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SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

Direct Soviet support of the Israeli military potential, in defiance of the United Nations truce resolution, is categorically charged by a former member of the Israeli Air Transport Command in statements to Dr. Bunche and to the press. The air transport of arms into Palestine has appeared to be organizationally centered in Prague. Several agencies of the Czechoslovak Government have been implicated and coordinated Government direction of the activity is, therefore, clearly indicated. Although support of the Israeli military potential has certainly been approved by the Soviet Union for political reasons, there is no indication of the precise role played by the USSR in the Czechoslovak arms traffic. Both the Kremlin and the Czechoslovak Communists have desired to increase and protract the confusion in the Near East, rather than enhance the prospects of victory for either side. There is some evidence that Soviet and Czechoslovak enthusiasm for the arms traffic with Israel has now diminished. It is possible that there has been a change in Soviet tactics. The USSR, now convinced that the Israelis have won their fight, may have decided to withdraw its support in order to establish a closer balance of military power between the Arabs and the Jews. (Item No. 1, A)

The Government of Yemen has recently entrusted a small Italian Company, Salpanavi, with the organization and management of a Yemen airline to provide domestic services and maintain communications with other Arab states. (Item No. 2, C)

The expansion of Italian commercial air operations in Africa and the Near East, if sustained, may bolster Italian efforts to restore national prestige in those areas. (Item No. 3, C)

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The Israeli Government evidently desires to develop its commercial air transport service to Eastern Europe through a series of bilateral air agreements and has already approached the Greek Government for full traffic rights at Athens. Should Israel formalize the present arrangement with Czechoslovakia, and grant reciprocal air rights to other Eastern European countries, the US-UK effort to deny the Near East to Soviet-controlled airlines may be seriously compromised. (Item No. 4, C)

A substantial increase in the Soviet Far East transportation potential may result from Communist control of Shanghai and North China ports in the event of collapse of the Nationalist Government north of the Yangtze. (Item No. 5, A)

Acquisition of the ocean-going tankers which the USSR is demanding from current Italian production under the reparations program would substantially increase the Soviet economic and military potential. Other types of vessels on the Soviet list are less important to the USSR. (Item No. 6, B)

The removal to the USSR of German inland shipping in the Soviet Zone is continuing, although the Soviet authorities carefully picked over the fleet and appropriated the best vessels immediately after the end of the war. (Item No. 7, C)

Barge traffic through the Iron Curtain on the Danube will result from the recent US approval for the movement of 100,000 tons of Hungarian bauxite into the Western Zones of Germany. In allowing the shipments, however, the US will make it clear that the approval covers the bauxite shipment alone and in no way constitutes acceptance of the Soviet-dominated navigation convention which was adopted over Western opposition at the recent Belgrade conference. (Item No. 8, B)

It does not appear that work has actually started on the broad-gauge railway which according to recent reports, the USSR plans to extend deep into Hungary. If such a plan exists, which is doubtful, it probably envisages the conversion of one track in a double-track line. There are two such lines entering Hungary from the USSR. (Item No. 9, C)

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The recent meetings of the working party for rail transport (Inland Transport Committee) of the Economic Commission for Europe produced two surprises. The Soviet-Zone, Germany, announced that it will now participate in the international arrangements for freight car exchange (RIV): Poland sponsored a resolution, which was accepted, under which all RIV countries will now exchange full data on the rolling stock of their respective lines, to include foreign wagons broken down by country, type, and serviceability. (Item No. 10, C)

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SECTION II. CURRENT DEVELOPMENTS

CIVIL AVIATION

1. Direct Soviet support of the Israeli military potential, in defiance of the United Nations truce resolution, is categorically charged by a former member of the Israeli Air Transport Command in statements to Dr. Bunche and to the press. The pilot's statement gives a detailed account of the organization of the Israeli Air Force and the Israeli Air Transport Command, and describes the methods by which considerable quantities of aircraft and munitions have been clandestinely flown from Europe into Palestine. The major part of the statement is known to be true from other evidence. The allegations concerning direct Soviet assistance, however, are not confirmed by other reports, and some of them appear to be unwarranted.

