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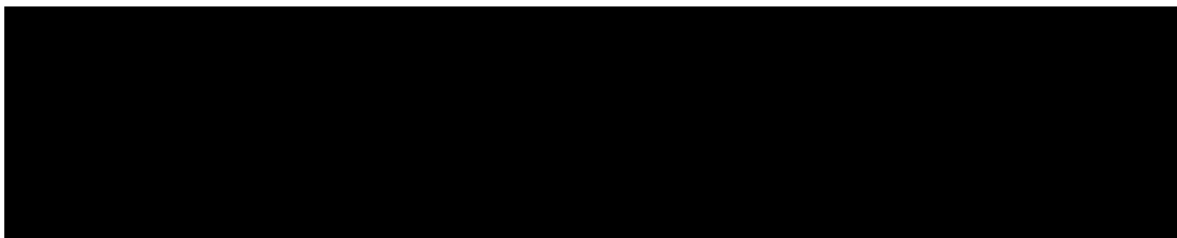
TRANSPORTATION GROUP

26 July 1949

Weekly Intelligence Summary No. 72

Section I. SUMMARY OF TRENDS AND DEVELOPMENTS

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The successful conclusion in Leningrad of impending negotiations for a proposed interline air freight agreement between American Overseas Airline (AOA) and the Soviet air carrier, Aeroflot, might open the way to conclusion of similar agreements with other US carriers. (Item No. 2, C)

The Chinese Communists continue their efforts to restore international air service from Shanghai to Hong Kong. The U. S. Government, meanwhile, has made representations to the UK and France in connection with a possible common front against the premature restoration of air services to Communist China. (Item No. 3, A)

A reported Communist plan to interrupt shipping in the Far East, if it materializes, will probably take the form of strikes among dock workers and sabotage of cargoes in storage and transit. If the plan in fact exists, it is apparent that its objectives have been deliberately selected to cause the maximum embarrassment to both the US and UK. (Item No. 4, B)

A dilatory Soviet attitude is impeding progress on a comprehensive highway development program within the Economic Commission for Europe (ECE). (Item No. 5, B)

