

~~SECRET~~
CONFIDENTIAL

OC
ODIED

OCI No. 5785/55
Copy No. 34

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE
30 September 1955

TO: Deputy Director (Intelligence)
SUBJECT: Current Afghan-Soviet Relations

1. Although the Afghan-Soviet treaties of 1921 and 1931 provided for establishment of close ties, Soviet contact with Afghanistan prior to 1954, was limited to routine matters-- boundary and quarantine questions and a modest amount of trade. Exceptional contacts were a barter agreement (signed in July 1950 and renewed in 1954 for another four years) and an extension of credit by the Soviet Union in 1953 for construction of four gasoline storage facilities in northern Afghanistan.

2. In 1954, Soviet-Afghan economic contacts increased significantly and other countries of the Soviet bloc began to manifest interest in the Afghan economy. The USSR advanced a total of \$6,200,000 in credit for street and road construction, and the building of silos, more gasoline storage facilities, a flour mill, and a bakery. Czechoslovakia also advanced Afghanistan \$5,000,000 in credit in 1954, of which \$1,500,000 has been allocated to construction of a cement plant. There have also been reports that the Czechs are to supply a glass factory, briquette plant, a fruit cannery, and a nitrogen plant, but as far as is known, the rest of the Czech credit has not been committed to specific projects; the Afghans may be using this credit for their recently reported substantial quantities of imports from Czechoslovakia. Both the Soviet Union and Czechoslovakia are to be repaid in goods at low interest over an extended period.

3. The last three annual protocols signed under the Soviet-Afghan barter agreement suggest an expansion in Soviet-Afghan trade. The 1954 protocol was announced as covering \$25,000,000 worth of trade; the 1955 protocol reportedly provided for trade up to \$30,000,000; the 1956 protocol covers "expanded" trade. It seems quite doubtful that actual trade has approached these figures. For one thing, the increase in Afghan production of goods for export has probably not been sufficient for barter trade on such a scale. Afghanistan's main exports to the USSR are wool, cotton, seeds, and hides; its principal imports from the USSR are petroleum products, sugar, cotton piece goods, building materials, and vehicles.

CONFIDENTIAL

SEE REVERSE FOR DECLASSIFICATION ACTION

~~SECRET~~

Document No. 18
No Change in Class.
 Declassified
Class. Changed To: TS (C)
Auth.: HR 70-2
Date: 25 Sept 78 By:

25X1

~~CONFIDENTIAL~~
~~SECRET~~

4. Since October 1954, when the latest credit agreement with the USSR was signed, new contacts of importance between Afghanistan and the Soviet bloc have been as follows: (1) an Afghan-Soviet transit agreement signed on 28 June 1955 under which Afghanistan is allowed to ship imports and exports through the USSR duty-free and at a 10-percent freight discount, (2) establishment of a small new port of entry on the Oxus River at Qizil Qala in June 1955, [REDACTED]

