

FOR THE ASSISTANT DIRECTOR
FOR REPORTS AND ESTIMATES

~~SECRET~~

Staff Antel

40199

CENTRAL INTELLIGENCE AGENCY

FUTURE DANUBE RIVER NAVIGATION AND CONTROL

Document No. 001

NO CHANGE in Class.

DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo: Apr 77

Auth: DDA REG 77/863

Date: 11/77 By: 023

ORE 34-48

Published on
9 JULY 1948

This document has been approved for release through the HISTORICAL REVIEW PROGRAM of the Central Intelligence Agency.

Date 21 Jul 92
HRP HRP 92-4

~~SECRET~~

200033

DISSEMINATION NOTICE

1. This copy of this publication is for the information and use of the recipient designated on the front cover and of individuals under the jurisdiction of the recipient's office who require the information for the performance of their official duties. Further dissemination elsewhere in the department to other offices which require the information for the performance of official duties may be authorized by the following:

- a. Special Assistant to the Secretary of State for Research and Intelligence, for the Department of State
- b. Director of Intelligence, GS, USA, for the Department of the Army
- c. Chief, Naval Intelligence, for the Department of the Navy
- d. Director of Intelligence, USAF, for the Department of the Air Force
- e. Director of Security and Intelligence, AEC, for the Atomic Energy Commission
- f. Deputy Director for Intelligence, Joint Staff, for the Joint Staff
- g. Assistant Director for Collection and Dissemination, CIA, for any other Department or Agency

2. This copy may be either retained or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency by arrangement with the Office of Collection and Dissemination, CIA.

WARNING

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U.S.C., 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

ORE 34-48

~~SECRET~~

FUTURE DANUBE RIVER NAVIGATION AND CONTROL

SUMMARY

The question of international control of the Danube will again arise at a conference on 30 July in Belgrade. A subject of international discussion since the Congress of Vienna in 1815, the Danube has now become a factor in the East-West struggle for control of Europe. The scheduled conference (which will implement a decision by the Council of Foreign Ministers in 1946 to discuss navigation on the Danube) will deal primarily with the question of freedom of navigation and the restoration of international controls.

Since World War II, however, the Soviet Union has attained *de facto* economic, political, and military control over the Danube from Vienna to the Black Sea. The USSR is thus in a position to eliminate the obstacles arising from international rivalry which formerly retarded a unified development of the Danube and its resources. The Danube can thus be expected to become increasingly important to the USSR both strategically and economically.

In view of these prospects, the Soviet bloc at the forthcoming Danube conference will not agree to any proposal which would weaken Soviet control over the area, despite apparent concessions it may make to the Western position. Thus the USSR will agree to international control, but will insist that only riparian states can have an effective voice in such control. The Soviet Union will also agree to the principle of freedom of navigation on the Danube for all states, but in practice will be able to use its political and economic stranglehold over the Satellites to deny use of the Danube to non-riparian vessels. The USSR will probably insist that only riparian military vessels be permitted on the Danube.

Western success at the forthcoming conference, in establishing such controls as may be feasible over eventual Soviet development of the valley's full potential for military aggression, will depend upon the extent to which the USSR desires to avoid a deadlock with the West on this issue. The Kremlin may fear that such a deadlock would have an adverse effect on world public opinion and would block Soviet efforts to penetrate that part of the Danube currently under US control in Austria and Germany.

Note: The information in this report is as of 28 June 1948.

The intelligence organizations of the Departments of State, Army, and the Navy have concurred in this report; the Air Intelligence Division, Air Intelligence Directorate, Department of the Air Force, had no comment.

~~SECRET~~

~~SECRET~~

FUTURE DANUBE RIVER NAVIGATION AND CONTROL

1. THE POSTWAR DANUBE.

The problem of international control of the Danube, a subject of debate since the Congress of Vienna in 1815, will once again be discussed at a conference scheduled for 30 July in Belgrade. Although the USSR and its Satellites gained effective control after World War II over the major part of the river, the Western Powers were able in 1946 to obtain Soviet agreement to hold a Danubian conference¹ within six months of ratification of the Satellite peace treaties.

Postwar Soviet control over the Danube has greatly increased its economic and military potential because international rivalries which formerly prevented a unified development of the river and its resources have been eliminated. The Soviet Union, as undisputed master of the Danube from the Black Sea to Vienna, is in a position to (a) supervise reconstruction of installations damaged during the war; (b) direct the implementation of plans for flood control, channel improvements, and hydroelectric development; (c) control the movement and direction of river commerce to its own or its Satellites' advantage; and (d) manipulate any river project in such a way that it will be consistent with eventual Soviet military plans.

Western Power interest in the Danube, therefore, derives primarily from the river's contribution under Soviet control to the Soviet war potential. The Western Powers are also interested in the possibility of retaining a voice, however small, in Danubian affairs in the hope of facilitating East-West trade for the benefit of Austria and Western Germany.

2. CONTRIBUTION TO SOVIET WAR POTENTIAL.

a. *Economic.*

The Danube is an important trade route for traffic between the riparian states in an area where overland communications are relatively underdeveloped. Before the war, upstream traffic was nearly three times as heavy as downstream traffic, and consisted primarily of shipments of raw materials from Rumania and Yugoslavia. The principal downstream traffic consisted of heavy machinery, scrap iron, and other bulky commodities from Austria, Czechoslovakia, and Hungary. Although the dollar volume of prewar traffic on the Danube was small compared with the total volume of goods moving between these countries, shipment of the bulky and heavy machinery and raw materials involved would have been far more expensive by land and would have seriously taxed the limited rail and highway facilities in the area.

Realization of postwar plans for linking the Danube by canals with the Baltic and the Rhine, coupled with Communist efforts to industrialize the Satellite nations, would enhance the importance of the Danube as an artery of communication. This

¹ Participants at the conference will include the USSR, US, UK, France, the Ukraine, Rumania, Bulgaria, Yugoslavia, Hungary, and Czechoslovakia. Austria will also participate as an observer.

~~SECRET~~

~~SECRET~~

importance, however, will depend upon the development of East-West relations and the extent to which the Satellites will be permitted to trade with the nations of Western Europe. If freedom of navigation on the Danube were to be restored and East-West trade were to increase, much traffic between Eastern and Western Europe could be profitably shipped via the Danube and the proposed canals. On the other hand, a deliberate Soviet curtailment in East-West trade would not result in a net decrease of Danube traffic over prewar volume since Soviet emphasis on industrialization of the Satellites and on increased inter-Satellite and Soviet-Satellite trade will result in a substantial increase in traffic on the Danube.

Full exploitation of the Danube's water power would also contribute substantially to the economic development of Eastern Europe. Prior to the assumption of power in this area by the USSR, political disunity among the Danubian and Balkan states prevented the execution of cooperative plans to use the Danube for the development of hydroelectric power or for large-scale irrigation projects. Political conditions are now ripe for cooperative projects intended to increase the production of hydroelectric power and to reclaim, through irrigation, much land of only marginal value under present conditions. Plans for such projects are currently being considered and, if implemented, will greatly increase the industrial and agricultural potential of Eastern Europe.

b. Strategic.

Control of the Danube is a strategic necessity for military control of southeastern Europe but from the point of view of logistics, the Danube is both an asset and a liability. Though the river itself can be used for the transport of military supplies and for the maintenance of normal commercial traffic important to the prosecution of a war, Danubian traffic in time of war is particularly vulnerable to attack by mines dropped from the air. (Sweeping the Danube for mines is not only an arduous job, but also one which is not particularly effective because of the difficulty of locating mines which become buried in the muddy bottom or which change location with the current.)

The Danube is also a natural barrier separating the Balkans (Yugoslavia, Bulgaria, Albania, and Greece), Northern Italy, and most of Austria from the Soviet Union and the other Satellites. As such, it would be of advantage to the USSR in a defensive war in which Soviet forces had retreated beyond the Danube. Maintenance of lines of supply across the Danube would be essential, however, for the support of Soviet forces on the Adriatic and the Mediterranean. These lines in turn depend upon the Danube's rail and highway bridges, most of which were destroyed during the last war and would be vulnerable to air attack in any future war. Although temporary pontoon bridges could handle such military traffic, the destruction of the rail bridges across the Danube would have a crippling effect on the entire southeastern European economy.

3. PROBABLE SOVIET POSITION AT THE CONFERENCE.

At the forthcoming conference in Belgrade, the USSR can be expected, in general, to oppose any proposal which would threaten existing Soviet political, economic, and

~~SECRET~~

~~SECRET~~

military controls over the river. The USSR has apparently decided to try to obtain international sanction of its *de facto* control over the Danube and may utilize the conference to further its "peace offensive," confident that it has nothing to lose.

The Western Powers will be represented by the US, UK, and France. Their control over the Danube is presently confined to physical possession of the German and Austrian zones of occupation. UK and French membership on prewar international Danube commissions will also provide these powers with a basis to propose a return to the prewar status. However, the Soviet majority will be in a position to override any Western proposal and thus the chief restraining influence on the Soviet bloc will be the Kremlin's fear of the reaction on world public opinion of an extreme Soviet stand. Moreover, the Kremlin may fear that a complete break with the Western Powers would prolong indefinitely the existing barrier to Danube traffic at the border of the US-Soviet zones of Austria. (See Appendix IV.) The maintenance of this barrier would hamper East-West trade (which continues to be as important to the East as to the West) and would block Soviet designs to obtain greater control over Austrian shipping facilities.

The USSR, therefore, will probably take the official position that (a) the Danubian regime as set up by the Versailles Treaty is invalid and that an entirely new administration of the Danube must be organized; (b) only riparian states have the right to be represented on any international Danubian administration; and (c) there should be freedom of commercial navigation on the Danube for all states, but non-riparian military vessels should be excluded.

Although the USSR has permitted Austria to attend the conference as an observer, the Soviet bloc will probably vote against including Austria in the new body at this time. Such a position would postpone the admission of Austria until after the conclusion of the peace treaty. Depending upon the terms of the treaty and the extent of Soviet control over Austria at that time, the USSR could then decide whether it would be in the Soviet interest to permit Austrian participation in the administration of the Danube.

