EXECUTIVE SECRETARIAT

ROUTING SLIP

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		ACTION	INFO	DATE	INITIAL
1	DCI		X		
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3	EXDIR		X		
4	D/ICS				
5	DDI	X			
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/EEO				
14	D/Pers				
15	D/OLL				
16	C/PAO				
17	SA/IA				
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19	C/IPD/OIS				
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Remarks

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17 January 1984
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Executive Registry
84- 304

17 January 1984

MEMORANDUM FOR: Deputy Director for Intelligence

FROM: Director of Central Intelligence

SUBJECT: Soviets in Afghanistan

A few days ago I asked you about information someone could give me regarding how the Soviets have reactivated some mines in Afghanistan from which they have received a great deal of revenue, enough it was said to cover the cost of the invasion. I don't recall the source. [redacted] This item from today's Wall Street Journal deals with the subject, apparently based on information gathered by the Institute of Strategic Trade, a think tank located in Washington. 25X1

William J. Casey

Attachment:
WSJ article, dtd 17 Jan 84,
"Afghan Resources Flowing
to USSR Despite the War;
Hungary Seeks Dollars"

[redacted] 25X1

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Afghan Resources Flowing to U.S.S.R. Despite the War; Hungary Seeks Dollars

By AMITY SHLAES
Staff Reporter of THE WALL STREET JOURNAL

Being bogged down for four years in a military campaign against Afghanistan's Moslem tribesmen hasn't stopped the Soviet Union from exploiting and importing Afghanistan's natural resources—gas, copper and, reportedly, uranium.

Foreign Insight

The extent of this exploitation isn't known for certain. The Afghan rebels, including former officials of the Soviet-backed government's Ministry of Mines, say the Soviets credit the value of the resource imports against Afghanistan's large debt to Moscow. Even so, sources agree that the value of the Afghan exports don't come close to repaying Moscow for the cost to it of propping up the communist government in Kabul. The State Department estimates that cost to be $12 billion since the Soviets invaded Afghanistan in December 1979.

Natural gas, Afghanistan's largest export, is piped from two large fields in northern Afghanistan to Soviet Central Asia. Radio Kabul, the government radio station, reported recently that 84 billion cubic feet of gas was exported to the Soviet Union last year. But according to the Washington-based Institute of Strategic Trade, the Soviets have pumped as much as four times that amount of Afghan gas annually in recent years.

No one outside the Soviet Union knows for sure, perhaps not even the Afghan regime, because the meters that measure the gas flow are on the Soviet side of the border. The Soviet Union developed Afghanistan's natural gas fields in the late 1960s, and it has been the principal customer.

The rebel tribesmen have blown up part or all of the pipeline at least three and perhaps as many as seven times since the invasion, according to the Center for Afghanistan Studies, affiliated with the University of Nebraska.

"What keeps the Soviet Union so interested in (Afghanistan's) gas is that they need it for development in the Central Asian Soviet republics," says Thomas Gouttierre, the center's director. Some of the gas, he says, serves to replenish gas that is piped from the Soviet Union to Western Europe.

More recently, the Soviets have launched a copper mining and smelter project near Kabul, according to the center. If the project is completed in the next several years it could give Afghanistan about 2% of world production, John F. Shroder of the center said in a report. Some predictions put Afghanistan's copper ore reserves at 3.5 million metric tons.

And according to a former member of the Afghan Ministry of Mines who defected recently to Pakistan, the Soviets have begun mining uranium at newly discovered fields near Kabul.

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Hungary is the Soviet bloc's most successful exporter of farm products—and it appears to be seeking recognition of that fact from Moscow.

American economists who monitor Soviet bloc affairs read that interpretation into a recent article on Hungary's agricultural achievements in the Budapest newspaper Nepszava (People's Voice). The newspaper noted that Hungarian farms increased production 42% between 1970 and 1981, one and a half times better than the next best East bloc agricultural exporter, Bulgaria. The article said that even such relatively high growth was "inadequate" and that more should be done to increase exports of farm goods.

The article is part of a Hungarian campaign to get the Soviet Union to renew an 8-year-old trade agreement under which Moscow pays U.S. dollars to Hungary for agricultural shipments above a certain level. In turn, the Hungarians pay dollars for Soviet petroleum above a certain amount.

Hungary earned $719 million from this arrangement in 1982, according to Northwestern University economist Michael Marrese, who studied Hungarian government statistics. Without this hard-currency windfall, the Hungarians would have faced an overall dollar trade deficit of about $200 million, Mr. Marrese said.

The Hungarians are particularly eager to renew the Soviet agreement, which expires next year, because of their tenuous credit position with Western banks.

But the Soviets aren't sure. Faced with slowing economic growth and lower world market prices for farm goods, they aren't interested in continuing such high subsidies to Hungary, according to Mr. Marrese.

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The good news for Poles is that their government has bowed to public pressure and trimmed food-price increases that were scheduled for the new year. But the bad news is that some food, specifically meat, may be harder to get when the higher prices go into effect next month.

This at least is the suggestion in the Polish daily Zycie Warszawy (Warsaw Life). An article by university professor Ryszard Manteuffel notes that Poland's 1983 summer animal census showed that the cattle population since the previous summer had dropped 5.4%, while the number of pigs was down 20%. This situation would probably result in distribution of more lower-quality meat products and shortages at restaurants and stores that sell processed meats, he said. Prof. Manteuffel predicted the government, the nation's main meat distributor, would purchase 16% less meat this year.

The February price increase will vary from a low of 8% for lard to as high as 42% for ham, the state-controlled news media announced last week. Prices will rise for such staples as bread and butter, but won't be increased for some basic food items such as margarine, vegetable oil and low-quality beef, the government said.

Rationing will continue for such staples as rice, sugar, meat and grains, which remain in short supply, the Associated Press reported from Warsaw.