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FAR EAST

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2. Far East Command estimates Communist air capabilities in Korea:

[Redacted]

The Far East Command estimates that a full-scale Chinese Communist-North Korean air attack on UN ground units in Korea in an initial assault could include 350 jet and 45 conventional fighter sorties. An operation of this size would disrupt UN ground support activity and greatly curtail airborne supply of ground units in the battle area. Owing to the distance of currently operational enemy bases from the front lines and the proximity of UN air bases, the enemy probably would sustain severe losses; realization of this is believed to be a significant deterrent to this type of attack. FECOM notes, however, that the repair and construction of North Korean airfields, the improvement and expansion of radar warning and control facilities, and an increase in enemy anti-aircraft artillery strength in North Korea have given the enemy the capability of expanding his defensive air operations southward from the Yalu River at any time.

3. Hong Kong represented as "defenseless" to prohibit reexportation of trucks to Communist China:

[Redacted]

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Comment: The allegation that the Hong Kong government is powerless to prevent reexport of trucks is questionable. The Colonial Government last month banned the reexport of 51 Dodge trucks which it considered "military type" but is reluctant to extend this precedent to all trucks.

SOUTH ASIA

4. Indian arms for Afghanistan are ready for shipment:

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Comment: Negotiations regarding this arms deal have been carried on since mid-1950, and India has made a loan to Afghanistan to cover the cost of the purchase. Since there apparently is an understanding that the loan need not be repaid, it seems likely that Afghanistan is committed in return to a continuation of its anti-Pakistan propaganda campaign for Pushtoonistan or at least to supplying these arms to tribesmen along the Afghan-Pakistani border. India has repeatedly denied its complicity in the Pushtoonistan affair and has assured US representatives that it desires a solution of the question.

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NEAR EAST

5. British considering boycott of Iranian oil if negotiations break down:

US Embassy London reports that a temporary cessation of the exportation of Iranian oil in case negotiations between the Anglo-Iranian Oil Company and Iran should be broken off is very

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probably under consideration by the company and the UK Foreign Office. A study recently made at government request reportedly reveals that less than 5 percent of present Iranian oil exports could continue to be exported if the AIOC boycotted Iran, since the AIOC would expect the cooperation of the major US oil companies and the lack of tankers would limit the ability of other purchasers to move the oil. In addition, the AIOC is understood to be considering the possibility of taking legal action, in case of its withdrawal, against any purchasers of Iranian oil on the ground that the supplies would be "stolen oil." The Embassy emphasizes, however, that it has no reason to believe that the AIOC would resort to an interruption of Iranian oil exports as part of the tactics of negotiation.

Comment: This report adds to other indications that neither the AIOC representatives nor the Iranians are approaching the forthcoming negotiations in as conciliatory a frame of mind as public statements suggest.

6. Sheikh of Bahrein to receive increased oil revenues:

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According to the British Foreign Office, the US-controlled Bahrain Petroleum Company is planning to increase substantially its payments to the Sheikh of Bahrain Island (in the

Persian Gulf). The company reportedly decided to offer these larger payments because events in neighboring oil-producing countries make it desirable to grant the Sheikh increased payments in order to protect the company's investment in the island's refinery facilities.

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Comment: With the future operation of the Abadan refinery jeopardized as a result of political events in Iran, the importance of the Bahrein refinery (second in capacity in the Near East) has suddenly increased greatly for Western as well as Near Eastern oil needs.

EASTERN EUROPE

7. Yugoslavs encouraging development of national Communist party in Greece:

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The US Ambassador to Greece reports that there is evidence that Yugoslav representatives in Greece are interested in the development of a national Communist party in Greece, but

there is no indication of any Yugoslav success in this effort. The Ambassador states that the Yugoslav Legation in Athens and Consulate in Salonika have intimate contact with certain Greek leftists who are seeking to found such a party, but there is no evidence to date of Yugoslav financial backing. Ambassador Peurifoy is of the opinion that Yugoslav interest in the creation of a Greek Titoist movement has been limited, and is not likely unduly to disturb relations between the two countries in the near future.

Comment: The Yugoslavs, whose prestige in Greek Communist circles was appreciable before the Cominform break, have sought to retain their influence and challenge the position of the USSR and Bulgaria among Greek Communist and leftist groups. Any extensive Yugoslav efforts to encourage a pro-Yugoslav Communist Party or to champion the rights of the Macedonian minority in Greece, however, will arouse official Greek suspicions and hamper the development of any mutual defense understanding.

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~~TOP SECRET~~**8. Czech Government noncommittal regarding landing of US jets:**

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[Redacted]

As of 12 June the Czechoslovak Foreign Office still refused to acknowledge the landing of two lost US jet planes at Kbely airfield near Prague on 8 June. The Foreign Office has maintained that the investigation of the planes' whereabouts is the responsibility of another branch of the government, but promised to push the "competent" authorities for a reply. The US Embassy in Prague comments that the plane incident furnishes Communist hotheads with an opportunity to impair US-Czech relations still further. The Embassy believes that delay of the Czechoslovak Government in confirming the presence of the jets may indicate that the authorities are still debating a course to adopt. Meanwhile, the Embassy has been informed that a member of a Western mission's air attache office in Prague caught a fleeting glimpse of a jet plane in the air near Kbely on 10 June which he was reasonably certain was an American Thunderjet type.

Comment: If the plane observed on 10 June was a Thunderjet, it is possible that one of the lost planes was being test-flown by the Czechs. No Soviet jet planes are known to be in Eastern Europe which could be readily mistaken for a Thunderjet.

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