25X1
25X1

5. Soviet technicians promptly began work on all of the 1954 projects. Most are now completed or near completion.

25X1

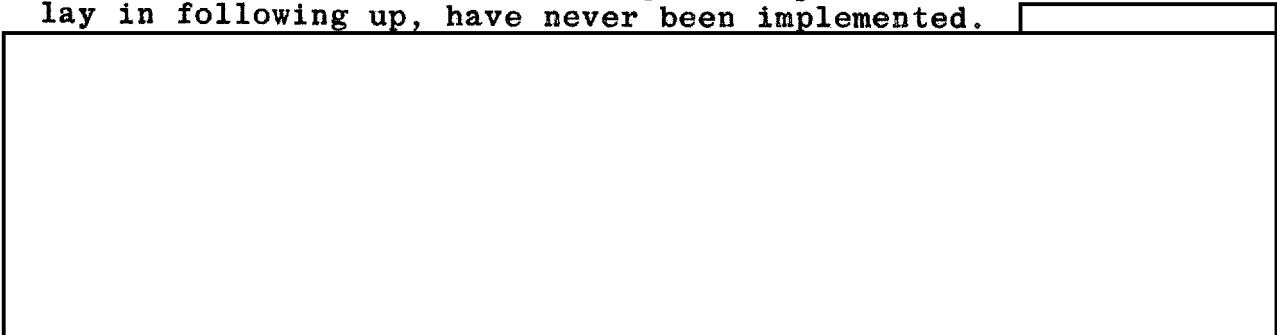
6. Afghanistan's economic contacts with countries outside the Soviet bloc continue to overshadow those with the bloc. Since 1951, \$8,200,000 in direct American technical assistance and \$39,200,000 in loans from the Export-Import Bank have been given to Afghanistan. The American construction firm of Morrison-Knudsen has since 1948 worked on more than \$50,000,000 worth of projects. Most of the money for these projects came from the Export-Import Bank loan. No significant effort has been made to challenge Morrison-Knudsen's dominant position in southern Afghanistan and a new contract for construction of an international airport at Kandahar was concluded while the recent Pakistani blockade was still on. Afghanistan's total trade with nonbloc countries has remained about \$65,500,000 annually since 1951. The number of American technical personnel now in Afghanistan is about 140. While the amount of Soviet gasoline scheduled to be imported into Afghanistan under the barter protocols has remained about 3,000,000 imperial gallons each year, this figure was actually met only in 1954. Afghan imports of gasoline from the West rose from less than 2,000,000 imperial gallons annually in 1950-1953 to 3,300,000 gallons in 1954. (Although Soviet gasoline at the border costs less than half the delivered price of Western gasoline, internal freight costs tend to offset the price differential in the southeastern part of the country.)

~~CONFIDENTIAL~~

~~SECRET~~

~~SECRET~~
CONFIDENTIAL

7. A large number of offers have been made by the bloc which, either as a result of Afghan suspicion or Communist delay in following up, have never been implemented. 25X1



25X1

8. The two most significant factors affecting Afghanistan's foreign economic contacts are: (1) division of the country into two geographic areas by the Hindu Kush Mountains, which makes the transportation of goods in the country from the north to the south, or from the south to the north, both difficult and expensive, and (2) Kabul's determination to avoid complete dependence on either the Soviet Union or Pakistan as a source of supply. Prime Minister Daud's impatience for modernization has occasioned an increased emphasis on the Soviet source when it has been impossible to obtain necessary material from the West.

9. The Pakistani blockade of the Afghan border from April to September 1955 introduced a new but probably temporary element. Since the Afghan-Soviet transit agreement was signed on 28 June, Afghanistan has directed that some imports from Western Europe be sent via the USSR. Bloc countries have also demonstrated interest in utilizing the Soviet route to expand their trade with Afghanistan. Apparently the USSR expedited shipments of petroleum products and cement but failed to relieve all shortages caused by the Pakistani blockade. Goods are now reported to be coming in again from Pakistan. The hardships caused by the Pakistani blockade and continuing bad feelings between Kabul and Karachi make it unlikely that Afghanistan will let itself become as heavily dependent on the Pakistani channel as before.

10. The Soviet development projects agreed to in 1954 have been executed promptly, serve immediate needs, and are psychologically appealing, with consequent increased Soviet potential for influencing Afghan policy. Initiative for the development projects has, however, been as much Afghan as

CONFIDENTIAL


~~SECRET~~

~~SECRET~~


CONFIDENTIAL

Soviet. The Soviet Union has made the most out of the Pakistani blockade and Daud's intense desire for modernization. No new Soviet-Afghan agreement for development projects has been signed since October 1954, when strong foreign and domestic protests followed Daud's acceptance of the \$2,100,000 Soviet road building and maintenance program for Kabul. Most of the Soviet credits extended in 1954 have probably been used up, and unless additional arrangements are made shortly, a slacking off of bloc activities in Afghanistan can be expected.

11. The Afghans, confident in the success of their traditional policy of playing great powers against each other, are primarily concerned with internal affairs. Since confusion and uncertainty do not alarm them and do trouble the United States, and presumably the USSR, the Afghans are probably reasonably satisfied with their present position. They have expressed some willingness to join the West if assistance on a sufficiently large scale is forthcoming. The sincerity of this offer is open to question since such Western assistance could be expected to alarm the Soviet Union and provoke major counterefforts. Moderate but gradually expanding American economic and political aid, however, probably could reduce the modest recent Soviet gains without alarming the USSR. In any case, it is unlikely that Afghanistan of its own volition will choose between East and West.


Acting Assistant Director,
Current Intelligence

25X1


(Coord. with ORR)

25X1

CONFIDENTIAL

~~SECRET~~