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*Soviet Profits in
Afghanistan*

"Soviet Economic Interests in Afghanistan" by M. Siddieq Noorzoy, in *Problems of Communism* (May-June 1987), U.S. Information Agency, 301 4th St. S.W., Washington, D.C. 20547.

How costly has the invasion of Afghanistan been for the Soviet Union? Noorzoy, a University of Alberta economist, believes that the Soviets have forced the poverty-ridden Afghans to pay most of the expenses of the war themselves. The Soviet Union, Noorzoy argues, "eventually expects to make economic gains from its involvement in Afghanistan."

Prior to 1978, the Soviet Union pursued two economic goals in Afghanistan; first, to penetrate the Afghan economy by diverting Afghan trade from free world markets to the Soviet Bloc, by granting large credits at low interest rates, and by "insinuating" direct Soviet participation in Afghan economic planning. Second, to increase Afghan dependence on the Soviet economy through bilateral trade, expanded credit, and complex monetary or barter arrangements. By 1978 the USSR accounted for 37 percent of all Afghan exports and 34 percent of Afghan imports.

Since the 1979 invasion, Soviet control of the Afghan economy has expanded sharply. In the 1985-86 fiscal year, the Soviet Union and its East European client states purchased 76 percent of Afghanistan's exports, and provided 67 percent of its imports. Many of the goods "exported" by the USSR to Afghanistan are military. For example, the Soviets "sold" \$486 million worth of aircraft and \$233 million worth of trucks to Afghanistan between 1979 and 1984; from 1974-1979, Afghanistan imported \$4.2 million worth of trucks and no aircraft from the USSR.

Afghan agricultural output has been hard-hit by the war, and industrialization has lagged. To pay for loans and a balance-of-trade deficit that now total \$2.1 billion, Noorzoy expects that the Afghan government will increase sales of minerals to the Soviet Union. The Soviets already buy Afghan natural gas at prices far below world market rates; they paid \$48 per 1,000 cubic meters in 1979-1981 for gas worth \$115 on the world market, resulting in a loss of \$336 million to Afghanistan. An atlas compiled by Soviet geologists in 1977 shows extensive deposits of gold, emeralds, and uranium, which may be mined in the future.

The Soviets, Noorzoy concludes, expect to exploit Afghanistan's mineral wealth for years to come. "In economic terms," he concludes, "Afghanistan is certainly not 'Moscow's Vietnam'."

*African Failure
And Success*

"East African Experiment: Kenyan Prosperity and Tanzanian Decline" by Karl Zinsmeister, in *Journal of Economic Growth* (Second Quarter 1987), National Chamber Foundation, 1615 H St. N.W., Washington, D.C. 20062.

Kenya and Tanzania are strikingly alike in many ways. They share a common border, both achieved independence from Great Britain during the early 1960s, and their populations are roughly equal (about 20 million). Yet Kenya is thriving, while Tanzania has been in economic decline for years.

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Why has Kenya been a success and Tanzania a failure? The answer, says Zinsmeister, a free-lance writer and demographer, can be found in the economic policies chosen by the founding fathers of each nation.

Kenya's first president, Jomo Kenyatta, stressed the use of *harambee* (self-help) to build Kenya's economy. Communally owned tribal lands and some white settler-owned lands were acquired by the government and transferred to small farmers, resulting in a total of 1.5 million households which owned an average of nearly 10 acres apiece by 1984. Most of Kenya's agriculture and industry remained in private hands, and even state owned institutions (such as marketing boards) paid world market prices for farmers' crops. Kenyatta's policies provided the incentives for Kenya to become "a billion-dollar agricultural export powerhouse."

Tanzanian president Julius Nyerere, on the other hand, chose a "radical socialist" path. In 1967 Nyerere nationalized most private businesses and, two years later, started a "villagization" program, which forced 91 percent of the rural population to abandon their homes for government agricultural communes.

Nyerere's policies brought disaster. Farmers were forced to sell most of their produce to state-run marketing boards, which cut the prices paid to farmers even as world market prices for those crops rose. Because farmers had no financial incentives, production of export crops (e.g., sisal, cashews, cotton) dropped by 20 percent between 1970 and 1984, while basic food crop production (e.g., maize, rice, and wheat) was cut in half. Foreign exchange reserves fell so sharply that industries could not buy replacement parts or technical expertise. Today Tanzania's government-run factories operate at only 10-30 percent of capacity; Tanzanian industry provides only eight percent of the country's total national output.

Since Nyerere's retirement as president in 1985, his successor, Ali Hassan Mwinyi, has allowed farmers more freedom to sell their crops on the free market, and has authorized a limited reintroduction of private property. Nyerere, however, is still chairman of Tanzania's only political party, and may block future reform. Zinsmeister concludes that Tanzania's "foolish economic ideology" will cause it to lag behind Kenya economically for years to come.

Israeli Fundamentalists

"Israel's Dangerous Fundamentalists" by Ian S. Lustick, in *Foreign Policy* (Fall 1987), 11
Dupont Circle N.W., Washington, D.C. 20036.

Orthodox Jews have long thrived in the state of Israel. In recent years, says Lustick, an associate professor of government at Dartmouth, some orthodox Jews have joined *Gush Emunim* (Bloc of the Faithful)—militant fundamentalists whose goals include expanding Israel to its Biblical frontiers and eliminating all traces of "Western-style liberal democracy."

Although *Gush Emunim's* membership is only 10,000, its goals are supported by political parties (mostly members of the right-wing *Likud* bloc) constituting over 35 percent of the *Knesset* (Israel's parliament). Its influence may be even greater: A poll of Israeli leaders taken by the leftist