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**DIRECTORATE OF
INTELLIGENCE**

Intelligence Memorandum

Another Railroad for Zambia?

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CENTRAL INTELLIGENCE AGENCY
 Directorate of Intelligence
 September 1968

Another Railroad for Zambia?

Summary

One of Zambia's two largest copper companies, the US- and UK-owned Roan Selection Trust, is pushing a proposal to build a new rail link between the Zambian Copperbelt and the Benguela Railroad in Portuguese Angola.

Zambian President Kaunda has not yet made public his support, in part because of local political problems. The proposed 500-mile rail link could be built for as little as \$85 million if the shortest route were used, but construction costs could rise to as much as \$170 million if the line were extended to run through politically important Barotseland in southwest Zambia before it moved north toward Angola.

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Copper company officials are pushing this railroad, which they hope would be financed by foreign governments, primarily because it would open up allegedly vast copper deposits which are now too far from the existing railroad to exploit profitably. They also see the new rail link as an alternative to the Tan-Zam railroad, which is to be built by the Chinese Communists from Zambia through Tanzania to the Indian Ocean port of Dar es Salaam. Company officials believe that Kaunda might be persuaded to drop the Chinese project, even at this late date, if he had a suitable alternative.

President Kaunda, however, will support almost any scheme that would give his landlocked country additional alternative links to the sea. He has

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stated that this latest railroad would be in addition to the Tan-Zam railroad, not an alternative to it. Moreover, Kaunda would find it politically impossible to call off building the Chinese railroad through a black African country in favor of the newly proposed one through a white-dominated Portuguese colony whose very existence is anathema to Africans.

Unless the Tan-Zam railroad is dropped, the new railroad appears unjustifiable on economic grounds. The British-owned company that owns the Benguela Railroad insists on a guarantee that the bulk of Zambia's copper exports pass over the Angola route as a condition for undertaking necessary improvements on the existing line. This would cut deeply into the potential revenue of the Tan-Zam route, which has been planned to carry all the copper traffic, and would make the Tan-Zam route unnecessary.

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1. President Kaunda is quietly backing a proposal to build a new rail link from the Zambian Copperbelt to the Atlantic Ocean port of Lobito in Portuguese Angola. Zambia is now connected with Lobito via a railroad through Congo (Kinshasa), but this route has been plagued with sporadic disruptions for years. Traffic has been halted for extended periods by rebel actions originating in both Angola and the Congo. Moreover, Congolese incompetence has kept the volume of traffic far below what the line could carry and has made delivery dates uncertain. In any event, President Kaunda has ruled out increasing Zambia's dependence on the Congo. Discussions among Zambian and Portuguese officials and Angolan railway officials over the proposed new route have been under way for the past several months, and Zambia has recently requested the United Nations to help finance surveys. Officials of the Benguela Railroad in Angola have stated that they may soon undertake surveys of the Angolan section of the proposed rail link.

2. The proposed rail project is being strongly pushed by senior officials of Roan Selection Trust, Ltd. (RST) -- one of Zambia's two copper companies. The Chairman of RST has suggested that financing for the railroad be provided by a consortium made up of the United States, United Kingdom, France, Italy, Germany, and Canada, and with Kaunda's knowledge he visited Washington early in September to generate support for the project.

