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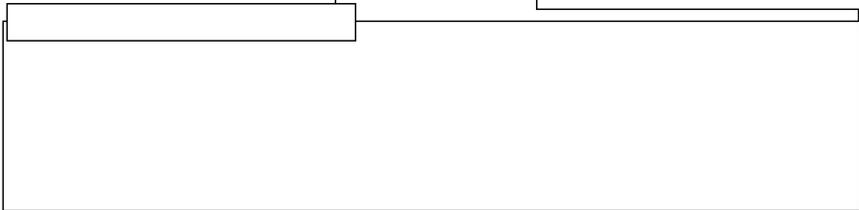
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THE ROLE OF TRANSPORT
IN SOVIET-AFGHAN ECONOMIC RELATIONS



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FOREWORD

Soviet interest in Afghanistan has increased progressively in recent months. Since the imposition of border restrictions by Pakistan, the USSR has had an opportunity to extend its influence further into the Afghan economy. A part of this general effort has been the Soviet offer to permit Afghan foreign trade to transit the USSR. Because traditional trade routes had been effectively blocked, the offer was readily accepted. The purpose of this report is to determine the extent of liability or advantage accruing to Afghanistan in implementing the agreement and to investigate the feasibility of continued Afghan adherence to the accompanying change in normal trade patterns.

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CIA/SC/RR 134
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THE ROLE OF TRANSPORT
IN SOVIET-AFGHAN ECONOMIC RELATIONS*

Summary and Conclusions

The limited transport system of Afghanistan is being increasingly oriented toward the USSR. Restrictions imposed by Pakistan on the use of traditional routes through the Khyber and Chaman Passes encouraged Afghanistan to sign an agreement with the USSR which permits Afghan foreign trade to transit the USSR at preferential freight rates. Subsequent relaxation of border restrictions by Pakistan, a relaxation that would be expected to draw trade away from transiting the USSR, has not greatly diminished the growth of the implementation of the Soviet-Afghan transit agreement. Some import requirements normally met by the West are being supplied by the USSR and to some extent by the European Satellites. The Soviet Bloc is also taking more Afghan exports.

Generally lower transport costs accompanying the reorientation of Afghan trade both through and to the USSR facilitate extensive implementation of the transit agreement and greater acceptance of Soviet offers of direct trade. Continued emphasis on the improvement of Afghan roads to the Soviet border, at least partly financed by Soviet credit, indicates a long-range intention of eliminating dependence on Pakistan as a route for the foreign transit trade of Afghanistan. The resulting dependence of the Afghan economy on the USSR will be difficult to reverse, especially if it is accompanied by disuse and neglect of traditional trade routes.

I. Transport Network.

The transport system of Afghanistan, traditionally oriented toward the south and west, consists primarily of a few roads connecting major cities and joining essential border points with internal commercial centers. Railroad and inland waterway transport facilities do not exist in Afghanistan. Air service is limited to internal service by the Aryana Airlines Company, Limited, and to international service by Air India once weekly between Kabul and Delhi and by Aeroflot twice monthly between Kabul and Tashkent. The Aeroflot service is for the most part a courier flight, concerned with serving the Soviet Embassy in Kabul. The accompanying map** shows the principal roads in Afghanistan and the surface transport facilities available in adjacent areas.

* The estimates and conclusions contained in this report represent the best judgment of ORR as of 1 January 1956.

** Inside back cover.

There are no all-weather roads in Afghanistan, because the relatively small volume of traffic moving has not warranted the large expenditures necessary for their construction. Road maintenance has been irregular, and in the past it has been financed through Western loans and World Bank funds. A program of road improvement presently under way in the northern part of the country, however, is being financed, at least in part, by the Soviet government within the terms of a credit agreement between the two countries. The urgency of the program is evidenced by the fact that, in a major effort to improve existing road connections with the Soviet border, the Afghan government recently shifted to northern Afghanistan all available road machinery not otherwise being used on priority commitments. 1/*

