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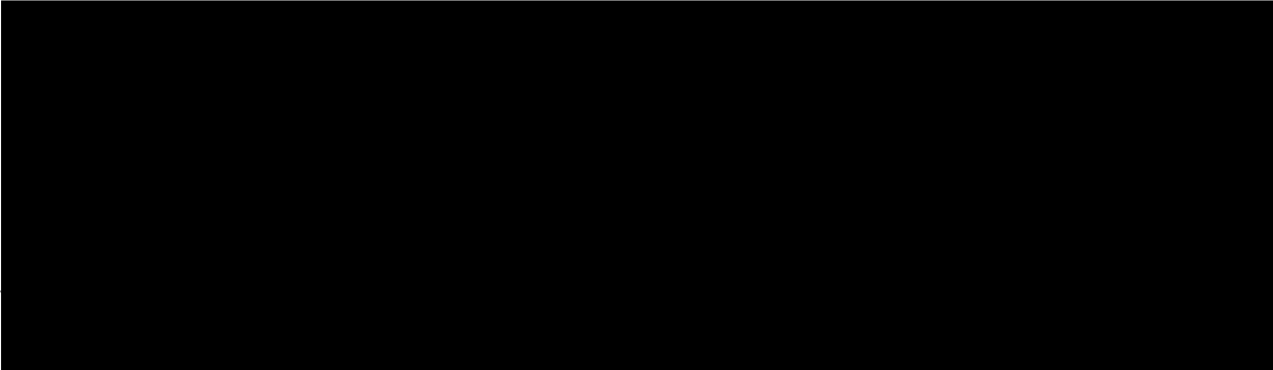
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6 September 1949

Weekly Intelligence Summary No. 78

SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

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A recent Peruvian decree-law, which authorizes construction of a standard-gauge railroad from the Andes Highland to a navigable tributary of the Amazon River in eastern Peru, reaffirms Peru's sovereignty over its portion of the upper Amazon Basin and will aid in the development of this area's rich natural resources. The railroad will run from a point (Tambo del Sol) on the existing Cerro de Pasco Railway in the northern portion of the Andes Highland to Pucallpa, on the Ucayali River, a navigable tributary of the Amazon. Preliminary surveys and detailed studies are expected to require nearly three years, and the limited funds which are available will probably preclude completion of the project in less than ten years. (Item No. 2, B)

Additional information on the participation of US tankers in Soviet trade (see TG Weekly No. 75) has been received from the US Consul and the Assistant US Naval Attache at Singapore. (Item No. 3,A)

The impasse which was reached in 1948 during US-Mexican negotiations for a bilateral air agreement (see TG Weekly No. 20) will probably continue, despite a belated reply to President Truman's personal appeal to the President of Mexico for a resolution of differences. The delay of twelve months in answering this gesture and the negative nature of the reply merely underline Mexico's present lack of pre-occupation with the problem of Mexican air rights for foreign carriers. (Item No. 4, B)

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DOCUMENT NO. 19
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S
NEXT REVIEW DATE: 1989
DATE: 3 Dec 79 REVIEWER: 006514

