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Afghanistan, China to sign first oil contract on Wednesday, ministry says

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Afghanistan will sign a deal Wednesday allowing China's state-owned National Petroleum Corporation to become the first foreign firm to produce oil in the country, the Ministry of Mines said.

The deal will allow the Chinese firm to work oil blocks in the northeastern provinces of Sari Pul and Faryab. The area, known as the Amu Darya River Basin, is believed to have reserves of about 87 million barrels of oil.

Minister Wahidullah Shahrani will sign the accord with the director of the Beijing-based company, ministry spokesman Jawad Umer said Tuesday. The contract calls for CNPC to form a joint venture with a local partner, the Watan Group.

A statement said 70 percent of the profits from the operation will be paid to the government.

The government said the contract with CNPC will be the first with a foreign company to exploit oil reserves in Afghanistan. It has been keen to develop a modest oil-extraction and refining capability for the landlocked nation, which is entirely reliant on fuel imports from neighboring Iran and Central Asian nations.

The provinces of Sari Pul and Faryab are located hundreds of miles from the centers of fighting in the east and southeast and are considered relatively safe. As a result, the U.S.-led NATO force

has already transferred or is turning over responsibility for security in large parts of the region to the Afghan army and police.

Surveys conducted by the Soviets in the 1970s have shown that Afghanistan sits on vast mineral wealth. Afghan and foreign companies already have shown interest, notably in its untapped copper, iron and oil deposits. But with poor infrastructure and security problems stemming from the 10-year war, most Western mining companies have shied away from firm commitments.

So far, companies from China — with which Afghanistan shares a small stretch of border in its east — have been in the forefront of investments in the nation.

Three years ago the China Metallurgical Construction Co. signed a contract to develop the Aynak copper mine in Logar province. Beijing's \$3.5 billion stake in the mine is the largest foreign investment in Afghanistan so far.