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CENTRAL INTELLIGENCE AGENCY
WASHINGTON 25, D. C.

12 July 1948

MEMORANDUM FOR THE PRESIDENT

The following three messages from Berlin are quoted for your information.

1. The German Railway Management of Berlin is completing arrangements to route Soviet Zone rail traffic around Western Sectors of Berlin. This is on orders of the Soviet Transportation Chief, General Kvashin.

Source stated that the recent Soviet offer to supply elevated railways in the Western Sectors with Soviet Zone current was motivated solely by desire to maintain electric railway traffic from Berlin to neighboring towns. Closing of the system in Western Sectors would have resulted in the interruption of essential service. Upon the completion of alternate arrangements, the Soviet Zone current now used to run S-Bahn (the elevated railway) will be completely turned off, thus leaving Western Sectors without the most essential and the most widely used transportation facility.

2. A usually reliable source reports as true that the shortage of material, especially steel, from the Western Sector, according to officials of Soviet A. G. Kabelwerk of Oberspree, will bring the operation there to a standstill if not relieved by 15 July 1948. Some steel is produced by local Soviet-controlled sources, but it is inadequate in quantity and costs four times as much as the steel from the West.

3. The Yugoslav Military Mission is preparing to leave Berlin by air from Gatow (airport in British Zone). A member of the mission, named Fracz (also received as Franz), allegedly flew to Hamburg about 1 July 1948 to locate provisional quarters for the entire mission in the West.

The Yugoslavs are selling sixteen cars--about half of their Berlin motor pool. Sales are being made through German agents in order to attract as little attention as possible.

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Documents of the trade representatives and the military mission are being concealed in bunker in Niederschoenhausen. Source says the papers are cemented into the walls.

The mission received no favors in currency exchange--only one to ten rate.

R. H. Hillenkoetter
R. H. HILLENKOETTER
Rear Admiral, USN
Director of Central Intelligence

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