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Afghanistan's Most Important Natural Resource

Mineral riches are nice, but they are no replacement for the entrepreneurial spirit.

By Carl Schramm, Robert Litan, and Dane Stangler

Recent reports that Afghanistan holds roughly $1 trillion in mineral resources has sparked a wave of strategizing on how NATO forces can help stimulate the extractive industries as a way to stabilize the country. But to pin the country's economic hopes squarely on the iron, copper, cobalt, gold, and lithium believed to lie within its soil reflects a serious lack of imagination.

Because approximately 40% of the Afghan economy comes from foreign assistance—while another 40% appears to be underwritten by the opium-poppy industry—there is great hope that minerals will help develop the economy. Since government legitimacy is a key plank of counterinsurgency doctrine, an Afghan central government able to stand on its own with an independent revenue stream could bolster legitimacy and thus defuse the insurgency.

The U.S. Department of Defense already has begun to advise the Afghan government on how to properly craft bids for companies to develop the minerals. Accountants from across the world have been brought in to set up the proper financial controls in order to stem potential corruption. By all appearances, NATO is treating these mineral resources as the centerpiece of Afghanistan's future.

Unfortunately, successful economies can't be centrally planned, no matter how rich the raw material. For a variety of reasons, to rely entirely or even substantially on mineral extraction as the lynchpin of Afghanistan's economic growth is a fool's errand.

First is the so-called "resource curse." Although it is by no means an iron law of geopolitics, countries heavily dependent on natural resources tend to be less democratic and less developed than countries with more diversified economies. Saudi Arabia and Venezuela often serve as prime examples of this. Assertions in a Pentagon memo, made available to reporters, that Afghanistan could become the "Saudi Arabia of lithium" should not inspire confidence in the future of Afghan governance and civil society. (And, in any case, Bolivia has already laid claim to such a title, with little visible improvement to its people's economic well-being.)

Second, the economic potential of Afghanistan extends far beyond minerals. True, successful countries such as Botswana, and the U.S. itself, have exploited natural resources. But in these cases, natural resources were treated as only one sector in a future diversified economy, and so it must be in Afghanistan. As Clare Lockhart and Nate Fick of the Center for a New American Security have pointed out, many other sectors of Afghanistan's economy hold economic potential, from high-value agriculture and construction, to light manufacturing and telecommunications. Afghanistan has a rapidly growing base of mobile phone subscriptions, and such phones could—as they have elsewhere—serve as the platform for various businesses that neither NATO, Washington, nor Kabul can predict or efficiently design.

Finally, Afghanistan's greatest natural resource does not come from the ground; it is the Afghan people themselves. At the very core of economic growth—and, thus, higher living standards—is entrepreneurship. Luckily, entrepreneurship is innate to human nature, as Matt Ridley has illustrated so well in his new book, "The Rational Optimist." Too often, international development efforts, whether civilian or military, appear to presume that the inhabitants of a local economy need to be directed. The Afghanistan economy, for example, "should" be based on mineral extraction; that is an entirely normative approach, but it neglects the potential and motivations of the people themselves. In this narrative, only outside "experts" can truly guide economic development.

The only guidance the Afghanistan economy needs is from local entrepreneurs seeking, discovering, and creating new opportunities. Anecdotal examples crop up every day, from a popcorn vendor who appears in the central district of Marja in the midst of a NATO military operation, to even the opium-poppy industry. People will always find avenues of commerce and exchange. These may not always fit our definition of what is deemed proper or necessary, but it is the only way economic growth has ever happened.

This is why firm formation must be at the heart of what we call "expeditionary economics"—attempts to stimulate economic growth in post-conflict situations. Our job is not to dictate, but to permit and protect legitimate sectors. In Afghanistan, improving security for regular Afghanis remains the key to that task. In other words, the best "economic policy" outsiders can offer the country starts and ends with defeating its Islamist insurgents and enabling individuals to build a stable civil society. That effort will liberate Afghanis' natural entrepreneurial instincts, and vice-versa.

People themselves, with all the innovative and entrepreneurial impulses that go along with simply being human, are the crux of economic growth. Mineral riches are nice, but they cannot compare to the greatest natural resource of all.

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