

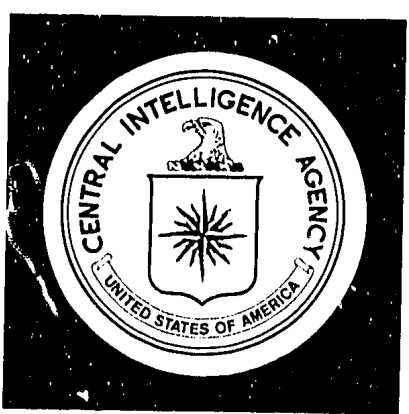
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# Intelligence Memorandum

*Afghanistan: Dependence on Soviet Economic and Military Aid*

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January 1973

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CENTRAL INTELLIGENCE AGENCY  
Directorate of Intelligence  
January 1973

INTELLIGENCE MEMORANDUM

AFGHANISTAN: DEPENDENCE ON SOVIET  
ECONOMIC AND MILITARY AID

SUMMARY

1. Landlocked Afghanistan – the first "economic battlefield" in the Cold War outside the Marshall Plan area – has successfully taken sizable quantities of aid from both sides. Afghanistan depends on the neighboring USSR for all its military equipment and one-half its economic development funds. Kabul, nevertheless, remains essentially independent of Soviet control and enjoys friendly relations with the United States, The People's Republic of China (PRC), and other leading nations.

2. The USSR has delivered US \$300 million worth of military equipment to Afghanistan since 1955 at 75% off the list price. Soviet aid to Afghanistan's economic development programs, about \$600 million, has been critical to the expansion of the road network, the development of a small electric power grid, the extension of irrigated agricultural acreage, and the exploitation of natural gas deposits. The USSR now accounts for about 40% of Afghanistan's foreign trade.

3. Aid from the United States has been confined almost entirely to the economic side. Deliveries since 1956 have been at a rate approximating 60% of Soviet economic aid and have featured shipments of foodgrains and aid to the agricultural and transportation sectors. US aid in 1970-72 was particularly important in alleviating serious food shortages caused by persistent drought.

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Note: This memorandum was prepared by the Office of Economic Research and coordinated within the Directorate of Intelligence.

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## DISCUSSION

## Introduction

4. The Soviet leadership traditionally has viewed developments in the countries on its southern borders as of vital concern. Moscow not only believes that its security interests are involved but also considers these countries within its legitimate sphere of influence. Thus, when Afghanistan accepted large amounts of US economic aid in the early 1950s the post-Stalin regime moved in rapidly with its own major program. Kabul basked in the warmth of this early aid competition as it received large amounts of aid for ambitious economic development programs. Kabul avoided political difficulties by assigning US economic aid to the lower half of the country, leaving the half adjacent to the Soviet border to Moscow's program. Nonetheless, both the United States and the USSR carry out programs in the Kabul area, and over the years a number of activities – such as Soviet road-building – have extended beyond the arbitrary geographical zones. Military aid became, and remains, the almost exclusive province of the USSR.

5. The competition eased in the early 1960s. Although US aid remains fairly substantial, Soviet aid now plays the dominant role. Afghanistan ranks fourth among Third World recipients of Soviet economic and military aid – after Egypt, India, and Iraq. Nowhere in the Third World is the Soviet presence more pervasive or the Soviet role in development more critical than in Afghanistan. This memorandum examines the dependence of Afghanistan on Soviet military and economic aid and also describes the smaller US aid program. The text and tables in the Appendix supply details on Afghanistan's economic development plans and on foreign military and economic aid programs.