The Israeli pilot makes the following claims regarding Soviet-Israeli collaboration:

- (a) Soviet agents travel from Prague to Western Europe via Tel Aviv, where they receive identification papers and other travel documents;
- (b) Israeli nationals are flown to the USSR for military training and pilots have been offered the opportunity of training in the USSR for jet aircraft operations;
- (c) The USSR is paying for all arms furnished Israel from the Satellite states;
- (d) A direct USSR-Israel air route is in prospect;
- (e) Ramat David airfield is being prepared as a Soviet air base, where 300 Soviet technicians are already working; and
- (f) The Chief of the Israeli Air Force Security Police is a Soviet citizen.

Of the foregoing claims, the allegation regarding forged travel documents is the most likely. Such documents have been prepared in Israel and would probably be made available to Soviet agents in cases

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where this action is considered to be in the interest of Israel. None of the other statements, however, seems probable, although some are possible. Although the USSR, known to have trained Yugoslav and Czechoslovak pilots in the past, may now be training Israeli personnel, it seems improbable that the USSR would give such training in jet aircraft. The USSR is not paying for all arms furnished by the Satellite countries; it is known that some of the purchases have been made with dollar funds. A direct Israel-USSR air route, on which Israeli aircraft would operate, is very unlikely. Even Satellite airlines have been excluded from the USSR. Numerous precedents suggest that the USSR would insist on traffic transfer at some intermediate point such as Prague, with Israeli aircraft operating only from Israel to the transfer point. It is unlikely that the Israeli Government would give to the Soviet Union actual control of any air base in Israel, although Soviet aircraft might be permitted to use the facilities of an Israeli military airfield. The Chief of the Israeli Air Force Security Police is almost certainly an Israeli, although a Soviet national may well be serving in an advisory capacity on security matters.

The air transport of arms into Palestine has appeared to be organizationally centered in Prague. Several agencies of the Czechoslovak Government have been implicated, and coordinated Government direction of the activity is, therefore, clearly indicated. Czechoslovak consuls have been instructed to issue visas for Israelis and foreign volunteers en route to Czechoslovakia for training. On arrival, passports have been taken up by the Czechoslovak authorities, who have issued identification documents for use within the country. The Czechoslovak Air Force has conducted the training program and has issued Czechoslovak uniforms to the trainees. The Air Force has also placed military fields at the disposal of foreign aircraft operators engaged in the arms traffic. The Czechoslovak Communist Security Police have protected these activities, to insure secrecy and prevent local interference. The Communist Party of Czechoslovakia has organized a corporation, in which Israeli interests have a minority share, for the express purpose of facilitating the sale and delivery of Czechoslovak munitions to Israel.

In this well organized activity, a strong incentive to Czechoslovakia has been the opportunity of acquiring badly needed hard currency. The fact that Czechoslovakia has also negotiated with delegations of Arab countries for arms and has even made some deliveries pursuant to these arrangements indicates that sympathy for the Israeli cause has not been the underlying motive. This activity has certainly been approved by the Soviet Union for political reasons, although there is no indication of the precise role played by the USSR in the Czechoslovak arms traffic.

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Both the Kremlin and the Czechoslovak Communists have desired to increase and protract the confusion in the Near East, rather than enhance the prospects of victory for either side.

The same motives have probably inspired recent Yugoslav collaboration in these operations. (Clandestine air operations are now based at an airfield in southern Yugoslavia.) Tito apparently is willing to subordinate his quarrel with the Kremlin to the continued support of Soviet foreign policy, particularly in actions which are directly profitable to Yugoslavia.