The Soviet bloc will almost certainly agree at the conference to the adoption of a resolution calling for freedom of navigation on the Danube for ships of all nations. Such a broad agreement to the principle of free navigation, however, will have no practical results unless specific measures are adopted designed to overcome the existing military, political, and economic controls exercised by the USSR and its Satellites. In practice, these controls enable the USSR to prevent navigation on the Danube by non-riparian vessels. The dominant position of the Soviet Danube fleet and of the joint Soviet-Satellite shipping companies permits the USSR to enforce preferential schedules and rates which would prevent profitable operation by non-riparian companies. Moreover, all important port and repair facilities are under direct or indirect Soviet control and consequently non-riparian vessels can be denied their use. Military control of the greater part of the Danube will also remain in Soviet hands and non-riparian vessels can be discouraged from using the Danube by the onerous military regulations controlling passage on the Danube by non-riparians.

~~SECRET~~

~~SECRET~~

APPENDIX I

INTERNATIONAL CONTROL OF THE DANUBE

1. PREWAR.

The principle of international control of the Danube has been recognized for many years. International control was necessitated by the need for (1) insuring freedom of navigation for vessels of all countries; (2) maintaining the river in navigable condition; (3) obtaining uniformity in rules and regulations concerning the movement of ships; and (4) undertaking tasks regarding development of the river which were beyond the scope of any individual riparian.

International administration of the Danube prior to World War II was the responsibility of the European Danube Commission (CED), which had jurisdiction over the maritime Danube only, and of the International Danube Commission (CID), which concerned itself only with the fluvial Danube. The legal right of these two organizations to reassume their prewar status is currently being disputed by the USSR.

Although the principle of freedom of navigation on international rivers was established at the Congress of Vienna in 1815, it was not until 1856 that the European Danube Commission (CED) came into being. CED was authorized to keep the Danube mouth in navigable condition, provide pilotage for ocean-going vessels entering and leaving the Danube, and enforce freedom of navigation for vessels of all nations. The original members of CED included Austria, France, Great Britain, Prussia, Russia, Sardinia, and Turkey. Various changes in membership occurred until in 1921 Great Britain, France, Italy, and Rumania were the only member states. At that time, a statute was passed stipulating that CED could not terminate its activities except by unanimous approval of the member states. The CED's powers were reduced in 1938 when Rumania established an autonomous organization—the Maritime Danube Commission (DDM)—to maintain the maritime channel of the Danube. CED was still empowered to provide pilotage and enforce free navigation. By 1939, Nazi Germany had also pressured itself into membership in the CED.

Prior to 1919, administration of the fluvial Danube was localized, unorganized, and spotty, with each riparian state maintaining virtual autonomy in the administration of its section of the Danube. Establishment in 1919 of the International Danube Commission (CID) still failed to create a truly international administration. The CID¹ was primarily a supervisory and coordinating body to watch over the application of basic international law as it affected navigation on the Danube. It had powers of review over all plans for river construction which might affect navigation. Uniform regulations for river police and navigation were made by the Commission but were actually approved, initiated, and carried out by the riparian states. The Commission's

¹ Members of the CID included France, UK, Italy, Germany, Austria, Czechoslovakia, Yugoslavia, Hungary, Bulgaria, and Rumania.

~~SECRET~~

~~SECRET~~

authority also extended to the navigable portions of the Danube tributaries which traversed more than one country and to the river's lateral canal system. CID's administrative decisions could be appealed to the League of Nations or the Court of International Justice.

2. POSTWAR.

Shortly after the outbreak of World War II, Germany dissolved the CID and established a Council of the Fluvial Danube in September 1940. Great Britain and France were excluded from the Council, although the Soviet Union was a member from early 1941 until the German invasion of the USSR. In 1942, Germany also dissolved CED and compelled Rumania to accept German representatives in the DDM.

Since the war, the powers represented at the London Conference on European Transport in 1944, (USA, UK, USSR, France, Belgium, the Netherlands, Norway, Yugoslavia, and Greece) initially declared Germany's dissolution of CID and CED as invalid and recognized the continued existence of the prewar commissions. Subsequently, the USSR insisted that all reference to the Danube be stricken from the final agreements. Meanwhile, the USSR occupied the Danubian area and itself once again became a riparian state through the acquisition of Bessarabia. The USSR thus effectively controls all but 302 miles of the navigable Danube. The outcome of the international conference agreed to by the Council of Foreign Ministers in December 1946 will determine whether or not CED and CID will resume their prewar functions. Meanwhile, these functions are being carried out by the USSR and the riparian states.

~~SECRET~~

~~SECRET~~

APPENDIX II

PHYSICAL CONDITION OF THE DANUBE

Unusual drought conditions during the past few years, neglected dredging during and after the war, submerged vessels and bridges, and the existence of mines laid during the war have greatly interfered with the navigability of the Danube during the postwar period.

1. FLUVIAL DANUBE.

a. *Water Level.*

Several years of extremely dry weather reached a climax in the summer of 1947 when the water level of the Danube fell to a record low of 44 inches below normal. This caused a complete halt in river traffic for several weeks in sections such as the Iron Gate and the area between Bratislava and Komarno in Czechoslovakia. Other areas seriously affected by the low water level included: (1) the Corabia-Turnu Magurele and the Calarasi-Harsova sectors in Rumania where there are extensive alluvial deposits and sand banks; (2) the section of the Danube south of Dunafoldvar in Hungary; (3) the area immediately north of Belgrade in Yugoslavia. In order to traverse these sections barges had to reduce their usual cargo weight to one-third. The river started to rise in December, however, and by January 1948 it was normal.

The difficulties arising from the low water level were aggravated by accumulation of silt resulting from inadequate dredging during the past few years. In some areas, however, the authorities took advantage of the low water to begin dredging activities. In the Mohov channel between the Yugoslav ports of Vukovar and Becka Palanka the river bed was leveled and cleaned out. Dredging was carried on in the Hungarian sector of the Danube although some of the channels which require constant attention are still unusable. The Soviets also sought the aid of the Czechoslovaks in having the Hungarian and Slovak sides of the Danube dredged.

Aided by the unusually mild weather, navigation on the lower Danube continued throughout the winter 1947-48, although ice prevented navigation in the upper reaches of the river.

b. *War Damages.*

Although the USSR announced in October 1945 that the Danube was clear for navigation from Tulln to the Black Sea, traffic is still very slow, often moving in only one direction at a time because of the narrowness of the cleared channel. Pilots are still necessary in many places. In July 1947, an observer reported at least 50 submerged ships and barges between Braila, Rumania, and Komarom, Hungary. The removal of the greatest obstacle in the upper Danube, the wrecked Tulln bridge 30 miles above Vienna, left the river clear as far south as Komarom. Although most wrecked bridges have been removed, the following serious hindrances remain: (1) the railway

~~SECRET~~

~~SECRET~~

bridges at Novi Sad, Yugoslavia, and Baja, Hungary; (2) the road bridge at Dunafoldvar, Hungary; and (3) the Ujpest railway bridge and several road bridges in Budapest.

c. Mine Danger.

During 1944 the British laid 1,500 mines in the Danube between Giurgiu and Bratislava; the Germans, Soviets, and Rumanians also laid many mines. The river was swept by Soviet occupation authorities right after the war but danger from floating mines and those located in coastal and shallow waters still exists. The Soviets and the riparian states have expressed their concern over this condition and have made plans for cooperative efforts in mine-sweeping operations in 1948. During 1947 at least three vessels were blown up in Rumanian waters above Giurgiu despite several sweepings by Rumanians in the summer of 1947, and in February 1948 a mine exploded near Corabia. Several Soviet vessels ran into mines at Esztergom, Hungary, which caused the Soviets to order that each ship traveling between Komarom and Budapest be demagnetized.

Soviet/Satellite efforts to free the Danube of mines is reflected by: (1) a Soviet request on 20 November 1947 that the Rumanians resume mine-sweeping activities; (2) a 1 December 1947 Yugoslav proposal to the Rumanian Government for cooperative mine-sweeping activities along the common Yugoslav-Rumanian stretch of the Danube; and (3) a Rumanian recommendation that the Yugoslav Navy sweep the river between Bazias (northern point on joint Yugoslav-Rumanian border) and Orsova (which is just below the Iron Gate), the Rumanian Navy sweep the section from Orsova to Gruia and, with the assistance of the Bulgarian Navy, sweep the portion from Gruia (at the Yugoslav-Bulgarian border) to Giurgiu. It was reported in April 1948 that Soviet mine-sweepers were also taking part in sweeping activities in Yugoslav waters. During December 1947 Czechoslovakia and the USSR completed negotiations for opening the Danube to traffic on a larger scale. The USSR agreed to clear the 72 miles of the Czechoslovak Danube in the spring of 1948. The Czechs will meet the cost up to 15,000,000 kcs (\$300,000) of the operation which the Soviets assert will take 1,000 of their Danube fleet personnel three weeks to complete. The Czechs will not be responsible for losses suffered by the USSR during the sweep and the USSR will not be responsible for losses after it is completed. Unless similar arrangements are being made between the USSR and the other riparians, it is unlikely that the Danube can be cleared of mines during 1948. Sweeping will have to be continued for some years in order to remove mines buried in sand bars or lodged in shallow banks. Moreover, the USSR can be expected to use the presence of mines as an additional pretext to prevent or at least control all traffic by non-riparian states.

2. MARITIME DANUBE.

Ever since the European Danube Commission chose to maintain the Sulina branch of the Danube delta as the channel for ocean-going vessels, constant dredging has been required to keep it open. The Sinaia Agreement of 1938 entrusted the technical aspects of maintaining the channel to the Danube Maritime Administration (DDM), an auton-

~~SECRET~~

~~SECRET~~

omous Rumanian organization. Since early 1946 the DDM has been operating under the jurisdiction of the Rumanian Department of Ports and Waterways of the Ministry of Communications. Since 1 July 1946, the DDM has been absorbed by the Department of Ports and Waterways. Although handicapped by inadequate equipment, coal and fuel oil shortages, and lack of funds, the Rumanians have nevertheless been able to: (a) maintain the Sulina channel at 25 feet; (b) extend the northern breakwater by 328 feet; (c) extend the channel¹ from 27 to 31 miles from the mouth; (d) dredge 3,412,782 cubic feet of silt over a length of 2,461 feet and a width of 164 feet.

