SOVIET ECONOMIC interests and policies in Afghanistan, which can be traced over a period of nearly 70 years, should be viewed in the context of overall Soviet policies and interests in similar small developing countries. Such policies have demonstrably been based on economic as well as political and military considerations and designed to achieve long-term geopolitical goals. Recognition of this reality should help dispel the sort of naive analysis that views the Soviet Union's invasion of 1979 and its subsequent policies toward Afghanistan as merely hasty defensive responses to an unexpected threat to the Soviet Union's southern borders, or as an unintended misadventure, and should permit a clearer recognition of the nature of the long-term Soviet threat to that country.

One can trace from the very beginning of Afghan-Soviet relations in the 1920's a distinct set of consistent Soviet economic policies aimed at penetration, manipulation, control, and eventually exploitation. After a setback in the 1930's and 1940's, Soviet efforts at economic penetration revived and took on greater complexity, operating at different levels for multiple purposes. After the 1979 invasion, these "softer" approaches gave way to a more overt effort to reshape the Afghan economy for de facto integration with the Soviet economy and to exploit more fully important Afghan natural resources (whose existence was almost unknown to the rest of the world, but was well-known for many years to the USSR).

Even the limited data available belie the almost universal assumption that the war in Afghanistan is a financial drain on the Soviet Union. They demonstrate that, to the contrary, the USSR is shifting the costs of the war to the Afghan people and eventually expects to make economic gains from its involvement in Afghanistan.

Larger Framework

Before examining events in Afghanistan, it is useful first to review briefly Soviet international economic policies. Since World War II, Soviet foreign economic policies have been projected on a global basis with complexities and workings that, because of the nature of the Soviet bureaucratic system, are still in large part uncomprehended. Yet it is increasingly recognized that these policies and their implementation are rarely the result of ad hoc decisions.

Since the 1920's, Moscow's basic economic decisions—both domestic and foreign—have been based on intermediate (five-year) and long-term (25-year) plans. Moreover, the USSR is a monolithic state, and
Soviet Economic Interests in Afghanistan

hence it (or its agencies in international trade) forms not only one of the world's largest monopoly (single-seller) suppliers of commodities but also one of the world's largest monopsony (single-buyer) purchasers of imports from certain individual countries and even world markets. In these circumstances, trade tends to lack the corrective market forces of supply and demand and be susceptible to political manipulation by Moscow.

The "effectiveness" that this singular combination of long-term planning, monolithism, and combined monopoly/monopsony market powers provides becomes even more pronounced when trade is conducted on a bilateral basis—which is the basic Soviet approach to trade with small, underdeveloped countries. A significant portion of this trade is, in fact, carried out on a barter basis for which only implicit, unannounced prices may exist. Soviet-Afghan bilateral barter agreements have existed for agricultural products since the 1950's. Even when nominal price agreements for traded goods do exist, the Soviet government is often able to isolate its price agreements from world market prices (as in the case of Afghan natural gas).

The Soviet Union generally rejects the theory of comparative advantage in international trade whereby trade patterns are determined by comparative costs of production in a pair of countries or worldwide. Instead, there is a vague concept of domestic surplus as a basis for exports and domestic deficiency as a basis for imports. Even these criteria for generating a flow of commodities tend to be overridden by political circumstances and priorities.

In the global context, Soviet foreign economic policies have the following objectives:

- To expand economic relations through international, preferably bilateral, trade;
- To expand Soviet economic and political influence by creating economic dependency;
- To create economic complementarity with the Soviet economy, i.e., to export surplus Soviet goods and import scarce commodities;
- With respect to mineral resources, to export Soviet raw materials in return for high-tech imports, to enhance Soviet monopoly in various minerals by obtaining exclusive access to resources of underdeveloped countries, and to use such access to deny access to the United States and other free-world economies;³
- With respect to the less-developed countries, to foster dependency through rapid expansion of bilateral trade ties, the granting of long-term credits at nominally low interest rates, the offering of low-bid contracts that non-communist traders cannot or will not match, and the dumping of Soviet goods on LDC markets at prices below local domestic production costs.

Most of these objectives and methods can be seen in the history of Soviet-Afghan economic relations. Let us turn to this history, starting first with the long period of gradual penetration that preceded the 1978 communist coup and 1979 Soviet invasion.

Pre-1978 Economic Relations

Soviet economic efforts in Afghanistan before 1978 can be divided into roughly two periods. Between 1921 and 1955, Moscow tried, but on the whole failed, to obtain trade concessions from the Afghans or otherwise penetrate the Afghan economy for political as well as economic gains. From 1955 to 1978, the Soviets finally gained a foothold in Afghanistan and began to pursue the following goals:

- To penetrate the Afghan economy in various sectors and at multiple levels by diverting Afghan trade from free-world markets; by granting large-scale credits at uneconomically low, nominal interest rates of two percent or less;¹ and by insinuating direct Soviet participation into Afghan economic planning and policy formulation for sectoral allotments of government investments through targeted grants and credits and the attendant provision of advisers.
- To increase Afghan dependency on the Soviet economy through a rising volume of bilateral trade; through increased transit trade via the USSR to other markets (skillfully taking advantage of Afghan-Pakistani friction to encourage the Afghans to rely on Soviet transit alternatives)⁵ through increasing Afghan debt obligations; and through complex monetary and barter arrangements (whose term structures are still unknown).

¹John R. Thomas has recently argued that natural resources, both within the Soviet Union and in the LDC's, play an important and special role in Soviet foreign policy. In the case of Siberian resources, the Soviets are trying to entice and intimidate Japan into trading technology for resources; in the case of LDC's, Soviet policy is twofold: obtaining access to LDC resources, and denying such access to the United States and its allies. See Thomas, Natural Resources in Soviet Foreign Policy, New York, National Strategy Information Center, Agenda Paper No. 15, 1985.