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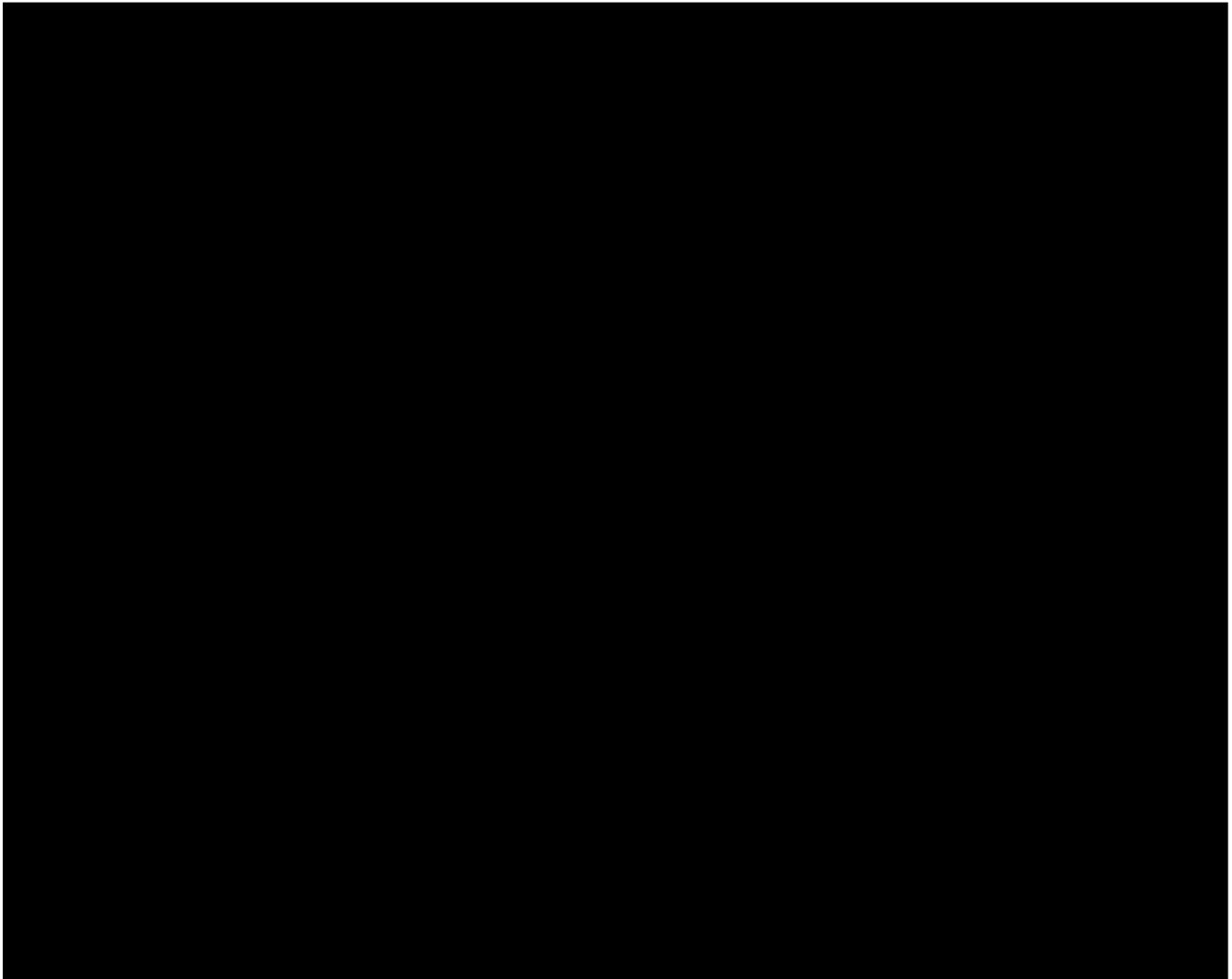
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SECTION II. CURRENT DEVELOPMENTS

CIVIL AVIATION

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2. The successful conclusion in Leningrad of impending negotiations for a proposed interline air freight agreement between American Overseas Airline (AOA) and the Soviet air carrier, Aeroflot, might open the way to conclusion of similar agreements with other US carriers. (Aeroflot is currently negotiating a similar arrangement with the Scandinavian Airlines System.) The proposed arrangement would have a duration of six months, including the period of the Leningrad fur auctions, during which furs would be flown from Leningrad to Helsinki via Aeroflot and thence to New York via AOA. Although forwarding of freight by this means is already possible, the contemplated agreement would facilitate the handling and transfer of cargoes at Helsinki,

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and regulate certain foreign exchange procedures. It would not result, however, in any extension of the routes already flown by the US and Soviet carriers. Should Soviet authorities permit Aeroflot to conclude this agreement with AOA, thus marking the first such arrangement with a US carrier, it is possible that similar advantageous trade opportunities at other points served by both US and Soviet carriers, such as Berlin, Prague and Vienna, might induce the USSR to approve further inter-line arrangements with US carriers. (SECRET)

3. The Chinese Communists continue their inconclusive efforts to restore international air service from Shanghai to Hong Kong. Their objective also envisages control of an extensive internal air network in Communist China. During recent negotiations, undertaken at the initiative of the US carrier, Northwest Airlines (NWA), Chinese Communist officials submitted a written proposal covering both domestic and foreign services, to be operated for the Communist regime by NWA. Implementation of the proposal, which included establishment of a service to Hong Kong, would have drastically reduced the effectiveness of the Nationalist blockade of Shanghai and seriously affected the remaining authority and prestige of the Nationalist Government. At the request of the US Department of State, however, NWA has broken off all negotiations with the Communists. (Actually NWA was refused the requisite British permits at Hong Kong.)