Since the USSR re-acquired Bessarabia in 1944, it has assumed complete control of the Chilia branch of the Danube delta, which now forms the Soviet-Rumanian boundary. Although this branch is not navigable by sea-going vessels,² it does receive 67 percent of the Danube water. Most of this water goes through the Stary Stamboul, the southernmost of the Chilia Delta streams, and deposits a large quantity of silt around the Sulina mouth. The Soviets have thus far barred the Rumanian technicians from this area. Consequently, the Rumanians have been unable to make the periodic surveys of the area directly north of the breakwaters protecting the Sulina mouth, which must be made to determine what dredging and technical work should be done.

A 10-mile mine field at Sulina mouth has handicapped dredging and shipping activities, although a channel has been swept to Serpilor Island. Pilots are required on all vessels entering Sulina mouth. Sulina channel and the Maritime Danube are well marked with buoys, lighthouses, and mile markers. Wrecks and sandbars are clearly marked.

One solution of the problem of keeping the Sulina branch open is to divert the Stary Stamboul stream into one or more of the northern branches of the Chilia delta. Such a step would protect the Sulina mouth from the silt now threatening it. Work on this was started in 1943 and the USSR may, in its own self-interest, dredge the Oceakov channel for small vessels that ply between Odessa and Danube river ports.

Some Rumanian technical experts recommend the construction of another channel from the Sulina arm to the Black Sea which would allow ships to enter at a point 5½ miles to the south of the present mouth. Plans for this were drawn up in 1937. It was reported in October 1947 that work on this project was underway. Although suggestions have also been made for opening the St. George branch of the Danube delta for ocean-going vessels, this is not considered feasible. The construction of a canal from Cernavoda to Constantza has also been proposed. Such a project would eliminate Rumanian dependence on the USSR for maintenance of the maritime Danube and would shorten the distance between the fluvial Danube and the Black Sea by 155 miles.

¹ This channel is protected by two walls which are 8 feet under normal water level and which reduce the accumulation of silt.

² Unsuccessful attempts by the Soviets in 1940 to open the Chilia branch which is only 5 feet deep at the mouth proved that this could not be done without the construction of permanent jetties.

~~SECRET~~

~~SECRET~~

APPENDIX III

SHIPPING COMPANIES

1. IMPLICATIONS OF SOVIET CONTROL OF SHIPPING.

From 1939 until 1944 Germany dominated Danube shipping through its control of shipping companies. The Goering Combine appropriated the Bavarian Lloyd Company and the two major Austrian companies, and obtained a controlling interest in the Slovak, Croatian, and Bulgarian companies. Germany thus was able to control the two Danubian cartels to which all transportation contracts accrued. Consequently, Rumanian, Yugoslav, and Hungarian shipping companies were under German domination despite their apparently independent status. Soviet control over the Danube companies is more stringent and direct than that exercised by the Germans. The USSR has established "joint companies," to which the USSR and the respective riparian each contributes 50% of the assets but which are under Soviet direction. Through these companies the USSR has also gained control of the majority of the ports, port facilities, and shipbuilding yards in the riparian states.

Of the riparians under Soviet influence, Rumania and Hungary were forced to accept joint companies and Yugoslavia freely agreed to establish one. Although Czechoslovakia has apparently not yet been asked to form a joint company, it will now undoubtedly agree if such a request is made. Bulgaria, with its few vessels already under Communist control, may not be asked to form a joint Soviet company, although the recent navigation treaty with the USSR may prove to be the basis for such a company. In addition to these joint shipping companies, the USSR has organized its own shipping company which operates on the Danube below Vienna. It is subject to no regulations, not even national customs and border checks.

These agreements creating the joint shipping companies by granting the USSR a potential monopoly of river navigation, loading and unloading, repair and fueling facilities throughout the Danube area, will provide the Soviet Union with an effective weapon to prevent freedom of traffic on the Danube. To date, the Soviets have used the pretext of military restrictions to keep non-riparian vessels out of the Danube. However, if at the forthcoming Danube conference the USSR agrees to the principle of freedom for non-riparian vessels, the monopolistic powers granted the USSR by virtue of the joint companies will, in practice, prevent non-riparians from using the Danube freely.

These powers include: (a) the absence of any provision in the contracts leasing the ports to the joint companies that the port facilities be made available to all users; (b) the capability to charge other users exorbitant rates for use of these facilities; and (c) the special privileges granted the joint companies, such as freedom from taxes, preferential treatment in obtaining foreign exchange, right of cabotage, and all the rights purely national companies are entitled to.

~~SECRET~~

~~SECRET~~

The USSR, through the joint companies, has thus obtained the potential monopolistic powers over the volume, type, and cost of transport on the Danube formerly wielded by the major shipping companies which formed cartels dominating transportation on the river, resulting in discriminatory practices and artificially high rates. The USSR can thus use these economic controls in addition to its political controls over the riparian states to obviate any international regulations which may be laid down concerning freedom of movement.

2. RUMANIA-HUNGARY.

Establishment of the joint *Soviet-Rumanian (Sovromtransport)* and *Soviet-Hungarian (Meszhart) Shipping Companies* was authorized by the economic collaboration agreements concluded by the two countries with the USSR. The Rumanian company was established in July 1945, but anti-Communists delayed establishment of the Hungarian company until March 1946. The joint companies were charged with the administration and exploitation of river and maritime transport and the management of ports, port facilities, and shipbuilding enterprises.

Although each "partner" was, in theory, to make equal contributions of vessels, equipment, installations, supplies, and capital, Rumania and Hungary have actually made far greater contributions than the USSR. For instance, Rumania was forced to contribute many vessels for which no credit was given since Rumania was charged for the cost of repairs which exceeded the base price. In Hungary, one of the Soviet contributions to MESZHART was the Pecs coal mines, which the USSR arbitrarily valued at 25 million dollars. In 1936 the mines were valued at 6 million dollars. Moreover, Rumania and Hungary were forced to lease ports, shipyards, and vessels to the joint companies at only nominal rates. The two countries were also to participate equally in the management of the companies. Actually the general manager is a Soviet in each company and consequently the USSR has the power to administer the entire activities, property, and funds of the companies.

Originally SOVROMTRANSPORT owned 185 vessels, of which 101 were contributed by the Rumanians and 84 by the Soviets. By July 1946 SOVROMTRANSPORT vessels had increased to 221 as a result of the addition of 23 craft returned to Rumania by the USSR, on condition that they be contributed to SOVROMTRANSPORT, and of 13 vessels belonging to the *Rumanian Danube Navigation Company (SRD)* which was absorbed by SOVROMTRANSPORT. Moreover, 250 vessels were requisitioned by the Rumanian government and leased to SOVROMTRANSPORT to help carry out armistice deliveries. The Rumanian government is exerting such economic pressure on the privately owned vessels operating independently of SOVROMTRANSPORT that they are slowly being driven out of business. For example, in the summer of 1947 the Ministry of Communications ordered government and government-controlled agencies to use SOVROMTRANSPORT facilities when shipping via the Danube, and in January 1948 SOVROMTRANSPORT was given a monopoly over the commercial transport of passengers and cargo over specified routes. Moreover, SOVROMTRANSPORT was given the right to lease port facilities and shipyards at Constantza, Galatz, Braila, and Giurgiu with preference for leasing the rest of the ports in Rumania.

~~SECRET~~

~~SECRET~~

Soviet contributions to the joint Soviet-Hungarian Shipping Company (MESZHART) included the assets in Hungary of the First Danube Steamship Company (DDSG) of Austria which the USSR claimed as German reparations and which comprised the Pecs coal mines and several apartment houses and factories. The USSR also contributed 28 vessels seized as war booty in Hungary and Rumania. Hungary gave all the assets of the Royal Hungarian River and Sea Shipping Company (MFTR) comprising the 16 vessels then in Hungary and all Hungarian ports except Budapest, Gyor, Baja, Mohacs, and Szeged, which are leased to the company. Hungary was also supposed to contribute the 200 MFTR vessels which were at that time in the US zone of Austria. When these vessels were returned, however, they apparently remained under the control of MFTR and its subsidiary, the Danube Ocean Shipping Company (DTRT). This is probably only a temporary arrangement which will end whenever the Soviets request implementation of the earlier agreement.

Meanwhile, the three operating Hungarian shipping companies are: (a) MESZHART, with 10 tugs and freighters and 46 barges and tankers; (b) MFTR, with 25 tugs and freighters and 114 barges and tankers; (c) DTRT, with 4 sea-going vessels currently scheduled to operate to Near Eastern ports. Despite the relative smallness of MESZHART, Soviet control over Hungary's Danube shipping is assured through MESZHART's control over the major ports, and facilities and the preferential treatment accorded MESZHART by the Hungarian government.

Neither SOVROMTRANSPORT nor MESZHART can be liquidated except by joint agreement of the two countries involved.

3. YUGOSLAVIA.

Unlike the Rumanian and Hungarian joint companies, the *Yugoslav-Soviet Joint Shipping Company* (JUSPAD), formed in March 1947, is the result of an agreement between two ostensibly independent countries, but it is very similar to the other shipping companies. Like MESZHART and SOVROMTRANSPORT, JUSPAD was formed "to exploit river navigation on the Danube and its tributaries; to utilize ports, quays, facilities, and equipment; to organize river and marine transport, construct, expand, and exploit shipbuilding yards; and to transact transport and commercial business".¹ The capital is divided equally between the two countries, but instead of contributing vessels, each country has contributed an equal amount of capital (4 million dollars). Shares of the company cannot be sold without permission of both parties. The Board of Directors is equally divided between representatives of both countries. The Soviets control JUSPAD through the sweeping powers given the Director General (a Soviet citizen) just as they control MESZHART and SOVROMTRANSPORT through the Soviet general manager of these companies.