²This interest rate was applied to the first major Soviet loan to Afghanistan—$100 million in 1955. The USSR easily converted such a low nominal rate of interest to a much higher real rate of cost of borrowing by raising export prices of the goods that such a capital loan was to be spent on, by lowering the monetary or parity prices of Afghan exports to the Soviet Union, and by raising the costs of the services that accompany transfer of capital loans, e.g., the salary and benefits of Soviet technical advisers.²


⁴Observeable transit trade through the Soviet Union to markets in Europe has substantially increased since the invasion, though the actual volume cannot be determined from available trade data.
Early relations. Having inherited the empire and expansionist ambitions of tsarist Russia, the new Soviet government was determined not merely to regain and hold the old imperial territories but to extend them. Despite rhetoric denouncing colonialism and exploitation, the communist regime ruthlessly crushed the independence movements in Central Asia. During the reign of King Amanullah—which roughly coincided with the first decade of Soviet government—there was extraordinary good will on the part of Kabul toward the still-unknown new regime in Russia. This was a result of the Bolsheviks' liberal rhetoric. However, actual Soviet relations with Afghanistan and the Muslim states were highly revelatory of long-term Soviet intentions regarding their neighbors, Afghanistan in particular. These actions were a more accurate reflection of policy than Lenin's effusions of friendship.

Direct evidence that the new Soviet regime shared old tsarist ambitions in Afghanistan soon presented itself in connection with Panjdeh, an Afghan territory north of Mazar-i-Sharif and Herat, which had been invaded and annexed by tsarist Russia in 1885 in violation of treaty commitments. Despite a February 1921 Soviet-Afghan treaty providing for the return of Panjdeh to Afghanistan, this never occurred. Instead, the territory was incorporated into the Turkmen Soviet Socialist Republic of the Soviet Union.

That same 1921 treaty acknowledged the independence of the Muslim states of Bukhara and Khiva, in accordance with Lenin's assurances of good intentions toward the Muslim kingdoms and his encouragement of Amanullah's pan-Islamic leadership ambitions. Yet even as the treaty was being signed, the Muslims in Bukhara, Khiva, and other independent states in Turkestan were being attacked by communist forces. For some years, Afghanistan supported the vain struggle of Soviet Muslims to retain their independence, accepting more than 200,000 refugees and providing assistance to the Muslim freedom fighters, known as the "Basmachi." Eventually, the Soviets, by a combination of inducements and threats, were able to persuade Afghanistan to cut off its support. Thus isolated, the Muslim states were eventually subdued in a war of attrition.

To consolidate control, Moscow settled Slavs in these regions. The Soviet Union also laid the groundwork for economic dependency by encouraging the local population to concentrate on the production of raw agricultural commodities such as cotton to be exported to the European part of the USSR in exchange for manufactured goods. Essentially, with some exceptions, this economic pattern still predominates. Meanwhile, the Soviets were already attempting to penetrate Afghanistan itself economically. Moscow proposed that the 1921 treaty, which provided for an exchange of consulates, should permit Soviet trade with private merchants as well as with the Afghan government. Had this proposal been accepted, the Soviets would have had wide access to Afghan citizens through consulates in the key cities of Herat, Kandahar, Mazar-i-Sharif, Maimana, and Ghazni, as well as through the Soviet embassy in Kabul. Soviet officials could have used their overwhelming state-based monopoly/monopsony power in direct trade with individuals and private firms, and trade access would, of course, have facilitated political access.

Although this project was rejected, the treaty did allow Afghan goods to enter the USSR duty-free, while the Afghan duty on Soviet goods was cut to 5 percent. The result was a substantial increase in bilateral trade: Afghan exports to the USSR rose from 1.3 million rubles in 1923/24 to 11.7 million rubles in 1928/29, while imports from the USSR in the same period jumped from a mere 69,000 rubles to 7 million rubles. After Amanullah's abdication in 1929, the Soviet consulates were closed, and Soviet-Afghan trade stagnated.

But Moscow did not give up. When a new commercial treaty was under negotiation in 1936, the Soviets proposed—with no success—to open consulates with trading privileges in all major Afghan cities. Eventually, under threats of invasion from the north, Afghanistan signed a new trade treaty with the Soviet Union on July 28, 1940. (As we shall see below, this interaction of military and economic pressures was to repeat itself in the late 1970's when Prime Minister Mohammad Daoud gave signs of trying to decrease his government's dependency on the USSR.)

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*For the provisions of this treaty, see Ludwig W. Adamec, Afghanistan 1900-1923: A Diplomatic History, Los Angeles, University of California Press, Near Eastern Center, 1967, 188–91, Article No. IX of the treaty states that ..., Russia agrees to hand over to Afghanistan the frontier districts which belonged to the latter in the last century."


*ibid., pp. 59–64


*For the fiscal year running from March 21 of a given year through March 20 of the following year.

*See Vartan Gregorian, The Emergence of Modern Afghanistan: 1880–1946, Palo Alto, CA, Stanford University Press, 1969, pp. 146, 196 and 254. No comparable Afghan/ruble exchange rate is available for the period under discussion. Even the trade data are available only for some years.

In the aftermath of World War II, the United States began technical and then financial assistance to several major projects in the Helmand and Arghandab valleys of Afghanistan. Perhaps more important than this economic competition, in Soviet eyes, was Washington's effort in 1955 to include Afghanistan in the Baghdad Pact (together with Iran, Iraq, Pakistan, Turkey, Britain, and the US) to block southward expansion of the USSR. Kabul's refusal and the related US refusal to provide military assistance to Afghanistan opened the door for a new era of Soviet economic and political penetration.

