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OFFICE OF NATIONAL ESTIMATES

8 November 1965

SPECIAL MEMORANDUM NO. 27-65

SUBJECT: Prospects for the Tan-Zam Railway

SUMMARY

The Tan-Zam railway is intended to link Zambia's rich Copperbelt with the port of Dar es Salaam in Tanzania, thereby releasing Zambia from dependence on white-ruled regimes for an outlet to the sea, and to improve Tanzania's development prospects. The economic prospects for the railroad are highly questionable, except perhaps over a very long time. Indeed, it is unlikely that Western financiers will find the project attractive.

Tanzania has sought Communist China's backing for the project. China may estimate that building the railroad would give it political influence in southern Africa, and facilitate its inroads among the "liberation" movements. However, we think the chances are against the Chinese undertaking the project though we cannot rule it out.

We believe that while building the Tan-Zam railroad would probably give the sponsor some temporary political advantage, it would by no means assure lasting, preponderant political influence in southern Africa. Nor would Western backing be likely to relieve significantly African pressures on the West to act on southern Africa matters.

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I. INTRODUCTION

1. The Tan-Zam railway project is intended to provide a 1,000-mile rail link between Zambia's copperbelt and the Indian Ocean port of Dar es Salaam in Tanzania. Apart from extremely complex economic considerations, the project is enmeshed in a welter of political issues: Cold War rivalries, the confrontation between black and white-ruled areas in southern Africa, the future course of African "liberation" efforts, and the maneuvering of the African leaders most directly concerned. To varying degrees the US, the UK, Canada, and Communist China are already, albeit perhaps reluctantly, involved in the murky Tan-Zam affair.

II. BACKGROUND

2. The Tan-Zam railway is a dream of Presidents Julius Nyerere of Tanzania and Kenneth Kaunda of Zambia to free Lusaka from dependence on white-ruled regimes for an outlet to the sea, and thereby to enable Kaunda to assume a more militantly nationalist stance and to support more directly the movements to

"liberate" southern Africa.* Kaunda also argues that the railway would be a means of boosting Nyerere's prestige and his development plans, thus keeping Nyerere from turning to the communists. The possibility of earning money from transporting Zambia's copper is attractive to Nyerere in poverty-stricken Tanzania.

III. THE CURRENT SITUATION

3. The proposed Tan-Zam route has never been adequately surveyed, and cost estimates and feasibility reports vary widely. Much of the current activity is still directed toward gathering basic data. A US offer to conduct a highway survey was accepted without much enthusiasm by Kaunda and Nyerere, who are emotionally attached to a railway. The UK and Canada, responding to considerable prompting by the US, agreed to finance (\$420,000) a rail feasibility survey. Kaiser Industries of the US has offered to do a combined feasibility and engineering survey of

* Zambia's principal export is copper (approximately 750,000 tons yearly) which is currently carried by Rhodesian Railways through Southern Rhodesia to ports in Mozambique. The return traffic carries virtually all of Zambia's imports, including Rhodesian coal.

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the railroad, tying it to proposed Kaiser industrial development schemes in East Africa. Kaunda and Nyerere accepted the UK-Canadian offer and have tentatively agreed to Kaiser's more elaborate combined survey, but have not provided the \$3 million needed to finance the first year of the Kaiser study.

4. Nyerere has shown some interest in aid from the West for the railroad project but his principal requests have been to the Soviets and the Chinese. The USSR refused to consider building the railroad or even to conduct a survey. Peiping displayed a little more interest and after some delay dispatched a team to collect information on the Tanzanian portion of the route. Nyerere claims that Peiping extended a firm offer to build the railroad, but the Chinese have neither acknowledged nor attempted to gain propaganda advantages from the alleged offer, and we do not believe that they have made a binding commitment. Kaunda, on the other hand, has sought assistance only from the West, pointing to Nyerere's dickering with Peiping to urge the US and UK to swift action.

5. As matters stand, the only group currently working on the project consists of twelve Chinese railway, geological, and hydrological experts. Nyerere insists that they are doing a

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preliminary survey of the Tanzanian portion of the rail line and that Peiping is paying for it. However, their role is as yet far from clear, and some of their activities do not seem to have much connection with the railroad. The UK-Canadian rail feasibility survey team is preparing to begin operations soon on the entire route, and a US AID group is ready to start a Tan-Zam highway survey. If Kaiser Industries finds financial backing, which does not yet appear forthcoming, it may begin a rail engineering survey before the end of the year.