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SURFACE TRANSPORTATION

4. A reported Communist plan to interrupt shipping in the Far East, if it materializes, will probably take the form of strikes among dock workers and sabotage of cargoes in storage and transit. According to a very reliable source, the Communist action was scheduled to start in July, with strikes at Kobe and Yokohama to be instigated by recently repatriated Japanese prisoners of war. (There have been no indications that these strikes will actually be called during July.) The second phase of the campaign, according to the report, will start in Manila in August, while Hong Kong will be struck in September and Singapore before the end of the year. If the plan in fact exists, it is apparent that its objectives have been deliberately selected to cause the maximum embarrassment to both the US and UK.

While there is little doubt that the Communists are capable of causing considerable disturbance in the whole area by strikes and sabotage, it is not certain that the effect of such action would be decisive. The Communists can not count with certainty, for instance, upon cooperation from all ship's crews. The large vessels now operating in the areas in question are preponderantly British, Scandinavian and American, and it is unlikely that militant Communists are sufficiently strong to cause actual tie-ups of such vessels. Furthermore, under maritime law the masters of vessels are empowered to request assistance in quelling strikes which endanger their vessels. It is improbable, therefore, that there will be many disturbances aboard ships.

With respect to dock workers, the Communist ability to promote strikes will vary considerably from one area to another. While it is unlikely that SCAP will tolerate serious stoppage in Japan, the Communists could probably tie up Manila as effectively as they have Honolulu, for example. At Hong Kong, the present strong show of British force suggests that any slow-down or sabotage will receive summary treatment. British action, however, might be emasculated by Communist infiltration and threats of retaliation upon non-cooperative workers.

Both the Communist course of action and its effectiveness will probably be determined by the future status of merchant shipping in Hong Kong. If Shanghai remains closed to larger foreign vessels by the Nationalist port closure order, much of the shipping out of Hong Kong will consist of small Chinese vessels transporting critical cargoes to the Communists with which they would probably not interfere.

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A firm and successful British stand at Hong Kong would substantially reduce the prospects of a Communist shipping strike at Singapore. The remoteness of Singapore from the Communist centers of power, moreover, might also adversely affect the Communist action. (SECRET)

5. A dilatory Soviet attitude is impeding progress on a comprehensive highway development program within the Economic Commission for Europe (ECE). The study phase of a proposed international European road net, conducted by the Highways Working Party in the Inland Transport Committee (ITC) is approaching completion. The proposed network consists of 23 major traffic arteries with 60 branch or feeder lines which are to be brought up to agreed international standards and specifications. While autobahn-type construction is not projected, the roads will qualify as first class highways.

Although ECE has offered almost the sole remaining forum within which the Satellites have cooperated with the West on concrete projects in a more or less cordial atmosphere, it is noteworthy that in this case they have not released reports to the working party sub-committee. There is little doubt that the information requested by ECE is known to these countries. Apparently, however, the USSR prefers to withhold from the West all data which might shed light on road transport in Soviet-controlled areas, in spite of the fact that highway development would bring in some respects a relatively greater advantage to the Satellite countries than to Western Europe.

Reports were received from the UK and nine Western European countries covering 60% of the total network. The cost of construction in these countries, to allow ten tons per most heavily loaded axle, was estimate at \$4,853,000,000 and an additional \$77.5 million if the roads are built to support 13 tons. The following countries in which the remaining 40% of the proposed network is to be located, have not reported: Bulgaria, Czechoslovakia, Finland, Soviet Zone of Germany, Greece, Hungary, Luxembourg, Poland, Portugal, Sweden and Yugoslavia.

Further cost and traffic information is to be obtained from each country, which will enable ITC to establish a program covering priority of construction with knowledge of the material, labor and equipment required by each country. Although the financing of these improvements has been reserved for future study by an ITC ad hoc working party, it is probable that in some OEEC countries the construction may result in requests for release of ECA funds for material and labor. The US delegation to ECE suggests that any release of such funds should be approved with the understanding that the recipient will support the establishment of an international European regime which assures freedom of movement for commercial vehicles between countries. Plans for such a regime are now under study by ECE at Geneva. (SECRET)

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