## Soviet Military Aid

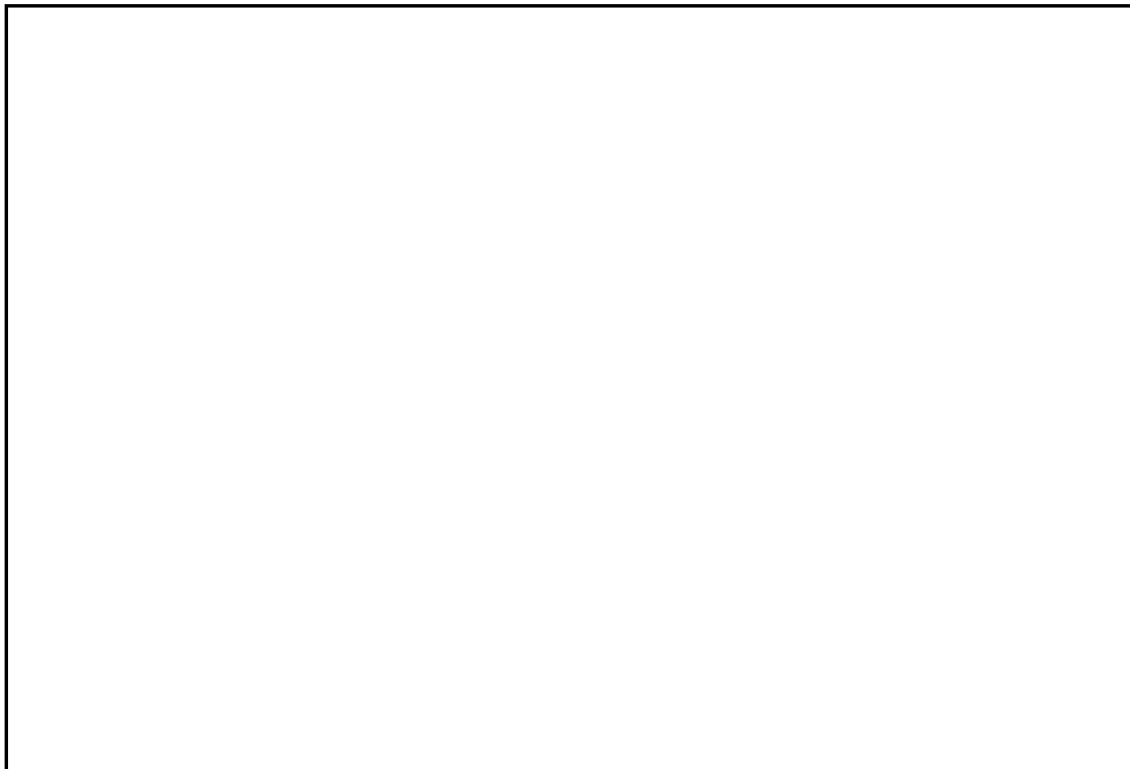
6. Whatever modern trappings Afghanistan's military establishment presents have been woven by the USSR. Afghanistan was one of Moscow's first Third World arms clients. Spurred by its border conflict with Pakistan and alarmed by the large quantities of arms Pakistan was receiving as a member of the Southeast Asia Treaty Organization (SEATO) and the Baghdad Pact, Afghanistan enlisted Moscow's aid to expand and modernize its armed forces. Kabul signed a \$100 million arms agreement in early 1956 and subsequently has relied almost entirely on the Soviet Union for its military equipment. By 1972 it had concluded \$455 million worth of arms agreements with the USSR<sup>1</sup>

1. Czechoslovakia has been the only other Communist source of military aid, providing some \$20 million in credits for weapons purchases and the construction of small military production and repair facilities.

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7. As with economic aid, Kabul has received the best repayment terms of any of Moscow's major arms clients -- a 75% discount on practically all purchases and repayment of the balance over 15 to 25 years at 2% interest. An estimated \$50 million had been paid on the military debt by the end of 1972. Annual repayments have been running at about \$4 million.

8. By the end of 1970, Moscow had delivered 35 IL-28 jet light bombers, 24 SU-7 fighter-bombers, 42 MIG-21 jet fighters, 224 other fighter and auxiliary aircraft, and the SA-2 surface-to-air missile system. Land armaments delivered included more than 1,500 field and antiaircraft artillery pieces, 435 medium tanks, about 50 assault guns, and 300 armored personnel carriers (APCs).<sup>2</sup> In January 1971, Kabul launched a program to further upgrade its inventory of military equipment and signed a \$40 million agreement covering more than 100 medium tanks, an undetermined number of PT-76 light tanks, 60 APCs (some with Sagger wire-guided antitank missiles), 76-mm and 100-mm artillery, and crew-served weapons and small arms for a division. Some of this equipment was delivered in 1971. A further \$67 million agreement signed in July 1971 covered, among other items, MI-8 helicopters armed with rockets and machine guns and 152 tank transports.

