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*Indication  
(Editorial)*

*AD  
JR*

26 May 1951

[Redacted]

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Copy No. *CJ-9*

**CURRENT INTELLIGENCE BULLETIN**

DOCUMENT NO. 37  
NO CHANGE IN CLASS.  
[ ] DECLASSIFIED  
CLASS. CHANGED TO: *TG S C*  
NEXT REVIEW DATE: 2009  
AUTH: *HR 70-2*  
DATE: 12-15-79 REVIEWER: [Redacted]

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Office of Current Intelligence

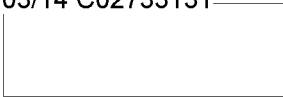
**CENTRAL INTELLIGENCE AGENCY**

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## GENERAL

1. German scientists and technicians repatriated from USSR:

The Commander of US Naval Forces in Germany reports that, between September and December 1950, some 500 of a total of approximately 3,000 German scientists

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and technicians known to be working under contract in Russia were repatriated to the Soviet Zone of Germany. In spite of Russian efforts to prevent contact with Western intelligence, almost 100 of this number have entered the Western Zone of Germany (the majority entering the British Zone) and given valuable intelligence on guided missiles, aircraft design and electronics. According to the report, the group working on infra-red and the group working on mines and torpedoes in Makhachkala (western shore of the Caspian) may be returned shortly to the Soviet Zone. There is also evidence that some members of another group that was working on submarine propulsion and had been moved to Leningrad in 1948 may be returned soon.

Comment: This is the first reliable report on the number of German scientists and technicians repatriated from the Soviet Union upon the expiration of their contracts. The USSR has probably exploited the knowledge and skill of these specialists sufficiently to adapt German weapons and techniques to Soviet needs, particularly in regard to (a) setting up its research programs, and (b) training Soviet specialists to take over the functions of the departing Germans.

## USSR

2. Johnson resolution on Korean settlement widely publicized by Moscow:

Moscow's propaganda media have given unusual emphasis to Senator Johnson's resolution calling for a cease-fire and a declaration of an armistice in Korea as of 25 June. The text of the resolution was printed in Pravda

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and Izvestia, and broadcast widely to home and foreign audiences. The 20 May issue of Pravda followed the unusual practice of referring its readers to the previous day's article on the subject. While its manner of presenting the resolution was essentially factual, the text was pre-faced by an allusion to reports of the new Communist offensive in Korea and accompanied by the comment that "even some representatives of US ruling circles see the hopelessness of the Wall Street adventure in Korea." 3.3(h)(2)

The US Embassy in Moscow comments that the USSR obviously desires to exploit the Johnson proposal for propaganda purposes with a view to influencing those elements of public opinion that still desire a UN withdrawal from Korea and to furthering the current World Peace Council campaign for a peaceful settlement of the Korean question and a Five-Power peace pact. It adds that there is no indication in Moscow's treatment of this matter that the USSR might now support or acquiesce in a settlement involving only the re-establishment of Communist control of North Korea.

Comment: It is unlikely that the USSR will agree to any settlement which, like Johnson's proposal, does not mention Formosa or a Chinese Communist seat in the UN. However, the unusual propaganda treatment accorded this resolution might indicate that the Soviet Government is preparing its audiences for a possible agreement on Korea that would be labeled a US "defeat." Current propaganda picturing alleged discouragement among US ruling circles and US forces in Korea could provide a background for such a settlement.

