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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE
16 December 1954

CO/ED

TO: Deputy Director (Intelligence)

SUBJECT: Background Data on Afghan-Soviet Economic Relations

1. A preliminary examination of Afghan-Soviet economic relations was undertaken as a result of recurring reports that during 1954 the USSR has been making a serious effort to penetrate the Afghan economy and to convert that country into an economic satellite. The examination indicates quite clearly, despite the paucity of reliable statistics, that although there has been some increase in Afghan-Soviet economic relations, many of the reported statements are unsubstantiated and the extent of Soviet penetration is probably less than has been indicated.

2. At first sight, Soviet efforts to penetrate the Afghan economy within the last few years seem to have been unusually successful. The two countries are said to have discussed numerous economic development projects, including oil exploration and the construction of a railroad, a hard-surfaced road, an oil pipeline, and gasoline storage facilities in northern Afghanistan. Czechoslovakia has also discussed oil development with the Afghans. Successive Afghan-Soviet barter agreements are said to have provided for trade in steadily increasing amounts--from a total of about \$6,000,000 in 1950 to about \$25,000,000 in 1954. During the latter year, the two countries signed three credit agreements totaling \$6,200,000 for Soviet-assisted industrial construction and road-building projects, and unconfirmed reports have stated that 200 to 300 Soviet technicians were to be in Afghanistan by the end of 1954. A Czech-Afghan credit agreement for \$5,000,000 was also signed on 22 August 1954 and probably should be considered as integrated into the Soviet program.

3. Actually, Orbit performance in the fields both of trade and technical assistance cannot be shown to be as great as reported. For example, reports that the Soviet Union now supplies 80 to 90 percent of Afghanistan's total annual consumption of gasoline appear highly exaggerated.

State Dept. review completed

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4. Afghan gasoline consumption was reliably estimated prior to 1950 to be about 3,000,000 imperial gallons per year. [redacted] despatches from the American embassy in Kabul indicate that Western sources have supplied Afghanistan with approximately 1,800,000 to 2,400,000 imperial gallons annually since 1951. Deliveries during the first nine months of 1954 were in line with these figures. If, as reported, imports from Western countries are only 10 percent of current total consumption, Afghanistan's requirements must thus have risen since 1951 from 3,000,000 to about 20,000,000 gallons--an unlikely increase.

5. With the possible construction under Soviet supervision of gasoline storage facilities of up to 500,000 gallons, and with the increased use of Soviet trucks in the northern part of the country, the USSR may by now have increased its exports from about 500,000 gallons to a maximum of 1,500,000 gallons annually. This would at best still represent only about 40 percent of the total used.

6. Because of the primitive nature of Afghan facilities for the production, distribution, and consumption of goods, it also seems unlikely that the Afghans now consume four times as many Soviet products as in 1950. The only Soviet commodity whose use in materially increased quantities can be reliably documented is gasoline.

7. It also seems unlikely that the Afghan trade organization has quadrupled its exports in recent years of wool, cotton, hides and skins--the bulk of its trade with the USSR--as indicated by the reported total trade figures of recent Afghan-Soviet trade pacts. Afghan raw cotton production apparently increased nearly 50 percent between the 1951-52 and 1952-53 seasons. It seems doubtful, however, that the USSR could have taken a large proportion of this increase, since Afghan cotton exports to the West almost doubled in value between 1952 and 1953, a period when world prices declined.

8. In wool, as recently as October 1953 the American embassy in Kabul reported indications that Afghanistan was having serious difficulty in meeting its delivery schedules to the USSR. Unless there has been a considerable growth in the size of flocks since late 1953--an unlikely event in the view of the nature of Afghan ecological conditions--Afghanistan cannot have substantially increased its wool export commitments in 1954.

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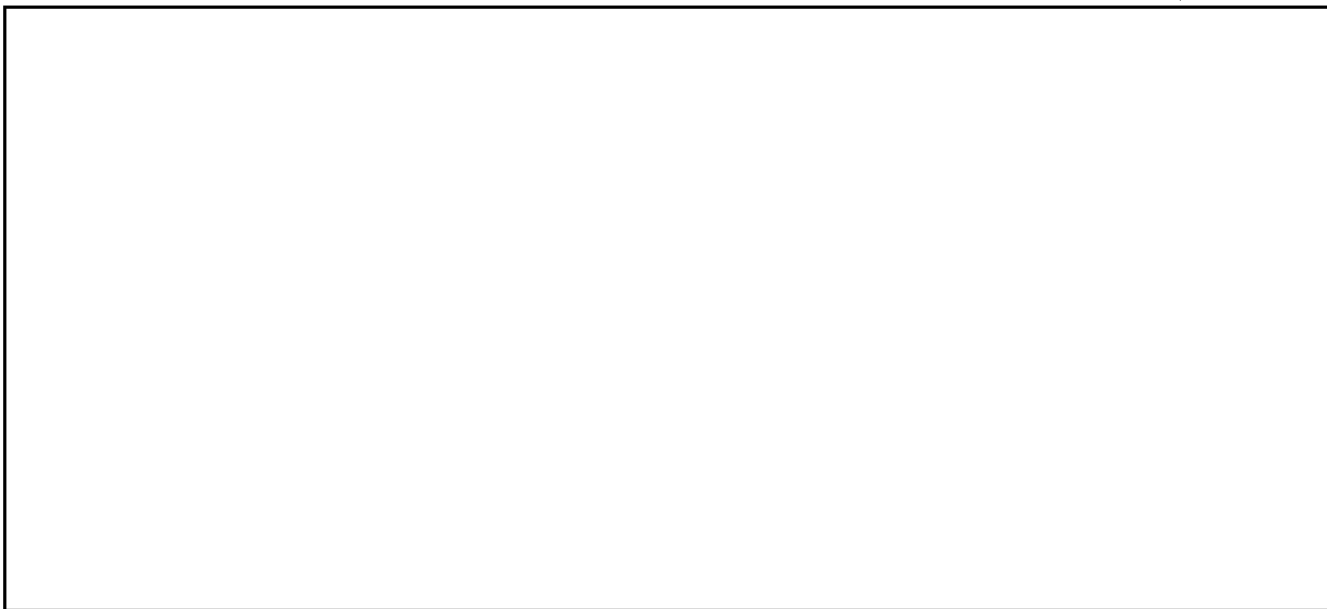
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9. Production of karakul skins, in former years Afghanistan's major source of foreign exchange, declined from a level of about 3,000,000 skins in the late 1940's to approximately 1,000,000 in 1953, though it is reported to have risen to 1,500,000 skins in the 1954 season. Since the decline of karakul exports to the West has not been far out of proportion with the drop in Afghan production, it is also unlikely that Soviet trade in this commodity has increased greatly.

10. Eyewitnesses have seen several new Soviet-sponsored construction projects actually started, but there has been no indication of any implementation of the 22 August Afghan-Czech agreement. None of the Soviet projects--including a bakery, a flour mill, gasoline and foodgrain storage facilities, and paved streets in Kabul--is such as to give the USSR a permanent pressure point for extending its influence over the Afghan economy.

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HUNTINGTON D. SHELDON
Assistant Director
Current Intelligence



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