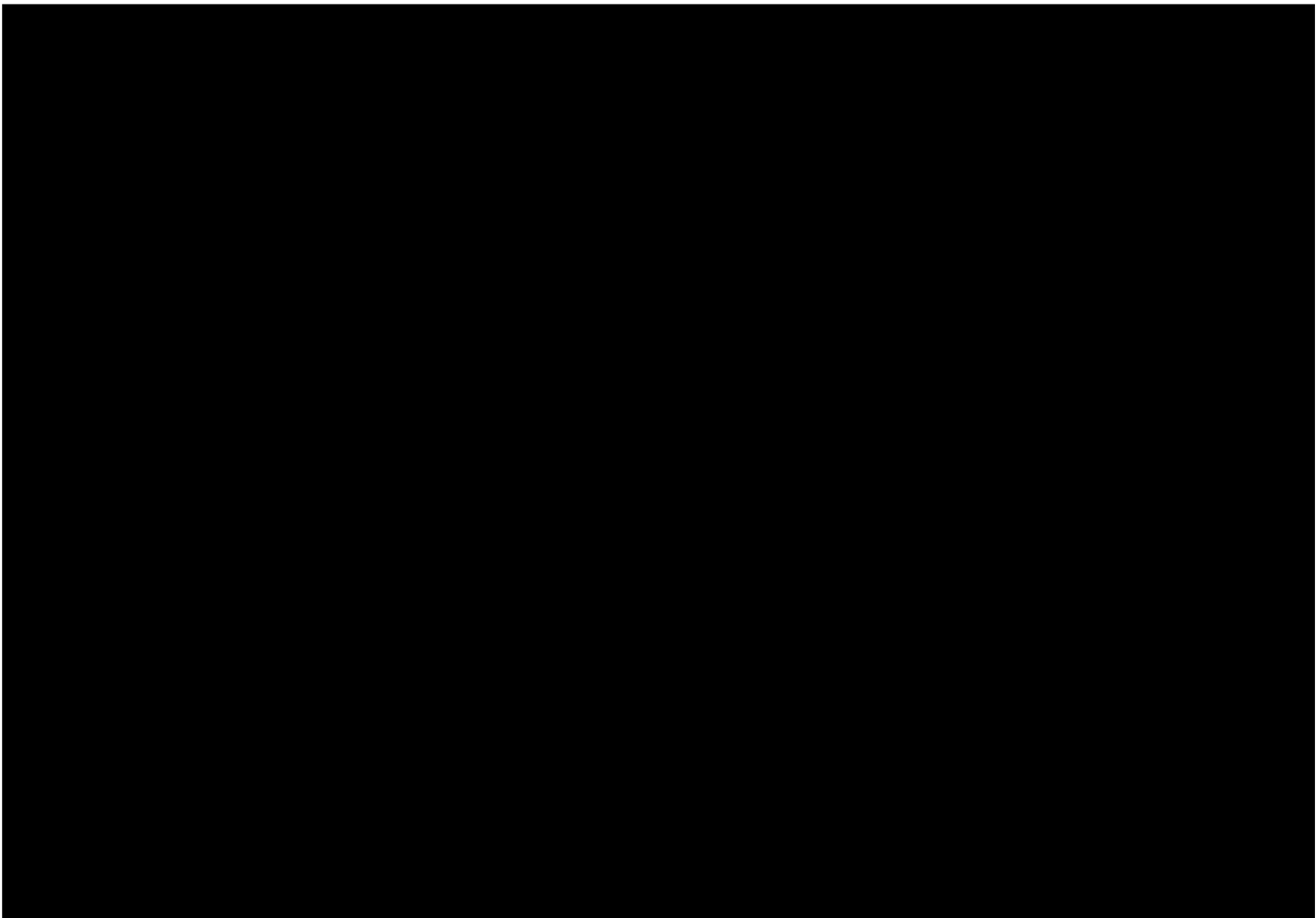
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- 2 -

SECTION II. CURRENT DEVELOPMENTS

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SURFACE TRANSPORTATION

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2. A recent Peruvian decree-law, which authorizes construction of a standard-gauge railroad from the Andes Highland to a navigable tributary of the Amazon River in eastern Peru, reaffirms Peru's sovereignty over its portion of the upper Amazon Basin and will aid in the development of this area's rich natural resources. The railroad will run from a point (Tambo del Sol) on the existing Cerro de Pasco Railway in the northern portion of the Andes Highland to Pucallpa, on the Ucayali River, a navigable tributary of the Amazon.

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- 3 -

The decree-law defines this project as a national necessity, obstruction of which on the part of government officials "will entail grave responsibility before the nation." The preamble cites the necessity of tapping the wealth of this area - its lumber, petroleum, metals, and agricultural products.

Beginning in 1950, 20 percent of the revenue of the Government Tobacco Monopoly, estimated at 17 million soles (about \$850,000) annually, and income from the sale of state-owned lands adjacent to the right of way will be assigned to finance the new project. After June 1950, it is expected that 12 million soles annually can be made available from the "pro-unemployed" funds.

The recently completed Central Highway of Peru already connects Pucallpa with the Andes Highland. The decree-law asserts, however, that only by railroad construction can the transportation facilities be provided which are necessary to support colonization and exploitation and to make the area's products accessible to markets. The rail route, moreover, will traverse an area well to the southeast of the highway. Preliminary surveys and detailed studies are expected to require nearly three years, and the limited funds which are available will probably preclude completion of the project in less than ten years. (Unclassified)

3. Additional information on the participation of US tankers in Soviet trade (see TG Weekly No. 75) has been received from the US Consul and the Assistant US Naval Attache at Singapore.

According to the Master of the St. Christopher, his vessel was chartered for one trip by Stevenson, Hardy, and Co., London, on 30 June, the vessel to carry a cargo for Sojusneft Export and Sovfrakht. The St. Christopher loaded 15,000 tons of kerosene on 8 August at Constanza for complete discharge at Dalny (Dairen). According to the Master, he received cable instructions from his principals to put in at Singapore for capacity bunkers and a supply of water, although he had previously advised his principals that there was no logistic reason for calling at Singapore. On arrival, he was advised that after discharge of his cargo at Dalny, he would load 10,000 tons of crude oil and 1,000 tons of gasoline for Vladivostok or Nakhodka, stopping en route at Wonsan, North Korea, for unstated reasons. Upon completion of this run, the Master of the St. Christopher expects to call at the Persian Gulf, loading cargo for Naples or another Italian port.