Whereas the joint companies in Rumania and Hungary handle internal as well as international shipping, JUSPAD is limited to handling Yugoslav shipping to other countries, while all traffic within Yugoslavia is controlled by the *State River Navigation*

¹ Yugoslav Commercial Register No. 38 for the Yugoslav-Soviet Danube Navigation Company of Belgrade, 1 March 1947.

~~SECRET~~

~~SECRET~~

Company (DRB), which leases 151 of its 471 vessels to JUSPAD for 400 dinars (8 dollars) a day each. In return, the USSR has agreed to build the largest drydock in Yugoslavia at Ada Chuaj. The USSR has clearly demanded much less of Yugoslavia than it has of Hungary and Rumania, although it has sufficient interest in Yugoslav shipping to assure continued control of international Danube traffic through Yugoslav waters.

4. USSR.

Immediately after the war ended, the USSR established the *Soviet Danube State Shipping Company* (SDGP) whose fleet consisted of captured Austrian, Hungarian, and German vessels, and of vessels delivered under the terms of the Rumanian armistice, and a few Czechoslovak and Dutch craft. Headquarters for this company are in Ismail and Reni, newly acquired Soviet ports in Bessarabia. SDGP reportedly had 289 vessels in the spring of 1947. SDGP is the Soviet agency which participates in the joint companies with Hungary, Yugoslavia, and Rumania.

The SDGP primarily carries cargoes for the Soviet government and its military authorities, but also offers commercial freight service. Although SDGP, operating under state subsidy, could afford to make its tariff rates so low as to preclude competition by other Danube shipping firms, there is no evidence that the Soviet state company engages in unfair competitive practices or enters into any exclusive operating agreements with other firms. The fact that SDGP vessels do not respect frontier or customs regulations in traveling along the Danube indicates that the USSR has no intention of according even formal recognition to the sovereignty of the Satellites in this matter.

5. AUSTRIA.

The USSR has thus far been unable to obtain complete control of the two Austrian shipping companies—*First Danube Shipping Company* (DDSG) and *Continental Steamship Company* (COMOS). Prior to the war Austrian vessels constituted the third largest fleet operating on the Danube, and contributed substantially to the economy of Austria and the Danube basin as a whole. The presence in the US Zone of Austria of nearly 50% of the vessels belonging to these companies has blocked Soviet attempts to absorb the companies. Moreover, as long as these vessels remain under Western control, they constitute a threat to complete Soviet domination of the Danube.

Final disposition of these companies and their vessels must await conclusion of the Austrian treaty. The USSR maintains that it is entitled to DDSG assets under the Potsdam Agreement as a result of the purchase in 1939 by the Goering Combine of the 46% interest in DDSG owned by the Italians. Originally the USSR had demanded all DDSG assets in the Soviet-controlled Satellites as well as 25% of those in Austria. Recently, however, Soviet peace treaty negotiators have shown a disposition to compromise on their original demands as to the percentage of DDSG shares they will insist on.

Pending a solution of this problem, operations by the Austrian companies are at a virtual standstill. In the US zone, some ships are operating passenger routes between Linz and Engelhartzell and 100,000 tons of Ruhr coal a month are being moved on DDSG

~~SECRET~~

~~SECRET~~

vessels from Regensburg to Linz. Although accurate figures are unavailable, the overwhelming majority of the DDSG vessels in the US zone (approximately 250) are inoperative. Disposition of the company's estimated 300 vessels in the Soviet zone is unknown. Some have unquestionably been seized as war booty by the Soviets; others have been transferred to Soviet-dominated companies. Regardless of their present status, it is unlikely that after the peace treaty is concluded the USSR will agree to return many of these vessels to DDSG. This loss of vessels, coupled with Soviet seizure of DDSG assets (including dock, cranes, port facilities, etc.) in the Soviet zone of Austria, Hungary, and Rumania, will seriously reduce the importance of DDSG if freedom of navigation on the Danube is ever again resumed.

Meanwhile, the USSR can be expected to continue its attempts to gain control of DDSG and COMOS. Principal levers the Soviets may use in this campaign include: (a) a promise that if Austria will agree to establish a joint Soviet-Austrian company, the USSR will return to the joint company all vessels and facilities seized as German assets; and (b) threats that only by allowing Soviet participation in DDSG will Austria have access to the Soviet-controlled Danube.

Thus, continued Austrian refusal of Soviet demands will seriously weaken the financial position of the Austrian companies and may result in their exclusion from the Soviet-controlled Danube. On the other hand, capitulation to the Soviet demands would extend Soviet control of the Danube to Germany and increase the USSR's potential for additional penetration of the Austrian economy.

6. CZECHOSLOVAKIA.

In the spring of 1946, the *Czechoslovakian Danube Navigation Company* (CSDP), consisting of 59 vessels, was nationalized and put under the management of the Navigation Section of the Ministry of Transport. Approximately 125 vessels have since been restituted to Czechoslovakia by the US and the USSR.¹ So far, the USSR has not demanded that the Czechoslovaks form a joint Soviet company. However, the USSR may take advantage of its recently strengthened position in Czechoslovakia to do so in order to gain control of the large modern Skoda shipyard at Komarno; the important port of Bratislava; and the Czechoslovak fleet which the Czechs plan to increase to twice its prewar size.

7. BULGARIA.

The Bulgarian River Navigation Company (BRP) is state-owned and operated by the Division of Water Communications of the Ministry of Railroad, Automobile and Water Communications. Most of the BRP fleet was destroyed during the war. In February 1946, the BRP had approximately 25 vessels in operation. Not more than 10 privately owned vessels operate in Bulgaria. So far the Soviets have not formed a joint company with Bulgaria, probably because the Bulgarian fleet is so insignificant. However, the Treaty of Commerce and Navigation, which was signed by Bulgaria and

¹ See Appendix VIII.

~~SECRET~~

~~SECRET~~

the USSR in April 1948, provides for increased economic collaboration between the two countries and may result in the formation of a joint company.

8. NON-RIPARIAN COUNTRIES.

The French Navigation Company (SFND) which had headquarters at Braila, Rumania, before the war, owned 26 vessels in 1943. SFND now has 16 vessels on the Danube ready to start operation as soon as circumstances permit. Three vessels are still in Soviet hands, two are in the US zone of Austria, and two are being repaired by the Rumanians. In May 1947 the USSR attempted to charter or purchase the SFND fleet but the French refused.

Little is known concerning the disposition of the British, Dutch, and Greek prewar fleets. Many were seized by Germany and the USSR, many were destroyed and some have been taken from the Danube for use elsewhere by the parent companies. The USSR returned 14 vessels to the British, most of which are now being repaired by Rumania according to the provisions of the Armistice agreement. A tentative contract was made by a private Rumanian company for the charter of three of the barges already repaired but governmental pressure prevented the charterers from implementing the contract. A British tug has been under charter to the Rumanian government since June 1947 and is permitted to fly the British flag. A few Greek vessels are idle in Rumanian waters; others have been chartered to SOVROMTRANSPORT; and some have been purchased (but not paid for as yet) by Rumania for delivery as reparations to the USSR. Little is known of the disposition of the Dutch fleet which comprised 55 vessels before the war. The Sindy-Italian Danube Navigation Company is under liquidation because all its vessels were scuttled or seized.

~~SECRET~~

~~SECRET~~

APPENDIX IV

SHIPPING ACTIVITIES

Incomplete reports on postwar shipping on the Danube indicate a slow increase in traffic since the end of the war. The return of vessels by the Soviet Union and the United States, the repair of port facilities, the re-establishment of shipping companies, and the resumption of trade contributed to increased traffic among the Satellite riparians. On the other hand, there has been practically no activity on the Danube between the US zones of Germany and Austria and the Soviet zone of Austria. The USSR has consistently prevented passage of vessels from the US zones to the lower Danube and consequently the US has been forced to retaliate by preventing the entry into its zone of Soviet or Satellite vessels. The Soviets have also excluded practically all non-riparian vessels from the Danube.

Although numerous obstacles prevent a rapid restoration of Danube traffic to prewar levels, the Danube, under Soviet domination, may become an even more important artery of commerce than it was in prewar days. Soviet emphasis on vastly increased trade between the Satellites will result in an increase in Danube traffic. In prewar days, much of Hungary's exports to the West went by rail via Trieste; much of Rumania's grain and oil was shipped to Western markets via the Maritime Danube only, while Yugoslav exports to the West also were shipped via Adriatic ports or by rail. Postwar curtailment of these Western exports and their gradual diversion to other Satellites or the USSR may substantially increase the percentage of Satellite traffic carried on the Danube. Such an increase would in part compensate for the decrease in Danube traffic which would result if the Austrian and German portions remain separated from the Soviet-dominated Danube and if East-West trade is not resumed.

The rate at which this trend toward increased Danube traffic materializes will depend upon the ability of the USSR and its Satellites to: (a) restore the physical condition of the Danube (see Appendix II); (b) restore the Danube fleets and port facilities (see Appendices III and V); and (c) restore the general economic level of the Satellites.

a. Czechoslovakia.

In 1947 Czechoslovak traffic had reached roughly 50% of the 1936 level. The Czechoslovak government hopes to quadruple the 1947 traffic and to take over the major part of the shipping previously handled by Austria. Czech river ports were visited by Yugoslav, Bulgarian, Rumanian, and Soviet vessels in 1947.

b. Hungary.

During the last four months of 1946, over 2,000 vessels traveled through the Hungarian Danube. About 35% of these were flying the Soviet flag, while 25% and 30% flew the Yugoslav and Czechoslovak flags, respectively. Only 10% of the vessels

~~SECRET~~

~~SECRET~~

were Hungarian, Bulgarian, and Rumanian, whereas before the war 60% of the vessels were of these nationalities. Movement of vessels on the Danube in Hungary from January to September 1947 totaled 3,480, an increase of 1,787 over the corresponding period in 1946.

