



Directorate of
Intelligence

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Afghanistan Situation Report (U)

10 February 1987

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AFGHANISTAN SITUATION REPORT



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MASOOD MAINTAINS HIGH LEVELS OF COMBAT



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Insurgent commander Masood's forces increased their activity last year in northern Afghanistan.



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LIMITED RESISTANCE SUCCESS AT OIC SUMMIT



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The Afghan resistance delegation performed credibly at the OIC summit in Kuwait last month, but its international impact was limited by the Kuwaiti's decision to limit press coverage of its activities.



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IMPLICATIONS OF A DRY WINTER



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The limited snowfall this winter in Afghanistan has caused a shortage of water for hydroelectric plants and may also affect crop yields later in the year.



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INDIAN MEDICAL SUPPORT FOR THE AFGHAN ARMY



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recently reported that Afghan Army personnel are receiving medical treatment in India and that some Indian medical personnel are serving in Afghanistan.



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IN BRIEF

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PERSPECTIVE

KEEPING UP ECONOMIC APPEARANCES MORE DIFFICULT 10
IN 1986 

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We believe that the Afghan regime was less successful in 1986 than in 1985 in efforts to maintain an illusion of economic normalcy. With only dim prospects for real improvements in the economy, regime dependency on the USSR probably will deepen. 

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This document was prepared by the Office of Near Eastern and South Asian Analysis and the Office of Soviet Analysis. 

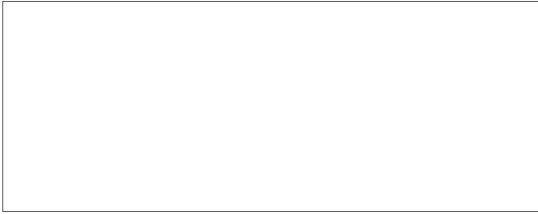
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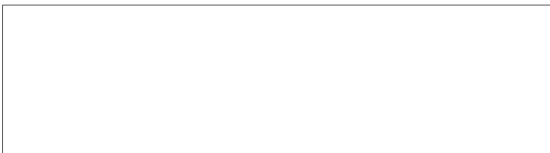
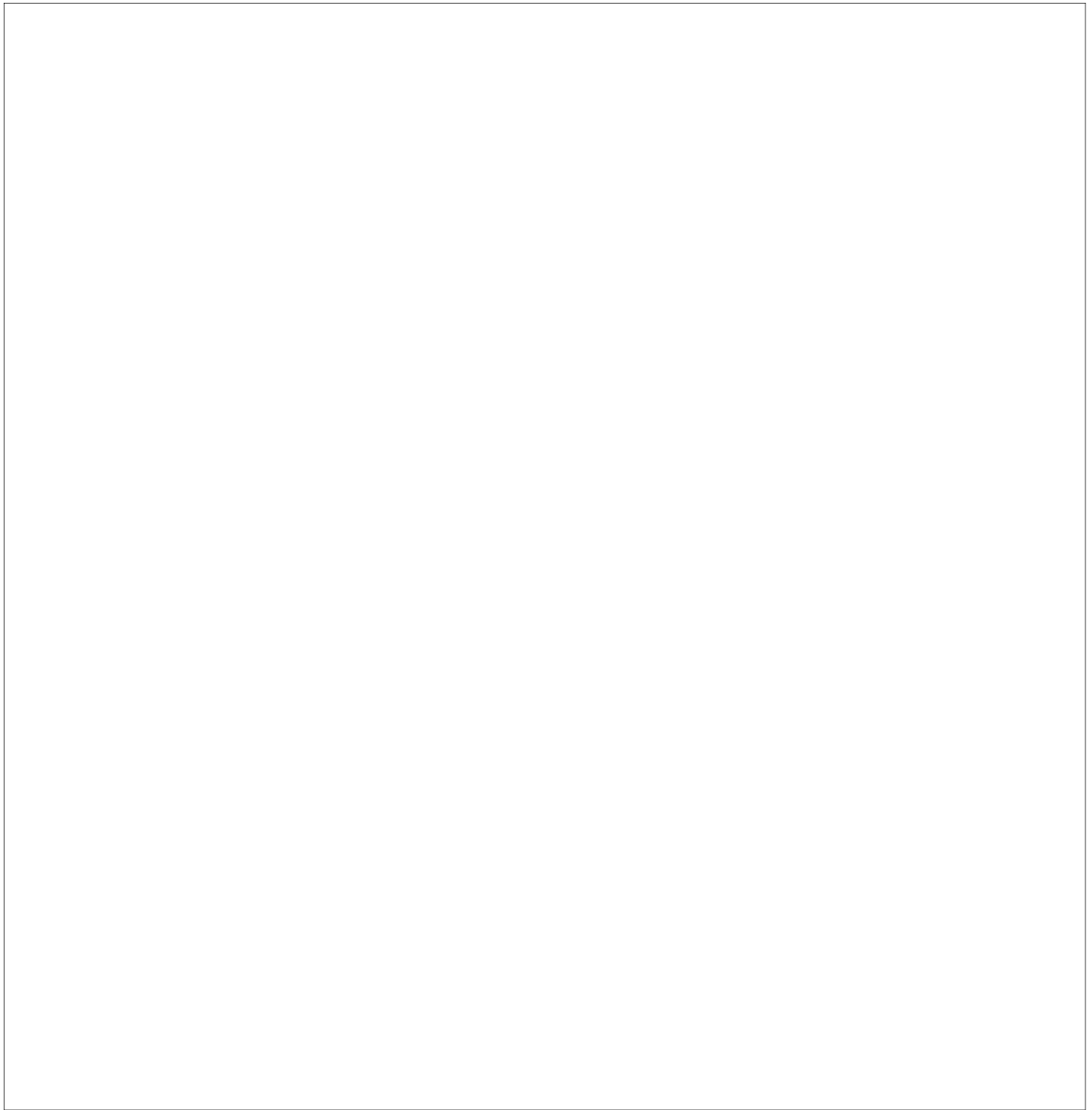
CEASE-FIRE IN NAME ONLY 