Economic relations in 1955–78. Afghan Prime Minister Daoud started accepting Soviet offers of military equipment and training beginning in 1956. In addition, in December 1955, Nikita Khrushchev and Nikolay Bulganin visited Kabul and offered the Afghans a $100-million loan at a nominal two percent interest rate. By 1967, Soviet committed and uncommitted credits to Afghanistan totaled $570 million, and by 1978, the total had climbed to $1.265 billion. By contrast, US credits and grants, which were first extended prior to 1955, totaled only $470 million by 1977. Clearly, the Soviets intended to outperform the US in granting financial aid, as a means of seeking wider political as well as economic influence. In the period 1955–75, Afghanistan ranked third in terms of Soviet largesse to LDC's, outstripped only by Egypt and India. This occurred despite repayment difficulties.

From the Afghan perspective, both the absolute magnitude of Soviet credit and its distribution by economic sector were important. As foreign debt grew, so did Afghanistan's repayment burden, as indicated by the fact that the country was forced to reschedule debt repayments. Moreover, the greater the concentration of Soviet loans in any given sector of the Afghan economy, the greater the dependency of Afghan policy-making in that particular sector on Soviet advice and decisions. By 1978, Afghanistan had more than 2,000 Soviet technical and economic advisers in its midst (only Algeria, Iran, and Iraq had more). Soviet influence was exerted through the term structure of loans, repayment schedules, and the introduction of barter payment in commodities, the price structure of which depended performe on negotiated arrangements rather than world market prices. (This seems to have been applied especially to the development, pricing, and export of natural gas to the Soviet Union: the price and value of the exports of this commodity were determined by the schedule of debt repayments to Moscow.) Increasingly, the Afghan government found it difficult to argue for better terms of trade, such as an increase in the price of Afghan gas exports.

This widespread Soviet involvement in the Afghan economy, structured and applied to complement the simultaneous growth of Afghan military dependency, was used to promote political influence both externally (with respect to Afghanistan's foreign policy) and internally (with respect to penetration of Afghan political and military organizations) for long-range Soviet objectives. The presence of thousands of Soviet specialists in Afghanistan provided an opportunity for Soviet personnel to work more freely inside that country than ever before to achieve a multiplicity of goals.

Arguably, the short-run goal of many of the Soviet economic programs—mainly consumer-oriented ones—was to disarm traditional Afghan suspicion of Russian intentions and to generate acceptance of a Soviet presence. Long-term objectives were more complex, and also less evident. Two significant aspects of Soviet economic policies in Afghanistan from 1955 to 1978 indicate their long-term nature and the subtlety of their application.

First, during the formalized planning period that began with the first Five-Year Plan (initiated under Daoud in 1957/58), the USSR gradually became Afghanistan's largest supplier of capital and technical advice; it became increasingly involved in the planning processes, especially after the end of the first plan (in March 1962). Not surprisingly, Soviet aid was directed at promoting the Kabul government's participation in economic life at the expense of the Afghan private sector. And, indeed, quantitative evidence for the fiscal years 1957–72 demonstrate that private investment (and therefore private capital formation) was in fact minimized. To some extent this can be blamed on the constraints operating in the economy in general, but in large part, reduced levels of investment in the private sector by the government reflected conscious allocation of aggregate public investment to the disadvantage of the private sector, in disregard of national economic self-interest. As a result, a

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15See ibid.
16See Shroder and Assil, loc. cit.
18Ibid., pp. 150–51.
hitherto largely private-sector economy was transformed increasingly into a largely state-controlled one. It is often argued that this was largely due to Daoud’s policy position. However, it must be pointed out that the Daoud government only was in power for the First Five-Year Plan period and the first year of the Second Five-Year Plan (1962/63), whereas these policies continued through the whole period of planning.

The strategy was most evident in agriculture, which was almost entirely privately owned and operated, primarily by small farmers. Although agriculture was the most important single economic sector, it received a disproportionately small share of public investment.\(^{20}\) As a result, nearly 50 percent of the arable land, most of which is dependent on irrigation, received little water and/or no cultivation during the three five-year plans (for 1957–72), despite a two-year drought-induced famine in some areas. It is noteworthy that the sole Soviet aid to this sector before 1978 was the establishment of a single model state-owned farm in Nangarhar province, the crops of which were exported to the USSR.

As we shall see, after the 1979 invasion, the Soviet attack on private agriculture in Afghanistan became much more direct and brutal. The Soviets’ discouragement of sizable investment in privately-owned agriculture during the earlier period becomes all the more comprehensible if one assumes that the USSR anticipated the ultimate de-privatization and collectivization of Afghan farming. Such a process seems to have been at work since 1978, interrupted more by circumstance than by intent.

Second, in the manufacturing sector and, particularly, in the area offering Afghanistan the greatest potential for rapid growth—mining and mineral exploitation—Soviet economic aid was almost entirely limited to projects that were linked, directly or indirectly, with the Soviet economy. This policy prevented the development of an Afghan industrial base that could have raised national income and led to training and development of skilled labor and utilization of the often-wasted capabilities of Afghanistan’s new educated class. Although the USSR formally agreed to help finance and develop basic industries,\(^{21}\) it has reneged on the agreements.