2. For a listing of major Soviet military deliveries through 1972, see Table 6 in the Appendix.

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9. Hundreds of Soviet military advisers and technicians serve as staff advisers and instruct Afghan personnel in the operation and maintenance of equipment. The number varies with the flow of arms. It reached a peak of about 525 in 1967 but declined to 200 by 1972. The USSR also had trained more than 2,200 Afghan military personnel in the USSR by the end of 1972.<sup>3</sup>

10. Despite a varied inventory of modern arms and 17 years of Soviet technical assistance, the Afghan military establishment is far from becoming a modern and effective force. The armed forces probably could not handle the sophisticated arms or provide the necessary support activities in a combat situation. Field training never has been adequate, and the Afghans could not maintain the equipment without Soviet assistance. The armed forces probably can do no more than maintain internal security.

#### **Economic Development Plans**

11. At the end of World War II, Afghanistan was one of the least developed countries in Asia. Kabul began a small economic modernization program and in 1956 launched the first of a series of five-year economic development plans.<sup>4</sup> During the next 15 years, more than \$1 billion was spent on development (see Table 2). The current plan calls for additional outlays of \$330 million.

12. More than three-fourths of the outlays under the First and Second Plans went for the construction of transportation, irrigation, and electric power facilities and similar infrastructure projects. Additional funds were spent on increasing cement and textile production and developing newly discovered natural gas deposits.

13. Under the Third Plan, the pattern of planned investment featured agricultural and industrial projects, including the construction of 80 (mostly small) industrial plants. The plan also envisioned the building of feeder roads from the main road network and transmission lines from major electric power generating facilities. Actual investment, however, fell far short of the original goal of nearly \$500 million because of shortages of professional and technical personnel and skilled labor, inefficient administration, a severe drought that cut into domestic revenue, and an unexpectedly small inflow of foreign capital.

3. By contrast, about 300 Afghan military personnel have received training in the United States since 1958.

4. The plan years have been as follows: the First Five-Year Plan (October 1956 - September 1961), the Second Five-Year Plan (21 March 1962 - 20 March 1967), the Third Five-Year Plan (21 March 1967 - 20 March 1972), and the Fourth Five-Year Plan (21 March 1972 - 20 March 1977).

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**Table 2**  
**Afghanistan:**  
**Allocation of Development Expenditures<sup>a</sup>**  
**1956-77**

	<i>First Plan</i>	<i>Second Plan</i>	<i>Third Plan (Estimated)</i>	<i>Fourth Plan (Target)</i>
	<i>Million US \$</i>			
<b>Total (actual)</b>	<b>236</b>	<b>528</b>	<b>309</b>	<b>332</b>
	<i>Percent</i>			
<b>Sectoral allocation</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Agriculture and irrigation	13	18	34	39
Industry, mining, and electric power	26	34	31	34
Transportation and communication	49	39	18	10
Education, health, and social services	12	9	17	17

a. International Monetary Fund, *Afghanistan-Recent Economic Developments*, 20 March 1972.

14. The less ambitious Fourth Plan is designed to complete earlier projects and to increase the yield of past investment. Planned outlays are about the same as for the previous plan, with the largest share again scheduled for agriculture and industry. The share allocated to transportation is cut back further (see Table 2).