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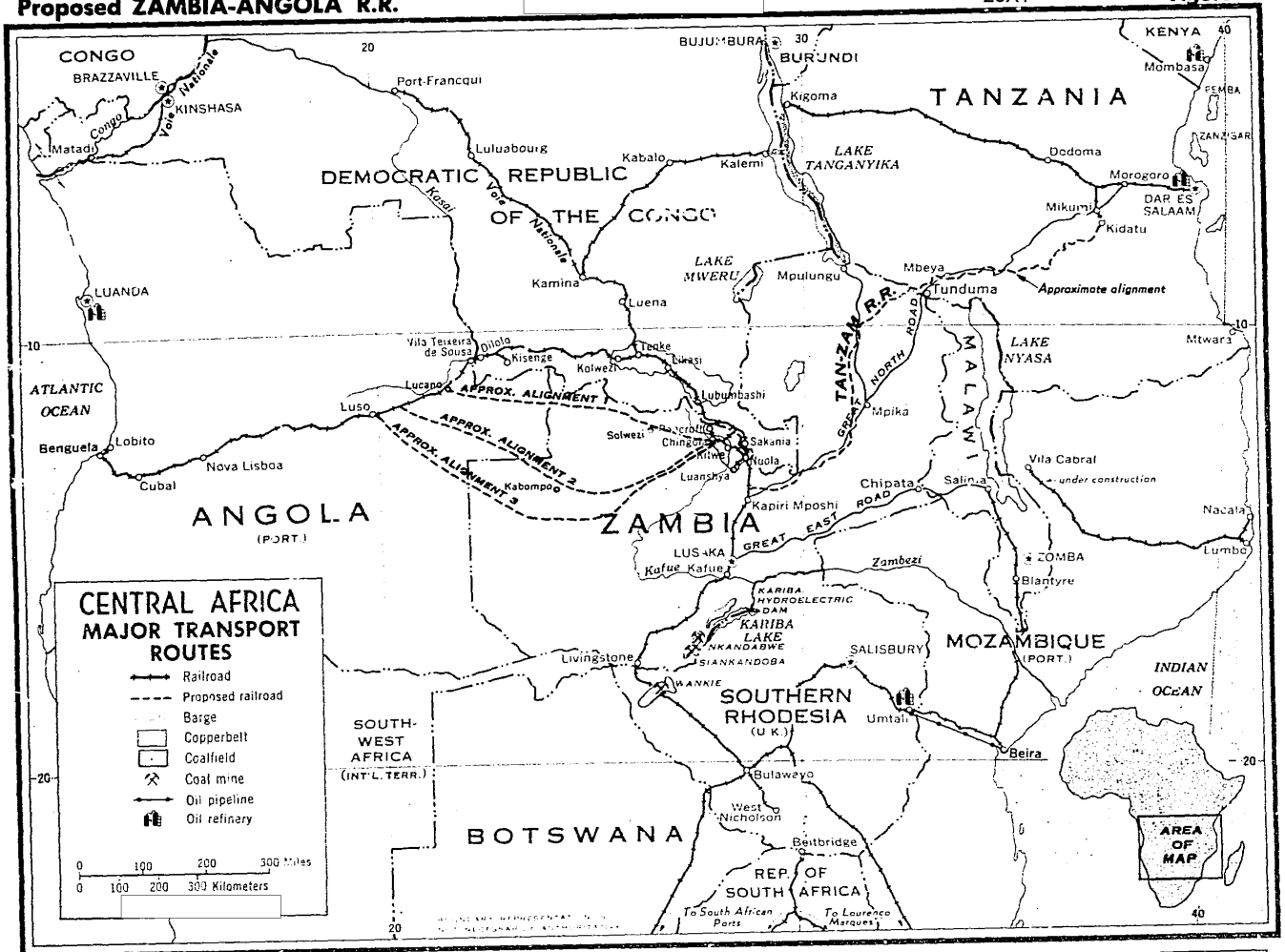
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3. At Kaunda's request the copper company has identified three possible routes for the railroad (see the map). The shortest, extending some 500 miles from the Copperbelt to the existing railroad in Angola, would cost an estimated \$85 million but would pass through Zambian territory that has little development potential. The second alternative, the one favored by the copper companies, would be considerably longer but would pass through an area with

Proposed ZAMBIA-ANGOLA R.R.

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Figure 1



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possibly very large copper deposits. This route, some 700 miles long, would cost an estimated \$120 million. The longest and most expensive route -- estimated to cost roughly \$170 million -- would extend some 900 miles, going southward from the Copperbelt to Barotseland and then north into Angola.

Why Another Railroad?

4. Zambian mining company officials report that rich copper deposits have been located in Zambia's North-Western province, and the new rail link would make their exploitation possible. They also see the new rail link as an alternative to constructing the Tan-Zam railroad, which Communist China has agreed to build from Zambia to Tanzania's port at Dar es Salaam. Company officials believe the rapid implementation of the Angola project may dissuade President Kaunda from going ahead with the Tan-Zam railroad even though the Chinese are already working on the engineering and design survey of the route. They are genuinely concerned over Communist China's involvement in such a long-term project and fear that Peking's influence in Zambia will be greatly enhanced. More specifically, they are concerned that the Chinese will influence Kaunda to exert greater control over the country's economy, including possibly nationalizing the copper industry.

