Jack Lifton on what China is really eyeing in Afghanistan

written by Jack Lifton | August 28, 2021

There are some large deposits of metal bearing minerals in Afghanistan, and some of them are of critical elements, but they are elements most critical to the development of the infrastructure of Asian technological society, iron and copper, not the support of the Western ones. Among the most important of them is a copper deposit often described as the 2nd largest copper deposit in the world by the breathless green (very green in all senses of the word) resource journalists. I doubt very much whether such a judgment as to the value or size can reliably be made today of a deposit that is deep within a region with no modern infrastructure even of roads, much less reliable electric power, water, and mass transportation. But the deposit, known ironically as Mes Aynak, ironically, "small copper deposit, " in the local language has, according to the USGS, 240 million tons of 2.3% grade copper ore. If so, it is one of the highest-grade large deposits of copper that is yet to be developed.

The Chinese, of course, have had a deal (originally) with whatever government Afghanistan had then, since 2007, to develop Mes Aynak. It was and is a sweetheart deal for whichever Afghan kleptocrats will ultimately be paid. It is apparently still in force even though not a single kg of copper concentrate has been produced yet at Mes Aynak. As with all such Chinese deals only concentrate was to be produced at Mes Aynak, the value add downstream would, of course, be done in the Peoples' Republic of China. But where even the Chinese screwed themselves was the royalty deal to which they agreed when the first 21st century commodity super-cycle was well underway. Jiangxi Copper and its

partner (in crime?), Metallurgical Corporation of China agreed to a 19.5% (!) royalty on the value of the copper contained in the concentrate. Well, the super-cycle subsided to a less than sturdy tricycle, but the associated costs, a railroad through Pakistan to Uzbekistan, the resettlement of the local population, and a 400 MW “coal-fired” (How green is that?) power station for both the project and Kabul (natch!) continue to this day to spiral way past any realistic economics of the project. One good thing for the Chinese: The site is a UN World Heritage Location, and this was a problem during the brief flowering of a democratic Afghan kleptocracy, but the Taliban love to dynamite incorrect historical monuments, most famously the ancient Buddha”s nearby. So there’s that.

The Fraser Institute considers the Democratic Republic (two lies) of the Congo to be a more attractive mining investment jurisdiction than Afghanistan by a wide margin. Unless you do not consider a return on investment in a reasonable time to be a driver for investment, run do not walk away from anyone offering green (or any other color) investments in Afghan resources.

China is the wrong bellwether for short term profitable investments in critical element resources. It, China, takes the view that security of a sufficient supply for the long term future is the key driver in resource investments.

Afghanistan has iron, copper, chromium, lead, gold, silver and so-called “precious stones.” We know that most of these are mineable, but, of course, the deposits are not amenable to commercial development without massive investments in infrastructure and substantial political reform or external control. Alexander the Great, the Islamic awakening, the British Empire, the Soviet Union, and now the United States could not bring Afghanistan into the centuries where each of these empires and movements predominated. You cannot mine effectively,

efficiently, or economically without control of the local “business” environment and a stable society.

Alaska is far richer in natural resources than Afghanistan, but the Western “greens” like to export pollution to the third world, not control it and solve problems relating to its effective management.

Afghanistan is known as the graveyard of empires. If the resource promotion press, aka, the hucksters, have their way it will become the graveyard of the money of the Western (mostly) small investors whose fleecing by promoters is much easier than fleecing Afghan sheep.

During the period when the Soviet Union invaded and tried to bring Afghanistan into its orbit, 1979-1989, I was an active automotive supplier of engineered materials, metals, and alloys. During that time GM’s copper buyer told me that Soviet geologists were actively following the Red Army looking for mineral resources, and that (drum roll) they had discovered large deposits of copper. Now its American geologists funded by U.S. military “contractors” who are selling the story of the flavor-of-the-moment, rare earths. If anyone’s interested, it doesn’t really matter if there are rare earths in Afghanistan. There’s a lot of much more accessible rare earth deposits all over the place, but without a downstream processing industry in place, it really doesn’t matter. The Chinese are in neighboring Afghanistan for copper. Doesn’t that tell you something about what’s critical for them?