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Despite the Afghan regime's unilaterally declared
cease-fire, Soviet and Afghan forces conducted
offensives last week against insurgent logistics depots
and infiltration routes in the Pakistani-Afghan border
regions. 

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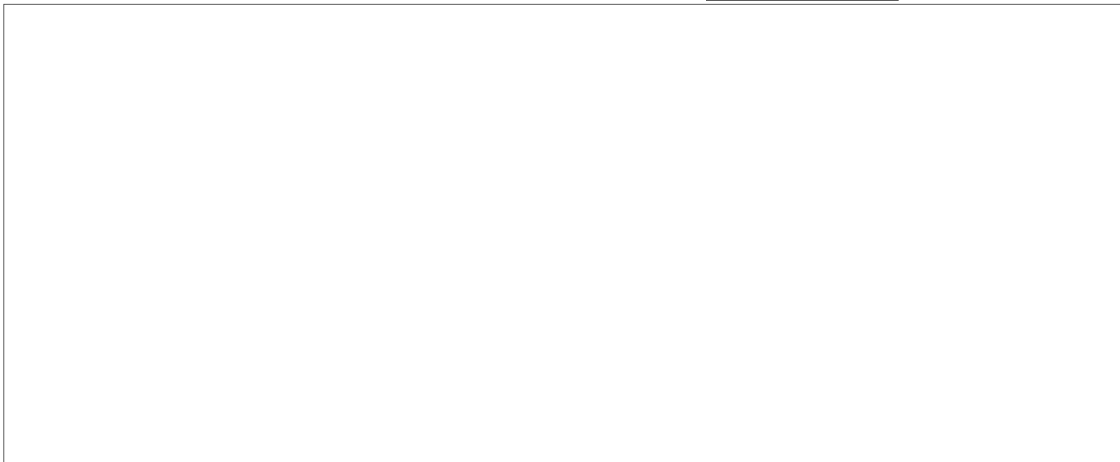


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MASOOD MAINTAINS HIGH LEVELS OF COMBAT



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COMMENT: One of Masood's primary goals is to increase dramatically the level of "day-to-day" combat in the north. To gain time for his program, Masood has instructed his men in Parwan and Kapisa Provinces to maintain military pressure on regime forces while seeking to secure the cooperation of rival insurgent groups. Although Masood also wants to increase the number of high visibility attacks on regime garrisons in the northern regions--such as at Farkhar and Nahrin--he probably will continue to rely primarily on guerrilla-style operations and tactics.