IV. TECHNICAL, LEGAL, AND FINANCIAL PROBLEMS

6. Some formidable technical and legal problems must be resolved before financing can be tackled or construction started. For example, the harbor at Dar es Salaam could not accommodate the greatly increased traffic resulting from shipment of Zambian copper exports unless present facilities were greatly expanded. Another problem is the difference in gauges between the rail systems of Zambia and Tanzania. On both ends of the line legal obstacles abound. Under a recent loan agreement with the World Bank, the East African Railway, which operates all railroads in Tanzania, is pledged to avoid any further indebtedness until

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1972. This clause was inserted by the Bank specifically to prevent East African Railways from earlier participation in the Tan-Zam line. The Tanzanians are attempting to circumvent this by creating a new railway authority for the Tan-Zam line, but the legality and effectiveness of this move are uncertain. At the Zambian end, any new rail construction or engineering surveys are subject to veto by the Board of Rhodesian Railways, a joint Rhodesian-Zambian facility.

7. But the question of financing the Tan-Zam line is far more formidable than the resolution of the legal and technical formalities. The Africans cannot themselves pay for the railroad, nor have they any intention of covering any of the costs (though Zambia's present foreign exchange reserves amount to over \$140 million). London has already informed the Africans that it will not provide funds because of domestic financial requirements; Ottawa believes it is already sufficiently committed in Africa; Bonn mistrusts Nyerere and is wary of committing large sums to Tanzanian enterprises; and the Japanese have not indicated much interest in the project.

8. Nor is the World Bank likely to favor the scheme unless new, more favorable economic data are produced. The Bank

in 1964 concluded that the railway would cost some \$162 million and would operate at a loss until about 1990. Later the Bank revised its estimate upward to \$390 million and rejected the railway idea in favor of road improvements. Even if the UK-Canada survey team made a highly favorable report, it is doubtful that an international consortium of private groups and governments could be assembled to furnish the funds required, particularly because Zambian trade is currently efficiently handled by the Rhodesian Railway, and a possible alternative facility already exists in the Benguela Railway through Angola.

9. Prospects for profitable operation of the railroad would be non-existent unless it carried virtually all of Zambia's copper. Very little other traffic would be generated along the route of the Tan-Zam which traverses hundreds of miles of thinly-populated, semi-arid lands. A significant level of en route trade could be developed only after many years of investment in what is still largely undeveloped country.

V. PROSPECTS

10. Given the obvious economic limitations and uncertainties of the project, it is clear that the principal significance of

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the railroad, and the chief reasons for the Chinese or anyone else to support it, are political. Should the Chinese opt for the entire project, or only the Tanzanian portion, such action would imply a Chinese intention to become more deeply involved in southern African problems including increased support for the Dar es Salaam-based "liberation" movements. Peiping would expect to gain considerable prestige among Africans generally and to enhance its political position in East and Central Africa. On the other hand, should the Chinese decide against taking up the railway project, their influence in Tanzania would still remain substantial, and Chinese rejection of Tan-Zam would not preclude their participation in other projects, though it probably would result in a temporary setback to their position in the area. In any event, a Chinese decision to drop the Tan-Zam project would not cut it off from continuing opportunities to fund, arm, and influence the "liberation" movements,

11. The capabilities and intentions of the Chinese in the Tan-Zam project are far from clear. The Chinese have sufficient technical capability to do the job, but it would be a considerable strain. We are dubious, however, about Peiping's willingness

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to undertake the enormous financial requirements in a difficult venture which involves risking a significant amount of prestige and in which the results are far from certain. We believe that the chances are against the Chinese undertaking the project though we cannot rule it out.

12. We believe that support for the Tan-Zam railway by the Chinese or the West would result in some temporary political advantage for the sponsor, but that it would by no means assure lasting, preponderant political influence in southern Africa, or relieve pressures from the Africans on difficult issues. For example, we do not believe that it would lessen significantly the pressure on the US in such matters as independence for Angola or Mozambique, Southwest Africa, and apartheid. Moreover, even if the US declines to participate, it will continue to maintain an important presence in the buffer states, i.e., Tanzania, Zambia, and Malawi, and the Africans will continue to look to the US and to the West in general for the bulk of their economic, technical, and other assistance.