An indication of the amount of traffic at Budapest is the loadings and unloadings at the Free Port of Csepel. During 1946, loadings in the commercial basin dropped 51.4% and unloadings 45.4% as compared to 1938. On the other hand, traffic in the oil basin increased 29.5% in unloadings and 13.4% in loadings compared to 1938 figures. The decrease in commercial basin activity was due primarily to the lack of vessels (many of which were still in the US zones of Germany and Austria) and the extremely bad harvest. In addition to shipments to riparian countries, three Hungarian sea-going vessels carried 16,803 metric tons of cargo to the Near East during the first six months of 1947.

c. Bulgaria.

Vessels from the USSR, Rumania, Czechoslovakia, and Hungary serviced Bulgarian ports. The insignificance of the Danube to Bulgaria's economy, however, is illustrated by the fact that in 1947 from 22 May through 31 October activity at the Bulgarian ports of Ruse, Lom, Somovit, and Svishtov consisted only of: (1) five Soviet vessels bringing iron and steel products, rubber goods, and raw materials; (2) nine Czechoslovakian vessels carrying agricultural implements, machinery and equipment, chemicals, and consumers' goods; (3) four Hungarian vessels loaded with electric machinery and railroad rails; (4) one Rumanian vessel carrying pitch; and (5) four Bulgarian vessels bringing goods from Czechoslovakia and Rumania.

d. Rumania.

SOVROMTRANSPORT has established regular passenger service to most Danube ports, including such long distance lines as that between Galatz and Vienna with stops at Giurgiu, Turnu Severin, Belgrade, Budapest, and Bratislava. The round trip takes 15 days and three trips monthly are scheduled.

Official Rumanian figures indicate that SOVROMTRANSPORT transported upstream during April and May 1947 nearly as many metric tons of cargo as it had during the whole of 1946 (58,000 metric tons as compared to 63,652 metric tons for 1946).

e. USSR.

Reni, which the USSR acquired with Bessarabia, is replacing Galatz and Braila as the most important Danube maritime port. Goods are brought downstream from the riparian countries by Czech, Rumanian, and Yugoslav vessels and transferred at Reni to Soviet vessels for shipment to the USSR. Most of these goods are reparations. Likewise, Soviet ships transfer iron ore and pyrites at Reni to Yugoslav, Czechoslovakian, and Rumanian vessels for shipment up the Danube. Since Reni is also the terminus of an oil pipeline from Ploesti, Soviet tankers sail from here with oil for the Soviet Union.

~~SECRET~~

~~SECRET~~

2. TRAFFIC ON THE MARITIME DANUBE.

An analysis of traffic passing through the port of Sulina shows that the percentage of Soviet vessels entering or leaving the Danube decreased from 92% of the total in 1946 to 86% for the period covered in 1947. During 1946 only five Satellite vessels passed out through the Sulina channel while 11 came in. During an 18-week period in 1947, however, seven Satellite vessels left the Danube and 11 returned. Moreover, the percentage of Soviet vessels entering the Danube with cargo increased from approximately 14% of the total number of incoming Soviet vessels in 1946 to 100% during an 18-week period in 1947, for which figures are available. During these same periods, no non-riparian vessels entered or exited the Sulina channel.

~~SECRET~~

SECRET**APPENDIX V****PORTS**

Although the principal Danubian ports were badly damaged during the war, most of them have been repaired and could now operate at nearly prewar capacity. Rebuilding and enlarging of port and shipyard facilities are part of the postwar reconstruction activities of the Danubian countries.

The USSR has obtained effective control over all the Danube's major port facilities except those in the US zones of Germany and Austria. The USSR exercises indirect control over the ports in Vienna, the Czechoslovak ports, some minor ports in Rumania (which may, however, be taken over by SOVROMTRANSPORT at any time) and the Bulgarian ports (which are controlled by the Bulgarian government). The USSR exercises direct control over all other ports, which are administered either by Soviet military authorities or by joint shipping companies.

1. CZECHOSLOVAKIA.

After completion of the Danube-Oder canal, (which will require at least six years) Bratislava is expected to become one of the most important Danubian ports. Damage done during the war has been repaired and the Two-Year Economic Plan calls for a 100 percent expansion of its facilities. There are now 19 warehouses with a capacity of 322,916 sq. feet; 16 cranes, one grain exhauster, 27 oil tanks with a capacity of 370,807 cubic feet each and one of 141,260 cubic feet, four pontoon fueling stations, two permanent fueling stations, and 21.75 miles of railroad tracks. Bratislava's winter port has two basins covering 269,097 sq. feet.

In expectation of greatly increased shipping after the completion of the Danube-Oder canal, the Czechoslovak government also plans to improve and expand the port of Komarno. This port suffered little war damage and, although smaller than Bratislava, is more modern. There are four warehouses with storage capacity of 71,580 sq. feet, five cranes and 15.5 miles of tracks. Since the war, Komarno has handled a great deal of traffic between Czechoslovakia and the Balkans. The nationalized Skoda shipyard is also located at Komarno. Under the Two-Year Plan, 150 million kcs (3 million dollars) has been allocated to double the capacity of this shipyard by the end of 1948.

2. HUNGARY.

The port at Budapest (Csepel) is the most important of the 13 Hungarian ports; before the war it handled 12 percent of the entire Danubian traffic, more than any other Danube port. Repair of the badly damaged port was begun right after the siege and within a few weeks it was in use again. However, extensive repairs will be required before the port attains its prewar capacity. In 1946 all the facilities of this port were

SECRET

~~SECRET~~

leased to MESZHART (joint Soviet-Hungarian company) for 30 years. Gyor, Baja, Mohacs, and Szeged were also leased to MESZHART. All other former MFTR port facilities in Hungary were ceded outright to MESZHART.

The contract leasing the Port of Budapest to MESZHART reveals the extent to which the USSR has used the joint shipping company technique to dominate Satellite Danubian traffic. The terms of the contract make it possible for the USSR to: (a) obtain the maximum "profit" from all Hungarian shipping; (b) exercise considerable control over Hungary's economy; and (c) carry out monopolistic practices designed to deny Hungarian waters and facilities to any company or nation not acceptable to the USSR. MESZHART has been granted a 30-year lease on all harbor equipment (except repair shops), including docks; landing stations; factory, dwelling, auxiliary and other buildings; warehouses and elevators; mechanical transshipment facilities; mechanical installations in the oil, commercial, free, and industrial basins; railways and other communication lines in the port's territories. The company and the USSR have also obtained preferential rights in the matter of the rent to be paid to the Hungarian government. The company will determine the administrative expenses charged to the operation of the rented facilities. This amount will be deducted from the gross income derived from the facilities and the rent will be 65 percent of the difference. Of the remaining 35 percent, the Soviet and Hungarian partners of MESZHART will obtain an equal share. Although the Hungarian government has the theoretical right to check the accounts of the company, the USSR can in practice avoid paying any rent by arbitrarily inflating the amount of the expenses. Moreover, the Hungarian government is responsible for the upkeep of the harbor installations at its own expense. MESZHART is permitted to sublease any harbor equipment listed in the contract. This provision, in addition to permitting the Soviets to obtain even more direct control of the port, could also result in greater financial benefits to the company and the USSR. MESZHART is guaranteed all the rights which the port's former management had (such as issuing of warehouse warrants and duty-free handling of goods in the free port), but is not compelled to adhere to those former regulations which provided for equal treatment of all vessels regardless of flag or origin.

3. YUGOSLAVIA.

Although nominally the Yugoslav State River Navigation Company (DRB) controls all ports in Yugoslavia — including the major ones at Belgrade (Cukarica), Pancevo, Novi Sad, Smederevo, and Apatin — the USSR virtually controls Pancevo and Prahovo which are used primarily for Yugoslavia's trade with the Soviet Union. Supplies and war materials destined for western Yugoslavia are unloaded at Pancevo (across the river from Belgrade), while shipments for southern Yugoslavia, Albania, and the Greek guerrillas pass through Prahovo near the Yugoslav-Bulgarian border. Before the war Prahovo was a relatively insignificant port. Under Soviet pressure, however, the Yugoslavs are attempting to expand its facilities, although lack of modern equipment has thus far prevented new construction and the adjoining port of Kusjak has been pressed into service. Considerable improvements in the port will be necessary

~~SECRET~~

~~SECRET~~

to prevent a recurrence of the 1947 traffic tie-up which resulted from the inability to operate the port during the period of low water level. Soviet use of the undeveloped ports of Pancevo and Prahovo instead of such better equipped ports as Belgrade and Novi Sad was probably intended to: (a) facilitate the movement of military supplies with the maximum secrecy; and (b) concentrate Soviet shipping in as few ports as possible.

4. BULGARIA.

Bulgarian ports handled only 1.5 percent of all prewar Danubian traffic. Although Bulgaria's Two-Year plan calls for improvements of the major ports of Ruse and Lom, Danube traffic is unlikely to play an important part in Bulgaria's economy, because the Balkan mountain range cuts off so much of the country from the river. Moreover, lack of capital and equipment will retard the planned harbor improvements.

The Bulgarian government assumed complete control of all Danube ports on 23 September 1947. The Directorate of Water Communications is authorized to organize, administer, manage, and control all activities at all Bulgarian ports and all other public or private institutions were forbidden to engage in such activities.

5. RUMANIA.

The most important Rumanian ports on the maritime Danube are Galatz, Braila, and Sulina. Galatz and Braila are important transfer points for cargo entering the Danube destined for fluvial ports. Braila and Galatz are Rumania's principal grain terminals on the Danube, while Galatz is also a timber terminal. Sulina has no inland rail and poor road connections and is important primarily as headquarters for the administration of the Danube mouth. All three ports were badly damaged during the war. By August 1947 Galatz was 70 percent reconstructed. The shipyard is in operation and there are plans for converting former naval enterprises into a new shipyard for building tugs, etc. Plans to rebuild Braila in 1948 include repairing war damage, extending the port's rail network, building landing pontoons, and connecting the grain elevators directly to the port. Little reconstruction has taken place so far at Sulina. The Soviet Army was reported still in charge at Braila, Galatz, and Sulina in the fall of 1947.

