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SURFACE TRANSPORTATION

1. An agreement between Bizonia and the French Zone of Germany, signed on 18 March, will solve a long standing impasse over freight cars. Large numbers of French and German freight cars have been unavailable for traffic between Bizonia and France, because France has been holding all German cars which the German Army left behind, insisting that French title to this equipment be recognized before the cars circulate into Germany: Bizonal authorities, in turn, have been unwilling to return French cars from Germany because this would have created a steady depletion of the Bizonal car park. Bizonia will now return to France all freight cars of French origin while France will release to Bizonia an equal number of freight cars of German origin. The agreement will immediately alleviate the acute car shortage by facilitating the free flow of railway traffic and by initiating the return of unserviceable cars to their home areas for repairs; moreover, the agreement will remove a source of friction between Bizonia and the French administration.

2. Proposed allocation of two former German cargo vessels to the US Department of the Army for use in German coastal and nearby foreign trade will aid materially in making Bizonia self-supporting. The allocation, recommended to the US Military Governor by the Transport Group of OMGUS, involves two vessels of about 7,750 gross tons (slightly larger than US Liberty ships). These vessels had been allocated to the US Navy by the Tripartite Naval Commission after they were classified as naval craft because of their use in blockade running during the war. It is now proposed that the US Navy simply lend the ships to the Army in order to avoid conflict with various quadripartite understandings against reconstituting the German merchant marine. Use of the vessels in the coal export trade will earn foreign exchange for the German economy, while their use in the ore import trade will reduce hard currency expenditures by the US.

3. Positive steps toward utilization of Low Country ports (Amsterdam and Rotterdam) as entrepots for shipments up the Rhine to Bizonia and adjacent areas can be expected immediately upon passage of the European Recovery Program. The use of North German ports by OMGUS to supply Western Germany, an admittedly uneconomic expedient, stems from the unavailability to the US Military Governor, Germany, of dollar funds with which the port costs in the Low Country ports could be fully met. While Netherlands authorities have recently indicated a willingness to reopen negotiations, the conditions which they appear to seek are not basically different from the terms which were not accepted by US authorities in previous negotiations. It appears, therefore, that until ERP funds for this specific purpose are available, no final solution can be reached. Under ERP, however, the traditional

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role of the Low Country ports, as gateways to Western Germany, can be resumed. This will be a major factor in reconstruction, not only in the interests of Belgium and the Netherlands, but also of the entire European economy.

#### CIVIL AVIATION

The forthcoming sale of TACA Airways System's Central American companies as individual units, according to an unconfirmed report, will be publicly announced in the near future by TACA's US owner and operator, the Waterman Steamship Company. The report cites inefficient management and administrative errors as causing operating losses and sacrificing much of TACA's good will in Central America. TACA discontinued its six-times weekly Miami-Havana-Belize-San Salvador services and reduced its Central American schedule on 1 March. The TACA system is one of the two large US-controlled airline networks in Latin America, and its disposition would directly affect US strategic and political interests in this area.

#### Soviet Efforts to Restrict Western Flights to Berlin

The USSR is exerting increased pressure designed to restrict the use of the three air corridors from Berlin to the Western zones. Two proposals have been advanced which, if put into effect, would prohibit immediately in these corridors, the operation of commercial aircraft, proficiency and training flights, local instrument flights, and night flying. In addition, the USSR would require notification of all proposed air operations in the corridors and the Berlin zone one day before such operations are conducted. The proposals specifically express the Soviet determination to limit air operations of the Western powers to the bare requirements of supplying their occupying forces in Berlin.

Since the Allied Control Council previously agreed that the air corridors to Berlin could be used by aircraft of the four allied nations with "full freedom of action", the US will insist that such freedom of action be maintained. The Soviet proposal represents one element of a program to undermine the position of the Western occupational powers in Berlin. Other features of this program may be expected to materialize, particularly if the Western powers demonstrate any weakness in respect to these Soviet moves.

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