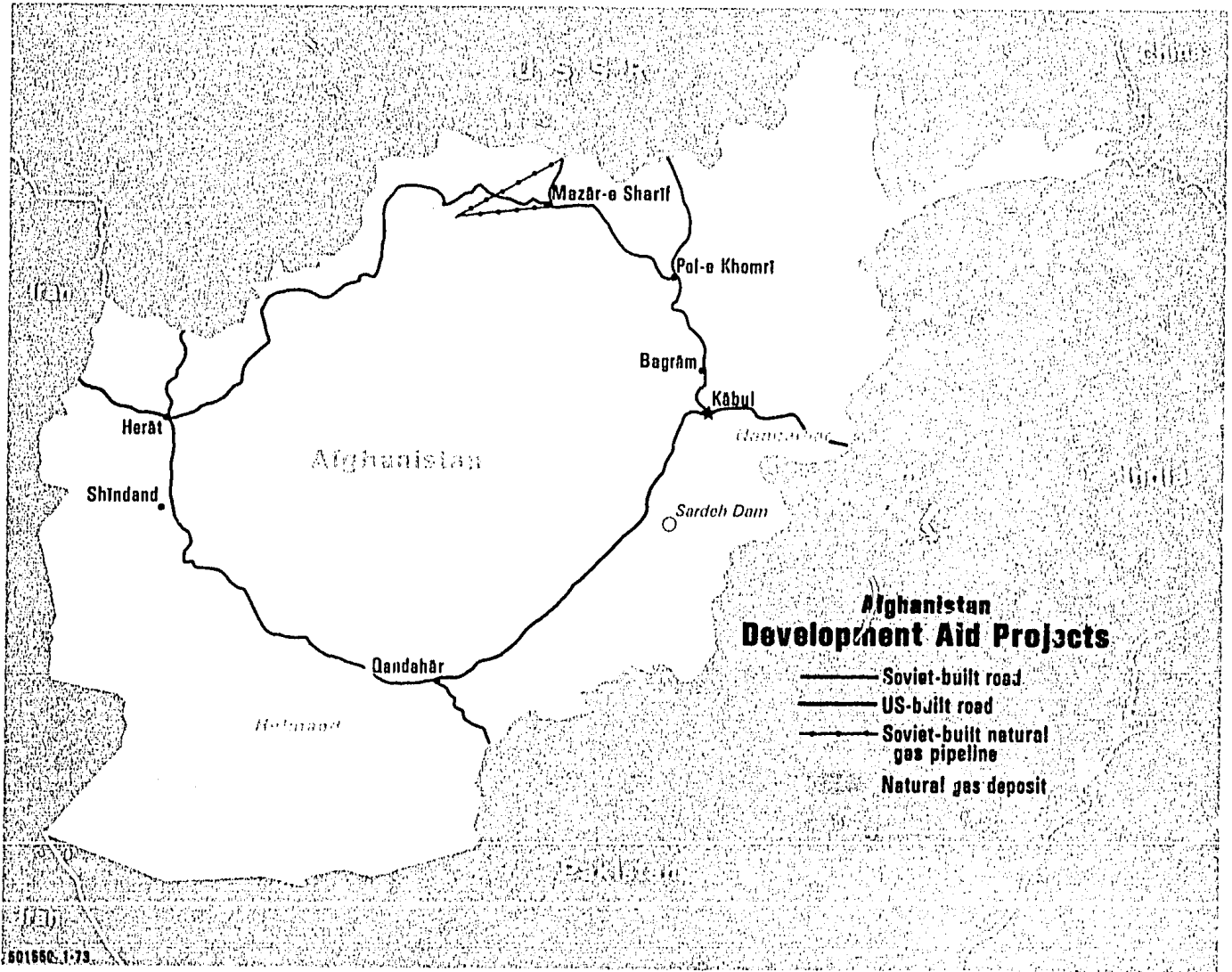
15. Despite the sizable outlays of the plans and a substantial increase in gross domestic product (GDP), the basic underdeveloped character of Afghanistan's economy persists.<sup>5</sup> Subsistence economic activity still predominates and per capital GDP remains well below \$100 – only slightly higher than in the mid-1950s. Perhaps 80% of the labor force is directly engaged in agriculture – roughly the same as 15 years ago. Only slightly

5. Afghanistan's statistics concerning income and production are poor at best and often are confusing. The World Bank, for example, indicates a doubling of GDP during the plans but almost no change in the production of the major agricultural products – the backbone of the economy. Even though a substantial percentage growth occurred in industry and mining, trade and transportation, and services, overall economic activity could hardly have doubled in this period.



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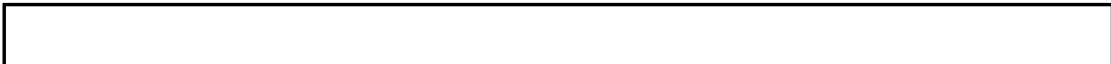
more than 5% are employed in industry and handicrafts. The industrial sector, consisting of about 30 small-to-medium-size plants, contributed less than 15% to GDP in 1970.



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**Soviet Economic Aid**

16. From 1954 through the end of 1972, the USSR extended more than \$800 million in economic aid to Afghanistan, of which \$600 million has been drawn.<sup>6</sup> Of the drawings, about 35% has been funneled through Afghanistan's five-year development plans. Another 11% has gone for commodity aid – the largest volume of Soviet commodity aid to any Third World country – and 4% for education and technical training.



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17. Moscow has played a central role in Afghanistan's economic development.<sup>7</sup> Nearly half of total development expenditures during the first three plans consisted of Soviet aid deliveries (see Table 3).

