

17 July 1957

Copy No. 136

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# CURRENT INTELLIGENCE BULLETIN

14  
DOCUMENT NO.   
NO CHANGES IN CLASSIFICATION  
BY DIA/CIA/NSA  
CLASS. CHANGED TO: TS S C  
NEXT REVIEW DATE: 2010  
AUTH: HR 70-2  
DATE 4-1-80 REVIEWER:

**OFFICE OF CURRENT INTELLIGENCE**  
**CENTRAL INTELLIGENCE AGENCY**

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Approved for Release: 2019/12/10 C03185637

Approved for Release: 2019/12/10 C03185637

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## 1. USSR MAY HAVE SUBMARINE WITH UNCONVENTIONAL PROPULSION SYSTEM

The United States navy has reported that "a probable submarine, not US or known friendly," detected 110 miles off the Virginia coast during April frequently maneuvered while submerged at speeds in excess of 18 knots. The high speeds were maintained over a considerable period of time, with little or no opportunity to charge batteries for at least 20 hours.

### Comment

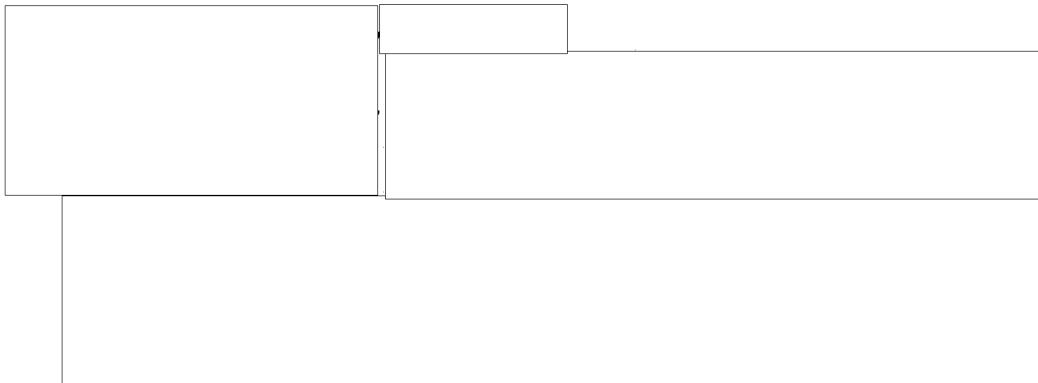
The high speeds frequently used by the above boat appear to preclude the use of the conventional combination of battery and electric motor propulsion. A hydrogen peroxide or nuclear propulsion system would have enabled the submarine to perform as described. No Soviet submarine equipped with either of these systems has yet been identified. According to a National Intelligence Estimate (SNIE No. 11-6-57), a Soviet atomic submarine "could be in operation well before 1960."

The most modern Soviet long-range submarines known to exist are the "W-" and "Z-class" units, which are believed to be conventionally powered, having maximum submerged speeds of about 13 and 14 knots respectively for periods of no longer than one hour.

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## 2. DEVALUATION OF FRENCH FRANC HINTED



### Comment

The French government's new economy program would tend to put France in a better position than heretofore to reap the maximum benefit from devaluation.

There have been recurring rumors of devaluation during the financial crisis this year, and, according to a press report of 14 July, investors in all European countries have been uneasy over such a possibility. One leading French financial publication has declared that this is the time for devaluation. There have also been reports that devaluation might be one of the conditions Bonn would require for a West German loan to France.

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### 3. JAPANESE MINIMUM POSITION ON STRATEGIC SHIPMENTS TO COMMUNIST CHINA

Japan on 1 July formally presented to the China Committee in Paris its proposals for the export of certain strategic items to Communist China during the remainder of 1957. These proposals represent Japan's maximum position.

The items under study by the China Committee appear on International List II and are not connected with the China Special List, which Japan abolished on 16 July. The Japanese have insisted that they will honor quotas on List II items, but will not accept other restrictions which do not apply equally to trade with the European Communist bloc.

