, they too did not play the role of a patriotic government. The agreement was made by Ershad and was implemented by BNP. Now I am taking the responsibility of acceptance of this project. That I am not going to do. And that is the reason when the commercial settlement was almost going to be made, I said this is not going to be done like this. This is why we have appointed IFC as advisors. They will advise on restructuring and they will also do the technical audit. We will get the report by 31 May. Then we will have a meeting again. Those who are the partners have also realised the problems. The construction cost for KAFCO was initially US\$ 300 million. Then it was made US\$ 430 million! At the cost of whom? And that was unsolicited! Not through a tender!

Now the general contractor is a shareholder, a lender and an off-taker. So everybody is getting benefit. But 2000 crore has been given as equity by BNP. Till now, how are you going to try those responsible?

**TA:** You see the politicians of this country are unfortunate. If one of them commits murder, he says he did not commit murder and tries to say he is being victimised. If there is a charge of corruption against a politician, then he calls it a political vendetta. He invokes human rights.

Today Ershad is doing politics in this country and talking big. There is nobody more corrupt than him in Bangladesh. He is a shameless man.

**DS: The Awami League government released him.**

**TA:** No, it was the court that released him.

**DS: But the public perception is that he came out of jail as part of an understanding with the Awami League.**

**TA:** BNP was in power for five years. And there were only two cases filed against him. He was in jail when BNP was in power. They gave him cellular phones and they used to talk to him. They are hypocrites.

**DS: Coming back to growth and development of industries, you said that the opening of the Bangabandhu Bridge would open the floodgates to industrialisation in northern Bangladesh. There are no signs of it yet.**

**TA:** I visited various parts of Bangladesh recently. I visited the industrial estates. We will make plans for people to invest in these industrial estates. Keeping the Bangabandhu Bridge in mind, we are going to establish more industries. We would like to set up an industrial park and it has been decided. More benefit will be given to those investing in the northern parts of Bangladesh.

There have been economic problems all over the world, in Southeast Asia, India, Pakistan. So Bangladesh, being a least developed country, is still better off in comparison to others. There is negative growth in export in India, Pakistan and Nepal. But we are doing very well in exports even after the floods.

Our private sector people are very good. People want to make propaganda that they are defaulters, this and that. But one must try to understand why a businessman becomes defaulter. There are many reasons.

**DS: It is true that there are many circumstantial defaulters. But the wilful defaulters must be punished. Are you doing that?**

**TA:** We have taken many decisions and so did our Finance Minister. We are reforming the banking sector. Things have changed a lot in this sector.

**DS: The small and medium industries are not much supported. There are complaints that many of them are dying...**

**TA:** We did not give support, why was that? A tremendous growth of industries last year? There were floods for three months. Every industry

suffered because of the floods.

**DS: There are certain problems which had nothing to do with the floods. KAFCO say they do not have enough support. There is a tremendous lack of logistics. There are power supply problems and such other things.**

**TA:** We are not only giving the infrastructural support, but financial support also. I have already started taking to the bank people so that these small and medium industries people can borrow from banks. We would like to set up industries in our industrial estates.

There are some estates where there are no more places for industries. There is a tremendous demand in Narayanganj Hosiery Park, then there is a project in Konabari and many other places. I opened an estate in Naogaon.

About electricity, we are trying our best. The usage of electricity has gone up tremendously. You see the high rise buildings in Dhaka city. Where there was one plot for one family in Dhamondi, there are now 24 families in one plot. In every room, there is air conditioner, fridge etc. We are signing contracts with power companies. So it will be all right very soon.

**DS: How soon?**

**TA:** I want to be fair. We do not have the habit of simply passing blame on the past government. But the last government claims to have increased 500 MW. That is not true. The power plants set up under their government and under that of Ershad have inferior quality machinery and there was so much corruption. Razonaj 1 and 2 are similar to KAFCO. These are the similar cases of mis-handling and corruption.

We are trying to do everything in the private sector, which takes longer time. Arranging finance for the private sector takes time. If the government does things in the public sector, it becomes very quick. KAFCO came into being after 13 years. It started in 1981 and was completed in 1993. But public sector projects like Jamuna and CUP, were completed much quicker.

**DS: Why can't you do this about a power plant, now that the extent of urgency is so great?**

**TA:** We want the private sector to play an important role. Now from our experience, I believe there are certain sectors where the government should continue to play a role, at least until things take a shape. What happened in Manila? There was a time when every day there were power failures for 15 times or so. (The then President Fidel) Ramos said he would remove the darkness from Manila as his campaign slogan. For Manila, he bought a power plant with public money. Later, he set up private sector people to get up bag-mounted power plants and others in the private sector.

**DS: There have been complaints that the government is failing in taking decisions. Delays...**

**TA:** That is absolutely incorrect. You see, a private American company set up a power plant in Pakistan. Their price of electricity was 6.5 cents. We negotiated with the same company. The price of electricity is 2.97 cents. When Pakistan saw this, they started re-negotiations.

When I became a minister, Unocal came to Bhola, met me. They told me within 18 months they can set the power plants up to produce 400 MW and supply Bhola, Barisal, Khulna and more.

But then came the question of pipelines. What should be the measurements of the pipelines? The diameter should be 36 inches or 24 inches. It could be established in Bhola but there would be more expenditure. So the negotiations are going on, what should the price of gas be and what should the price of electricity be? The foreign companies want to set up pipelines so that, if things change, they can export gas to Khulna.

Negotiations are going on with AES company. We have awarded the contract to a Chinese company for the Meghnaghat plant. Then there is Baghabari. I think we are heading for a solution.

**DS: How long do you think it will take to solve these power problems?**

**TA:** Within a year there will be tremendous development.

**DS: So you support export of gas to India or any other country?**

**TA:** You see, I am not against the export of gas, but it is I who told the Indians - when there was a business council meeting and the American Commerce Minister was there, there was an MOU with Enron - that we will export gas but only after fulfilling our domestic wants. First we have to see how much we have. We still do not know how much we have. At the moment we have 10 TCF with we can continue up till the year 2015. Every year our requirement will be higher. We are going to get gas from a field developed by Occidental. We are going to get gas from Sangu Valley. We are going to make power plants, fertiliser factories.

When we are going to allow these foreign investors to invest in Bangladesh's energy sector. What is a production sharing contract? Firstly, they will recover their money which has been spent. Then we will have a portion and they will have a portion. That is why with the best blocks we are moving a bit slow because of a contract a lot of things. Our officials are working very hard on this, but our goal is to protect the interest of the country.

**DS: Thank very much you for your time.**

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