

~~TOP SECRET~~*Indication
(Editorial)*
JL

12 May 1951

[redacted]
Copy No. CI-9

3.5(c)

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 24

NO CHANGE IN CLASS.

1) DECLASSIFIED

CLASS. CHANGED TO: TS S-C

NEXT REVIEW DATE:

AUTH: HR 70-2

DATE: 12-15-79 REVIEWER: [redacted]2009

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[redacted]

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

[redacted]

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GENERAL

3.3(h)(2) *U.S. vs. S.A.*1. USSR offers another counter-proposal concerning Foreign Ministers' Conference:

In the 10 May session of the Paris conference, Soviet delegate Gromyko accepted with three qualifications an agenda for a foreign ministers' meeting based on a Western alternative proposal. The qualifications are that (a) German demilitarization should be listed first as an agreed sub-item, (b) a Soviet proposal on North Atlantic Treaty bases should be added as an another unagreed point, and (c) the order of items should be examined. In a typical long propaganda harangue, Gromyko re-emphasized the peaceful policy of the Soviet Union as contrasted with aggressive Western policies, such as the North Atlantic Treaty and the continuation of Western defense measures while the deputies were meeting.

Comment: On 2 May, the Western Powers introduced three separate alternative proposals as their maximum effort to make possible a foreign ministers' meeting. Gromyko's latest tactic represents an attempt to capitalize on Western concessions in two of these proposals and thus to approach the original Soviet agenda demands. On 4 May Gromyko "accepted" the first Western proposal provided that the Soviet position on reduction of armaments, limited to those of the four powers, be accepted.

2. UK Government bans rubber shipments to Communist China:3.3(h)(2) *Ch. UK*

In announcing to Parliament that the UK Government is imposing an immediate embargo on further shipments of rubber to Communist China in 1951, Sir Hartley Shawcross, the President of the Board of Trade, emphasized that the US had not in any way "agreed" to the British control action. After justifying the embargo on the ground that excessive quantities of rubber have already been shipped this year, Shawcross pointed out that general exports to China from US-controlled Japan had also increased recently. Shawcross did promise support for the US with respect to UN measures restricting trade with China. Immediately before his speech, Winston Churchill asked for the rubber embargo in the name of US-UK

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cooperation, urged Parliament not to be deterred by any threat to Hong Kong, and argued that the US would undoubtedly join in any measures that would be necessary to meet such a threat.

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~~TOP SECRET~~4. Interest of US companies in Iranian oil could add complications:

The US Embassy in London concurs with the Department of State that the employment of a US company to exploit Iranian oil might have unfortunate repercussions. The Embassy fears that such a development would lend substance to the Soviet line that the US is attempting to "gain mastery" over Iran and that US oil companies are seeking to supplant UK interests in Iran. Any move which might suggest that the US, or US industry, was enriching itself at the expense of a weakened partner would result in widespread resentment and disillusionment in the UK and would inevitably undermine the effectiveness of US-UK partnership.

Comment: In late April, the Department of State informed the US Embassy in Tehran that it understood "on reliable authority" that the Iranian Embassy in Washington had received two or three offers from US oil companies. While there is no evidence that Iran is seriously contemplating using US firms, their offers may influence the thinking of some Iranian leaders and may further complicate Iran's relations with the Anglo-Iranian Oil Company. Iranian Prime Minister Mossadeq, who has acknowledged that foreign oil experts are necessary for the time being, is probably considering the possibility of employing experts from various foreign countries.

FAR EAST5. Communist forces in Korea shift to east for next attack,

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In an estimate of enemy capabilities, the US Far East Command notes that recent agent, civilian and prisoner reports support the suspected movement of major Chinese Communist elements from the western sector to the Kumwha-Hwachon area of the central front. Elements of the Chinese Communist 3rd and 19th Army Groups are involved in this move. Apparently Chinese Communist Fourth Field Army units, currently occupying the central sector, are moving further east.

