THE MINERAL INDUSTRY OF

BANGLADESH

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Bangladesh's economy grew by 4.7% in 1996, far below the 6% target predicted by the Government. Manufacturing, construction, power, and utilities jointly accounted for about 13% of gross domestic product. The Government owned 40% of industrial capacity, primarily in jute and textile milling and in the production of steel and chemicals. Inflation rose to around 4.1%. The current account deficit widened due partly to stagnating remittances from overseas workers and partly to falling disbursements of foreign assistance. The country's foreign exchange reserves were low, hardly sufficient to pay import bills. The Taka was devalued by 2.5% during the period from September 1996 to February 1997.

The country secured $1.9 billion in fresh aid commitments from international aid donors. The aid would be used to improve rural infrastructure, to upgrade health and education facilities for the poor, and to introduce the "work-for-food" programs. Donors were pressing the Government to broaden current privatization drive to include manufacturing enterprises, banks, utilities, and the transport sector.

Foreign investors proposed a record $850 million in projects for the country in the second half of 1995 and proposed investment was surging to $2 billion in 1996. The Government planned to shorten the time lag between proposed and actual investment. The newfound exchange-rate stability, the permission for foreigners to own 100% of a Bangladesh concern, and the investment proposal reform all contributed to the increase in foreign investment. The Government would offer more incentives and cut red tape to boost investment in the industrial sector and crack down on corruption (Far Eastern Economic Review, 1996a). However, foreign and domestic investors were cautiously optimistic about the Government's market reforms.

U.S. investment in Bangladesh had been very low, but might increase significantly if half a dozen agreements between American power companies and the Government were signed. Currently, a dozen or so power projects worth about $3 billion had been signed with foreign investors in the power sector. The Government expected to finalize the power-purchase agreement by mid-1996. There was huge demand for power—an estimated $100 billion was required to upgrade the grid system (Mining Magazine, 1996).

As a developing country, Bangladesh was allotted export quotas by industrialized countries. Export growth fell to 12% from 37.1% a year earlier. Similarly, import growth slowed to 15% from 39.2%. The Government allowed the private sector to establish export-processing zones. Youngone Corp. of the Republic of Korea would set up an exclusive export-processing zone in Chittagong. The firm planned to develop 1,080 hectares at a cost of $200 million. About 100 industrial units with an estimated investment of $1 billion were planned by Korean companies. The export-processing zone would be operational by early 1998 (Far Eastern Economic Review, 1996b).

Daewoo Corp. of the Republic of Korea signed a joint-venture agreement with Bangladesh Chemical Industries Corp. to build a $200 million cement plant at Chittagong. The plant would have a capacity of 600,000 metric tons per year (t/yr). Construction work at the plant began in late 1995 and was completed in 1996. In addition, four other cement plants with a combined capacity of 1.4 million metric tons per year (Mt/yr) were proposed as joint ventures. Daewoo also showed interest in setting up a powerplant.

Confidence Cement was to issue one rights share for every four shares at face value to raise funds for an expansion program. The company should receive $500,000 as a result of the rights issue. The planned capacity expansion would double annual production to 300,000 metric tons. The country has large limestone deposits to supply to the cement industry. Jaipurhat Limestone Mining & Cement Works utilized 1 Mt/yr of limestone to produce 660,000 t/yr of cement. The Chhatak and Surma cement plants used a total of 1.1 Mt/yr of limestone.

The Geological Survey of Bangladesh discovered the largest coal seam in the country at Dighirpar in northern Dinajpur District (Mining Journal, 1995). The coal deposit was high grade at a depth of 327 meters. The coal would help generate energy for the northern regions of the country. BHP of Australia was permitted to explore and develop the bituminous coal deposits in the northwest of the country, near Hilli. China National Machinery Import & Export Corp. was to build a coal mine under a $200 million contract.

An exploration well on offshore Block 16 tested natural gas at a cumulative rate of 2.32 million cubic meters per day (Petroleum Economist, 1996). The gas was 96% methane, with no hydrogen sulfide and little carbon dioxide. There was no potential for liquids recovery. The flow rate was the highest recorded in the history of the country's oil and gas industry. The partners in the block were Cairn Energy Plc of the United Kingdom (75%), the operator, and Holland Sea Search Bangladesh BV (25%), a subsidiary of Cairn Energy. Cairn Energy planned to drill an appraisal well 5 kilometers north. Drilling was expected to take 30 to 40 days. The discovery could lead to rapid development of gas-based industries and additional power for Bangladesh.

Occidental International Exploration & Production Co. of the United States, through its two Bangladesh subsidiaries,

participated in a $100 million project to appraise and develop the Jalalabad Gasfield in the Sylhet District as an operator. International Finance Corp. of the World Bank would have a 15% equity participation with an investment of $15 million. Occidental would farm out part of its interest in the project to another company. The partners also would conduct exploration activities in surrounding areas. Gas production would be used to meet the country's energy needs. Currently, the country produced 2.3 billion cubic meters per year of natural gas.

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Major Sources of Information

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Dhaka, Bangladesh
Bangladesh Oil, Gas and Mineral Corp.
122-124 Motijheel Commercial Area
Dhaka, Bangladesh
Bangladesh Petroleum Corp.
GPO Box 2003
Dhaka, Bangladesh

Major Publications

Bangladesh Bureau of Statistics, Dhaka:
Monthly Statistical Bulletin of Bangladesh.
Statistical Yearbook of Bangladesh.

TABLE 1
BANGLADESH: ESTIMATED PRODUCTION OF MINERAL COMMODITIES 1/

(Metric tons unless otherwise specified)

Commodity 2/		1992	1993	1994	1995	1996
Cement, hydraulic 3/		272,577 4/	275,000	280,000	280,000	285,000
Clays, kaolin 3/		7,300	7,500	3,283 4/	6,541 4/	7,000
Gas, natural, marketed 3/ 5/	million cubic meters	5,740 4/	6,000	5,974 4/	6,000	6,100
Iron and steel, metal: 3/						
Steel, crude (ingot only)		36,384 4/	32,000	34,000	36,000	37,000
Steel products		90,000	85,000	87,000	88,000	90,000
Nitrogen, N content of urea, ammonia, and ammonium sulfate		936,800 4/	990,900 4/	995,000	975,000	980,000
Petroleum:						
Crude	thousand 42-gallon barrels	1,100	1,300	1,184 4/	1,190	1,200
Refinery products	do.	7,700	7,800	7,600	7,700	7,800
Salt, marine 3/		320,000	340,000	350,000	350,000	350,000
Stone, limestone 3/		47,000	50,000	25,679 4/	23,474 4/	24,000

1/ Table includes data available through Aug. 13, 1997.

2/ In addition to the commodities listed, crude construction materials such as sand and gravel and other varieties of stone presumably are produced, but available information is inadequate to make reliable estimates of output levels.

3/ Data are for years ending June 30 of that stated.

4/ Reported figure.

5/ Gross production is not reported; the quantity vented, flared, or reinjected is believed to be negligible.