These policies parallel those applied in Soviet Central Asia, i.e., the fostering of a colonial dependent relationship in which the periphery provides raw materials and minerals in exchange for manufactured goods. It seems clear that the Soviets were extending this policy to the Afghan economy long before the communist coup of 1978 or the 1979 invasion. The basic mechanism for creating this dependency was a selective aid policy and development of a growing volume of bilateral trade that increasingly tied the Afghan economy to that of the

### Table 1: Soviet Share in Afghan Trade, 1957-86

<table>
<thead>
<tr>
<th>Year</th>
<th>SOVIET SHARE OF TOTAL AFGHAN EXPORTS</th>
<th>SOVIET SHARE OF TOTAL AFGHAN IMPORTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957/58</td>
<td>(first Daoud period)</td>
<td>29</td>
</tr>
<tr>
<td>1977/78</td>
<td>(second Daoud period)</td>
<td>37</td>
</tr>
<tr>
<td>1978/79</td>
<td>(first year under communist regime)</td>
<td>64</td>
</tr>
<tr>
<td>1981-86</td>
<td>(post invasion)</td>
<td>68</td>
</tr>
</tbody>
</table>

**Direct imports from the Soviet Union, as a proportion of total imports, have declined from the high of 1979/80. Taken together, in 1985/86, the USSR/East Bloc received 76 percent of Afghanistan’s total exports and provided 67 percent of its total imports.**


et Union. Table 1 documents the swelling importance of the Soviet Union in Afghan foreign trade during this period. As can be seen, the upward swings correlate with the periods when Daoud (1953–63 and 1973–78) or communists (1978— ) were in power. The low point in Soviet imports came in 1972–73, when there was very little international (US) interest in aiding Afghanistan.

### Post-Invasion Policies

It has been widely assumed that the invasion of Afghanistan has burdened the Soviet Union with an ongo-

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ing economic drain; indeed, this is part of the rationale for the frequent description of Afghanistan as "Moscow's Vietnam." An examination of the economic data suggests, however, that far from facing an economic drain in Afghanistan, the Soviet Union is forcing the Afghan economy to bear much of the military cost—and that in any case, the Soviets expect to make economic gains in the long run.

Information on the Afghan economy and trade since the invasion—and for that matter since the communist takeover in April 1978—is perforce based in part on data provided by Moscow, by members of the Council for Economic Mutual Assistance (CEMA), and by the puppet regime of the Democratic Republic of Afghanistan (all data that is limited and, in the case of Kabul, unreliable), plus extrapolations from announcements of trade agreements and new loans, as well as data provided by international organizations. But even these limited data indicate that what passes for "economic development" and "trade relations" is far from the international norm—that under the rubric of international trade, the Afghans are being forced to pay for the invasion and occupation of their country. The data also demonstrate that the Soviets are giving priority to the implementation of a long-planned exploitation of Afghanistan's major mineral resources in ways that will benefit only the Soviet economy, and that the Afghans are being forced to pay for this deposal.

As Table 2 indicates, in the period 1979–84 alone, the Soviets "sold" to Afghanistan more than two billion dollars worth of heavy equipment, most of it military, including more than $718 million in aircraft and trucks. These include, of course, the aircraft that bomb and strafe Afghan villages and spray incendiaries over the crops, and the trucks on which the Soviet and Afghan armies and their supplies move.22 (By way of comparison, in the two years preceding the communist takeover, Afghanistain imported a total of only $4.2 million worth of trucks, most of them for ordinary commercial use, and international trade figures for the years 1974–79 show no aircraft purchases at all.)23

Equally important is the nature and intended use of what are seemingly nonmilitary items. "Machinery, equipment, and transportation vehicles" (codes 10–19 under Standard International Trade Classification) totaled $456 million for 1984 alone, and $1.3 billion for 1979–84. Although the exact nature of these items is not specified and is not readily ascertainable, almost certainly a significant part of them is military in nature, for there is no sector of the Afghan economy that could absorb such a large quantity of imports on a continuing basis. This is further evidenced by the fact that Soviet exports of machinery and equipment to the main sectors of the Afghan economy are listed separately in the trade statistics—agricultural equipment (codes 181–82), manufacturing machinery for textile (code 144) and chemical (code 150) industries, road construction equipment (code 154), and the geological equipment included in Table 2, plus several other categories of vehicles, such as passenger cars and tractors.

Some of these unspecified items of equipment may be destined for the construction and enlargement of Soviet

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Table 2: Selected Soviet Exports to Afghanistan
Since the Communist Takeover Afghanistan

<table>
<thead>
<tr>
<th>Year</th>
<th>Machinery, equipment, transport vehicles</th>
<th>Geological equipment: drilling and extraction</th>
<th>Aircraft</th>
<th>Trucks</th>
<th>Petroleum, petroleum products</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>$128,113,680</td>
<td>$31,367,400</td>
<td>$1,052,940</td>
<td>$17,825,460</td>
<td>$54,429,960</td>
</tr>
<tr>
<td>1980</td>
<td>156,425,840</td>
<td>36,790,800</td>
<td>963,240</td>
<td>28,426,620</td>
<td>102,884,000</td>
</tr>
<tr>
<td>1981</td>
<td>223,298,400</td>
<td>50,407,040</td>
<td>78,616,100</td>
<td>30,799,920</td>
<td>97,578,640</td>
</tr>
<tr>
<td>1982</td>
<td>299,219,040</td>
<td>27,563,120</td>
<td>125,110,480</td>
<td>46,067,680</td>
<td>98,396,000</td>
</tr>
<tr>
<td>1983</td>
<td>246,158,640</td>
<td>23,372,960</td>
<td>57,685,760</td>
<td>42,943,360</td>
<td>157,862,000</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$1,307,991,200</strong></td>
<td><strong>$192,180,680</strong></td>
<td><strong>$485,898,740</strong></td>
<td><strong>$232,534,000</strong></td>
<td><strong>$673,835,160</strong></td>
</tr>
</tbody>
</table>

1Domestic dollar/ruble rates differ from foreign trade rates. The conversion rates applied here are US$1.35 per ruble for 1979/80 and $1.36 thereafter.
2The figures in this table are for the international calendar year, not the Afghan fiscal year (which begins March 21).