There is some evidence that Soviet and Czechoslovak enthusiasm for the arms traffic with Israel has now diminished. Israeli interests in Prague have disclosed to representatives of the US Embassy that Czechoslovakia is about to discontinue the training of Israeli pilots and to stop the recruitment in Czechoslovakia of volunteers for Israel. The movement of Jewish refugees, furthermore, will be more rigidly controlled. The reports even mention actual aggressive action against Israeli interests, including the arrest of the Zionist leader of the Prague Jewish community. Persistent financial investigations have also been conducted by government inspectors in the offices of the American Joint Distribution Committee, which handles for Israel the distribution of Jewish DPs. There is a possibility that whereas the actual intention is to continue these activities in greater secrecy, the reports have been planted with US authorities in order to create the impression that Czechoslovakia is terminating the program. The USSR and Czechoslovakia may believe greater caution is necessary to forestall accusations that Czechoslovakia has violated United Nations obligations. On the other hand, it is possible that there has been a change in Soviet tactics. The USSR, convinced that the Israelis have won their fight, may have decided to withdraw its support in order to establish a closer balance of military power between the Arabs and the Jews.

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2. The Government of Yemen has recently entrusted a small Italian Company, Salpanavi, with the organization and management of a Yemen airline to provide domestic services and maintain communications with other Arab states. Two DC-3s, ferried from Italy by Italian crews, are to be used as a nucleus for this undertaking. Yemen had previously explored the possibility of US assistance in starting such services. Negotiations were suspended, however, after the death of the Imam in 1947, and US recognition of Israel precluded the reopening of discussions.

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3. The expansion of Italian commercial air operations in Africa and the Near East, if sustained, may bolster Italian efforts to restore national prestige in those areas. A new enterprise, NORTH AFRICA AVIATION, plans to establish an air service along the North African littoral between Tunis and Cairo; the company, to be backed by Italian, Egyptian, and Libyan capital, will employ Italian personnel for its flying and managerial staff. In addition, the Italian airline SALPANAVI is directing the formation of a Yemenite airline (see item 2) which is planning air services to other Arab countries, as well as domestic operations.

The airline SISA (now reportedly merged with two other Italian air carriers, AIRONE and TRANSADRIATICA) has been operating flights to both Haifa and Beirut via Athens, and plans eventually to extend its services to Baghdad and Basra. In addition, Italian interests supply 40 percent of the capital of SERVICES AERIENS INTERNATIONAUX de L'EGYPTE (SAIDE), an Italo-Egyptian air carrier which has been operating three flights weekly between Rome and Cairo. Italian aircraft and technical personnel are employed by SAIDE on this route, and the company plans to inaugurate additional services to Mecca and points along the Red Sea Coast, as well as to Abyssinia.

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4. The Israeli Government evidently desires to develop its commercial air transport service to Eastern Europe through a series of bilateral air agreements and has already approached the Greek Government for full traffic rights at Athens. Unconfirmed reports have been received that similar proposals have been made to Hungary and Rumania. It is not known whether an air agreement has yet been proposed by Israel to Czechoslovakia, but it would seem reasonable to suppose that an air route from Palestine through the Balkans would terminate at Prague.

Presumably, no difficulty would be encountered in obtaining reciprocal air rights into Prague, as Czechoslovak Airlines is still operating scheduled and unscheduled services to Haifa under permits obtained prior to the British evacuation of Palestine. The possibility that the Satellite countries will consider Israel's proposals favorably is increased by the obvious policy of the USSR, which has thus far approved the Israeli-sponsored clandestine air transportation of Czechoslovak arms products to Palestine. Although the Soviet-controlled Satellite airlines TARS and MAZOVLET have evinced no ambitions for penetration into the Mediterranean, Czechoslovak Airlines have consistently attempted to expand their present operations into the Near East.

Should Israel formalize the present arrangement with Czechoslovakia, and grant reciprocal air rights to other Eastern European countries, the US-UK effort to deny the Near East to Soviet-controlled airlines may be seriously compromised.