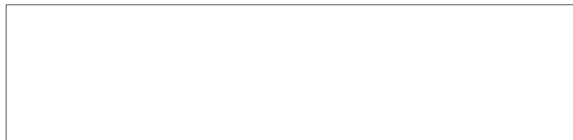
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LIMITED RESISTANCE SUCCESS AT OIC SUMMIT



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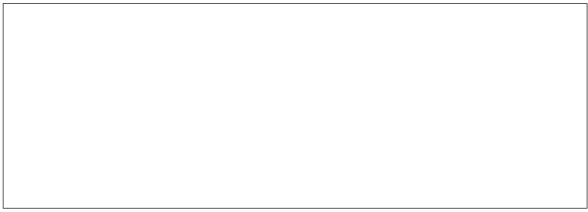
The Afghan resistance delegation to the OIC summit in Kuwait last month apparently is unhappy with the way the Kuwaitis controlled its movements and its failure to attract media coverage. Pakistani officials claim the Kuwaitis "blacked out" media coverage of the



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resistance to avoid offending the Soviets. The insurgent group met with OIC Secretary General Pirzada, and Sayyaf, head of Ittihad--i-Islami Barai Azadi Afghanistan, delivered a well-received, 45-minute speech in fluent Arabic. Sayyaf urged the Islamic countries to accept resistance offices, warned them not to be deceived by the recent Soviet-Kabul peace proposals, and recommended that the resistance be given Afghanistan's seat in the OIC.

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COMMENT: The resistance leaders--especially Sayyaf and Gulbuddin--performed credibly at the summit, avoiding public displays of disunity that have occasionally embarrassed them in the past. Aside from making some useful contacts, however, the insurgents' overall impact was limited by the Kuwaiti decision to deny them media coverage. Even the summit's decision to call on the Soviets by name to withdraw from Afghanistan owes less to resistance efforts than to Pakistan's desire to avoid offending Moscow by outright condemnation of the war in the OIC resolution.

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IMPLICATIONS OF A DRY WINTER



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According to the US Embassy in Kabul, snowfall has been below normal in Afghanistan this winter, contributing to electricity shortages in Kabul. The regime has been forced to implement energy conservation measures, such as limiting hours of service. The light winter snowfall also may affect this year's harvest. A source of the US Embassy claims that even if late-winter snows are heavier than normal, they will be less beneficial than early snowfall because they melt faster and usually dissipate in fast runoff rather than seep into the soil and replenish aquifers.

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COMMENT: Low precipitation levels last winter contributed to shortages and rising prices for some basic foodstuffs. Inadequate precipitation probably is also having a negative impact on Kabul's water supply, already overtaxed by the large influx of refugees in recent years.

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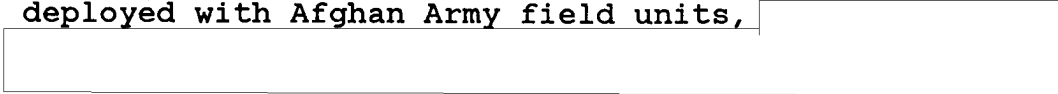
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INDIAN MEDICAL SUPPORT FOR THE AFGHAN ARMY



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In January 1987 Afghan Army casualties were receiving medical treatment at an Indian military hospital and an unknown number of Indian medical personnel were deployed with Afghan Army field units,



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that at least 100 Indian medical personnel--primarily civilians--were in Kabul under a one-year contract to provide support for the Afghan Army.

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COMMENT: Indian officials have publicly denied that India has aided or trained Afghan Army personnel. Although we cannot confirm a current assistance effort,



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that New Delhi has provided some limited specialized military training for Afghan soldiers under an agreement made prior to the Soviet invasion in 1979.



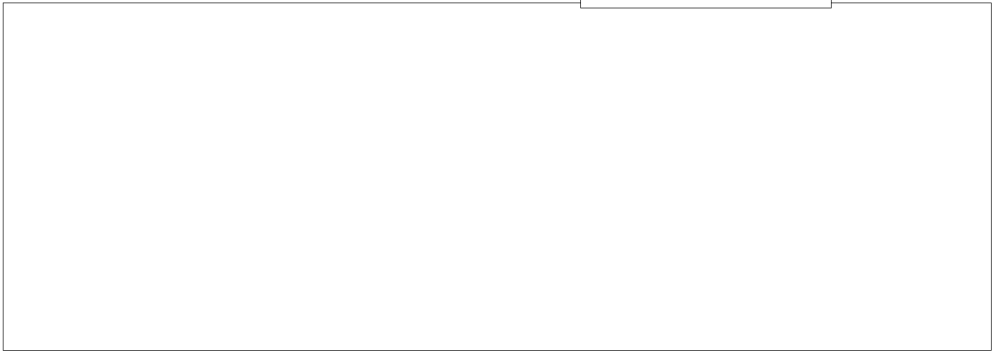
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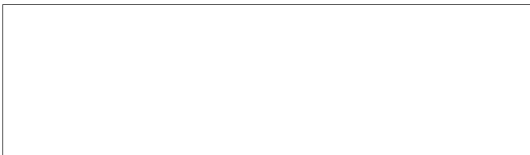
-- Afghan Foreign Minister Abdol Wakil paid an official visit to India between 7 and 11 February. The visit was the first by an Afghan Foreign Minister since the Soviet invasion in 1979. Wakil described his talks in New Delhi, according to the US Embassy, as "urgent" and pertaining to the next session of Geneva peace talks.