22The figures on aircraft, trucks, and petroleum also serve to indicate the intensification of the war, e.g., there was a four-fold increase in aircraft exports to Afghanistan between 1983 and 1984.
Soviet Economic Interests in Afghanistan

Terms (karez) on which production depends, and a campaign of terror, massacres, and atrocities aimed at Afghanistan's rural inhabitants. These actions have resulted in the large-scale abandonment of farming and farmland, much of which will revert to desert without continuous care and maintenance. The losses are revealed by figures published by the Kabul regime itself. In the Afghan fiscal year 1975/76, three years before the communist takeover—3.882 million hectares (9.59 million acres) of land were under cultivation. In 1984, the Kabul regime reported that only 2.9 million hectares (7.16 million acres) were under cultivation. Thus, by the communists' own (presumably understated) account, more than one-quarter of existing arable land had already been abandoned by 1984. Since then, attacks on villages have intensified, and the number of refugees continues to increase. It can be assumed that by now, over 50 percent of the arable land of Afghanistan is no longer being cultivated.

Recent studies show a dramatic deterioration in agriculture in the period 1979–82—an estimated 5 million animals destroyed; drops of 80 percent in output for wheat, 77 percent for corn, 74 percent for barley and rice, and 88 percent for cotton; and a 52 percent decline in farm labor supply. Farmers and rural villagers comprise the overwhelming majority of the massive refugee population of the nearly 5.5 million Afghans now in Pakistan and Iran, and another 2 million living as displaced persons inside Afghanistan. Many of the latter are in Kabul (which has grown from about 931,000 to 1,287,000 since 1979), while others have fled to the mountains and valleys that are relatively securely under the control of the mujahedin. When coupled with an estimated one million lives lost in the fighting, this means about 42 percent of the pre-invasion 1979 population of 15,534,000 has disappeared from their homes, villages, and towns.

The deliberate attacks on the agricultural structure, combined with drought conditions in some provinces in 1983/84 and again in 1984/85, have led to what have been described as "pre-famine" conditions in some areas. The Soviets and the Kabul communist regime are unconcerned about the possibility of famine in the countryside; indeed, rural famine serves to weaken the mujahedin. As for Kabul and the few other major towns or selected districts either under regime control or wooed by the government, food shortages are eased with imports of wheat from the Soviet Union.

The reason for the Soviet policies of depopulating rural Afghanistan and destroying rural life are evident. Since 1978, the rural communities have been the strongholds of opposition to communism and have provided the support base for the mujahedin. Moreover, on an ideological plane, agricultural land is largely privately owned and farmed, and the farmers who resisted land redistribution can be expected to resist Soviet-style collectivization. By destroying food supplies in the rural areas—as well as purchasing any available local surpluses at inflated prices—the Soviets exert economic pressure on the mujahedin and the resisting population as a whole. While the countryside-hungry, surviving Afghan fruit crops are used to help pay the bill for Soviet "aid": dried fruits and nuts from Afghanistan are shipped to the USSR and Eastern Europe, and sometimes resold to Western Europe.

Manufacturing

In the manufacturing sector, the Seven-Year Plan had projected a substantial increase in industrial capacity, largely through the establishment of heavy industries (steel, copper smelting, petrochemicals, oil refining, and machine tools) in order to minimize economic dependency on foreign sources. And it was no secret that Daoud's government meant by this a reduction in dependency on the Soviet Union. Previously, industrial output had a very modest share in GNP (6.7 percent in...
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26According to the United Nations High Commission on Refugees, Iran reported between 2 and 2.25 million Afghan refugees in its country in early 1987, and calculations based on Commission data indicate 3.23 million refugees in Pakistan at the end of 1986. For Iran, see UNHCR, Refugees, No. 38, February 1987, pp. 10–12. The figures for Pakistan is an extrapolation from August 15, 1986, totals on the assumption of some 7,000 per month (the UN estimated 8,000 to 8,000); see UN General Assembly, Document A/41/778, p. 7.


29According to various annual volumes Foreign Trade of the USSR (Moscow, USSR Ministry of Foreign Trade), the Soviet Union shipped the following values of wheat to Afghanistan in the years 1979–85: US$6,207,000; $6,544,000; $14,001,000; $21,488,000; $12,295,000; $4,444,000; $12,209,000.

1975/76); it consisted largely of consumer goods industries, cement, and urea. During the Seven-Year Plan period, industrial output was targeted to increase 87.5 percent, rising by the end of the period to 8.7 percent of the GNP.

