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3.5(c)*

13 July 1951

Copy No. C1-9

CURRENT INTELLIGENCE BULLETIN

14

DOCUMENT NO.

NO CHANGE IN CLASS.

 DECLASSIFIED

CLASS. CHANGED TO: TS

NEXT REVIEW DATE:

AUTH: HR 70-2

DATE: 17-12-51

REVIEWER:

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3.5(c)

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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USSR

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1. USSR maintains aloofness from Korean developments:

[Redacted] Deputy Foreign Minister Bogomolov maintained that the Soviet Government is not

involved in the Korean affair, and that an armistice was for the military commanders to conclude. When asked his views of final settlement, Bogomolov confined himself to saying that the first step was an armistice and that often the first step was the most difficult to take. Ambassador Kirk comments that the Chinese and North Korean Communists apparently are trying to inject both political and territorial aspects into the armistice talks, despite Gromyko's emphasis that such topics were to be avoided.

Comment: Communist propaganda and Peiping Radio's cease-fire proposals indicate that the Communists are attempting to negotiate a return to the division of Korea along the 38th Parallel in order to avoid making concessions on this point in subsequent discussions on a general settlement. Military preparations point to a Communist intention to continue hostilities if they fail to secure their objective by negotiation. There are indications that if a cease-fire is achieved Communist demands concerning Formosa, the UN, and the Japanese peace treaty will be advanced at subsequent political discussions in addition to the already explicit demand for the withdrawal of all foreign forces from Korea.

2. Soviet air display reveals new plane types:

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[Redacted] The US Air Attaché in Moscow reports getting good long-distance photographs of the new four-engined bomber featured in the 8 July air display. He estimates the plane to be one-

third larger than the TU-4, Soviet version of the B-29, with a long B-36 type fuselage, a single high tail and tractor propellers.

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The demonstration included a total of 490 aircraft with six confirmed new types of aircraft, five probable new types and two modifications. Although for the present the Soviets apparently have adopted the MIG-15 as their standard jet fighter-interceptor, four new jet fighter prototypes were demonstrated. Three of the four were swept-wing planes similar to and perhaps developed from types displayed in the 1949 air show.

The appearance of nine gray twin-jet aircraft and nine gray MIG-15's further suggests that some units of the Soviet Navy have received jet aircraft.

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FAR EAST

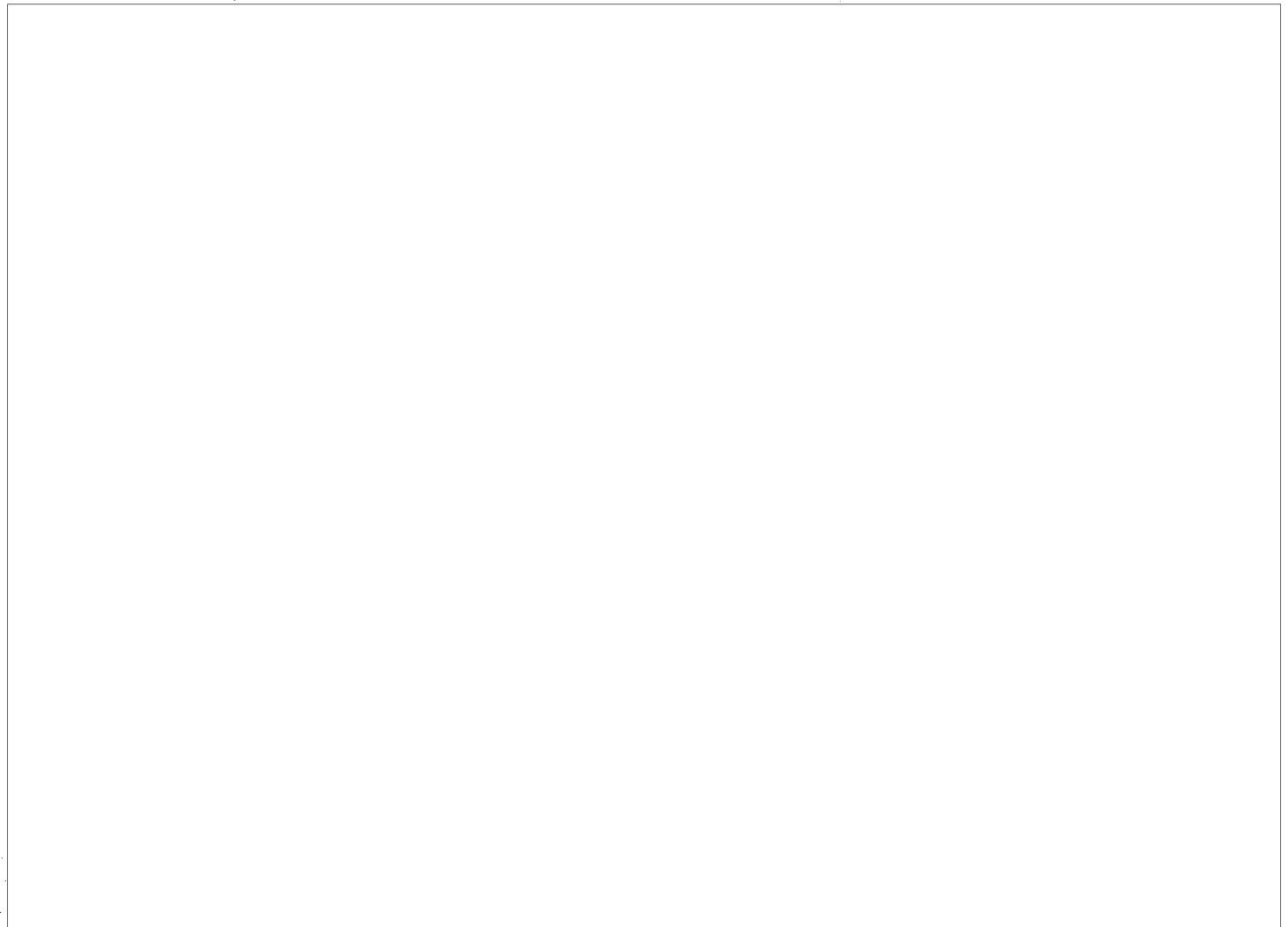
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NEAR EAST

