

INFORMATION REPORT INFORMATION REPORT

CENTRAL INTELLIGENCE AGENCY

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1. In the Hungarian iron and metal industries there are two main research institutes:
 - A. Iron Industry Research Institute which is divided into the Theoretical Research Institute, and the Machine Tool Testing Institute, which is under the direction of Ferenc Biro, the former General Manager of the Rakosi Matyas Works and a close relative of Matyas Rakosi.
 - B. The Metal Industry Research Institute is under the direction of Professor Laszlo Gillemot.
2. These institutes are located in a large block of buildings on Fehervari Ut in Budapest, beyond the former Standard factory. They are equipped with first class modern equipment and machinery, and employ a large number of high-grade technical experts.
3. Before the second world war metallurgical research was decentralized, being carried out in the individual works, factories and foundries. After the war, when the Communist Party seized power, a propaganda drive was launched against "old school" engineers and specialists, with the result that the workers demanded the removal of the men on whose research and control work the quality of products depended. This led to a rapid deterioration of quality throughout the metal industry.

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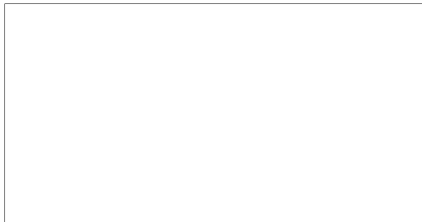
- 2 -

S-E-C-R-E-T



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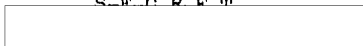
4. To meet this situation the Communist Government did not reemploy the technicians in the foundries and factories, but adopted the alternative solution of founding a central Iron Industry Research Institute. Some eighteen months later it decided to establish a Metal Research Institute as well.
5. Initially Professor Laszlo Gillemot was entrusted with the direction of both Institutes. He was given a free hand in the selection of his assistants. As the new generation of technical experts fell far short of the standard of the older school, he chose his men mainly from those engineers who one or two years previously had been dismissed from the factories as politically unreliable. These experts are currently entrusted with highly confidential work. As an outstanding example of the reinstatement of so-called politically unreliable elements, Professor Jozsef Varga has been entrusted with the direction of the recently founded Heavy Chemical Research Institute, although two years previously he was violently attacked as a reactionary and barely succeeded in retaining his position at the University.
6. In addition to his initial direction of the two Institutes, Professor Gillemot lectured at Budapest Univeristy on "the Science of Materials". When later he was appointed Rector of Section I (Machinery, Chemistry and Electro-technics) of Budapest Technical University, he found his commitments too great and proposed that another director should be found for the Iron Industry Institute. Ferenc Biro has been appointed director of the Machine Tool Testing Institute, but the Direction of the Theoretical Research Institute has been retained by Professor Gillemot.



25X1

- 2 -

S-E-C-R-E-T



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