On the fluvial Danube Giurgiu, Turnu Severin, Moldova, Orsova, and Oltenita are the most important ports. Giurgiu was formerly used extensively for the shipment of oil, grain, and timber up the Danube. Wartime destruction of nearly 80 percent of its oil storage capacity and the preponderance of oil shipments to the USSR have limited present port activity. Moldova and Orsova were enlarged during the war, while war damage to Turnu Severin had been repaired by 1946.

The agreement creating SOVROMTRANSPORT provides a 30-year lease of most of the quays' warehouses and other port facilities at the three leading Rumanian ports — Giurgiu, Galatz, and Braila. The company has also leased virtually all Rumania's shipbuilding and repair yards. In addition, the company has preferential rights to lease the remaining port facilities on the Danube. By denying privately

~~SECRET~~

~~SECRET~~

owned or non-riparian ships access to the repair facilities in these shipyards, SOV-ROMTRANSPORT can effectively control all shipping activity on the lower Danube.

6. USSR.

Soviet acquisition of the former Rumanian ports of Reni and Ismail has contributed to the USSR's potential for domination of the Danube. Both ports are being repaired to prewar capacity and are important export centers for Bessarabian wheat. Reni is also the terminus of an oil pipe line from Ploesti. The increasing dependence of Rumania and the other Danube states on imports from the USSR has increased the significance of Soviet control over Reni. The USSR can direct incoming Soviet ocean vessels to transship at Reni, thus diverting traffic from Rumania's maritime ports and permitting the USSR to give preferential treatment to its own Danubian vessels.

7. AUSTRIA.

Linz is the only major Austrian port which is not in the Soviet zone. DDSG owns the port facilities at Linz which is now the US zone headquarters for the company. As the southernmost port on that part of the Danube which can be used by German and Austrian vessels, it is important as the unloading point for Ruhr coal.

Soviet control over a considerable portion of the Danube in Austria has deprived United States authorities of a convenient transportation route for supplying United States troops and the indigenous population in Vienna. At the present time, supplies for Vienna shipped via the Danube from Germany are unloaded at Linz and reloaded on rail cars and motor trucks.

The USSR has taken over all DDSG port facilities in its zone; those which the USSR cannot claim as DDSG property, such as the Kuchelau dockyard in Vienna, the Soviet Army has appropriated for its use. Korneuburg, just north of Vienna, is the principal port used by the Soviets. Located near the important Zistersdorf oil fields, it serves as the outlet for oil shipped to the USSR via the Danube. The Viennese ports of Winterhafen, Fischamend, Brucke der Roten Armee (Reichsbrucke), Zwischenbrucken, and Donaukaibahnhof, now under Soviet control, were badly damaged during the war and have not yet been fully repaired.

The only undamaged port in the Soviet zone which is not under Soviet control is Albern, 8 miles from Vienna. A plan for the development of Albern as a free port was presented to the Economic Cabinet Committee in December 1947 as a means to regain Vienna's prewar position as a major port (second only to Budapest in amount of traffic handled). As one step in developing Albern as a competitor with Bratislava for traffic from the Danube-Oder Canal, the Austrians have already constructed one quarter of a canal between Albern and Angern on the Danube-Oder Canal 10 miles upstream from Bratislava. This canal would facilitate the shipment of goods directly to Vienna rather than to Bratislava.

Albern is connected with Vienna 7½ miles away by a good road and a railroad. The port is deep and will accommodate at least 16 average size barges. Austrian officials state that the port is ready for immediate use, although necessary warehouses

~~SECRET~~

~~SECRET~~

and a wall enclosing the free port area would have to be built. Port facilities include four modern storage elevators (the Soviets claim one as an external German asset). The planning group also wants to include in the free port area the winter harbor a few miles upstream and the port of Lobau directly across the river, both of which are larger than Albern. The winter harbor which could accommodate 51 barges and Lobau which had excellent oil facilities were both badly damaged during the war and have not yet been reconstructed. The Austrians hope to have branch offices, warehouses and assembly plants of foreign firms in the free area.

Plans for developing Bratislava as the crossroads between the Baltic and the Adriatic and Black Seas are causing Austrians concern for Vienna's prewar position as the central point for commerce between Central Europe and the Balkans. Not only the Danube-Oder Canal but also the proposed highway, rail lines, and even a canal from Bratislava to Trieste across the Hungarian plain are aimed at keeping all communications east of Austria.

~~SECRET~~

~~SECRET~~

APPENDIX VI

DANUBE BRIDGES

1. SOVIET AIMS.

The expansion of Soviet interest in Eastern Europe has increased the military and strategic importance of rail and road bridges across the Danube. Prior to the war, the major land routes crossing the Danube were at Bratislava, Budapest, Novi Sad, and Belgrade. Reconstruction of these bridges (destroyed by the retreating German army) has thus been a cardinal factor in the USSR's postwar plans for the military consolidation of Eastern Europe. Soviet troops and engineers consequently assisted in the reconstruction of these bridges. The USSR was also instrumental in formulating plans for the construction of a new rail bridge connecting Rumania with Bulgaria at Corabia. The location of this bridge suggests that it was chosen primarily for strategic rather than economic considerations. Moreover, the importance of these bridges to the USSR's strategic and military interests in Eastern and Southern Europe provides the Kremlin with an additional incentive to maintain control over the Danube and to exclude all non-riparian vessels.

2. GERMANY-AUSTRIA.

The principal bridges across the Danube in Germany and Austria, including the important Krautelsstein bridge at Passau and the Tulln railway bridge at Vienna, were destroyed during the war. Most of these have since been rebuilt or repaired.

3. CZECHOSLOVAKIA.

Reconstruction of the Bratislava bridge was completed by Red Army engineers and Czechoslovak workers in February 1946.

4. HUNGARY.

Restoration of the Danube bridges in Hungary has been under way since 1945, but the large number of bridges destroyed has made Hungary's task far more difficult than that of the other Satellites. Of the four prewar railroad bridges in Hungary, only one — the South Railway Bridge in Budapest — has been reconstructed and that only provisionally. Wreckage has been removed from the sites of the rail bridges at Ujpest and Baja and their reconstruction has been started under the Hungarian Three-Year plan, which also calls for the construction of a permanent steel railroad bridge to replace the provisional South Railway Bridge in Budapest. The rail bridge linking the Hungarian port of Komarom with Komarno in Czechoslovakia is also being reconstructed.

Some progress has also been made to rebuild or replace Budapest's destroyed road bridges. By early 1948 work was completed on one permanent road bridge (Szabadsag

~~SECRET~~

~~SECRET~~

Hid) and on one semi-permanent bridge (Kossuth Hid); a permanent bridge (Margit Hid) was completed to an island in the center of the river with the remainder scheduled for completion by August 1948; the chain bridge is being rebuilt; and work is progressing on the Arpad bridge which had been started before the war. The Arpad bridge will be 3,000 feet long and 90 feet wide and is designed to permit through Vienna-Belgrade-Bucharest traffic to by-pass city traffic in Budapest. It will thus facilitate the movement of military ground forces across Hungary.

5. YUGOSLAVIA.

Primarily for strategic reasons, the USSR has contributed substantially toward the reconstruction of Yugoslav railway and vehicle bridges. Soviet army engineers completed construction by August 1947 of permanent bridges at Belgrade and at Erdut. The Belgrade span, which is 4,000 feet in length, was named "The Bridge of the Red Army" and was highly publicized as an example of the close liaison between Moscow and Belgrade. It forms a significant commercial and military link between Yugoslavia and Soviet forces in Austria, Hungary, and the USSR. The Erdut bridge reduces by 100 miles the overland distance between the northeastern province of Vojvodina and the provinces to the south. A new rail and vehicular bridge at Novi Sad was completed in 1945.

6. RUMANIA-BULGARIA.

Rumania's only Danube bridge at Cernavoda providing rail connections between Bucharest and Constantza was not damaged during the war. Prior to the war, the majority of communications between Rumania and Bulgaria was by coastal vessels or on Danube ferries carrying railroad cars and other vehicles. Since the war the USSR has set up pontoon bridges at various points in the lower Danube for use when needed by Red Army troops or local traffic.

Plans have now been completed, however, at the direct instigation of the USSR for the construction of a new rail bridge to run from Corabia in Rumania to Gigen in Bulgaria. Although prewar plans called for a bridge between Giurgiu and Ruse (which would have been of more immediate economic benefit to the two countries), the USSR apparently insisted upon the Corabia-Gigen site as an integral part of the over-all Soviet plan for integration of the Soviet-Satellite rail systems. The new bridge, which will be constructed with the help of the USSR, Poland, and Yugoslavia as well as Rumania and Bulgaria, will provide a more direct highway and rail connection between the Baltic states and the Near East. Three rail routes lead into the line terminating at Corabia: (a) the line from Czechoslovakia and Poland through the Oltul Valley; (b) the line connecting with the new Craiova-Bucharest line and thence to the USSR; and (c) the main line from Hungary and Central Europe. On the Bulgarian side, the new bridge connects with a railroad under construction from Gigen to Pleven where connections can be made to: (a) Sofia, Skoplje, and Salonika; and (b) Lovech, Trogan (through a long tunnel to be cut in the Stara Planina mountains), Karlovo, Plovdiv, and on to Istanbul and Alexandroupolis.

~~SECRET~~

SECRET

7. USSR.

In February 1948, the Soviets completed construction of a bridge at Reni over the River Prut (where it meets the Danube). This bridge connects Galatz and the Ploesti oil fields with South Bessarabia and the rest of the USSR. The cost of this all-steel bridge, which is 422 feet long and 52 feet high, was borne jointly by the Soviets and Rumanians. It was opened in February 1948.

SECRET

~~SECRET~~

APPENDIX VII

CANALS

The importance of the Danube as a channel of communication in Eastern and Central Europe is greatly enhanced by the canal systems which are planned eventually to connect the Danube with the Atlantic Ocean and the Baltic Sea.