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SURFACE TRANSPORTATION

5. A complete collapse of the Chinese Nationalist Government in North China may result in Communist control of Shanghai and other North Chinese ports. The anticipated close relationship between the Soviet Union and the future Chinese Governments in Manchuria and North China may, therefore, result in outright Soviet control or strong influence in the operation of all Pacific ports above Shanghai, with the exception of South Korean harbors. In this event, the Soviet Union would also dominate the railway transportation systems linking these ports through two main lines with the Soviet Union. This greatly increased transportation potential would not, however, substantially increase the ability of the USSR to move goods between its western industrial areas and the Maritime Provinces, because such transcontinental movements would still be limited by the one line to the west of the point near Chita where the Manchurian railway ties into the trans-Siberian. On the other hand, an aggressive program for the rehabilitation of railways in North China and Manchuria would develop an extensive transportation network capable of servicing an ambitious local industrial expansion. If these objectives were actively pursued, the Soviet Union could create in the Far East a basis for the support of a far larger military force than it could presently maintain there in active combat. If the area were largely self-supporting, furthermore, the strain on the trans-Siberian railway would be greatly relieved and it could be used primarily for the transportation of highly critical items.

The combined normal capacity of the ports from Shanghai to Sovetskaya Gavan, excluding South Korean ports, is about 175,000 tons per day, a volume of traffic equal to one-half that handled through New York, the world's largest port. Acquisition of control over these facilities would approximately treble the harbor capacities in Pacific ports now directly controlled by the Soviet Union. The port facilities to the south of those now held by the USSR, moreover, would offer the additional advantage of being less subject to ice difficulties in the winter than are Sovetskaya Gavan, Vladivostok, Dairen and Port Arthur. The port of Shanghai, furthermore, has extensive dry dock and repair facilities and could be rapidly equipped for the construction of both naval and merchant vessels. These facilities would significantly augment the extremely limited shipbuilding capacity of the USSR itself.

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Although the railway systems of North China and Manchuria are now in extremely poor condition, the basic facilities (road beds, bridge foundations, tunnels, etc.) are present, and the lines could be put back in good operating condition if the resources of the USSR were applied to this objective. A major strategic weakness of the systems lies in the fact that only one rail line connects the great port of Shanghai with the industrial areas of Manchuria. Furthermore, in spite of conversion to Soviet gauge of the Soviet-controlled Manchouli line through Manchuria to Vladivostok, two gauges will co-exist indefinitely in Manchuria, and the Manchurian system, as a whole, will have only limited connections with the Soviet system in the Maritime Provinces.

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6. Acquisition by the USSR of ocean-going tankers from Italy would substantially augment the Soviet economic and military potential by alleviating a severe current weakness in the Soviet merchant fleet.

The USSR has been exerting pressure on Italy for the construction of the following 69 vessels, to be delivered out of current production under the reparations program:

- (a) 11 Diesel-propelled tankers of 3,000 DWT each;
- (b) 5 Diesel-propelled tugs of 1,500 horsepower each;
- (c) 30 Trawlers of 800 horsepower each;
- (d) 8 cargo-passenger vessels of 500 tons cargo and 1,000 passenger capacity each;
- (e) 10 cargo-passenger vessels of 2,600 deadweight and 250 passenger capacity each; and
- (f) 5 refrigerated cargo vessels of 1,700 deadweight tons each.

In evaluating the effect which the acquisition of these vessels by the USSR would have on the US national interest, the chief factors are (a) the extent to which such vessels would alleviate severe strategic weaknesses in the Soviet economy, and (b) the potential usefulness of the vessels in the event of hostilities. On the basis of these two factors, the importance of the vessel types to the USSR appears to be in the order listed above.

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Sea-going tankers are of prime importance to the Soviet Union because much of its tanker fleet is confined to the land-locked Caspian Sea. As the ocean-going tanker fleet at present totals only about 200,000 deadweight tons, the addition of even the small amount of tonnage in question would substantially help in solving the troublesome problem of oil distribution.

Tugs are very useful in wartime for removing hulks and clearing channels. An essential element in the Allied North Africa campaign, for example, was the assistance of several tugs which steamed from New York around the Cape of Good Hope to help clear the Suez Canal of sunken vessels. Trawlers are of importance to the Soviet civilian economy in accounting for a part of the food supply, but they are also potentially useful in minesweeping and coast guard duty.