VI. THE PROBABLE EFFECTS OF THE LOSS TO ZAMBIA OF ACCESS TO THE RHODESIAN RAILWAYS

13. If as a result of a Southern Rhodesian unilateral declaration of independence the flow of traffic via Rhodesian

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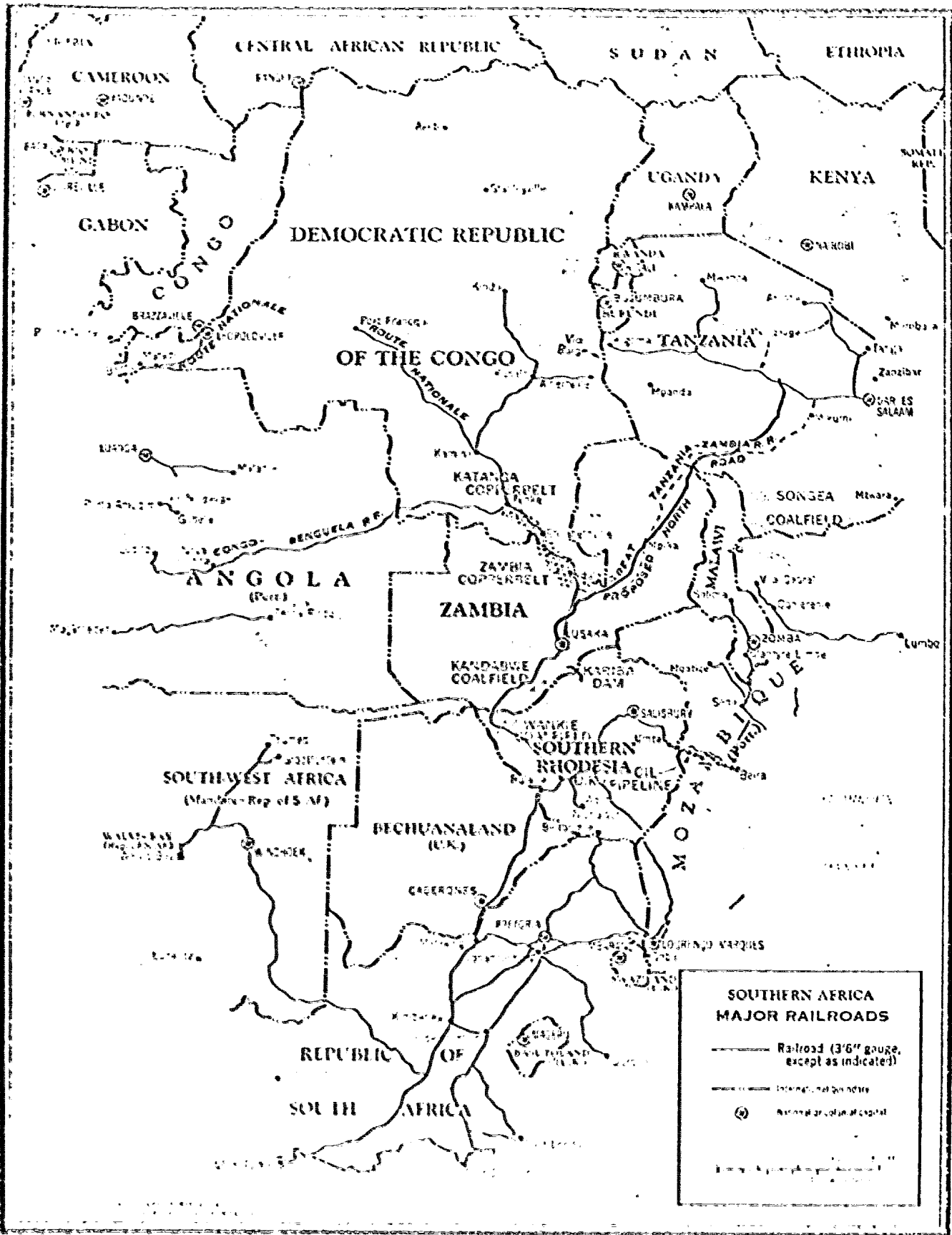
Railways were disrupted Kaunda would be anxious to push ahead with the Tan-Zam project, but he probably realizes that even under the most favorable conditions the Tan-Zam line could not be completed before 1972. His immediate problem would be to arrange for alternative routes of transport for Zambia. Efforts would doubtless be made to effect emergency improvements in existing roads between Zambia and Tanzania, and attention would be diverted at least temporarily from the Tan-Zam project. Probably the most logical alternative for Kaunda would be the Benguela Railroad which runs from the Copperbelt through the Congo to the Atlantic Ocean port of Lobito in Angola, though this route is far from adequate to carry Zambia's external trade. Salazar would probably agree to increase the capacity of this route, subject to technical limitations, but would probably insist that the Zambians guarantee a specified volume of traffic over it for a certain number of years. This would protect Portuguese investments in rail and port facilities in Angola, but would have the effect of disrupting any plans for the Tan-Zam.