It was also common knowledge that the Soviets had participated heavily in the formulation of the Seven-Year Plan, having as many as 25 planning experts and advisors (four from the USSR State Planning Commission—Gosplan) working on it along with Afghans and other nationals. The USSR had the second largest financial commitment to Afghanistan’s Seven-Year Plan projects, some US$640 million in project and commodity assistance programs (Iran committed $1,291 million).36

However, what is of interest here is the fact that after the coup d’état of April 27, 1978, the Khalq-cum-Paracham coalition regime in Kabul rejected the Seven-Year Plan as “ambitious,” despite prior Soviet commitments, and hastily announced a new “five-year” plan (for 1979/80–1983/84) under Taraki in August 1978.37 To assess what has actually transpired in the manufacturing sector since the invasion is very difficult, given the sketchy, contradictory, and unreliable information emanating from Kabul and Moscow.38 What is one to make of Kabul’s claim that “more than 79 industrial enterprises” have been established?39 What do they produce, where are they established, how are they financed, where is the output sold, and how could they be established under conditions of massive social dislocation, war, and population loss? How do they relate to the 41 projects envisaged under the Seven-Year Plan, which assumed peaceful conditions and the participation of some 15 national and multinational organizations?40

Perhaps the best evidence of conditions prevailing in Afghan manufacturing can be gleaned from what the Kabul regime itself states about unfulfilled goals. For example, Babrak Karmal has been quoted as stating:

In 1364 [fiscal year 1985/86], we did not succeed in resuming the extraction of petroleum, barite, and lapis; in expanding to a great extent the geological development gas mines; or in beginning the industrial exploitation of copper, coal, gatch, phosphate, and other natural wealth; or in fulfilling the envisaged volume of work in land irrigation, the construction of government farms, transport stations, power transmission lines, telephone connections, and other necessary affairs for the national economy.41

The communists attribute these failures to “counterrevolutionary forces,” i.e., the mujahedin. Yet, as shall be noted below, they also result from Soviet policies.

Soviet policies toward manufacturing in Afghanistan appear to have several objectives. The first of these is to discourage the development of heavy or light industries that (a) require large capital investment and/or (b) would result in substitution for Soviet-produced goods. Such a long-term policy of creating dependency on the part of the Afghan economy was what Daoud sought to reverse through the industrial strategy of the Seven-Year Plan.

A second policy is evident when one examines Soviet data on bilateral trade between the two countries. They reveal that raw materials make up the bulk of exports to the USSR, even where Afghanistan has domestic manufacturing capacity—e.g., cotton textiles and chemical fertilizers. Thus, cotton fiber is exported to the Soviet Union, and cotton thread and textiles are imported by Afghanistan. Urea is exported to the Soviet Union despite an existing chemical fertilizer plant in Mazar-i-Sharif and plans to construct another one with Soviet help.42 Moreover, crude oil is exported from Afghanistan and refined oil imported, despite the Soviet commitment, noted above, to build an oil refinery inside Afghanistan.

Third, the Soviet Union seeks to promote the development of Afghan industries that produce consumer goods, such as prefabricated houses and bakeries, whose output is, by its very nature, limited to local or regional markets. It also is interested in developing certain other industries, such as cement and reinforced concrete, whose products have high transport costs, which making the importation of Soviet products impractical.

Otherwise, in general, both state and private manufacturing industries established in Afghanistan prior to 1978 today suffer from shortages of labor and raw mate-

36Ibid., Vol. 2, pp. 39–143.
38N. Yakubov, writing in Pravda (Moscow), Jan. 27, 1986, stated that "in 1981–85, [Afghanistan’s] national income exceeded the level reached prior to the April Revolution both in total volume and per capita." This ignores the growth forgone as a result of invasion and destruction and arrives at per capita figures based on a drastically reduced population.
Babrak Karmal in early 1984 proudly claimed that there were some 685,000 students currently enrolled in schools in Afghanistan. See FBIS-SAS, Apr. 7, 1986, p. C2. The UNESCO Statistical Yearbook (Geneva) for 1986 shows 1984 enrollment of 645,688 in primary and secondary schools; moreover, this was a severe decline from the total of 1,122,806 reported for 1979 in ibid., 1982. Cf. Tables 3.4, 3.7, and 3.11 in The two volumes. See also S.M.Y. Elmi, "The Impact of the Sovietization on Afghan Education and Culture," in Mayroch and Elmi, op. cit., pp. 72–125. Elmi gives the names, ranks, and faculty affiliations of 36 professors of the University of Kabul executed by the communists and subsequently replaced by the Soviets.
The Resource Payoff

As noted above, by 1978 the Soviet Union had advanced to Afghanistan a total of US$1.265 billion in credits. In April 1985, the Kabul regime announced that since 1978, the USSR had provided an additional $946.64 million, bringing the total to more than $2.2 billion. Although Kabul termed $448.47 million of the latest credits a generous “grant,” this still left Afghanistan in debt to Moscow to the tune of $1.763 billion dollars as of 1985, with more “aid” to be paid for every day as the war goes on. On the basis of published Soviet trade statistics, it appears that in the years 1979–84, Afghanistan’s cumulative balance-of-trade deficit with the USSR (the value of imports from the Soviet Union minus the value of exports to the Soviet Union) amounted to $849.19 million. This accounts for some 90 percent of the recent Soviet credit extensions. Since the trade deficit grew by another $372 million in 1985/86, one could, by extension, estimate that the total debt was in excess of $2.1 billion by the end of 1986.

Afghanistan’s small and declining manufacturing sector and its decimated agricultural sector cannot possibly generate enough output to meet Afghanistan’s debt payments to the USSR. Aside from some occasional reports of export of some Afghan manufactures such as textiles and cement, Afghan exports to the USSR consist largely of agricultural products (fruits, cotton, and wool being the major items). These agricultural exports, along with urea and crude oil, are clearly insufficient to reduce the growing trade deficit, let alone pay off the large debt to the USSR. (The possibility of large, unrecorded trade in these commodities is slim given the damage known to have been done by the war.) How then is a ruined, depopulated, and destitute country ever to pay off such a debt? There are clear indications that the Soviet government has been thinking about this matter for many years and knows exactly what payment it wants. In any ranking of Soviet economic interests in Afghanistan, direct and unlimited access to Afghan mineral and energy resources must head the list. For decades, the Soviets worked to gather information about these resources, and in the process, they have made sure that neither Afghanistan nor any international investors developed them without Soviet participation. It is quite clear that the USSR planned to control the exploitation of these resources to benefit its economy and/or to advance other Soviet purposes.

