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The Mine at Anyak

Alec E. Metz

Recently it was announced that a consortium of Chinese mining companies, led by the China Metallurgical Group (MCC) had won the rights to mine at Anyak in Logar Province, just south of Kabul.¹ This could have large implications for Sino-Afghan and Sino-American relations. As the group is a state-run venture, this must be seen in the context of government policy; the question is why, and what will come of it?

The company beat out a number of international concerns, and as others have noted, it's the first time Chinese interests in a nation's stability and ours have coincided. The company itself is massive, but its true value is hard to discern. The two other corporations in consortium, Jiangxi Copper (the largest copper producer in China) and Zijin Mining Group (the largest gold miner) also bring the necessary gravitas to what could be the largest copper mine in the world with somewhere between 13 and 20 million metric tones of the stuff.² The company itself has international holdings valued at only a little over a billion dollars, but it has the resources of the Chinese state behind it, so its financial situation should not be underestimated.³ MCC seems typical of many Chinese resource extraction companies, investing in countries that most Western nations would shun as amoral or too risky, such as Pakistan, Burma, and Papa New Guinea. Afghanistan, however, faces a unique set of challenges and will certainly not be easy to work in, which is why many were surprised the Chinese offered anything more than two billion for the mining rights there. Still, MCC expects up to \$30 billion in copper reserves there, making the initial three billion investment seem like more than a favorable entry charge.

The deal sounds like a blessing for Afghanistan as well. It is said there will be over three billion dollars invested in developing the site over five years, before production gets underway.⁴ The infrastructure would include the construction of a power plant (at US \$500 million) and a railway.⁵ Due to its proximity to Kabul, the power station would send its excess energy to that city. Additionally, once the mine is fully operational, it would allegedly provide some \$400 million a year in tax revenue to the Afghan government, more than the Afghan government receives now in total. Finally, the mine is estimated to provide somewhere between 5,000 and 10,000 Afghans with meaningful employment.⁶ It sounds too good to be true.

And it probably is. China has long invested in natural resource extraction in Central Asia and elsewhere,⁷ and is not known as a generous customer. Wages paid to local hires tend to be less than those of Western mining companies, and their contributions to the local economy smaller in scale.⁸ Safety standards have also been called into question.⁹ Furthermore, depending on the sources proximity to China, many of the workers are not local hires at all but exported work gangs.¹⁰ Just as USAID has specified that many of the materials used in its funded projects must be American made, so too has China specified Chinese projects use Chinese labor. Not only do many Chinese companies enjoy the output of resource extraction, but the Chinese government is eager to provide the inputs as well. I would be very surprised if more than a few Afghans ever find employment at the actual mine in anything more than a menial capacity.

There are, of course, also significant security issues in Eastern Afghanistan that will make such a large, foreign operation a very risky undertaking. There have been a dozen serious security incidents in Logar in the first seven months of 2007, increasing in both frequency and lethality. How the Chinese will maintain their operations at the mine is unclear; no mention has been made of Chinese fighting forces being introduced. If they hire or align themselves with local commanders it could easily exacerbate the warlord situation in that part of the country. If, however, MCC works with the government of Afghanistan to bolster the Afghan National Army (ANA) and Afghan National Police (ANP) in the area, it could indeed be a boon for Afghanistan. China, although it releases no records on the subject, is one of the largest if not the largest small arms exporters in the world. As a low-cost solution to equipping the ANA and the ANP, China may very well prove valuable. For Afghanistan, even if Chinese promises do not come to full fruition, the mine will undoubtedly bring good things in the short and medium terms. Over time, however, as Afghanistan stabilizes, the government may regret the relatively small tax rate afforded MCC.

The mine will also be good for U.S. and Coalition forces, as commerce and development are precisely what Afghanistan needs in order to bring about stability in the country. The mine will take some of the pressure off Western nations to provide development works in the country, and ties another great power to the success of the government of Afghanistan. While one may bemoan the steady march of China in its near abroad energy and natural resource markets, this is one case where China should be lauded for its undertaking in a risky environment where success is not at all assured.

Contracts such as the deal at Anyak are too often viewed through a mercantilist perspective in that someone will lose; the Chinese may not follow through on all their promises, the U.S. and Coalition forces may be loath to provide security to

such an operation, or cooperate with the mine's security detail, or the Afghan government may find itself over-exploited in the future if the mine proves especially profitable. Our analysis, however, indicates that the mine, at least in the short and medium terms, will be a blessing for both the Afghan government and foreign forces. Development in that nation is almost always a good thing, and development news doesn't get much better than this.

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¹ Jon Boone and Geoff Dyer, "China group wins Afghan copper rights," *Financial Times*, 20 November 2007 <http://us.ft.com/ftgateway/superpage.ft?news_id=fto112020071328264486> (22 November 2007).

² Hamid Shalizi, "China Metallurgical Group wins Afghan copper mine bid," *Reuters UK*, 20 November 2007 <<http://uk.reuters.com/article/worldNews/idUKISL33096920071120?sp=true>> (23 November 2007).

³ China Metallurgical Group Corp., 2007 <<http://www.mcc.com.cn/english/Index.asp#>> (23 November 2007).

⁴ "Chinese Copper Cos. Get Afghan Rights," *Associated Press*, 22 November 2007 <http://biz.yahoo.com/ap/071122/china_afghanistan_copper.html?v=1> (23 November 2007).

⁵ Ron Synovitz, "Afghanistan: China's Winning Bid for Copper Rights Includes Power Plant, Railway," *RFE/RL*, 24 November 2007 <<http://www.rferl.org/featuresarticle/2007/11/ee7d8224-e2f9-4c79-a7ba-b144a26b190c.html>> (24 November 2007).

⁶ Ian MacWilliam, "China wins major Afghan project," *BBC News*, 20 November 2007, <http://news.bbc.co.uk/2/hi/south_asia/7104103.stm> (21 November 2007).

⁷ Sébastien Peyrouse, *Silk Road Paper: The Economic Aspects of the Chinese-Central Asia Rapprochement*, Central Asia- Caucasus Institute, September 2007 <http://www.silkroadstudies.org/new/docs/Silkroadpapers/2007/0709China-Central_Asia.pdf> (24 November 2007), and "Chinese President calls for faster regional integration in Central Asia," *Xinhua News Agency*, 16 August 2007 <http://news.xinhuanet.com/english/2007-08/16/content_6539597.htm> (12 September 2007).

⁸ Deborah Brautugam and Adama Gaye, "Is Chinese Investment Good for Africa?" *Council on Foreign Relations*, 20 February 2007 <http://www.cfr.org/publication/12622/is_chinese_investment_good_for_africa.html> (27 November 2007), and Michael Bristow, "China in Africa: Developing ties," *BBC News*, 29 November 2007 <<http://news.bbc.co.uk/2/hi/africa/7118941.stm>> (29 November 2007).

⁹ "China Mine Safety," International Federation of Chemical, Energy, Mine and General Workers' Unions, 2007 <<http://www.icem.org/en/76-China-Mine-Safety>> (29 November 2007).

¹⁰ Alec E. Metz, *At Home on the Steppe: Asian Migration to Mongolia*, December 2006 <http://www.nps.edu/programs/ccs/Docs/Pubs/Metz_Paper_01.pdf> (22 November 2007).