

Approved For Release 2004-01-16 : CIA-RDP77T0975A000200350001-0

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29 May 1951

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Copy No. CL-9

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 39
NO CHANGE IN CLASS:
 DECLASSIFIED
CLASS. CHANGED TO: TS S
NEXT REVIEW DATE: 2001
AUTH: HR 70-2
DATE 12-15-71 REVIEWER:

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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DOS REVIEW
COMPLETED

DIA review(s) completed.

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GENERAL**1. Return of German scientists from the USSR:**

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[Redacted]

Information dated November 1950 has been received which states that the group of German scientists working on atomic energy develop-

ment at Sukhumi will not leave the USSR for at least another two and one half years.

Comment: This group of scientists in the Sukhumi area is engaged in research on "peripheral" problems connected with Soviet atomic energy development. According to present information German scientists have been taken into the heart of the Soviet atomic energy program.

It is considered that the retention of these German scientists in the USSR for two and a half years more indicates that they are still making a contribution to the Soviet effort. It is probably also true that they currently and for at least another year have information which the USSR cannot at this time afford to make available in as vulnerable a spot as the Soviet Zone of Germany.

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3. Main body of Kuomintang forces reported to be still in Burma:

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[redacted] the main body of Chinese Nationalist troops in Burma, about 4,000 strong, has not re-entered Yunnan, but has been moving into the Northern Shan and Wa States of Burma, where it

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may join forces with an additional 4,000 anti-Communist guerrillas that have been collected by the local chieftains.

[redacted] also reports that the Kuomintang force is still in Burma, doubts that these troops would risk destruction by moving into Yunnan. The US Embassy in Rangoon comments that it is still possible that the Nationalist objective is Kengma, Yunnan.

Comment: While the Chinese Nationalists in Burma are apparently on the move, there is no reliable evidence that they have made any serious effort to return to Chinese territory.

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NEAR EAST

4. Nehru anxious to have US economic aid:

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Prime Minister Nehru of India has told US Ambassador Henderson that India needs US economic assistance, that he (Nehru) is most

anxious to have it, and that he would be willing to accept such aid on existing ECA terms and conditions. Nehru did not object to any of these terms or conditions, but he did attempt to assure himself that acceptance of US aid would not be taken by the US Government or by the Indian people to imply that India thereby committed itself directly or indirectly to follow the US lead in matters of domestic or foreign policy.

5. Syria concerned by Israel's failure to halt Lake Hule drainage project:

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The Syrian Prime Minister has asked US Charge Clark in Damascus to inform the State Department that Syria takes a serious view of Israel's non-compliance with the 18 May UN Security Council resolution, which provided that the Israeli drainage work in the Lake Hule de-

militarized zone be suspended. The Premier stated that, while Arab hopes were initially raised by the firm UN resolution the newly-found Arab confidence in the UN was fast ebbing away. Clark also reports that the concern of the Syrian Army was indicated when the Syrian Army Chief of Staff telephoned the US Military Attaché that Israeli tractors were continuing the Lake Hule drainage project. According to Clark, UN officials have reported that the Israelis recently moved large calibre guns into their defensive zone and refused to let observers inspect them.

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Comment: Initial Arab satisfaction with the terms of the 18 May UN Security Council resolution has been reflected in reports from several Arab capitals. The possibility exists, however, that Arab confidence in the UN will again be shaken by Israel's failure to comply in full with the Security Council measure and that criticism of the US and UK will reappear in the Arab press.

EASTERN EUROPE

6. Differences in Yugoslav Politburo over socialist development:

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Ambassador Allen in Belgrade has learned [redacted] that a difference of opinion has developed in the Yugoslav Politburo over the

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speed with which Yugoslavia should change its Soviet-based pattern of political economy to a new indigenous type of socialism. The more theoretical and idealistic group, led by Djilas and Pijade, favors drastic decentralization and the withering away of the bureaucratic state. The second group, headed by Kardelj and Rankovic, favors a slower evolution of Yugoslav socialism. Tito, who has been inactive in recent debates on this issue, is said to lean toward the latter group. Ambassador Allen believes that a compromise solution will be reached, with Tito casting the deciding vote whenever he decides to show his hand.

Comment: The evolution of a new type of Yugoslav socialism, evidenced by recent changes in the governmental apparatus and increasing Yugoslav contacts with Western socialists, may well have resulted in differences within the Politburo. In recent months the Yugoslav Government has introduced several reforms which ostensibly strengthen the power of the local governments at the expense of the central authority. Yugoslav leaders probably hope in this manner to abolish much duplication

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and bureaucracy. Under the Yugoslav Communism two lines of control have actually existed -- the Federal Government and the Communist Party. None of the reforms to date, however, has weakened the authority of the Party.

WESTERN EUROPE

7. UK Conservative leaders press for strong action against Egyptian Suez Canal restrictions:

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[Redacted]

Anthony Eden, deputy leader of the UK Conservative Party, is reported by US Ambassador Gifford to favor the adoption of strong measures against Egypt if it continues to restrict the passage through the Suez Canal of British oil tankers bound for Haifa. Pointing out that Eden is not given to urging such courses of action without careful consideration, the Ambassador indicates his belief that Churchill agrees with Eden and that other influential Conservatives would be inclined to go along on the matter.

Comment: The views expressed by Eden on this subject suggest that a Conservative government might even attempt coercive measures to reopen the Suez Canal to Haifa-bound British tankers. The present government, concerned about the currently delicate state of the defense treaty negotiations, is unlikely to adopt any such measures as urged by Eden; but it is well aware of both this Conservative pressure for a tougher line toward Egypt and of similar pressure from among some of its own supporters. It will therefore be particularly cautious about concluding any Anglo-Egyptian defense arrangements which would appear to make concessions to Egypt.

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