

The Director of Central Intelligence

Washington, D.C. 20505

Executive Registry

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Dear Marshall,

I was quite distressed when I read your article in The Washington Post 19 August. While I am sure that it was editorial bias of the Post that led to the title "The CIA Goof," I am not sure I understand the arguments you adduced to show the "...shakiness of the CIA estimates." It seemed to me we went through this same material two years ago together.

If I understand the points you made, they are as follows:

(1) That the statistics on Soviet production this spring were not as bad as they might have been. This, of course, is not a matter of major import. In fact, we have consistently predicted that Soviet production would peak around 1980.

(2) That the Soviets have vast sedimentary basins which have important potential for the late 1980s and early 1990s. Again, this seems irrelevant to our argument, which is that the Soviets will become net importers in the early 1980s.

(3) That water injection has had a serious impact in the West Siberian fields and that this has a major bearing on our prediction that the Soviets will become net importers--true, and we agree.

(4) That our 1977 prediction may be a self-defeating prophecy because the Soviets will react as a result thereof. Even if true, it seems unlikely that these efforts are going to have a sufficient impact within the next two-three years to invalidate the basic hypothesis. The time it will require the Soviets to procure a new drill bit factory and make it productive, for instance, would seem to be somewhat longer.

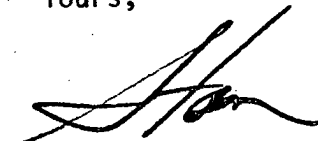
(5) That the Soviets and East Europeans cannot afford three and one-half to four and one-half million barrels a day of imports. We did go over this at lunch in 1977. Our original study did not actually say that they were going to import this much petroleum; it indicated that there would be a demand for this much importation. We acknowledged, however,

that we did not make that distinction as clearly as we should have in our study and regretted it. We also certainly acknowledged to you that the foreign exchange problem would be a real one and that they might have to accept alternatives such as slowing their economic growth or reducing their exports to Eastern Europe in lieu of importing. All of this was presented in our paper on Soviet economic problems and prospects which was released later in 1977, when I sent you a copy.

(6) That the Soviets will avoid importing by a combination of switching to other types of energy and increased conservation. We certainly agree that they are going to attempt to do these things and have already shown evidence of that. However, as you are well aware, the opportunities for conservation in the Soviet Union are far less than in the United States, and they are not likely to solve their problem by bringing on great quantities of natural gas within the next two or three years.

By coincidence, the day after your article appeared we released in unclassified form our update on the 1977 world energy study. I understand a copy was sent to you. It's a shame this didn't reach you prior to your authoring this article that apparently was still based on misunderstandings of our 1977 study which I thought we had cleared up with you.

Yours,



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