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Afghan Army has deployed one battery of four multiple rocket launchers to each of three infantry divisions in eastern Afghanistan. This is the first time that multiple rocket launchers have been issued to Afghan divisions; they usually are deployed at the corps- or army-level. The Soviets have delivered 47 BM-14s since early January-- enough to provide all remaining Afghan infantry divisions with a battery.

[Redacted]

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Two leaders of Kabul's national reconciliation campaign--Haji Abol Ahad Arzbegi of Konduz Province and Inayatullah of Nangarhar Province--were assassinated by insurgents in early February. The resistance also captured a 14-member reconciliation delegation in Parvan Province, according to press accounts. Kabul's inability to protect its representatives almost certainly will further limit the regime's ability to recruit non-party figures for the faltering reconciliation effort.

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The US Mission in Geneva reports that the International Committee of the Red Cross (ICRC) plans to send a five-member team to Kabul by 15 February as part of a recently negotiated agreement with the Afghan regime

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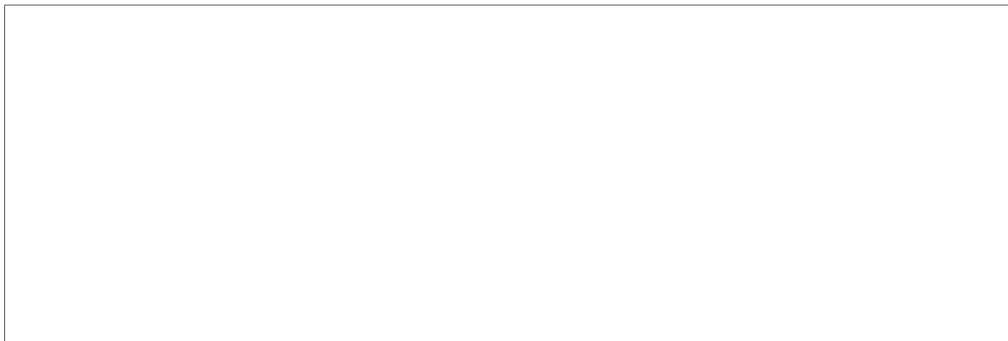


to reestablish an office there. The delegation has been guaranteed access to regime-held prisoners and will begin its monitoring activities with a visit to Pol-e Charki prison outside Kabul. The ICRC also intends to staff orthopedic medical teams in Herat and Qandahar with Western European medical personnel.



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-- The Soviets are continuing to upgrade their logistics infrastructure in Afghanistan. They increased the storage capacity of a petroleum, oil, and lubricant (POL) facility at Pol-e Khomri, the largest in Afghanistan, by 40 percent--7,000 metric tons--in 1986,



Nine new horizontal tanks, which will be buried, provide the additional capacity.



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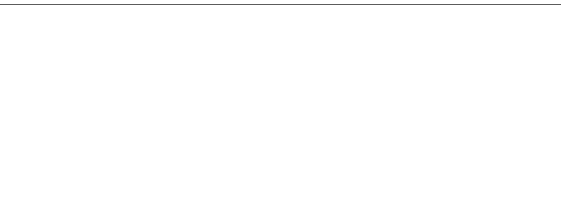


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PERSPECTIVE

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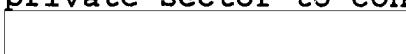
In our view, the Afghan regime was less successful in 1986 than in the year before in efforts to maintain an illusion of economic normalcy. Last year, Afghanistan experienced shortages and rising prices for many essential commodities, the exodus of many private businessmen from Afghanistan, a depreciation of the Afghan currency, and a worsening foreign trade balance. We do not believe the economic situation will improve much so long as the war continues, further hindering the regime's ability to gain popular support. The deterioration of the economy is almost certainly increasing the regime's dependency on the Soviet Union.