1. DANUBE-MAIN-RHINE CANAL.

The first concrete efforts to link the Rhine system with the Danube began in the middle of the 19th century when the 277-mile Ludwig Canal (Main-Danube) was built. The Ludwig Canal was reopened in June 1947 but navigation in some sections was limited to vessels of 120 tons. After the first World War, plans were drawn up for the construction of a Rhine-Main-Danube Canal which would accommodate vessels up to 1,500 tons. This canal, with terminal points at Mainz and Kelheim, would make use of part of the old Ludwig Canal. If completed, this canal would facilitate East-West trade and provide a direct line of inland communication from the Atlantic Ocean to the Black Sea.

2. DANUBE-ODER CANAL.

Planning has been underway since 1901 on projects to connect the Elbe, Oder, and Danube Rivers. Present plans, however, are limited to a Danube-Oder Canal in line with the Soviet policy of reducing Eastern Europe's dependence on Western Europe. Plans for the canal were first announced in May 1947 at the signing of the Czech-Polish Treaty of Friendship and Mutual Assistance. Construction of the canal was further provided for in the Polish-Czech Trade Agreement of July 1947 and in the Czechoslovak Two-Year Plan. Plans call for dredging the Oder River from Kozle in Poland to Moravska Ostrava in Czechoslovakia. From shortly beyond Moravska Ostrava, a canal will be built to the Morava River, which will be made navigable to its confluence with the Danube just above Bratislava. The system will be 200 miles long and accommodate vessels up to 1,000 tons. (Austria has agreed to give Czechoslovakia a 984-foot strip on the west bank of the Morava River from its confluence with the Danube to the point where it enters Czechoslovakia so that the Czechoslovak government can better administer the canal.) The canal will take six years to build and will cost an estimated \$650,000,000. Poland and Czechoslovakia will bear the greater part of the expense but Austria, Hungary, Rumania, Yugoslavia, and Bulgaria will also be asked to contribute. When completed, this waterway will connect the Baltic with the Black Sea. It will also link industrial Poland and Czechoslovakia with the predominantly agricultural Balkan countries. The canal will assume even greater importance if trade between Western and Eastern Europe is cut off.

3. DANUBE-TISA-DANUBE CANAL.

The Yugoslav Danube south of the Hungarian border winds irregularly between marshy banks. It is too shallow in places for normal traffic and it often floods ex-

~~SECRET~~

~~SECRET~~

tensive nearby areas. Consequently, Yugoslavia decided to build a canal from the Danube at Bezdán to the Tisa at Stary Becej and back to the Danube at Banatska Palanka. Construction of this 150-mile canal began in August 1947. It will be 197 feet wide and 20 feet deep. It will shorten Danube navigation by 55 miles.

The canal project will also include: (a) a whole network of lateral canals linking important towns; (b) irrigation canals serving agricultural areas; (c) construction of a dam at Stary Becej to regulate the course of the Tisa and provide hydroelectric power; and (d) the development of lakes from the marshland which will be stocked with fresh water fish. The two existing canals in this area will be incorporated into this system. They are the Kral Peter Canal (which is inadequate for modern requirements and must be improved) connecting the Danube at Batina (Bezdán) and the Tisa at Stary Becej; and the Kralje Aleksandre Canal which connects Mali Stapar on the Kral Peter Canal with Novi Sad on the Danube.

4. DANUBE-SAVA CANAL PROJECT.

In Yugoslavia a plan for the construction of a canal from Vukovar on the Danube to Samac on the Sava is being studied. This canal would shorten the water route between Vukovar and Samac from 300 to 37 miles. A supplementary plan calls for the canalization of the River Bosnia to Doboj (an important future industrial center) thus connecting Bosnia with Central Europe. Movable gates would be built at Samac (a little below the mouth of the River Bosnia) which would: (a) supply the canal with sufficient water for navigation; (b) utilize the water power of the Sava; (c) increase the depth of the Sava upstream from Samac; (d) make navigation possible on the River Bosnia for 10 miles to where canalization would start; (e) supply the network of irrigation canals at Posavlja with water; (f) lessen flood danger on the lower Sava; and (g) create a reservoir of water in the valley of the Sava which could be used for electric power or irrigation.

5. SIO CANAL.

The Sio Canal connecting Lake Balaton and the Danube in Hungary was opened in September 1947. It is important as a link between the bauxite-producing region of Hungary and the USSR, principal recipient of this product.

6. MISCELLANEOUS PROJECTS.

Minor canals proposed or under construction are: (a) the Bratislava-Komarno canal on which preparatory research work has been renewed; (b) the Cernavoda-Constantza canal which is under consideration; (c) the Danube-Tisa canal between Budapest and Szolnok on which work has started.

Construction of the Cernavoda-Constantza canal would considerably reduce the importance of the maritime Danube by enabling ocean-going vessels to transship at the more adequate port of Constantza. Such a canal would thus eliminate the need to maintain the mouth of the Danube navigable for ocean-going vessels and would reduce Rumania's dependence on the USSR in this connection. If the USSR should permit the Rumanian government to construct this canal, the Kremlin would probably insist on obtaining controls over it sufficient at least to compensate for the dominant position derived from its control over the maritime Danube (see Appendix V).

~~SECRET~~

~~SECRET~~

APPENDIX VIII

REPARATIONS AND RESTITUTION

The relative strength of the various postwar Danubian shipping fleets will depend to a great extent on the final solution of the reparations problem. About 6 percent of the reparations payments by Rumania and Hungary to the USSR comprise vessels, technical fleets, harbor machines, and floating docks, most of which must be constructed (13 million dollars worth by Hungary and 20 million by Rumania). The USSR has incorporated some of the 370 river vessels which have already been received from these countries into the Soviet Danube Shipping Company (SDGP); others are being used on Soviet inland waterways.

Czechoslovakia has asked that nearly 20 percent of Hungary's reparations payments be in the form of ships and shipping facilities.

The problems connected with the definition of external German assets has held up the settlement of DDSG property in Austria. DDSG assets located in Hungary and Rumania have been appropriated by the USSR. The Soviets, furthermore, are claiming all the DDSG property in their zone of Austria. Czechoslovakia and Yugoslavia will probably demand river craft as part of their reparations from Germany.

Restitution of vessels has been slow because (a) the US held the vessels in its possession until freedom of navigation had been provided for in the Satellite peace treaties; and (b) the Soviets used the vessels they had for the transportation of war booty and reparations to the USSR. On 11 November 1946, the US announced that it would return all vessels from the US zones of Austria and Germany to all nations except Austria and Germany. Approximately 90 vessels have been returned to Czechoslovakia, 220 to Hungary (the US retained 37 Hungarian vessels in Germany as war booty), 170 to Yugoslavia, and 18 to Rumania. The few vessels belonging to Bulgaria, the Netherlands, France, and the USSR were also returned.

As of December 1947, the USSR had returned all but 15 of the Czechoslovak vessels and it is in the process of returning those. French and Greek craft were returned in 1946. The USSR also returned a number of vessels to the joint navigation companies in Hungary and Rumania as part of its capital contribution. In September 1947 the Soviets returned 46 additional vessels to Hungary, some of which had been damaged during the war but had been repaired.

Since the total number of United Nations vessels turned over to the USSR by the Armistice Agreements¹ for use during the war and the total number of ex-enemy vessels seized by the USSR as war booty are not known, it is impossible to ascertain exactly how many of these vessels are still held by the USSR. The number is probably small.

¹ Article IX for Rumania and Hungary and XIV for Bulgaria.

~~SECRET~~

~~SECRET~~

APPENDIX IX

IRON GATE

One of the features of the Danube which has always demanded special attention is the Iron Gate, one of the Carpathian gorges. Situated between the Rumanian ports of Turnu Severin and Orsova, the 7,500-foot gorge is interlaced with rocky barriers and reefs which make navigation hazardous at low water. The narrowness of the channel and the swift current (up to 10 knots) add to the navigational difficulties. Although five attempts have been made to blast channels in this section of the river, the Iron Gate remains the bottleneck of the Danube. Vessels larger than 1,000 tons cannot pass through the Iron Gate and tugs moving upstream must reduce the number of barges in tow and use a steam locomotive, located on the Yugoslav side. Night navigation is impossible.

Because of these difficulties, the need for special administration of the Iron Gate has long been recognized. An Iron Gate Administration (APF) was set up under the Danube Statute of 1921 to maintain and improve the condition of this sector of the Danube. Rumania, Yugoslavia, and the International Danube Commission were represented on the APF. During the war, Rumania and Yugoslavia successfully opposed German attempts to gain absolute control over the Iron Gate.

The present legal status of the APF is obscure. Early in 1945 a joint Rumanian-Yugoslav committee was established to take care of the technical aspects of navigation through the Iron Gate. As far as is known, this provisional committee is still functioning with a Soviet representative as observer. Originally the committee considered itself as the legal caretaker for the old APF until such time as the International Danube Commission was re-established. Since that time, however, plans have probably materialized for a new Rumanian-Yugoslav agreement which, by eliminating any reference to the prewar APF, will be more in consonance with the Soviet line that all prewar international Danube agreements are now invalid.

Bulgaria, Rumania, and Yugoslavia have discussed cooperative plans for the improvement and development of the Iron Gate. No definite decision has yet been reached, however, and in view of the technical difficulties involved, it will probably be some years before any far-reaching plan can be implemented. At present the Satellites are attempting to obtain blueprints (the only known copies are in the US and UK zones of Germany) of a scheme worked out by the Germans during the war, which would eliminate the navigation bottleneck as well as provide between 1,200,000 and 1,800,000 HP of electricity.

~~SECRET~~

~~SECRET~~

APPENDIX X

DANUBIAN TVA

In February 1948, representatives from Czechoslovakia, Hungary, Yugoslavia, Rumania, and Bulgaria met to discuss a program for a "TVA" of the Danube which would include expanded use of inland waterways, flood control, canalization, bridge construction, and electric power projects. Another conference of engineers and specialists was held in March, at which technical questions relating to this program were studied.

