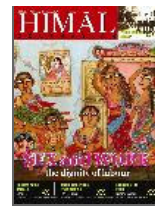


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Trillion-dollar treasure August 2010

By: *Javed Noorani*

Afghanistan's potentially massive mineral wealth could transform the country's stuttering economy and help to re-establish the people's trust in government. Now for the hard part.

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It had long been believed that Afghanistan possessed mineral deposits of significance, partially confirmed by Russian geologists during the 1970s and 1980s. The long years of war and instability disallowed further study until 2006, when a team from the United States Geological Survey, in collaboration with the US air backup, conducted an aerial survey, re-assessing the Soviet estimates. The preliminary results from that survey were released in 2007, and the US assessment exercise concluded in December 2009. Following recent revelations about the full data, it now appears that Afghanistan's mineral resources could be worth as much as USD 900 billion. But now comes the challenge of converting this underground treasure into wealth, and ensuring that whatever is unearthed is utilised for the good of the Afghan people.

The country's reserves appear to run the gamut of mineral types. The north has proven fields of coal, oil, gas, gold, copper, precious and semi-precious gems; the border with Pakistan in the east is likewise dotted with troves of emerald, ruby, aquamarine, kunzite, quartz, marble and lithium. The central provinces enjoy iron, chromites and lithium (the latter a mineral with a significant new potential market, due to its use in high-end batteries); while the southwest has potentially significant oil, gas, gold, uranium and onyx deposits. The southern part of the country, meanwhile, is said to have copper and gold veins that run for dozens of kilometres, estimated to be worth some USD 200-400 billion at today's market prices. There are also gold- and nickel-bearing areas sprinkled across the hinterland.

It is the suggestions of massive deposits of iron ore – estimated at more than two billion tons and potentially valued at around USD 420 billion – that have been extraordinary. This vein is thought to run at least from Badakhshan to Herat, a distance of several hundred kilometres. Revelations of this kind of money would seem to offer a massive opportunity for engineering a transition towards economic growth, reduced levels of poverty, and greater development and stability. Plus, according to a senior geologist in the Afghan Geological Survey, who wished not to be identified, the area along the Pakistani border possesses far greater multiple mineral reserves than has currently been made public. The rationale for this misinformation is the fear that tribal communities along the frontier would start fighting over these resources, and that the Taliban could mobilise forces in the areas to scare off potential investors. Indeed, such worries of looming violence have begun to mount with regards to these new mineral predictions in general, as the government and others try to figure out how to utilise these resources.

Social opportunity

The state of the Afghan mining sector's infrastructure is currently abysmal. According to sources in the Ministry of Mines, the government has at present awarded 169 contracts (some large but mostly small) for the extraction of various resources, including for marble, coal, gems, gold and copper. Many of these operations are under the control of warlords. While the government does not have the capacity to inspect mining activities, cronyism remains a primary concern. At the very least, though, efforts are now being made to put adequate mining infrastructure in place. A 75-km rail track, funded by the Asian Development Bank, connecting Hiratan to the city of Mazar-e-Sharif, is slated to finish by the end of this year. Iran is also building a railway track up to the city of Herat. These and other plans – including a full 'second phase' of rail links – would join the various mining spots, thus increasing commercial interest in Afghan mineral resources. Further, the railway links would enable the country to export its product both to Southasia and Europe, and act as a larger transit point, potentially doing much to integrate the region and continent and thus stimulate further economic activities.

In its first report on the Afghan minerals sector, in 2004, the World Bank highlighted the possibility of the country's deposits contributing significantly to overall economic growth. Most importantly, the Bank also suggested that the mineral wealth could provide the state with the ability to carry out work on the back of its own assessment of national development needs. Indeed, experience from elsewhere suggests that large-scale minerals extraction often accompanies social and infrastructural investment. In the Afghan context, the government could finally present a positive face to the increasingly disillusioned people of Afghanistan.

Mine extraction tends to promote the emergence of small- and medium-size enterprises, diversification of local economies, in-migration of skilled workers and, in certain instances, rapid urbanization. New businesses would come up in transportation, construction, mechanical workshops and accommodation, to name just a few. Such development would offer a significant boost to local economies, the possibility of mobilising youths into constructive labour and professions, and provide the state with the opportunity for legitimate regulation of local-level activities – while promoting 'social capital' among the masses. If done effectively, all of this could help to erode the support base of the insurgents among the vulnerable local populations.

Still, there are obvious challenges on the road to exploiting Afghanistan's mineral resources. For the country's

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