5. Rumored return of Iranian gold from USSR is unconfirmed:

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[redacted] the USSR has returned to Iran the 12.6 million dollars in gold that it took from the Iranian Bank during World War II. It is not known whether the USSR also returned the eight million dollars claimed

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by Iran for war-time advances, supplies and services rendered to the Soviet Union. The US Embassy in Moscow comments that, in view of the Iranian Government's need for revenue to replace oil royalties, such a move on the part of the USSR would be designed to stiffen the Iranian Government's attitude on the oil issue.

Comment: There is no evidence that the USSR has actually returned or agreed to return the gold to Iran, or that there has been progress in the financial negotiations which have been taking place between Iran and the USSR. According to Ambassador Grady, an Iranian delegate to these financial talks flatly denied on 6 July recent Iranian press rumors that some agreement with the USSR had been reached.

6. US Ambassador regards solution of receipt problem as key to Iranian oil settlement:

The US Ambassador has stressed again the importance of solving the problem of the receipts for tanker shipments as a means of breaking the deadlock in the Anglo-Iranian

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Oil Company dispute with Iran. To date the British have not conceded the right of the Iranians to collect receipts on oil shipments, even with the reservation that they were signed without prejudice to the rights of the AIOC. The Ambassador states that he does not believe that the British would be sacrificing their fundamental rights under these circumstances, and that such an agreement would expedite negotiations on other matters. The Ambassador expresses the opinion that if the British are endeavoring to force the Iranians to terms by keeping them without oil revenue funds, such a policy is most dangerous.

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WESTERN EUROPE

7. Renewed European Army talks are encouraging:

The Paris European Army talks have been 3.3(h)(2)
given new impetus by the presence of Chancellor Adenauer's chief security adviser
Theodor Blank. French and German

differences now appear less irreconcilable. Although the chief French representative was not authorized to offer concessions on the size of the proposed units and the level of their integration into a European Army, he clearly left the way open for a later French concession by suggesting that this question be referred back to the governments.

However, Blank's proposal to start raising a German contribution to NATO on the basis of the report on the recent Allied-German talks at Petersberg -- while the Paris conference on a European Army pursues its "long and arduous" work -- was flatly rejected by the French representative.

Comment: Although no basic changes in the French position on Germany's defense contribution are likely before September, influential officials in the Foreign Office are revealing greater determination to press on toward mutual Western agreement on this question. Bonn has shown a similar determination by sending Blank instead of his subordinates to Paris.

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