5. Portuguese authorities in Angola also favor constructing the railroad. They apparently hope that it would discourage Zambia from harboring and supporting Angolan guerrillas. They also share concern over Peking's involvement in the Tan-Zam project and fear an increasing Chinese Communist presence in central and southern Africa. In addition, Angola would benefit from increased transit trade revenues and foreign exchange from carrying more Zambian traffic, as well as improved transport facilities within its own interior.

6. For his part, President Kaunda is interested in the Angola rail link because he wants as many alternative routes to the sea as possible. Moreover, he presumably has been told that this railroad could be completed in 1973, two years before the Tan-Zam line, thus allowing Zambia to stop using transport routes through Rhodesia earlier than planned. Kaunda

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has indicated a special interest in having the rail link pass through Barotseland in the southwest in order to increase Lusaka's influence in this province, where there is considerable antigovernment sentiment. Beyond this, Kaunda hopes that the railroad would encourage development of agricultural and mineral resources in the country's western regions.

Is the Railroad Needed?

7. The proposed railroad could carry all of Zambia's foreign commerce only if major improvements were made on the Angolan section of the Lobito route. This would include a new alignment of the track between Benguela and Cubal that would ease the now severe grades and curves. More extensive maintenance facilities would also be required if all Zambian traffic were hauled via this route. The cost of these improvements in Angola might reach \$25 million. Lobito port is thought to have sufficient capacity to meet all of Zambia's needs. Benguela railroad officials have agreed to undertake the necessary improvements if they are guaranteed shipment of 600,000 tons of copper a year over the route -- roughly 90 percent of Zambia's present copper exports (see the photographs).

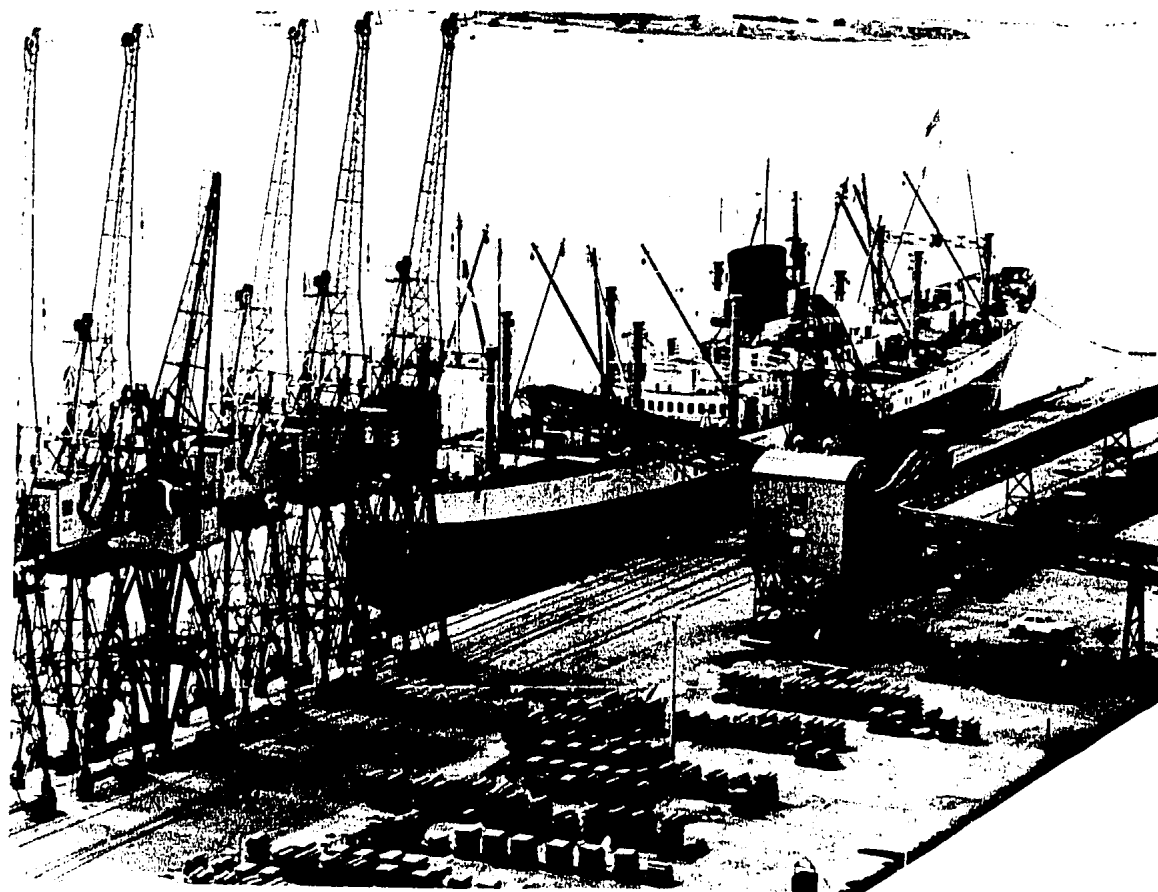
8. Zambia, however, could greatly increase traffic through Angola even without the new railroad link if the present route through the Congo to Lobito, which now carries only about 15 percent of Zambia's exports and about 5 percent of nonfuel imports, were improved. The low level of operating performance could be upgraded by recruiting competent engineers and maintenance personnel (see the photographs). In addition, adequate supplies of spare parts, expanded maintenance facilities, and some line improvements would be required. The cost of these improvements on the Congolese route would be an estimated \$10 million, and the line could then carry all of Zambia's exports and imports. The improvements noted above on the Angolan section of the Lobito route, however, would still have to be undertaken by the British owners. No matter which of the routes through Angola were used, the necessary rolling stock and locomotives required to carry all of Zambia's foreign commerce would cost an estimated \$55 million.

