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Small firms seek to move in on Afghanistan's vast mineral wealth

By Jessica Donati

9/22/2013

Few companies showed up to Afghanistan's fresh appeal for investment in its vast mineral wealth on Sunday, apparently deterred by trouble plaguing two of its largest projects and allowing small firms to emerge as the main contenders.

The Mines Ministry pleaded to a handful of local and foreign firms to bid on a near billion dollar cement tender, luring interest with attractive terms like free currency conversions and 100 percent capital repatriation.

Hopes are pinned on Afghanistan's trillion dollar wealth in resources weaning the country off international aid, but early attempts to unlock its potential have hit serious setbacks.

These appeared to have deterred major international firms from attending - leaving the path open to small investors with unconventional backgrounds, prepared to take on deteriorating security and uncertainty ahead of next year's election.

Afghanistan has been at war for decades. It is now trying to inject life into attempts to negotiate an end to an Islamist Taliban insurgency as most NATO combat troops prepare to pull out by the end of 2014, leaving the country to handle its own security.

"Too many big international companies are too afraid about what is going to happen after 2014," said Tom Watts, a director at SJH Group and former British paratrooper who served in Iraq.

"They're sat on their backfoot waiting to see what happens... Let's bring it on, all three concessions, let's have them all."

To reassure potential suitors, Mines Minister Wahidullah Shahrani announced the opening of the near billion dollar cement tender and also marked the publication of first official guide to investment in Afghanistan.

"This information will be sufficient to give first-hand information on whatever an investor requires to make the decision to come to Afghanistan," Shahrani said.

Sharani said international experts had been called in to ensure the terms would be favourable to investors. Nodding to fears about corruption in a country that routinely ranks among the most corrupt in the world, the minister promised the tender would be conducted in a "very transparent and clean manner".

Afghanistan's unruly territory holds large deposits of gold, copper, iron ore and oil, as well as lithium and rare earths used in high-tech manufacturing.

Chinese firms have scrambled to access its wealth but both of the country's most important ventures are at a standstill. In Amu Darya, oil production has stopped because there is no deal in place to refine it.

At Mes Aynak, the Chinese consortium has demanded a review of a landmark \$3 billion deal to produce copper in Afghanistan.

Afghanistan imports virtually all of its cement at the cost of around \$1 billion a year, making it the second largest drain on its cash after fuel.

If the three cement plants tendered start up as hoped over the next few years, they could eventually supply all of the country's needs, according to officials at the event.

A second prospective investor, an Afghan doctor turned business manager, said he was also undeterred by the Chinese troubles.

"Cement is a very good investment, demand is high and there are a lot of new projects," said Dr Mohammad Shafiq, a senior manager for a group of companies including Griffin Ltd, based in Yemen.