There are few coastwise or foreign trade routes on which the USSR could use the cargo-passenger vessels, (d) and (e) above, to good advantage. While useful, such vessels would not be indispensable in wartime because the USSR could convert ordinary merchant ships for troop carrying duty. The refrigerated cargo vessels are believed to be of relatively little importance to the USSR in either a civilian or military capacity. Although the USSR has little or no refrigerated tonnage, its requirements for such relatively small vessels of this type are probably not urgent.

The fact that the current Soviet list of ships does not include dry cargo merchant vessels suggests that the USSR does not consider the acquisition of such shipping to be particularly urgent. It is possible that if the USSR is unable to obtain tankers from Italian shipyards, it will insist upon receiving dry cargo ships. In view of the fact that the USSR is able to charter merchant vessels to augment its present fleet, and in the case of hostilities would probably acquire substantial shipping as a result of military action, CIA would not view the acquisition of a few merchant ships by the USSR as particularly serious. Large amounts of shipping, however, in the order of 100,000 tons or more, would be an undesirable addition to the Soviet merchant fleet.

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7. The removal to the USSR of German inland shipping in the Soviet Zone is continuing, although the Soviet authorities carefully picked over the fleet and appropriated the best vessels immediately after the end of the war. During the period February-July, 1948, over 100 vessels were sent to the Soviet Union via Stettin, leaving now only dilapidated vessels to supply inland water traffic requirements. Shipowners who attempt to evade Soviet plundering are accused of sabotaging the Military Administration.

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8. Barge traffic through the Iron Curtain on the Danube will result from the recent US approval for the movement of 100,000 tons of Hungarian bauxite into the Western Zones of Germany. The permission was granted in order to replenish Western stocks of this essential raw material before ice on the upper Danube makes such movements impossible. By evidencing a willingness to permit Satellite barges to come up the Danube into the Western Zones without having received corresponding rights for Western vessels in Soviet-controlled sectors of the Danube, the US refutes the Soviet propaganda claim that the West refuses to cooperate in restoration of Danube traffic. In allowing the shipments, however, the US will make it clear that the approval covers the bauxite shipment alone and in no way constitutes acceptance of the Soviet-dominated navigation convention which was adopted over Western opposition at the recent Belgrade conference.

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9. It does not appear that work has actually started on the broad-gauge railway which according to recent reports, the USSR plans to extend deep into Hungary.

If such a plan exists, which is doubtful, it probably envisages the conversion of one track in a double-track line. There are two such lines entering Hungary from the USSR;

- (a) The line running generally southwest from SATORALJAUJHELY on the border through HATVAN-MISKOICZ to Budapest; and
- (b) The line running west and northwest from ZAHONY, near the border, through SZOLNOK-DEBRECEN to Budapest. A second track might also be constructed from the Rumanian border to this line.

It does not appear likely that the ZAHONY line would be selected for a broad-gauge project, because an elaborate trans-shipment station has been built under high priority at this point. The station is believed to have sufficient capacity to handle any normal peacetime traffic.

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10. The recent meetings of the working party for rail transport (Inland Transport Committee) of the Economic Commission for Europe produced two surprises. The Soviet Zone, Germany, announced that it will now participate in the international arrangements for freight car exchange (RIV); Poland sponsored a resolution, which was accepted, under which all RIV countries will now exchange full data on the rolling stock of their respective lines, to include foreign wagons broken down by country, type, and serviceability.

The Soviet action was probably designed to embarrass the Western Powers, which have declined since April, 1948, to allow traffic originating in or destined for the Soviet Zone to transit the Western Zones. Since the Western counter-blockade, all traffic in and out of the Soviet Zone has been refused.

The Polish action may reflect merely a desire, possibly instigated by the USSR, to gain access to detailed data on railway transport in Western Europe. There is no assurance that the Satellite countries will actually comply with the resolution, or that they will submit accurate data. Hitherto, the actions of Poland have apparently been guided by a desire to divert to its own use the maximum amount of German rolling stock.

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