Road construction has been reported in progress on the Termez - Mazar-i-Sharif section of the main north-south route and further south on this route near Pul-i-Khumri. Recently the USSR has offered to improve the following routes: Herat-Kandahar, Kelif - Mazar-i-Sharif, Maimana - Mazar-i-Sharif, and Herat-Kabul. 2/

Other significant developments involving transport improvement are the recently undertaken construction of new port facilities at Qizil Qala on the Amu Darya River along the northern border of the country and the building of a road to connect the port with the Kunduz - Mazar-i-Sharif route, which leads to Kabul. The construction cost of the road will be borne by Afghanistan, and the cost of port improvement is being shared with the USSR. 3/ Completion of the connecting road will result in a more direct route to the Soviet border from major Afghan centers producing wool and cotton. General road improvement to other points along the Soviet border will allow Afghan import and export traffic access to a total of four Soviet border transshipping points over roads which will be superior to other roads in the country. By comparison, there are only two available routes for Afghan foreign trade traffic through Pakistan. 4/

II. Pattern of Traffic.

Traditionally, the international traffic of Afghanistan has been oriented toward the West through Pakistan via the Khyber Pass and the Chaman Pass. In 1952, 62 percent of Afghan foreign trade, in terms of value, passed over these routes. The recent border dispute with Pakistan resulted in a virtual closing of the Khyber Pass, thus denying Afghanistan access to its principal foreign market. In order to alleviate this situation, Afghanistan was forced to seek an alternative route for its foreign trade. A transit agreement with the USSR was concluded in June 1955 allowing Afghan trade with Western markets to transit the USSR at rates which are about 10 percent below Soviet internal rates and which are similar to transit rates in effect within the Sino-Soviet Bloc under the Uniform Transit Tariff (UTT). **

* For serially numbered source references, see Appendix B.

** The UTT is the transit rate schedule for the Agreement on International Railroad Goods Traffic (SMGS) which governs transit traffic in the Sino-Soviet Bloc. Freight rates prescribed by UTT are lower than internal rates.

Sovfrakht* was designated as the Soviet agent to handle transport negotiations between Afghanistan and the Sino-Soviet Bloc, and an Afghan transport forwarding company was formed in August 1955 to handle traffic incident to the transit agreement. The objectives of the company are as follows: (1) to supervise the transport of goods entering Afghanistan from the USSR and other countries, (2) to conclude agreements with Soviet economic establishments and other foreign companies for the transport of goods between the USSR and Afghanistan and between Afghanistan and other countries via the USSR, and (3) to prepare and maintain transport records and agreements concluded with domestic and foreign transport companies. 5/

Recent reports indicate extensive implementation of the transit agreement despite the relaxation in October 1955 of restrictions on transport over the Pakistan route. Diplomatic sources in Karachi have stated that Afghanistan has been diverting most of its transit trade with the West to the route through the USSR. On 27 August a Swedish firm was directed to ship via Batumi all drilling materials included in its contract with the Ministry of Mines of Afghanistan. 6/ Moreover, Afghanistan was reported to have made an agreement in October with a West German transport firm to ship goods destined for Afghanistan through the USSR. 7/ A significantly large shipment of cotton (2,000 metric tons) destined for West Germany via Batumi reached the border point of Qizil Qala on the Amu Darya River in October.

Although traffic with the West is continuing, Soviet-Afghan traffic has been increasing. In the past, the USSR has taken half of the Afghan cotton and wool exports. In 1955, however, the USSR contracted to purchase 80 percent of total wool production, or virtually the entire export crop for 1955. In addition to normal cotton imports, the USSR reportedly offered to take one-third of the crop awaiting export in July 1955. 8/ Furthermore, Soviet offers to Afghanistan indicate a willingness to supply all of Afghanistan's import requirements.

Numerous reports indicate that a considerable volume of traffic also is developing between Afghanistan and the European Satellites under the terms of the transit agreement.

