

Natural Resources

Take Aways

- Sustainable utilization of Afghanistan's natural resources represents a significant opportunity for **economic growth, job creation and long term self-sustainability**. The country's mineral resources are estimated to be worth \$1 trillion.
- Much of Afghanistan's natural resources remain **untapped and unexplored**. U.S. and other international geological surveys have found huge potential even though they have only covered 10 percent of the country.
- **Better water management** that retains more of Afghanistan's annual supply would help to cope with the needs of a growing population, build self-reliance, and could lead to greater participation in regional water treaties that will be critical for regional development and security.

Key Players

Ministry of Mines

- The Ministry of Mines is responsible for the administration and implementation of the Mining Law, and handling all foreign investment and tendering of mining concessions.
- Mines **Minister Wahidullah Shahrani** was appointed to his post in January this year. His predecessor had been accused of receiving millions of dollars in bribes from foreign mining companies. One of Shahrani's first acts as Minister was to **cancel the bidding process** for the Hajigak iron concession that was deemed to be less than transparent.
- Sharani has said the plan is for over **50% of government revenue to come from mining** in the next five to seven years.

International Rivals

- **China** is the most predominant foreign power with interests in Afghanistan's natural resources. The Chinese firm China Metallurgical Group put a record three billion dollars investment into the Aynak copper mine in 2007. At the time, the bidding process was criticized by rival Canadian and U.S. companies **alleging corruption**.
- **Indian companies** are also eager to secure access to Afghanistan's resources. A **new round of bidding for the Hajigak iron deposit** is likely to also include competition from Brazil's Vale SA, London-based Rio Tinto Plc and Australia's BHP Billiton Ltd.

Key Issues

Copper

- The **Afghan Copper Belt** is situated in Kabul and Logar provinces and stretches over a length of 600 km. The most developed deposit is at Aynak, only 20 miles east of Kabul. In 2007 a 30-year lease for the Aynak mine was agreed with the China Metallurgical Group Corporation.
- The Aynak deposit has more than 11 million tons of copper valued at \$88 billion, making it **one of the biggest in the world**. Production is due to start in three to four years time. It is estimated that 5000-8000 jobs will be created by the development of the mine – though unclear how many will go to Afghans.
- The mine is expected to bring Afghanistan 400 million dollars in annual fees and taxes, on top of a **multi-billion dollar Chinese investment** that will include building a railway line, power plant and a village for workers, complete with schools, hospitals and mosques.

Iron

- Afghanistan's iron deposits are estimated at between **five to six billion tones**. The largest iron oxide deposit, potentially holding 1.8 billion tons of high quality ore, is located at Hajigak in Bamyan Province, 80 miles west of Kabul, though the terrain there is remote, mountainous and subject to insurgent activity.
- The Afghan government recently opened a new round of bidding for Hajigak. The project could potentially bring the country **billions of dollars in annual revenues and create up to 15000 direct and indirect jobs**.

Water

- The mountains of Afghanistan are a natural storage facility and source of water; with snow and rainfall generating more than 80% of the 57 billion cubic meters annual yield. However, **only 30 to 35 percent of this is used in Afghanistan** and the rest runs out into bordering countries. Afghanistan has so far been excluded from regional water management agreements by its neighbors.
- 80% of Afghanistan's population is engaged in **agriculture that accounts for almost 99 per cent of total use of water resources**. In addition, problems such as population increase, poor water management and pollution make the country extremely susceptible to water shortages.

Precious Stones

- Afghanistan is the world's leading producer of **lapis-lazuli** from the Sary-Sang mine in Badakhshan province in the north east of the country.
- **Emerald** production from the deposits of the Pansher valley in Kapisa province north east of Kabul, has been estimated at up to tens of millions of dollars a year. **Sapphire and ruby** mining in Afghanistan has taken place at the Jegdalek mines, south east of Kabul, for over 700 years.

In the News

- Afghan and Chinese presidents signed three agreements signed last week that covered economic co-operation, training programs and the granting of preferential tariffs for some Afghan exports to China. ([BBC](#))
- Afghanistan needs billions of dollars for dams and irrigation to feed and provide power for its growing population, with future water supply a major security challenge in Afghanistan and the region. "Water is said to be politics and war -- and the source of future wars. We are not the only ones who will see our population grow," said Deputy Water and Energy Minister Shujauddin Ziayee. ([Reuters](#)).