

CORPORATE FAIRY TALES IN AFGHANISTAN

It's a corporate fairy tale: working class boy joins the military, goes into banking, brings the joys of mineral exploitation to exotic locales.

From Congo to Colombia, from Iraq to Sierra Leone, [Ian] Hannam [the JP Morgan banker overseeing the development of a gold mine in Afghanistan] and his small team of soldiers-turned-bankers and advisers did business with oligarchs, gem dealers, and former mercenaries. He could be bracingly direct. When he landed in Baghdad for a meeting with Iraq's oil minister, the minister asked, "What are you here for?"

"I'm here to make five new Iraqi billionaires every year for the next 10 years," Hannam said with a twinkle in his eyes.

And it ends, I guess, as corporate fairy tales do: with the mineral riches finally being liberated from the oppressive soil.

But at least someone will have begun releasing the wealth trapped in Afghanistan's stones.

It's all the bits in between that raise eyebrows about the viability of our little project in Afghanistan and the structure of our empire. While the story focuses on Hannam, the JP Morgan banker, it's as much a story about General Petraeus.

Then, in 2009, mining in Afghanistan got the push it needed – from the U.S. military. Petraeus had been appointed commander of U.S. Central Command, which had ultimate authority over Afghanistan. He realized that a U.S. exit from

Afghanistan depended on getting the country's economy running.

[snip]

Realizing that conventional foreign-aid organizations weren't getting the job done, Petraeus moved a crack economic stabilization team from Iraq into Afghanistan. That team quickly realized that mining would be key.

And Deputy Under Secretary for Defense Paul Brinkley.

Hannam was at the banquet hall for a reception thrown by the Trade Bank of Iraq to honor J.P. Morgan. Also at the reception was Paul Brinkley, a deputy under secretary of defense charged with jump-starting Iraq's stalled economy. A former tech company executive, Brinkley served as a matchmaker of sorts between Iraqi entrepreneurs and foreign businessmen. With the blessing of Defense Secretary Robert Gates, he operated outside normal bureaucratic channels, eschewing the bulletproof vests and helmets his civilian colleagues wore in combat zones. In three years he had secured some \$8 billion in private investment contracts for Iraq, helping start textile mills, cement factories, and electronics companies. Hannam and Brinkley had heard about each other's work. J.P. Morgan had been one of the first Western companies to plant the flag in Iraq, overseeing the country's currency and setting up a big oil project in Iraqi Kurdistan. Hannam and Brinkley fell into conversation about Afghanistan, which was to be Brinkley's next posting.

These men, of course, were prominently seen last June pushing James Risen to report a breathless

story on Afghanistan's \$1 trillion mineral riches the night before Petraeus would testify to Congress.

[Risen] explained that he based his report on the work of a Pentagon team led by Paul Brinkley, a deputy undersecretary of defense charged with rebuilding the Afghan economy. Using geological data from the Soviet era and USGS surveys conducted in 2006, Brinkley dispatched teams to Afghanistan last year to search for minerals on the ground. The data they've come back with, combined with internal Pentagon assessments that value the deposits at more than \$900 billion, constitute news, according to Risen. (Those surveys are still under way, according to a briefing Brinkley gave yesterday.)

[snip]

So was the story a Pentagon plant, designed to show the American public a shiny metallic light at the end of the long tunnel that is the Afghan war, as skeptics allege? Risen said he heard about the Pentagon's efforts from Milt Bearden, a retired CIA officer who was active in Afghanistan in the 1980s. The men co-authored a book, "The Main Enemy," in 2003, and Bearden is now a consultant working with Brinkley's survey team.

"Several months ago, Milt started telling me about what they were finding," Risen said. "At the beginning of the year, I said I wanted to do a story on it." At first both Bearden and Brinkley resisted, Risen said, but he eventually wore them down. "Milt convinced Brinkley to talk to me," he said, "and Brinkley convinced other Pentagon officials to go on the record. I think Milt realized that things were going so badly in Afghanistan that

people would be willing to talk about this." In other words, according to Risen, he wasn't handed the story in a calculated leak. Calls and emails to Brinkley and to Eric Clark, a Pentagon public relations contractor who works with him, were not immediately returned.

All of which makes you wonder about the provenance of this story...

And of course, in addition to Hannam, Petraeus, and Brinkley, there is JP Morgan itself, which seems to be investing a lot of time in a project they don't expect to be profitable and won't put their own money into.

In late September, J.P. Morgan CEO Jamie Dimon, Brinkley, and Mining Minister Wahidullah Shahrani met at J.P. Morgan's headquarters in Manhattan. Dimon pledged J.P. Morgan's support. On the way down in the elevator, Dimon told Shahrani, "You're in good hands with Ian. He's eccentric, but he gets things done." But soon Brinkley's team was wondering. On the day the deal signing was to take place, Hannam's team stopped acting like former warriors and began behaving like, well, nervous investment bankers. Hannam, after talking about how rich he was going to make his clients, suddenly began to complain that there was no way to make a profit. The 26% royalty rate for the mine, his team claimed, was way too high. Mining Minister Shahrani was bewildered – the rate had been agreed upon years before, when the Naderi family had first bid for the mine. Nothing had changed.

Brinkley's Pentagon team was deeply frustrated. They felt the bankers had pulled a fast one. Had Hannam's group not done its homework? Or were they just being bankers, trying to squeeze more money out of the deal with some 11th-

hour brinkmanship?

Brinkley lit into the J.P. Morgan group: "When are you going to get this done? You've told people you're going to do it!" The bankers, in turn, felt they were being unfairly pressured by the government, which seemed desperate to get the deal done even if it was uneconomical.

[snip]

J.P. Morgan says it isn't putting any of its own money into the project. Hannam secured \$40 million from investors in the U.S., Asia, and Europe. They included Enso Capital founder Joshua Fink, son of BlackRock's Larry Fink; British mining titan Peter Hambro; and Thai businessman Pairoj Piemongsant. Hannam created an investment vehicle, Central Asian Resources, to enter into a joint venture with Naderi's new mining company, Afghan Gold.

Which in turn makes you wonder about the off-and-on relationship between the President and Jamie Dimon, particularly in the months leading up to JP Morgan playing hardball on the gold mine in Afghanistan. Have there been other considerations involved in the government's relationship with JP Morgan? When Dimon boasts about JP Morgan being a good bank—in spite of the fact that they practice some of the same reprehensible policies as their rivals—is he saying something more?

Mind you, it's not that Petraeus is wrong: Afghanistan needs something besides poppies if it's ever going to become a viable nation-state.

I'd just like a bit more transparency about the public-private endeavors our government builds to make that happen. And I'd like a lot more information about all the favors being exchanged to make that happen.