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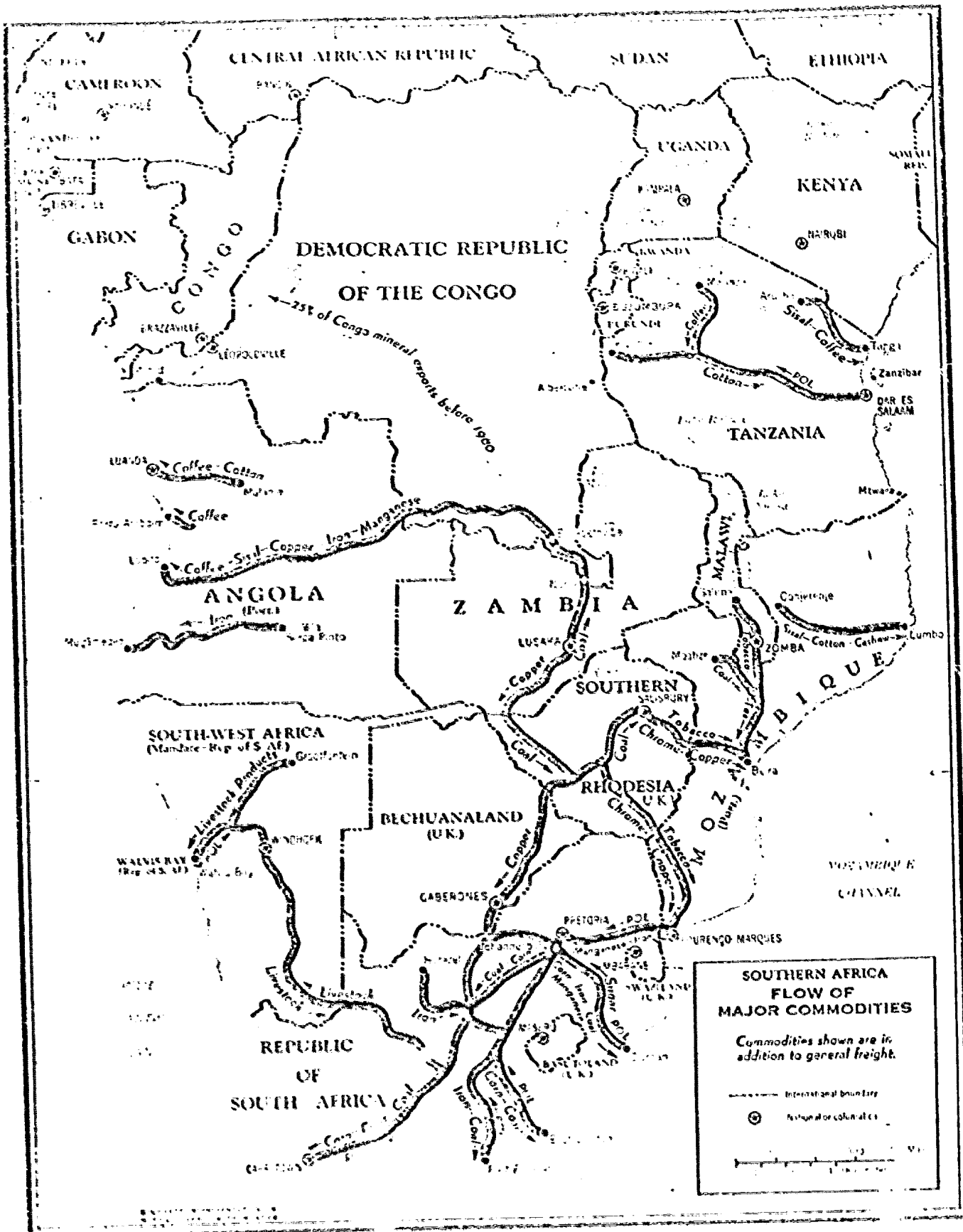
Sherman Kent

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