Northern Afghanistan is geologically related to areas of Turkestan where some of the Soviet Union’s richest and most accessible mineral and hydrocarbon resources are found. The Soviets therefore had good reason to expect that a survey of Afghan resources would yield significant discoveries, and since at least the mid-1950’s, they have pressured the Afghan government to make sure that, especially north of the Hindu Kush, nobody but themselves would be allowed to explore or develop them.

Eventually the Soviets were instrumental in conducting and compiling the most comprehensive survey of mineral resources ever made in Afghanistan. The report, a 419-page document completed in 1977, pinpointed mineral locations on a series of detailed maps. It showed Afghanistan to be rich in mineral resources, with nearly 1,400 mineral “deposits,” “occurrences,” or “showings,” including many of international economic or strategic importance (see Table 3). Although the details of this survey and of Soviet dealings with Afghanistan in this connection, as well as of Soviet moves to exploit the massive resources discovered, are beyond the scope of the present article, the potential of these resources is significant in assessing the economic aspect of overall Soviet policy toward Afghanistan.

From the Soviet perspective, the exploitation of these and any other subsequent discoveries can meet policy needs in several possible ways. First, some resources would be useful to the Soviet economy if their production and transportation costs are comparable to or lower than those of other existing sources, including Soviet domestic sources. Afghanistan’s copper ores and possibly its massive deposits of high-grade iron ores, among others, fall into this category, especially if the railroad is built south of the Soviet border through Hairatan and/or Turghandy.

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*See UN General Assembly, supplementary material to the interim report on the situation of human rights in Afghanistan prepared by the Special Rapporteur of the Commission on Human Rights, Document A/44/778.


†Indeed, for some time, foreigners were forbidden even to visit certain areas of the north as tourists without special permission from the Afghan Ministry of Interior.

‡For a fuller treatment, see Shroder and Assif, loc. cit.
Third, even if the Soviet Union may not itself need some of Afghanistan's rich mineral resources, it may want to have control over their disposal as leverage in the overall framework of a zero-sum game that the USSR plays with the free enterprise economies, particularly with the United States.

Finally, control over the development of essential resources is useful in negotiating for economic and political gains with developing economies that require such resources for their own industrial growth.

What evidence of this Soviet policy is there in the available statistics? First and foremost are the substantial imports of Soviet equipment for mineral exploration, extraction, and drilling; as shown in Table 2, they amounted to more than $192 million in the period 1979–84.

What benefit is accruing to the USSR from these investments? Soviet trade statistics show no imports of minerals from Afghanistan except natural gas and urea. Press reports of exports of crude oil, uranium, coal, gems, and semiprecious stones are sporadic and unconfirmable. That does not mean that unrecorded exports of these and other minerals to the USSR are not taking place—only that there is no clear evidence yet. It is certainly suspicious that an Afghan economy that in 1977–82 imported $111.7 million worth of geological equipment in its deficit trade with the USSR records no substantial imports of this equipment. That does not mean that unrecorded exports are not recorded. What evidence of this Soviet policy is there in the available statistics? First and foremost are the substantial imports of Soviet equipment for mineral exploration, extraction, and drilling; as shown in Table 2, they amounted to more than $192 million in the period 1979–84.

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A look at the exploitation of Afghan natural gas—the first major development of a resource in Afghanistan—offers some possible answers to these questions, and also indicates the economic benefits that the Soviet Union expects to reap and how it plans to reap them.

The Case of Natural Gas

The Soviet Union has participated actively in the development of natural gas resources in northern Afghanistan for several decades. Since 1967, gas supplies from those fields have largely been exported to Soviet Central Asia. As a result, the Afghan economy has been experiencing rising opportunity costs in exploiting its own natural gas for internal use and development. The rising exports of natural gas have offset a steady decline in other Afghan exports to the Soviet Union in the period 1979–85 (the last period for which consistent data are available). At the same time, it seems that the

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**Table 3: Mineral Resources in Afghanistan as of 1977, as Compiled by Afghan and Soviet Geologists**

<table>
<thead>
<tr>
<th>Mineral Group</th>
<th>Number of Deposits, Occurrences, and Showings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Solid combustible materials (58)</td>
<td></td>
</tr>
<tr>
<td>Coal (45), lignite (3), peat (9), shale (1)</td>
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</tr>
<tr>
<td>Metallic minerals (888)</td>
<td></td>
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<tr>
<td>Ferrous metals (85), iron (69), manganese (2), chromium (14), copper (242), lead and zinc (92), aluminum (7), tungsten (136), tin (174), bismuth (12), mercury (141), cadmium (1), beryllium (27), lithium (44), cesium and rubidium (11), tantalum and niobium (32).</td>
<td></td>
</tr>
<tr>
<td>Radioactive elements (4)</td>
<td></td>
</tr>
<tr>
<td>Uranium, thorium, and rare earths</td>
<td></td>
</tr>
<tr>
<td>Precious metals (105)</td>
<td></td>
</tr>
<tr>
<td>Lode gold (95), placer gold (5), silver (5).</td>
<td></td>
</tr>
<tr>
<td>Non-metallic minerals (118)</td>
<td></td>
</tr>
<tr>
<td>(of which, 36 chemical raw materials)</td>
<td></td>
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<tr>
<td>Sulphur (8), fluorite (7), barite (17), celestite (2), borosilicate (2).</td>
<td></td>
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<tr>
<td>Mineral fertilizers (2)</td>
<td></td>
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<tr>
<td>Other non-metallic minerals (80)</td>
<td></td>
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<tr>
<td>Muscovite (22), asbestos (26), talc (7), magnesite (2), graphite (6), gypsum (17).</td>
<td></td>
</tr>
<tr>
<td>Salts (14)</td>
<td></td>
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<tr>
<td>Precious and semi-precious stones (21)</td>
<td></td>
</tr>
<tr>
<td>Ruby (1), emerald (7), kunzite (2), garnet (1), lazurite (1), serpentine (4), tourmaline (5).</td>
<td></td>
</tr>
<tr>
<td>Electronic and optical minerals (23)</td>
<td></td>
</tr>
<tr>
<td>Quartz (18), calcite (5).</td>
<td></td>
</tr>
<tr>
<td>Industrial materials (69)</td>
<td></td>
</tr>
<tr>
<td>Limestone, dolomite, and marble quarries (5); facing and ornamental quarries (20); sand and gravel quarries (15); cement raw materials—including, limestone and marble quarries (8), limestone and dolomite fluxes (4), refractory clays (3), clays for brick, flooring tile, etc. (7), porcelain and pottery clays (4), glass raw material and siliceous sandstone (3).</td>
<td></td>
</tr>
</tbody>
</table>