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#### 4. LAOTIAN CABINET CRISIS

Comment on:

Prime Minister-designate Katay's chance of success in his second attempt to form a government appears slim. He is again opposed by the left-wing National Union Party and the small Democratic Party. It now appears that, at best, he can hope for a favorable margin of one or two votes.

He is also reported to be under pressure from elements within his own Nationalist Party to withdraw in favor of former prime minister Souvanna Phouma.

In the event that Katay withdraws or is defeated a second time, Souvanna would probably be designated to form a government. His prospects appear favorable. Should Souvanna head a new government, he would be in a position to press for a coalition government with the Pathet Lao in view of the assembly's ratification of his 28 December agreement with Pathet chief Souphanouvong.

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## 5. PRESIDENT AND PRIME MINISTER APPARENTLY CO-OPERATING ON WEST PAKISTAN

Comment on:

President Mirza's action on 15 July restoring the provincial government in West Pakistan reportedly was taken in consultation with Prime Minister Suhrawardy, who is now touring the United States.

There had been some indication recently that Mirza was taking advantage of Suhrawardy's absence to strengthen the position in West Pakistan of his own Republican Party and thereby check the prime minister's growing political power in the province. Suhrawardy's reported concurrence in the lifting of President's Rule appears to reduce the possibility of a split between the two leaders in the immediate future.

However, the return of the Republican Party to power in West Pakistan, while assuring the support Suhrawardy needs in the national coalition, will also impede the prime minister's effort to build a strong branch of his own Awami League in the western province. This could result eventually in renewed friction between Suhrawardy and Mirza.

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## 6. NASR REPORTEDLY TRYING TO ARRANGE KHRUSHCHEV-BULGANIN VISIT

Egyptian President Nasr is trying to arrange a visit to Egypt and Syria by Soviet leaders Khrushchev and Bulganin.

Their trip would be made in August or September and would take the place of the visit to the USSR Nasr had planned for 15 August. Nasr reportedly fears that his absence from Egypt would be the signal for an attempted coup or popular uprising, but does not wish to show his uneasiness by an outright cancellation.

### Comment

Since Nasr first announced in 1955 that he intended to visit the USSR, the trip has been repeatedly postponed. It is unlikely that his latest change of plans is caused by fear of a coup or uprising. The recent parliamentary elections revealed sources of dissatisfaction and opposition, but no serious threat to his regime. In addition, a visit to Egypt by the top Soviet representatives would probably have greater prestige value for Nasr than would a trip by him to the USSR.

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## 7. NASR CONSIDERING MOVE TO FORCE RELEASE OF BLOCKED DOLLARS

Reference: [redacted]

[redacted] Nasr reportedly intends to request that the International Monetary Fund seek payment of the \$30,000,000 Egyptian debt out of the approximately \$42,000,000 of Egyptian funds blocked by the United States following nationalization of the Suez Canal last July.

[redacted] He is not planning any surprise move in the near future, such as blockading the Straits of Tiran or ousting the United Nations Expeditionary Forces from the Sinai Peninsula. He intends to wait until September to make his play for securing release of the blocked dollars. [redacted]

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## 8. STALINISTS CONSOLIDATE CONTROL OF BULGARIAN PARTY

Comment on: [Redacted]

[Redacted] The Stalinist leadership in Bulgaria--the triumvirate of Chervenkov, Zhivkov, and Yugov--apparently has used the occasion of the party house-cleaning in Moscow

to consolidate its control of the Bulgarian party. During the past several months, however, it has been applying some of Khrushchev's economic policies to Bulgaria, hoping thereby to counter party and popular dissidence.

Georgi Chankov, politburo member and first vice premier, and two members of the central committee generally believed to have been opposed to Chervenkov were removed from their party positions at a 11-12 July plenary session of the central committee, [Redacted]

[Redacted] The three men have been in partial eclipse for some time and were charged with factionalism, but have not yet been removed from their government posts. Twelve men simultaneously promoted to higher party posts are believed to be linked to Chervenkov. [Redacted]

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