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Hard Times in Kabul

Since the Marxist takeover in 1978, the Afghan Government has reported impressive gains in economic growth, industrial output, agricultural production, volume of trade, and the standard of living of most Afghan citizens.* We see little hard evidence of economic development in Afghanistan during the last several years, although the regime has attempted to maintain the impression that all is well--particularly in Kabul--by increasing imports to keep bazaars well stocked, by providing subsidies to maintain stable prices, and by allowing the private sector to continue its traditional activities.



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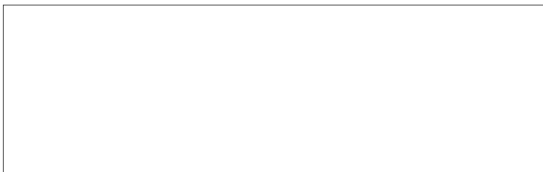
Some segments of the economy have experienced setbacks.  a number of factories have been abandoned by their owners because of shortages of

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* The sparse economic data on Afghanistan come mainly from the Afghan Government and are of uncertain reliability. We believe the accuracy of Afghan Government data has decreased during the war owing to the increased difficulty in collecting information because of the poor security situation, the loss of trained bureaucrats, and the regime's political interest in reporting favorable data.



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labor and raw materials. Once nearly self-sufficient in grain production, Afghanistan now imports grain, despite a shift in production from cash crops to wheat and a significant reduction in population from refugee flight. We estimate that over 450,000 metric tons of grain were brought into Afghanistan in 1986. Although the regime has paid lipservice to land reform, there is little evidence of any implementation. [redacted]

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A market survey in November by the US Embassy in Kabul, noted that in the previous month the price of wheat increased 21 percent, rice 17 percent, and cooking oil 8 percent. Charcoal and petroleum products--key sources of energy--were also in short supply. The shortages and rising prices were probably caused, in part, by increased transportation costs stemming from insurgent activity and shortfalls of transport vehicles and by a drop in agricultural output prompted by drought and combat. [redacted]

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The large influx of refugees into the city has also made it more difficult for the regime to maintain adequate supplies in the bazaars. A recent statistical survey conducted by the regime places the population of Kabul at 1.3 million, up from roughly 900,000 in 1979. Several Western relief organizations in Kabul, however, maintain the city's population has grown to over 2 million. [redacted]

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The regime's hard currency trade situation reportedly deteriorated during 1986. According to the US Embassy in Kabul, exports of important foreign exchange-earning products, such as dried fruits, nuts, carpets, and raisins, declined because of decreased production. Some Afghan exports--particularly raisins and carpets--also lost ground in their traditional markets last year because of strong competition from other suppliers. [redacted]

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Sources of the US Embassy claim that the Afghan re-export trade--an important source of income and foreign exchange for the regime--declined in late 1986 because of transportation delays caused by the insurgency. Afghan Government officials also complained that Islamabad deliberately attempted to sabotage the Afghan

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economy by creating problems for goods being shipped through Pakistan--such as lengthy delays, increased customs duties, and bureaucratic restrictions. Landlocked Afghanistan traditionally has routed much of its Western trade through the port of Karachi. [redacted]

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One result of the deteriorating economic situation in Afghanistan was the decrease in business confidence among Kabul businessmen. In an informal survey conducted by the US Embassy in Kabul, Afghan traders virtually unanimously claimed that the economic climate in Kabul had worsened during 1986. [redacted]

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Approximately 130 wealthy Afghan businessmen left with their assets last year, according to Afghan Government officials. Other businessmen still in Kabul transferred their assets to financial institutions in the West, according to the US Embassy in Kabul. [redacted]

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[redacted] the asset transfers, although surreptitious, were performed with relative ease because businessmen--unlike other Afghan citizens--are given unrestricted travel privileges by the Afghan Government. [redacted]

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A further sign of the unstable business climate in Kabul was the sharp depreciation of the afghani in the bazaar during 1986. Overall, it fell about 15 percent against the US dollar last year. [redacted]

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Other Cities Worse Off

Signs of economic deterioration are even more visible in other major cities. The US Embassy reports that Kabul businessmen will no longer extend credit to fellow merchants in Qandahar, Herat or Mazar-e Sharif--three important provincial business centers before the war. [redacted]

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The struggle for control of Qandahar--Afghanistan's second-largest city--has resulted in the virtual collapse of the official economy there. [redacted]

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[redacted] only about 15 percent of the shops open before the war remain in business, and most industrial plants have been shut down by a lack of raw materials. Government services are practically