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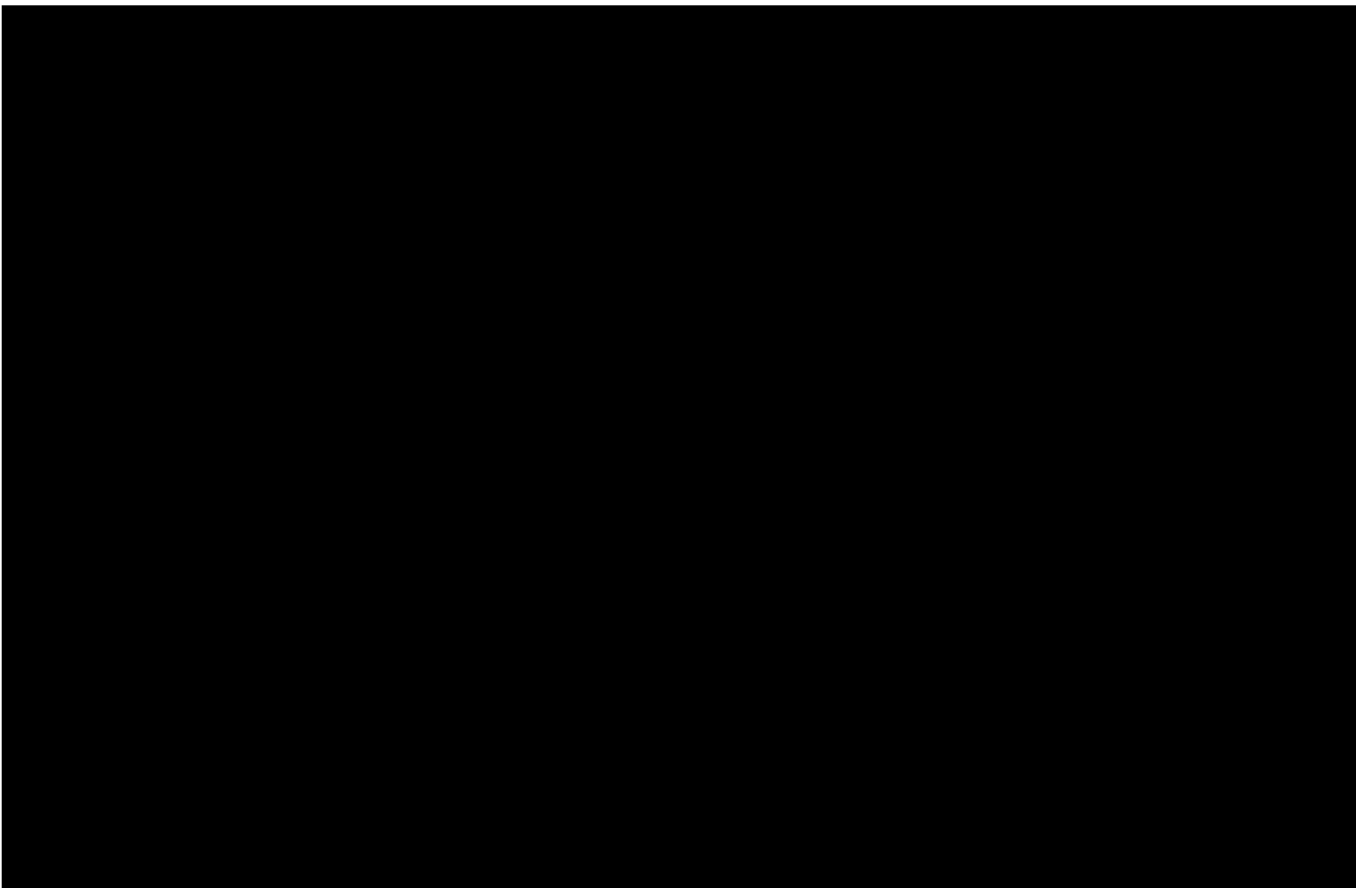
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- 4 -

The Master has also reported that one additional US tanker and two US-owned Panamanian-flag tankers, which have been chartered for the same trade, have already left Constanza for Singapore. While it is possible that he was referring to the Kettleman Hills as an additional US tanker, this is the first mention of any Panamanian-flag tankers in this connection. Participation of Panamanian-flag vessels, however, has not been confirmed from any other source.

Meanwhile, according to the US Consul, the Master of the Kettleman Hills has confirmed that his vessel is under charter to the Soviet-Rumanian Transport Company. It is further reported that the crews of the tankers in this trade are unaware of their real destinations until their vessels are about half way through the contracted trips, when they are told that telegram or radio orders have been received changing the originally announced itinerary. The crew of the St. Christopher was particularly uneasy when advised that their vessel was headed for Soviet ports. The Consul further indicates that it is "common knowledge" among the Masters of these vessels that Chinese interests are involved in the movements of US tankers from the Black Sea to the Soviet Far East. (Secret)

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Approved For Release 2001/08/26 : CIA-RDP79-01090A000300060014-8

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