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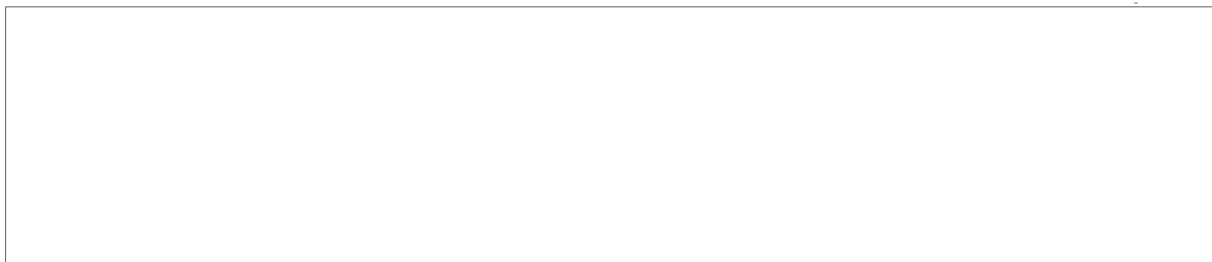
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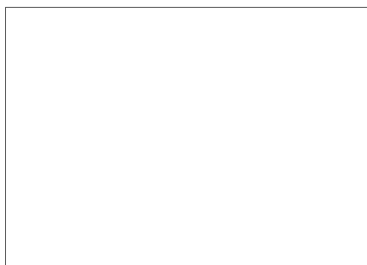
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## FAR EAST

4. Communist armored units reportedly entering Korea;

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Three recent reports have alleged that new major Communist armored units have arrived in Korea. A recent US Air Force report states that a "special mechanized brigade" trained in Tungwha, Manchuria and equipped with 60 tanks and 60 self-propelled guns entered Korea in late April.

Chinese Communist mechanized corps, equipped with 400 T-34 tanks and 200 self-propelled guns, arrived in Korea in late April, while another reports that 150 "Soviet" tanks moved southward into the Parallel region in early May.

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Comment: While this information remains unconfirmed, it may refer to the possible movement of an additional North Korean armored unit, equipped with 50 to 100 tanks, into North Korea from a Manchurian training area. Despite frequent reports that Chinese Communist units are equipped with Soviet armor, the presence of such units in Korea has not been confirmed.

As of early April, the US Far East Command estimated that the North Korean Army had from 150 to 175 tanks, primarily in western Korea.

5. Chinese Communist official hints at "sanctions" against Hong Kong;

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The UK Charge in Peiping reports that, in a conversation with Indian Ambassador Panikkar in Peiping, a Chinese Communist Vice Foreign Minister accused the UK of being

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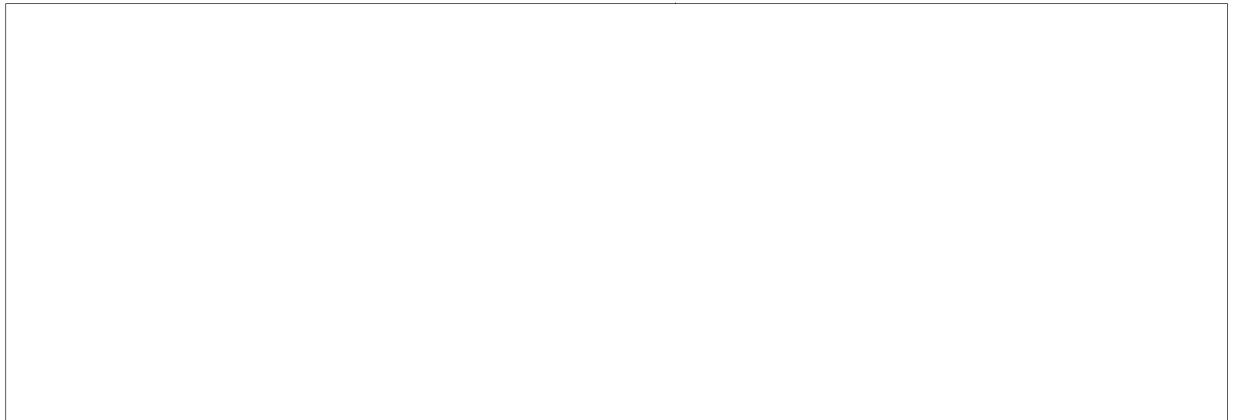
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"double-faced" in supporting the UN embargo; he ignored Panikkar's retort that Peiping's attitude "had not been helpful" in promoting friendly relations with the UK. When Panikkar expressed the hope that Peiping would not retaliate by promoting difficulties in Hong Kong, the Chinese official replied that Peiping might have to impose "sanctions," although he wished to see Hong Kong "prosperous." He added that the Hong Kong Government was "obviously more worried" than he.

