

Rebuilding Iraq's & Afghanistan's cement plants: A view from the frontlines

Since 2002, Box International Consulting, a cement industry consulting firm based in Richardson, Texas, has been engaged in several efforts in Afghanistan and Iraq to help rebuild the two countries' cement manufacturing capacity to support reconstruction efforts.

CemWeek spoke with Tom Box, President of Box International with a focus on his unique, frontline position as a witness to economic and infrastructure development activities in Afghanistan and Iraq.

CemWeek: Of the projects Box International has been involved with, two of the more interesting are the projects in Afghanistan and Iraq. Since the time of your last involvement do you have any updates on the projects you were working on?



Tom Box: From the beginning of our involvement in Iraq and Afghanistan all cement plants in both countries were state owned enterprises with the exception of Orascom's plant in Sulamaniya which Lafarge now owns in Northern Iraq. However, both countries have embarked on privatization initiatives, with the idea that with private sector capital and investment, Iraq's and Afghanistan's cement industries will be better positioned to modernize and expand.

In the summer of 2008 a large and successful Iraqi construction company contacted us to assist them with a specific tender by Iraq's Ministry of Industries to privatize a cement plant located in Iraq, and make recommendations as to equipment replacement, upgrades, and training and other operations enhancements.

A great deal of effort was expended by the client to assess the facilities and develop a scope of work and budget to upgrade the plant and to negotiate a series of agreements and to structure arrangements between the client and the Government.

The result was that our client did not "win" in getting the plant, but that is not the same as being unsuccessful.

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Our client did not enter into an agreement that we felt uncomfortable with and inadvisable for the client to undertake to upgrade the plant at that time and under the conditions and existing circumstances would have been very difficult and risky to successfully conclude. We and our client considered the outcome as positive.



All parties learned a great deal, including the Government of Iraq, and we have again been contacted to assist the same client with another round of Iraq's state owned enterprise cement plant privatization tenders.

With regards to Afghanistan, the Afghan Investment Company ("AIC") based in Kabul, Afghanistan entered into an agreement with the Government to lease and upgrade a plant located in Baglan Province and to develop a 5,000 tp/d plant. Rehabilitation efforts have also commenced on an existing plant and a coal mine located near the plant.

CW: How did you become involved in the cement markets of Afghanistan and Iraq?

TB: After September 11, 2001, I began to research the cement industry in Afghanistan and learned that it had very little indigenous cement production and that all cement used to rebuild the country would have to come from overland imports. I then began to approach the U.S. and Afghan Governments stressing the need to revitalize the cement sector, creating employment and improving on cement quality while reducing reconstruction costs.



After trips to Afghanistan and Washington, D.C., I became involved with the initiative in Iraq meeting with people and discussing the relevance of cement as a priority regarding reconstruction.

In due course of these efforts, Box International was selected by Afghanistan's Ministry of Mines and Industries to make recommendations regarding the development of the country's cement sector.

CW: Was it difficult to create the domestic and international relationships needed to support these projects?

TB: In looking back, we had to work very hard to get some focus on the imperative of reconstruction activity in light of post conflict emerging markets and transitional economies. Although it seems that while a lot of people would state that the reconstruction and infrastructure development were a priorities in Iraq and Afghanistan, there were very few who actually understood how to commence and conclude such projects successfully.

Few people really understood the complexities of undertaking large scale projects in transitioning and post conflict investment environments. Construction activity is a primary economic indicator in any economy and the economies of Iraq and Afghanistan had essentially collapsed over the years.

In order for employment to commence in earnest many things were needed, but from our perspective we felt a tremendous achievement would be to revitalize the cement sectors in the two countries.

As we traveled throughout Iraq and Afghanistan we saw the overall effects of unemployment that challenge everyday life. Our perspective may be biased, but we believed then and will remain convinced that a robust and revitalized cement industry in Iraq and Afghanistan will establish an unparalleled sustainable success for the people of both countries.

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CW: How is Iraq moving forward now that the political climate is starting to change?

TB: We are at a very critical time as Iraq begins to transition and evolve into an independent and democratic and liberated post Saddam Iraq. Due to ethnic traditions and a variety of other reasons the political process in democratically united Iraq will likely undergo additional dynamics and refinement.



The positives are that Iraq's oil reserves are the largest known in the world at this time and will indeed provide the economic foundation for growth and development for a young Iraqi population where the median age is 20 years old. It may be difficult for some to see now, but Iraq will be a very wealthy country as its hydrocarbon based economy begins to develop. This economic strength should provide an excellent context for investment and development regarding the economy in Iraq and that will be good for the cement sector. The potential is being viewed as positive in the cement industry.

Lafarge became the principal shareholder of two cement plants in Iraq through its acquisition of Orascom in 2008. As an example, Lafarge's acquisition of Orascom provided a key boost to the footprint of the company's operations in the Middle East and North Africa. Lafarge's operations are proceeding at an excellent pace in Sulemaniya which is located in the north. Plans are underway to expand capacity in the northern part of Kurdish controlled Iraq, which as a region of Iraq is growing at a faster rate than the central and even southern parts of the country.

CW: How are the cement markets in Afghanistan?

TB: Security concerns in Afghanistan have spiked dramatically and are having a direct effect on the pace of construction in the country. This decline in construction activity due to the lack of security mandates that construction responsibilities are more and more becoming a part of the responsibility of coalition forces.



The result is that smaller projects are the ones that are priorities over the large scale infrastructure projects which are so badly needed. Cement supply is still largely imported from neighboring countries which over the recent years have expanded supply capacity to meet demand on not only those countries, but to provide export supply to Afghanistan markets. Herat or western Afghanistan is being supplied by Iran and Turkmenistan; Khandahar is being supplied largely by Pakistan cement producers, but also Iranian suppliers and the north are being supplied by suppliers from Uzbekistan, Tajikistan, as well as cement from Russia, China and others, and the Kabul market is supplied largely by Pakistan producers.



There are problems of course in Afghanistan; however, a primary consideration regarding the country is the amazing will and determination of the Afghan people, which should never be miscalculated when it comes to the future in Afghanistan. Even though the pace of construction has slowed, I am very confident that the construction projects that are so badly needed will in fact get underway in time, which is good news for the cement sector, the country and its economy and the

people of Afghanistan.

CW: It's been a pleasure to speak to you and hear about your experiences. Thank you for participating in CemWeek's *CemExec* interview series. 🌀

For more information, please contact Tom Box, President of Box International, via email at TDBox@boxinternational.com.

About CemWeek: CemWeek is a fresh initiative focused on delivering a fast-paced knowledge service for the global cement industry. CemWeek allows the cement community stay up-to-date and informed about the latest cement industry happenings and data worldwide. CemWeek emphasizes the business issues facing the industry, including strategy, competitive intelligence, sales and marketing, trading to mention a few.

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