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Double train on the Angolan section of the Lobito Rail Route.

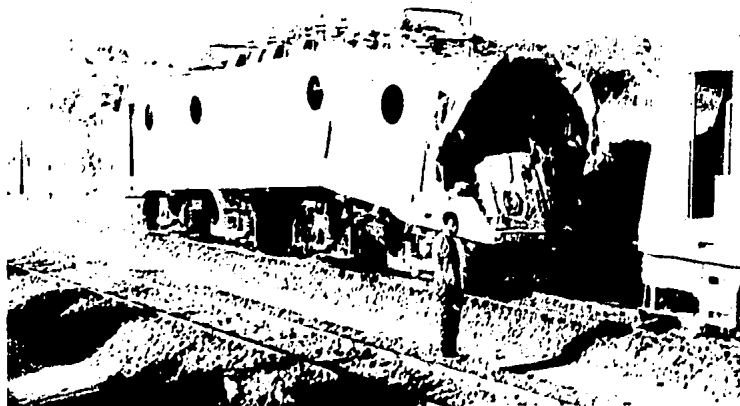


Copper ingots awaiting shipment at Lobito.

- 7 -

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Results of train wrecks on the Congolese section of the Lobito Rail Route.

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9. Thus far, the Zambians and Congolese have been unable to cooperate in upgrading the Congo route. The Congolese have done little to increase the efficiency of the line, which on the contrary has deteriorated sharply since the Congo's independence in 1960. Zambia has thus far been unwilling or unable to provide the required additional equipment and personnel to increase the line's capacity. In 1966, for example, the Congolese agreed to haul up to 360,000 tons of copper a year, or about half of Zambia's output. This offer was conditional on receiving from Zambia 400 freight cars and 10 diesel locomotives, plus engineers and maintenance equipment. Zambia, however, has still not met its part of the agreement because Kaunda is unwilling to increase his country's dependence on the Congolese.

10. President Kaunda supports the proposed rail link through Angola not as a substitute for the Tan-Zam railroad, to which he continues to give top priority, but as an additional outlet to the sea. The problem is that each of the routes now being built, upgraded, or planned would have enough capacity to move Zambia's entire foreign trade on its own. If all of these routes are built or upgraded as Kaunda hopes and the traffic is shared among them, none will be able to operate profitably. Kaunda hopes to obtain these routes free -- or nearly so. The Chinese Communists, for example, are building the Tan-Zam railroad with an interest-free loan which includes financing all local expenses of the project. Even if Zambia should never make either interest or principal payments on the original investments, however, it would still face high operating costs on these systems. Railroads operating at a low percentage of capacity and hence at high cost probably would have to be subsidized with funds that otherwise could go for development projects.

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