Afghan trade with the Soviet Bloc will develop "tremendously" in the near future. 9/ Most of this traffic is still in the process of negotiation, although a few shipments have been reported. For example, a large shipment of arms from Czechoslovakia reportedly arrived at the Soviet-Afghan border in October. 10/

III. Comparative Transport Costs.

The Government of Afghanistan has concluded that its foreign transit trade can move more cheaply and more quickly through the USSR than through Pakistan. 11/ This conclusion is supported by estimates of comparative transport costs to the shipper, as shown in the table, ** which

* Sovfrakht (All-Union Association for Ship Chartering) is a Soviet organization concerned with chartering Soviet and foreign vessels and with organizing the movement of goods in transit across the USSR.

** The table follows on p. 4.

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Table

Costs of Transport on Afghan Foreign Trade Routes Adjacent to Afghanistan

Selected Commodities	Route		Distance (Statute Miles)	Cost a/* (US \$ per Metric Ton)			
	Origin b/	Through Destination		Overland Shipment	Sea Shipment	Total Shipment	
Exports							
Cotton	(1) Kushka	Batumi	Hamburg c/	6,214	30.92	21.08	52.00
	(2) Peshawar	Karachi	Hamburg	7,287	49.08	31.80	80.88
	(3) Termez		Tashkent d/	678	12.28		12.28
Wool	(1) Kushka	Batumi	Hamburg	6,214	34.36	58.71	93.07
	(2) Peshawar	Karachi	Hamburg	7,287	49.08	58.71	107.79
	(3) Termez		Tashkent e/	678	29.48		29.48
Karakul	(1) Kushka	Batumi	New York	8,529	54.98	104.25	159.23
	(2) Peshawar	Karachi	New York	10,059	65.71	80.33	146.04
	(3) Termez		Leningrad	3,180	172.70		172.70
Imports							
Vehicles	(1) New York	Batumi	Kushka f/	8,529	55.00	23.37	78.37
	(2) New York	Karachi	Peshawar	10,059	76.00	25.40	101.40
	(3) Chelyabinsk		Termez g/	2,092	67.75		67.75
Machinery	(1) New York	Batumi	Kushka h/	8,529	41.22	32.26	73.48
	(2) New York	Karachi	Peshawar	10,059	42.75	35.42	78.17
	(3) USSR		Termez	2,495	84.17		84.17
Textiles	(1) Hamburg	Batumi	Kushka	6,214	55.17	52.69	107.86
	(2) Hamburg	Karachi	Peshawar	7,287	60.97	44.36	105.33
	(3) Tashkent		Termez i/	670	58.97		58.97

* Footnotes for the table follow on p. 5.

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Table
Costs of Transport on Afghan Foreign Trade Routes Adjacent to Afghanistan
(Continued)

- a. Rates given by the North Western Railroad 12/ suggest that overland transport costs by way of Pakistan are lower than indicated by the table. These rates, however, do not include demurrage costs which commonly occur on this route. The estimates given in the table are based on costs experienced by shippers using the route and include demurrage charges.
- b. Numbers in parentheses indicate the routes for trade as follows:
(1) Route for transit trade with the West via the USSR.
(2) Route for transit trade with the West via Pakistan.
(3) Route for direct Soviet-Afghan trade.
- c. It was announced in Kabul on 3 October, 1955 that 2,000 metric tons of cotton were to be shipped to Hamburg via the USSR. 13/
- d. The USSR reportedly offered to buy one-third of the Afghan cotton crop awaiting export in July 1955 and to ship the balance through the USSR. 14/
- e. The USSR is reported to have contracted to purchase 80 percent of Afghan wool production in 1955. 15/ This amount represents virtually the entire export production.
- f. A US company has been instructed by Afghan motor monopolies to route all future shipments of vehicles through the USSR. 16/
- g. Afghanistan is reported to have purchased recently about 500 trucks and several dozen passenger vehicles from the USSR. 17/
- h. A Swedish export firm has been instructed to route future shipments to Afghanistan through Batumi. 18/
- i. A usually reliable cloth merchant reported that an agreement was being effected in July 1955 for the import of 25 million meters of cotton -- nearly one-third of total yearly cotton imports -- from the USSR. 19/

compares transport costs incurred on alternative transport routes. It can be seen that cotton and wool, which are major Afghan exports, can reach normal markets via the USSR at rates which are appreciably lower than those incurred through Pakistan. Although the cost of shipping karakul, another important export item, is somewhat higher by way of the USSR, the difference in transport cost is negligible relative to the value of the karakul and is unlikely to exert much influence on the choice of routes.

