

NSC BRIEFING

7 August 1957

SOVIET AID TO AFGHANISTAN

- I. During their visit to the USSR from 17 August to 4 September, Afghan King Zahir Shah and Foreign Minister Naim received an elaborate reception in the USSR, although Soviet press treatment was not as intensive as that accorded Indian Prime minister Nehru or Burma's U Nu.
- A. The principal result of the visit was an agreement that the Soviet Union would conduct petroleum exploration in northern Afghanistan, probably under the \$100,000,000 credit extended late in 1955.
- B. Failure of a Swedish drilling team to strike oil in commercial quantities after a year of drilling probably was responsible for Afghanistan's turning to the USSR.
- II. While no new arms agreements were announced during the visit, the Soviet bloc military program in Afghanistan is making progress.
- A. The willingness of the Soviet bloc to supply arms to Afghanistan during the past year has given the Afghans their first chance to modernize their armed forces since World War II.
- B. Kabul's first arms purchase from the bloc occurred in August 1955 when it purchased \$3,000,000 worth of arms from Czechoslovakia. Later, on 26 August 1956, a major arms agreement with both Czechoslovakia and the USSR was announced.
- C. The most reliable reports received indicate that this agreement calls for material worth between \$25-30,000,000, with payment in Afghan products to be made over an eight-year period at three percent interest.

- D. Deliveries are estimated to total about \$20,000,000 up to June 1957.
- E. Deliveries, which have included jet aircraft and tanks, have been made faster than the Afghan armed forces (44,000 regulars, 20,000 security troops) can absorb. Soviet instructors are engaged in training Afghan officers and the Russians reportedly are to assist in the construction of ~~XXXX~~ four military airfields as part of an effort to build up Afghan air power.

III. In contrast to the success of the Soviet military aid program, the bloc economic offensive is encountering difficulties.

- A. Dissatisfaction with high prices the USSR is charging for economic development under the \$100,000,000 Soviet credit is causing the Afghans to explore alternative sources of financing.
- B. Construction has begun on only three of the nineteen projects which the USSR was to construct.
- C. The Soviet ^{survey} costs are several times greater than the amounts charged by the West Germans when they surveyed many of these projects earlier, and the Soviets are asking nearly twice the German estimate for constructing Kabul airport. About \$10,000,000 has already been spent, mostly for surveys and services rather than construction.
- D. Since the Afghans pride themselves on their bargaining skill, the gradual realization that they are not receiving the better part of the bargain is apparently galling them.
- E. While the Afghans are reluctant to antagonize the USSR--the sole source of their arms--they apparently are delaying

construction work ~~W~~ while seeking other offers and, if these are attractive, some of the projects reserved for the USSR may be turned over to other contractors.

IV. The expenditures for economic and military development have resulted in strong inflationary pressures which are causing widespread resentment chiefly among urban elements.

A. This inflation, plus corruption in his ministry, probably was the cause of the recent firing and arrest of finance minister Malik.

B. While Malik had originally pushed for closer ties with the USSR, he had become more pro-US following his visit to the US late in 1956 and the Soviet suppression of the Hungarian revolution.