The Far East Command comments that, because the recent enemy effort to secure the Seoul-Inchon complex failed, it would not be illogical for the enemy to shift its efforts to the central sector, where it has had previous successes.

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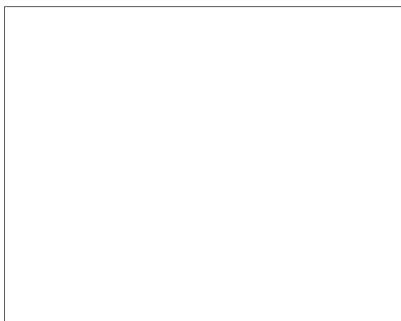
6. Iranian military informed that Kurdish tribal revolt is brewing:

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Comment: These Kurdish tribal groups, roughly estimated at 100, 000 individuals, are located close to the Iranian-Iraqi frontier in the Senandaj area -- not on the Soviet border. A Javanrudi revolt was forcibly put down by the Iranian Army as recently as September 1950. At that time, there were rumors of Soviet involvement. The present "foreign propaganda" might, of course, refer to the USSR; it is more likely a reference to the British, who reportedly have recently been accused by several Iranian military commanders of engaging in activity in tribal areas. Tribal leaders in various sections of Iran have recently made protestations of loyalty to the Shah, presumably as a result of governmental suspicions that the British were engaged in intrigues. Reports of unrest recur frequently and cannot be construed as a firm indication of forthcoming disturbances.

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7. Israel opposes any compromise over the demilitarized area along the Syrian-Israeli border:



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Moreover, US Ambassador Davis in Tel Aviv reports his belief that (a) the manner in which the UN Security Council is handling the Israeli-Syrian frontier dispute will generally stiffen Israel's attitude on the border issue and (b) Eban was correct when he recently asserted that "Israel would display special tenacity" in regard to the demilitarized area.

Comment: While fighting along the Israeli-Syrian frontier has lessened in the last few days, the actual dispute is no closer to solution. On the one hand, the attitude of the government and the Israeli public has stiffened and, on the other, the reaction of Syria and the Arab States generally is becoming more hostile not only toward Israel but also toward the West.

EASTERN EUROPE

8. Unidentified submarine sighted in Yugoslav waters.

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Deputy Chief of Staff Admiral Manola has informed the US Naval Attaché in Belgrade that two sightings of one, possibly two, unidentified submarines were made on 6 May near the islands of Lastovo and Vis in the Adriatic within the Yugoslav six mile limit.

The US Attaché reports that, when Admiral Manola was informed that the submarine was not American, he was visibly upset and stated that he had hoped that it would have been a US submarine. Manola commented that there was no reason why the Soviet Union should observe these islands since Soviet officials had supervised the installations on the islands (prior to 1948).

Comment: It is entirely possible that the submarine or submarines sighted were of Western origin. The USSR is not known to have any submarines in the Mediterranean, although numerous unconfirmed reports have been received of submarine activity at Sasevo Island, Albania.

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LATIN AMERICA

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9. Armed services conspiracy against the Peróns rumored:

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The US Embassy in Buenos Aires reports "insistent and continued rumors" of an armed services conspiracy against the Peróns have recently been uncovered. According to the Embassy, various Army and Navy officers are believed to be under arrest and rumors are flying fast, but facts are scarce.

Comment: Reports of an army conspiracy against the Peróns at this time are in line with other indications of increasing political instability in Argentina. There are signs of continuing labor unrest -- now serious among railroad workers -- and evidence that non-Peronista groups are gaining in public favor and influence with labor. These developments may have caused some members of the army, who are already aroused over Perón's reportedly firm decision to allow Mrs. Perón to run for Vice-President, to conspire against the Peróns. Furthermore, the recent reported arrest of Mrs. Sosa Molina -- the wife of Minister of National Defense General Sosa Molina, who is the spokesman of an army group that has opposed Mrs. Perón's activities for several years -- may have touched off a conspiracy by army elements.

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