Transit costs involved in Afghan import trade are also lower in the USSR. Major import items such as machinery and vehicles can be shipped more cheaply via the Soviet route, and textiles can be shipped at approximately the same cost as that incurred over the route through Pakistan.

It is difficult to establish precise estimates of transport costs within Afghanistan, because they are generally based on the transport distance and the condition of the route. Costs over a road in poor condition, for example, may be double the costs on a good road for the same distance. Generally, however, the domestic transport costs involved in routing Afghan export trade through the USSR should be less because the bulk of Afghan export commodities originate in areas which are close to the Soviet border and because the transport distances involved in trucking to the Soviet border are shorter than those over traditional routes to the Pakistan border. Because the conditions of the routes involved are similar, the routing of this trade through the USSR may, in fact, represent a reduction in internal transport costs. The distribution of Afghan imports does not in most cases confer a distance advantage on either route.

Traffic to and from the Helmand River valley (primarily fruits and nuts and construction requirements of the area), however, would involve higher transport costs if reoriented to the north, since it would have to be carried 430 miles to the Soviet border as against 70 miles to Pakistan. It would be to the advantage of Afghanistan, therefore, to maintain the traditional trade route through the Chaman Pass for this traffic. In fact, for the important traffic of perishable fruit, which the USSR is unlikely to accept in competition with similar domestic products, it is virtually a necessity. As an alternative, the airlifting of fruit to India, the principal market, would entail transport costs which over a sustained period would be prohibitively high in relation to the value of the commodities.

Transport equipment would not be a limiting factor. It is estimated that there are approximately 4,500 motor vehicles in Afghanistan, most of which are trucks. This number is sufficient to move total Afghan import and export traffic to and from the Soviet border, as well as within Afghanistan, for which it has been calculated that approximately 300 trucks would be required.*

* Based on a 2-day turnaround time, an average load of 4 metric tons per truck, and an average of 200 operable days per year per vehicle.

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There are indications that Afghanistan intends to develop railroad transport, in which case physical transport limitations on traffic to and from the Soviet border would be minor and transport cost further reduced. According to a recent report, Soviet railroad experts are scheduled to go to Afghanistan in the spring of 1956 to discuss railroad construction. 20/ An earlier report dealing with a Czechoslovak-Afghan agreement mentions the possible construction by the Czechoslovaks of small-gauge railroad installations. 21/ The total volume of traffic that would use a railroad connection to the USSR, however, does not now seem sufficient to justify the expenditure for such a project.

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APPENDIX A

GAPS IN INTELLIGENCE

The most serious gaps in intelligence noticed in the preparation of this report were information on rates charged for various commodities moving over internal Afghan routes and to a lesser extent for transit movements to Western countries via rail and sea. Timely detail is also lacking on the direction and volume of traffic involved in Afghan foreign trade, particularly that with the USSR and lately with the European Satellites.

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APPENDIX B

SOURCE REFERENCES

Evaluations, following the classification entry and designated "Eval:", have the following significance:

<u>Source of Information</u>	<u>Information</u>
Doc. - Documentary	1 - Confirmed by other sources
A - Completely reliable	2 - Probably true
B - Usually reliable	3 - Possibly true
C - Fairly reliable	4 - Doubtful
D - Not usually reliable	5 - Probably false
E - Not reliable	6 - Cannot be judged
F - Cannot be judged	

"Documentary" refers to original documents of foreign governments and organizations; copies or translations of such documents by a staff officer; or information extracted from such documents by a staff officer, all of which may carry the field evaluation "Documentary."

Evaluations not otherwise designated are those appearing on the cited document; those designated "RR" are by the author of this report. No "RR" evaluation is given when the author agrees with the evaluation on the cited document.

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2. CIA. [] 19 Jul 55. S/[]
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