



Afghanistan's Extractive Sector under Taliban Rule: Threats and Opportunities



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Opinion

To the surprise of the world, the Taliban established its control over most of the territory of Afghanistan in mid-August 2021, approximately 20 years after the 9.11. This drastic political change also affects the management of the country's rich mineral resources estimated as much as trillion dollars. The resource management is not only a question for the country's wealth, but also for the proper use of world natural resources. In this short article, we discuss the threats and opportunities concerning the Afghan mineral resource management which may affect both Afghan people and the world.

The untapped reserves include but are not limited to metals (such as iron, copper, gold, and aluminum), industrial minerals (gemstones, talc, chromite, and sulfur) and hydrocarbon resources. Historically, the extractive sector was one of the drivers of conflict in Afghanistan, especially in Badakhshan and other resource-rich provinces. During the Islamic Republic of Afghanistan - the previous Taliban regime - Taliban's major revenue source was from mining (including, gemstones, marbles, coal, talc, and gold). The security uncertainty both under the previous Taliban regime and post-9/11 period prevented large-scale mining extraction. The extraction/exploitation was carried out by local individuals and companies, but commodities such as talc, nephrite, chromite, gemstone, coal, and marble were only exported to Pakistan, and onyx was mostly exported to Pakistan and Iran. All these commodities were then re-exported to the world under the trade names of Pakistan or Iran [1]. Ironically, Afghanistan has imported most of its mineral products used in manufacturing and construction industries from Pakistan and Iran (e.g., cement, iron, and ceramic).

The gloomy situation gradually improved under the Ghani administration which developed the sector and retained most of the benefits in the mining industry in the country. Today, local, well qualified companies are capable of exploration, mining, processing and international trade of industrial minerals, dimension stones and gemstone. The government was also successful in mobilizing Afghan private sector. One example is that 22 Afghan private companies invested US\$30 million in Talc mining and generated 1500 direct and 7500 indirect jobs. With the successful management, the revenue from chromite, coal, marble, salt, and talc increased from USD 0.1 million in 2015 to USD 50 million in 2018 [2].

Therefore, the current Taliban regime encounters an extractive sector which is different from that under their previous one. In the last 20 years, Afghanistan has developed its capacity in petroleum contract management and negotiation and minerals' contract, management, and operation, in both public and private sectors. However, the majority of the developed capacity is lost as many of the experts fled to other countries after mid-August 2021, and the few who remain in the country are facing uncertain future. Observing the Taliban's current appointments of government positions, it is unlikely that these remaining experts will be recognized and given opportunities by the regime. The Taliban is likely to handle all technical and non-technical governmental affairs with its Mullas (graduates of religious institutions). Against this backdrop, we assess the threats that Afghanistan may face; some of which would have international ramifications. The decreased capacity of the Mining Ministry may disable the country to appropriately negotiate and manage

contracts with big mining companies; this may also increase the risk of corruption and environmental degradation. Unless Taliban honors their promises to respect human rights and form an inclusive government, investment may not be forthcoming. In case of Taliban administration's isolation in the international community, Pakistan and China will gain free hand to not only control access to lithium, but also the possibility of plundering the resources for free or at very cheap prices. Another serious threat is the issue of conflict minerals. Daesh (Islamic State) has reappeared on the scene and is establishing bases in resource rich areas of the country, which enable them to use the natural resources for conflict.

There are, however, opportunities for the Taliban administration and Afghan people, which would also benefit the world. The mining sector has the potential to help the Taliban administration to find a way out of the economic crises. For that purpose, Afghan-owned and Afghan-led mineral development approach is required. The human capital in the mining sector developed during the last two decades can leverage the development. If the Taliban government make use of this capital. Unlike under Karzai and Ghani administrations which had to spend a high security cost for mining operations, the Taliban's ruling may be able to offer better investment conditions to multinational enterprises. If the Taliban government appreciates "natural resources diplomacy", Afghanistan's mineral resources can be used to strengthen its political relationship with the World. Reportedly, Afghanistan is called "the Saudi Arabia of Lithium"

in an internal memo of US Department of Defence [3]. The demand for lithium will increase when electrification of vehicles advances towards the 2040-50s in Europe and North America together with global low carbon transition. The proper use of mineral resources may help Afghanistan's stabilization which is important for international security. To avoid the identified risks and take advantage of the opportunities, it is essential not to isolate the Taliban administration. The country is a member of the Extractive Industries Transparency Initiative (EITI); the first of EITI's Principles reads: "We share a belief that the prudent use of natural resource wealth should be an important engine for sustainable economic growth that contributes to sustainable development and poverty reduction, but if not managed properly, can create negative economic and social impacts." In this case, imprudent treatment of natural resources can lead to violence and insecurity. The international community needs to engage with the Taliban administration and keep the country in the international framework such as the EITI.

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