Table 3  
Afghanistan: Soviet Aid for Five-Year Plans  
1956-77

	<i>Total Development Expenditures</i>		<i>Soviet Aid</i>		
	<i>Planned</i>	<i>Actual</i>	<i>Exten- sions</i>	<i>Plan Related Drawings</i>	<i>Soviet Aid Drawings as a Percent of Total Expenditures</i>
	<i>Million US \$</i>				
First Plan	350	236	250	94	40
Second Plan	556	528	330	297	56
Third Plan	493	309	119	112	36
Fourth Plan	332	...	121	...	...

18. Soviet aid has been particularly valuable in certain sectors. It has accounted, for example, for about two-thirds of the 2,000 miles of roads built or paved since 1956. In addition to constructing the largest part of a major highway connecting Kabul with Pol-e Khomri, Mazar-e Sharif, Herat, and Qandahar (see the map), the USSR built roads linking Herat, Pol-e Khomri, and Mazar-e Sharif with Soviet rail systems at the Soviet border. During 1970, more than 250,000 metric tons of cargo moved over these roads. More than half the increase in Afghanistan's installed electric power capacity - from 18,000 kilowatts (kw) in 1956 to 209,000 kw in 1970 - was built with Soviet aid. The USSR constructed the only sizable transmission network in Afghanistan, which connects the Soviet-built hydroelectric plants on the Kabul River with the Kabul area.

19. Soviet aid has furnished \$40 million for industrial facilities. These generally have been small and simple to operate and maintain. The largest is a chemical fertilizer plant at Mazar-e Sharif, which absorbed about \$13 million of Soviet aid and uses natural gas. The Soviets completed a

7. An additional \$85 million was obtained from other Communist countries, of which an estimated \$32 million has been used. The People's Republic of China committed about \$72 million for various agricultural and light industrial projects. Bulgaria, Czechoslovakia, and Poland extended the balance.

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survey for a steel mill in 1969 and found that it probably would not be economically feasible. Nevertheless, Kabul has included funds for the initial stages of the project in the Fourth Plan.

20. Moscow's aid to agriculture is substantially expanding Afghanistan's usable land and increasing the productivity of existing acreage. At least 60,000 acres of the 200,000-acre Nangarhar project have been converted from desert to cultivable land. The Sardeh dam and irrigation project involves nearly 65,000 acres and four state farms. Two farms have been completed, largely for fruit production.

21. In the early 1960s, Soviet technicians found gas deposits in northern Afghanistan estimated at more than 250 billion cubic meters. Two pipelines from these deposits -- one to the Soviet border and the other to Soviet-built electric power and chemical fertilizer plants -- were constructed with Moscow's assistance. By 1970 the pipeline to the USSR was pumping annually 2.4 billion cubic meters valued at \$14 million.

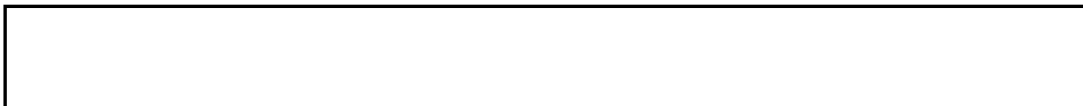
22. These gas exports, along with Iranian gas deliveries, serve as a useful supplement to the dwindling supplies in neighboring southern USSR. They save Moscow the cost of bringing gas into the area from more distant fields in Soviet Central Asia and free Soviet gas for sale in Europe. Moreover, Moscow is paying Afghanistan \$5.70 per 1,000 cubic meters, compared with a contracted price of about \$12 per 1,000 cubic meters for Soviet gas to be delivered to Western Europe. A second pipeline is being constructed and when completed in 1974 will double existing capacity.

#### Drawings and Repayments



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24. Drawings rose rapidly in the early years of the program and during the Second Plan averaged nearly \$67 million annually.<sup>8</sup> After reaching a peak of more than \$80 million in 1964, Soviet expenditures dropped rapidly, falling to \$12 million in 1971 and \$11 million in 1972. Meanwhile,



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aid repayments have been rising.

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### Technical Assistance

25. Most Soviet assistance has been project aid that has required the services of many Soviet technicians. In addition, small groups of Soviet advisers work in Kabul's economic ministries. For instance, Gosplan personnel helped formulate the Fourth Plan and are advising on its implementation. The first large group of project technicians -- an estimated 400 -- arrived in 1956. As work accelerated during the Second Plan, the number rose sharply, reaching a peak of 1,800 in 1963. Since 1967 the number has leveled off to about 1,000. Their services currently cost Kabul an estimated \$8.5 million annually.