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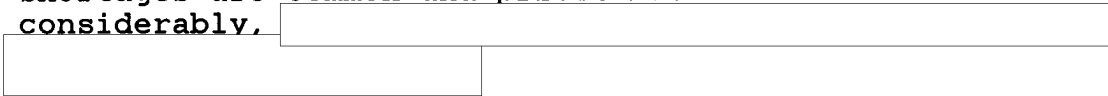
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nonexistent: the phone system is inoperative, and electricity is supplied only to government offices and military installations. Regime officials have great difficulty collecting taxes from the civilian population. Although the bazaar remains open, shortages are common and prices have risen considerably,



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The war has also taken its economic toll on Herat. Food prices rose substantially last year, and the electricity supply has been discontinued, according to sources of the US Embassy. Furthermore, business activity is restricted to only a few hours each day because of the security situation.



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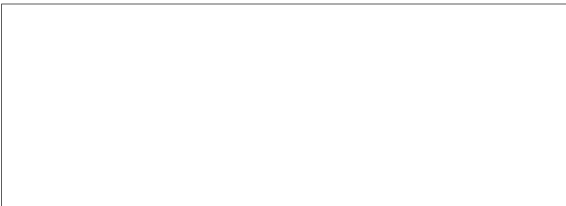
Looking to Moscow

A shortage of hard currency, limited domestic sources of revenue, and the critical need for food and energy imports increased the Kabul regime's economic dependence on the Soviet Union in 1986. According to official Afghan statistics, Afghan-Soviet trade--much of which is conducted on a barter basis--totaled \$960 million in 1986, an increase of 6.7 percent over 1985. Imports from the Soviet Union totaled \$600 million, up 14.5 percent from 1985. Greater imports of foodstuffs and fuel probably accounted for the increase. Conversely, the value of Afghan exports to the Soviet Union decreased 6 percent in 1986, most likely because of a drop in production of agricultural products for export and transportation difficulties. Still, exports to the Soviet Union account for a significant portion of total government revenue; natural gas--the main export--is traded for Soviet goods that represent almost half of the regime's annual income.



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Kabul is also becoming increasingly dependent on cash and project aid from Moscow. We estimate that total Soviet economic aid to the regime amounted to at least \$400 million in 1986. Deliveries of some foodstuffs and other basic commodities are a significant portion of this total, with most Soviet project aid to Afghanistan--about \$110 million in 1986--going to finance infrastructure to support the Soviet military



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[REDACTED]

presence, such as bridges and housing for Soviet personnel. [REDACTED]

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The regime's economic relations with the Soviets are not without drawbacks. Afghan merchants frequently complain of poor quality goods imported from the USSR. Afghan Government officials have also complained, on occasion, about unfair Soviet trade practices.

[REDACTED] Afghan Government officials who negotiated a deal to purchase 300,000 metric tons of wheat from the Soviet Union did not find out until making delivery arrangements that the wheat was not packaged and required the purchase of a fleet of specially modified trucks from the Soviets-- at an exorbitant price. [REDACTED]

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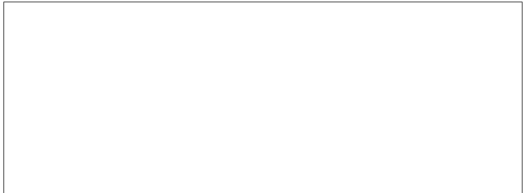
Outlook

We believe the Afghan economy is likely to continue to decline so long as the war continues at or near its current pace, constraining the regime's ability to win popular support.

- Labor shortages, migration of refugees, combat activity, and damage to irrigation facilities will disrupt agricultural activity. Persistent transportation problems will hinder movement of food from surplus production areas to deficit areas, increasing the likelihood of periodic food shortages.
- Shortages of labor and raw materials, damage to plant and equipment, and the regime's inability to attract substantial private investment in the economy will hamper industrial activity.
- Afghanistan's non-Soviet trade situation is likely to worsen in 1987 because of a shortage of hard currency, transportation problems, and the exodus of many private businessmen involved in foreign trade.
- In our opinion, the increasingly uncertain political climate--for example, the talk of

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political settlements, troop withdrawals, and potential leadership changes--will make private businessmen even less willing to invest and trade in 1987.



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To keep up the appearance of economic stability, Kabul will become more dependent on the Soviet Union for imports and aid. The fuel supply situation may improve slightly, for example, because of a recently announced 10 percent increase in Soviet petroleum deliveries to Afghanistan in 1987.



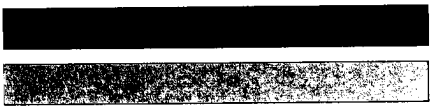
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