Second, for strategic minerals such as uranium and rare earths, costs are not a primary consideration. High-content deposits of rare earths, uranium, and strontium, among others, have been discovered in Helmand province, and since 1980, there have been persistent reports of secret Soviet mining of uranium there and near the city of Kabul.17
Soviet Economic Interests in Afghanistan

rapid development and export of natural gas, especially during 1979 and 1980, when exports of gas rose by 73 and 16 percent respectively, 48 have slowed down. A shortfall in the planned production of 2.7 billion cubic meters for 1986 has been predicted. 49

Ostensibly geared to balancing the cost of Afghan imports for development purposes, these shipments now appear to be helping defray the cost of the Soviet occupation of Afghanistan. The gas thus delivered has been exploited this important Afghan resource without appropriate compensation. 50 That the gas meters are located inside the Soviet Union—and hence are inaccessible to the Afghans—makes it likely that the loss is even greater than the figures suggest. But, even on the basis of published figures, it is possible to estimate some part of the loss of revenue to Afghanistan.

From the Soviet data, one can calculate that in the two Afghan fiscal years 1979/81, the USSR imported 5.2 billion cubic meters of Afghan gas at a price of approximately US$48 per 1,000 cubic meters. This compares to an international price of $114.78 per 1,000 cubic meters at that time. Calculated thus, the loss of revenue to Afghanistan for those two years alone was approximately $335.8 million. 52

Afghanistan has clearly been experiencing substantial, cumulative losses in revenue from the exports of its natural gas to the Soviet Union. Such losses are, of course, Soviet economic gains. It is not unreasonable to assume that the Soviet Union will apply a similar hard-nosed economic calculus in the development and exploitation of other major Afghan natural resources.

Conclusion

For nearly 70 years, economic policies have been one of the main Soviet vehicles for developing economic and political influence in Afghanistan. Rapid expansion of bilateral trade, discriminatory pricing in barter exchanges, broad expansion of credit and debt, have all sought to foster Afghan economic dependency on the USSR, to promote an economic development strategy in Afghanistan that creates complementarity with the Soviet economy, and to maintain Soviet control over the present or future development of major Afghan mineral resources. Since the invasion, these policies have been continued, with the additional dramatic political/military/economic undertaking of destroying the country's rural production potential.

Given the impact of massive dislocation and losses of population and other war-induced problems on Afghan production, the economy seems on the path to collapse. Why then does the Soviet Union continue to ship machinery and goods into the country? For one, to maintain the war effort. However, the trade data (see Table 2, column 1) also suggest shipments of goods—beyond the obvious military hardware—which may be going for the building of Soviet bases, since there are no sectors in the Afghan economy capable of absorbing such large quantities of imports on a continuous basis. Furthermore, the Soviet trade in natural gas and its interest in other mineral resources of the country suggest another motive. As noted above, the prices paid to Afghanistan for natural gas have been substantially below world prices or even Soviet internal prices. These losses to Afghanistan create a strong presumption of similar losses in other areas of mineral production and export now and in the future—to Soviet advantage.

These facts refute the common assumption that the Soviets are paying all the economic costs of their aggression in Afghanistan, and that the venture represents an irrational economic drain that Gorbachev is unlikely to tolerate. In economic terms, at least, Afghanistan is certainly not "Moscow's Vietnam." No serious analysis of Soviet actions, intentions, strategy, or tactics regarding Afghanistan can fail to take into consideration these economic realities.

51On the development, manipulation, and pricing of Afghan natural gas, see Shroder and Assifi, loc. cit.
52Nouvelles d'Afghanistan (Paris), No. 7, November 1981, calculates that the Soviets paid $44.45 per 1,000 cubic meters for Afghan natural gas in the period 1976–81. Although this was some 176 percent higher than envisaged under the 1976–83 seven-year plan, the price of Soviet gas in the same period had moved from $50 to $180 per 1,000 cubic meters, and Iranian gas had risen from $21.50 to $121. The Soviets would appear to have paid the Iranians an average of $71.25 during the 1976–81 period.
In 1979, the USSR agreed to pay Afghanistan $83.37 per 1,000 cubic meters—a figure that was still 25 percent below world prices. However, it did not honor this "agreed-upon" price. Even if it had, Afghanistan’s loss (calculated as the difference between the "agreed-upon" price and the actual payment) would still have amounted to $175.5 million. See N. T. Fox, "Long-Term Relations ...," loc. cit., pp. 161–62.