Comment: The Hong Kong Government is aware that the Communist threat to the Colony is increasing as trade restrictions decrease Hong Kong's value as an entrepot for Peiping and as the Communists improve their military position in Kwangtung. However, the Chinese Communists apparently still consider Hong Kong more valuable to them in British hands than it would be in their own. Despite recent rumors of an imminent attack on Hong Kong, Peiping's propaganda does not indicate an intention to assault the Colony at this time.

6. Plans for Viet Minh attack south of Hanoi reported:

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"end of May." The recently declared military policy of the Viet Minh is to return to guerrilla warfare for an indefinite period. This policy is consistent with the low capabilities of the rebel forces in relation to the French and the beginning of the rainy season (which limits major operations by either side). It is not probable that the Viet Minh will attempt a large-scale coordinated attack except as an extreme measure

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designed to prepare the way for or to screen the entry of Chinese Communist troops. The Chinese Communists retain the capability to invade, but there have been no reliable indications that they intend to do so.

### SOUTH ASIA

#### 7. Indian cabinet members resign:

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 On 24 May, a usually well-informed source told the US Embassy in New Delhi that Indian Home Minister Rajagopalachari and Law Minister Ambedkar submitted their resignations to Prime Minister Nehru on 23 May, and that Food Minister Munshi would resign as soon as the negotiations for US food aid to India were completed. The resignations were reportedly caused by the amendment to article 19 of the Indian Constitution that Nehru introduced in Parliament on 12 May. This amendment proposed a curb on freedom of speech in India and modified provisions enabling the government to abolish feudal estates.

Comment: Inasmuch as Rajagopalachari and Ambedkar both supported Nehru's stand on the constitutional amendment in Parliament, it is difficult to understand why they should resign over a matter concerning it. It appears more likely that the three resignations, if actually submitted, were brought about by internal Congress Party politics, which are apparently creating a definite split in the party and are resulting in the resignation of many members from its ranks. It seems almost certain that a rightist Congress Party will be opposed in the national election next November or December by a new leftist-reformist All-India Party composed of ex-Congressmen and various anti-government, anti-Congress Party factions. At this moment, however, it is uncertain where Nehru will stand at the time of the elections.

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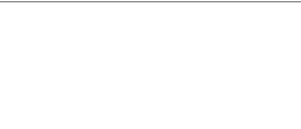
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## NEAR EAST

8. Members of Iranian Oil Commission anxious for discussion with the Oil Company:

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 Sadiq, a Senate member of the Oil Commission, has informed the US Ambassador in Tehran that four of the Senate members of the Commission are anxious to have representatives of the Anglo-Iranian Oil Company come to Tehran to discuss the oil problem. Sadiq also stated that Prime Minister Mossadeq is anxious to have the AIOC continue to operate the oil industry under the purely nominal direction of a committee of Iranians. The Oil Company would function under UK management. The US Ambassador believes that the arrival of the representatives might result in genuine negotiations and urges that they be sent. While he is aware of the difficulties of management functioning under a political committee, he believes that the Company might obtain assurances on this point.

Comment: The Iranians have already invited the AIOC to send representatives to work with the Oil Commission in implementing the oil nationalization law and the government has given the AIOC until 30 May to nominate representatives. While the Company is probably willing to send representatives, it would not be willing to negotiate under the conditions set by the Iranians. While the proposal may not be a firm one, it is consistent with the nationalization law and the position adopted by the Iranian government.

## EASTERN EUROPE

9. Czechoslovakia reportedly offers arms to Egypt in exchange for cotton:

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 Quoting an article in the Cairo newspaper Al-Ahram, Agence France Presse stated on 14 May that Czechoslovakia had offered 20 million pounds (approximately \$56,000,000) in arms to Egypt in exchange for cotton.

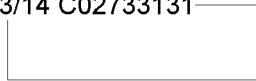
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