Such a program could only be implemented through joint riparian cooperation since the individual countries cannot supply the capital and technical help needed to carry out improvements in the Danube channel, much less an extensive program of agricultural and hydroelectric projects. If successfully completed, the venture would vastly increase the economic potential of the Danubian countries by irrigating an additional 10 million acres, developing cheap electricity and permitting the modernization of agriculture and the establishment of new industries. Although political conditions are ripe for such a program — which presumably will be pushed by the USSR — lack of capital equipment, labor, and materials will delay its execution for some time.

~~SECRET~~

~~SECRET~~

APPENDIX XI

PUBLIC STATEMENTS OF SOVIET DANUBE POLICY

As early as 1940 the Soviet Union indicated what its policy would be in regard to the Danube. In answer to a protest by Great Britain on the calling by the USSR of the Bucharest Conference on 28 October 1940, it replied:

"... The USSR is forced to recognize as incorrect the assertion of the British Government to the effect that the recognition by the Soviet Government of the necessity of creating a new Danube Commission and the participation of the Soviet Union in the conversations at Bucharest constitute a violation of neutrality. The formation of a Danube Commission with the participation of the Soviet Union and also of the states bordering on the Danube or close to the Danube constitutes the re-establishment of justice which was violated by the Versailles and other treaties by virtue of which the Soviet Union was eliminated from the composition of not only the International but also of the European Danube Commissions.

"The Danube Commission must naturally be composed of the representatives of the states bordering on the Danube or closely connected with the Danube or utilizing the Danube as a channel for trade (for example, Italy).

"It is understandable that Great Britain separated from the Danube by thousands of kilometers cannot be counted among the number of such states. . . ."

What is probably the most recent expression of the Soviet view was outlined in a pamphlet by Professor Durdenevski who stated, "It is necessary that no outside forces prevent the Danubian states from building their own future for themselves" and asserted that British-American interest in the Danube was in no way justified. While conceding that the principle of equality for commercial shipping on the Danube should be recognized, he insisted that non-Danubian powers should not be permitted to send "military" ships onto the river; on the other hand, he claimed that Soviet war vessels should be allowed free passage from the upper Tisa in Soviet territory to the mouth of the Danube, also in Soviet territory. The Professor claimed that a commission composed of the riparian states only would eliminate "every kind of intrigue arising from non-Danubian countries."

The Soviets have repeatedly reiterated this policy not only in their own declarations but also through their Communist spokesmen in the Danubian countries. The approach taken with regard to the European Danube Commission (CED) was published in a Bucharest newspaper in October 1946. There is no need for the CED, the article stated, because (a) it did not accomplish its technical duties before the war; (b) the situation is different from what it was in 1856 when CED was formed — Ru-

~~SECRET~~

~~SECRET~~

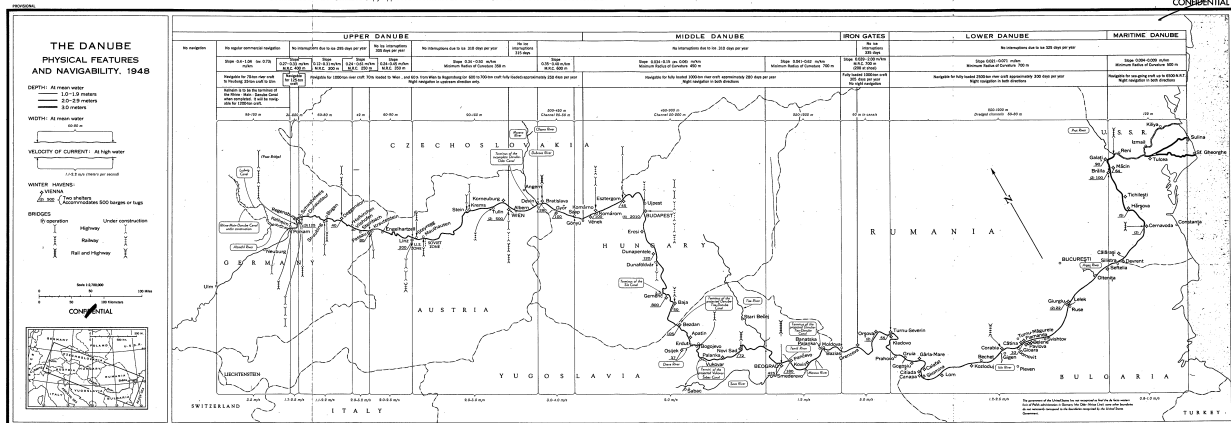
mania now being capable of taking care of the Danube mouth; (c) the CED set tariffs much higher than those on the Elbe or Rhine to the detriment of the Rumanian government; (d) the CED interfered in the authority of the Rumanian government; (e) the CED was gradually transformed from a technical body into a commercial enterprise.

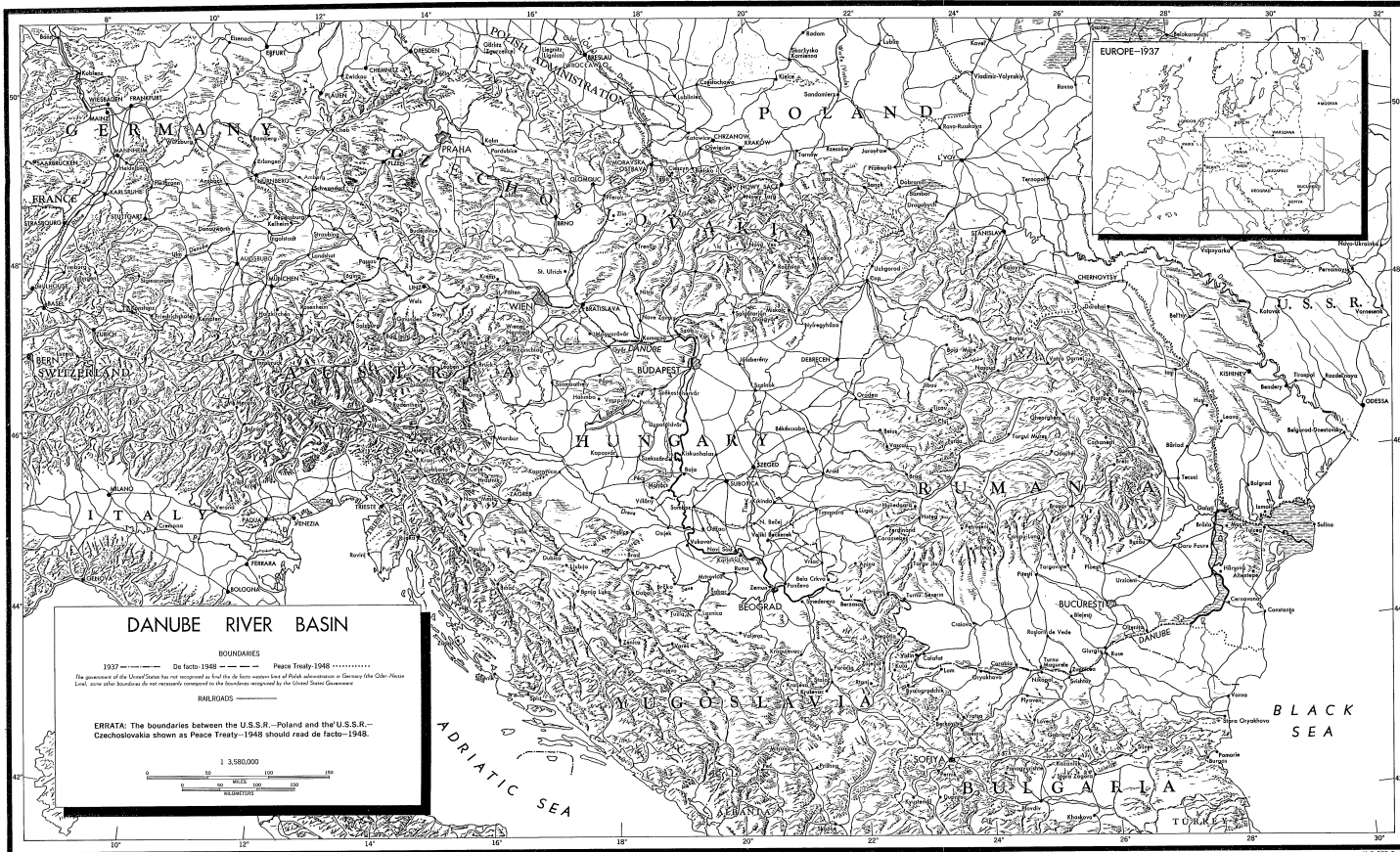
Czechoslovak Foreign Minister Clementis in an interview in November 1947 emphasized that the "solution of the Danube problem should be left exclusively to riparian states." He agreed, however, that the river should be open to vessels of all nations under equal terms.

Since the summer of 1947, a series of bilateral agreements between the Danubian states have been concluded which lay down a joint policy of riparian administration of the Danube. Rumania, Bulgaria, Yugoslavia, Hungary, and Czechoslovakia all agreed "to follow an identical policy with view to safeguarding the rights and interests of the riparian states."

~~SECRET~~

Page Denied





DISTRIBUTION

The President
Secretary of State
Chief of Staff to Commander in Chief
Secretary of Defense
Secretary of the Army
Secretary of the Navy
Secretary of the Air Force
Executive Secretary, National Security Council
Chairman, National Security Resources Board
Chief of Staff, US Army
Chief of Naval Operations
Chief of Staff, US Air Force
Director of Plans and Operations, General Staff, US Army
Deputy Chief of Naval Operations (Operations)
Director of Plans and Operations, US Air Force
Special Assistant to the Secretary of State, Research and Intelligence
Director of Intelligence, General Staff, US Army
Chief of Naval Intelligence
Director of Intelligence, US Air Force
Secretary, Joint Chiefs of Staff
Secretary, Joint Intelligence Group
Secretary, State-Army-Navy-Air Force Coordinating Committee
Executive Secretary, Military Liaison Committee to the Atomic Energy Commission
Director of Security and Intelligence, Atomic Energy Commission
Chief, Acquisition and Distribution; OICD, Department of State

RECEIVED

1948 OCT 01 10 31

CIG/ORE

~~SECRET~~

CIG/ORE

1948 JUL 13 10 06

RECEIVED