### Impact of Aid on Trade with the USSR

26. Afghanistan and the USSR always have been important trading partners. After the mid-1950s, their trade expanded even further and the USSR now accounts for about 40% of Afghanistan's total trade (see Table 4).

27. Imports from the USSR accounted for most of the trade expansion during the early 1960s. A threefold increase in imports during 1957-66 stemmed almost entirely from expanded aid deliveries. Aid-generated imports averaged about \$37 million annually during 1960-66 -- almost 80% of total imports from the USSR in those years. A drop in 1967 stemmed from a steep decline in Soviet aid exports. Afghanistan's imports from the USSR have consisted largely of machinery and equipment. In 1966 this category accounted for 70% of the total. Other significant imports are grain, foodstuffs, petroleum products, and motor vehicles.

28. Until 1968, Afghanistan's exports to the USSR had consisted almost entirely of agricultural commodities, textile raw materials, and semi-finished products. Natural gas exports have since become important, accounting for about 40% of total exports to the USSR in 1970; they

9. Afghanistan's fiscal year begins on 21 March of the stated year.

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Table 4  
Afghanistan: Trade with the USSR<sup>a</sup>

	<i>Trade with the USSR</i>				
	<i>Total</i>	<i>Total<sup>b</sup></i>	<i>Imports<sup>c</sup></i>	<i>Exports</i>	<i>Percent of Total</i>
	<i>Million US \$</i>				
1956	115	33	18	15	29
1957	120	39	18	21	32
1958	117	36	23	13	31
1959	141	44	28	16	31
1960	137	49	32	17	36
1961	152	59	39	20	39
1962	175	65	39	25	37
1963	193	64	45	20	33
1964	212	70	47	23	33
1965	201	72	52	20	36
1966	218	92	73	19	42
1967	205	78	57	21	38
1968	196	71	40	31	36
1969	206	75	45	31	36
1970	203	74	40	34	36
1971	217 <sup>d</sup>	89	50	38	41 <sup>d</sup>

a. Data on Afghanistan's total trade are taken from the IMF International Financial Statistics series, which reports Afghanistan imports c.i.f. and exports f.o.b. Data on trade with the USSR are taken from the Soviet Foreign Trade Handbook, which reports both imports and exports on an f.o.b. basis.

b. Because of rounding, components may not add to the totals shown.

c. Excluding grant aid deliveries that are not recorded in Soviet trade data.

d. Estimated.

represent repayment for Soviet aid. Gas exports are expected to expand further as production increases and the second pipeline is completed.

#### Retention of Independence

29. Afghanistan has maintained its independence despite the pervasive Soviet presence. Afghanistan has never altered its basic foreign and domestic policies and has achieved Soviet acceptance of its neutral stance on international issues. Neutralism and independence, in the eyes of the Afghan Government, are intertwined and inseparable. Kabul has refrained from

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joining any formal military or political alliance that might have direct bearing on the balance of power between East and West and has pursued courses of action that offend no one and prevent foreign powers from becoming too influential in Afghanistan's internal affairs. Afghanistan has modeled its post - World War II economic system along lines believed relevant to its own needs for modernization and has followed neither the Soviet nor the American model; Kabul enjoys friendly relations with the United States, the PRC, and other leading nations.

### Character and Complementarity of US Aid

30. When Afghanistan launched its post - World War II development efforts, it first turned to the United States for much of its external capital requirements. Washington responded with Export-Import Bank loans for the development of the Helmand River Valley, which by 1953 totaled about \$30 million. By the end of US fiscal year 1971, US aid commitments had reached about \$420 million,<sup>10</sup> most of which has been delivered. Nearly 67% has been technical assistance and project-type aid and 30% Food for Peace.

31. Almost two-thirds of total US aid was committed prior to 1965. Since then, direct development assistance has declined and food deliveries have accounted for nearly 45% of total US aid. The severe drought sustained by Kabul in 1970 and 1971 was broken in early 1972, but its effects will continue to be felt into 1973. In 1971 the critical shortage of wheat (Afghanistan's main subsistence crop) was alleviated largely through US efforts. In US FY 1972, Washington, in response to urgent Afghan Government appeals for relief, contributed at least 214,000 tons of the estimated 300,000-500,000 tons of wheat requested from the world community.

32. Most US aid to Afghanistan has been provided under liberal repayment terms. About three-fourths has been grants, and about half of the remainder calls for repayment over 30 to 40 years at nominal rates of interest. The balance consists of medium-term Export-Import Bank loans.

33. Much of the US aid has been used for investments that have often paralleled, and frequently complemented, Soviet undertakings. Both programs have channeled their funds into public sector projects and have emphasized infrastructural development (see Table 5). The Helmand River

<sup>10</sup>. Other Western donors have provided an additional \$185 million of aid. West Germany has spent more than \$90 million for hydroelectric facilities on the Kabul River, several textile plants, and a number of agricultural and telecommunications projects. Approximately \$95 million has been obtained from other sources, mainly from international organizations. Only about \$40 million has been committed by all Western sources for the Fourth Plan.

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Table 5

**Afghanistan: Sectoral Allocation of US and Soviet Economic Aid**

	<i>US</i> <i>1950-71</i>		<i>Soviet<sup>a</sup></i> <i>1954-71</i>	
	<i>Million</i> <i>US \$</i>	<i>Percent</i> <i>of Total</i>	<i>Million</i> <i>US \$</i>	<i>Percent</i> <i>of Total</i>
<b>Total</b>	<b>420</b>	<b>100<sup>b</sup></b>	<b>705</b>	<b>100<sup>b</sup></b>
Agriculture and multi-purpose projects	110	26	120	17
Commodity assistance	130	31	75	11
Petroleum, natural gas, and other mineral development	10	2	195	28
Transportation	110	26	260	37
Education and technical assistance	50	12	35	5
Other	10	2	20	3

a. The \$121 million extended in 1972 still has not been allocated.

b. Because of rounding, components may not add to the totals shown.

Valley development scheme is the largest US aid project in Afghanistan, having consumed about \$100 million during the past 20 years. It eventually will add some 300,000 productive acres in sparsely populated southwestern Afghanistan. Soviet aid to agriculture is concentrated in the more heavily populated east and northeast sections of the country.

34. Both the United States and the USSR have provided sizable funds for transportation. A 500-mile section of highway built by the United States in southeastern Afghanistan joins a 1,000-mile Soviet stretch to form a circumferential highway connecting Afghanistan's largest cities. The United States built an international airport near Qandahar and four domestic airfields; the USSR built an airport at Shindand and a military airfield at Bagram. Moscow also constructed the Kabul International Airport, whereas American firms designed and built most of the accompanying communications and navigational aid buildings and fire-fighting stations. The Soviets constructed the control tower, but US technicians installed the communications and navigational equipment required to run it. The United States has furnished technical and managerial assistance to Ariana Airlines, which is 49% owned by Pan American Airways.

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35. Through technical assistance, both the United States and the USSR have exerted substantial influence on the key policy-related areas of planning and education and, in the case of the United States, of public finance. In education, for instance, the United States built and helped staff Kabul University.

36. The greatest difference has occurred in the share of aid for commodities and for petroleum and natural gas development. Almost one-third of US aid has been for commodity imports; the USSR has provided only 11% of its aid for this purpose. Almost 30% of Moscow's aid has been allocated for petroleum and natural gas development; US aid to this sector has been negligible.

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**SECRET****APPENDIX****STATISTICAL TABLES****Table 6****Afghanistan: Major Military Equipment  
Delivered by the USSR  
1956-72**

	<i>Units</i>
Land armaments	
Tanks	487
T-34	200
T-54/55	287
Armored personnel carriers	340
BTR-40	64
BTR-60 PB/PK	60
BTR-152	166
Other	50
Artillery <sup>a</sup>	1,750
Self-propelled guns	48
Aircraft	
Jet light bombers (IL-28)	35
Jet fighters	190
MIG-15	12
MIG-17	112
MIG-21	42
SU-7	24
Transports	21
AN-12	9
IL-14	11
IL-18	1
Trainers	46
Helicopters	15
Other aircraft	18
Guided missile system	
Surface-to-surface antitank <sup>b</sup>	24
Surface-to-air <sup>c</sup>	11
Air-to-air <sup>d</sup>	42

a. Including recoilless rifles, rocket launchers, and mortars over 100-mm in caliber.

b. Indicating the number of vehicles used as launchers.

c. Indicating the number of SAM firing battalions (sites) -- (six launchers per SA-2 site).

d. Indicating the number of MIG-21 fighter aircraft, each capable of carrying two Atoll air-to-air missiles.

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