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SECURITY INFORMATION

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CENTRAL INTELLIGENCE AGENCY

WASHINGTON 25, D. C.

6 August 1952

MEMORANDUM FOR: (Members of the IAC)

SUBJECT : First Annual Progress Report of the Economic
Intelligence Committee (July 1951 - June 1952)

The EIC is transmitting herewith its first annual progress report to the IAC (Tab A). In view of the fact that this marks the first phase of the EIC program, it is appropriate to summarize briefly the organization and accomplishments of the Committee as they relate to its mission and to point out some of the major problems that have limited the effectiveness of its operations.

I. Appraisal of Foreign Economic Intelligence Requirements and Facilities Relating to the National Security - The Need for an EIC

In compliance with NSC Action 282, CIA, in May 1951, completed a survey of the requirements and facilities of the US Government for foreign economic intelligence relating to the national security. This survey revealed that while some twenty-four agencies of the Government collected and analyzed substantial amounts of information concerning foreign economics, there were no established procedures for:

- a. relating the information thus collected and the technical talent available in the Government to problems of national security,
- b. locating readily all the information in the Government on specific economic intelligence problems for use by any one agency,
- c. identifying gaps in the total information available and initiating action to fill the more critical gaps.

To meet this problem the Director of Central Intelligence, in accordance with his responsibilities under NSCID 15, established the Economic Intelligence Committee (EIC) for which terms of reference were approved by the IAC at its meeting of 17 May 1951 (Tab B).

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II. Organization of the EIC - The Mechanism for Coordination (Tab C)

Since its formal establishment in June 1951, the EIC has devoted a large part of its time to developing the mechanism for coordination. The main committee, chaired by the Assistant Director for Research and Reports, CIA, is composed of representatives of the IAC agencies, who sit as full members, and representatives of some twenty non-IAC agencies who, as associate members, are invited to sit on matters relating to the particular interest, competence and responsibility of their respective agencies.

In order to focus available intelligence on problems of importance to national security the EIC has set up special ad hoc working groups. Their function is to coordinate on an interagency basis the production of specific priority economic intelligence studies.

Other functions of the EIC relating to the identification of major research gaps as well as collection and collation problems, the location of data, and the preparation of basic research papers are delegated to EIC subcommittees. These subcommittees are composed of the outstanding Government specialists in each of the major foreign economic fields. In order to comprehensively cover the fields which are important to the production of foreign economic intelligence, the EIC has authorized the eventual formation of fourteen subcommittees. Eight subcommittees are presently in operation; two -- Electronics and Telecommunications and Armaments -- are currently in the process of being activated.

III. The Program of the EIC (Tab A)

While the EIC has been charged with coordinating economic intelligence in the entire foreign economic field, its primary attention has been focused on the economy of the Soviet Orbit. This priority is generated by the general scarcity of intelligence on the area relative to demands for intelligence support. The EIC, however, has not overlooked its responsibilities relating to non-Soviet economic intelligence. In fact, two major projects on non-Soviet areas have already been coordinated by EIC working groups.

A. Focusing Economic Intelligence on Problems of National Security

In the first months of the EIC's existence it became apparent that there should be close liaison with the Office of National Estimates to insure that coordinated economic studies are undertaken to provide the best possible factual basis for national estimates. During the past year the EIC provided the Office of National Estimates (ONE) with three coordinated research studies as major contributions to national estimates. One of these was used in two separate estimates. A fourth EIC study is scheduled for completion by 21 August 1952, and will serve as the principal contribution

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Two EIC studies were undertaken at the direct request of the IAC. The research paper for the IAC on the "Status and Effectiveness of Trade Controls Against Communist China" (EIC-R-1) was coordinated both within the EIC and with intelligence [redacted]. The other study for the IAC entitled "Economic Capabilities of the Soviet Bloc to Support a General War" is still in the process of production. Also currently underway is a [redacted] revision of EIC-R-1 and a [redacted] fact-finding study on French Indochina and Burma. All of the above research papers are designed to focus the available economic intelligence on major national security problems. In addition to these, there have been projects undertaken at the request of individual EIC representatives to meet the needs of their particular department or agency.

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To insure the adequacy of basic research to meet future national security needs it is necessary to rationalize the current economic research effort with an eye to probable future demands. This is one of the principal functions of the subcommittees. In part this rationalization is assisted through the catalytic effect of gathering the top professional experts in a given field into one subcommittee. The acquaintanceship among these professional experts, the exchange of research-project lists, the discussion of agency functions and programs in particular fields, and the analysis of common problems all tend to reduce duplication, to encourage at least an informal coordination of effort and to promote a joint attack on common problems. In addition to these general benefits the subcommittees produce special research studies which the members feel are needed to fill critical gaps in basic intelligence.

B. Measures to Improve the Collection and Collation of Economic Intelligence

The EIC responsibility for improving the collection and collation of economic intelligence has been delegated largely to the Subcommittee on Requirements and Facilities for Collation. It is worth noting that this Subcommittee represents the first continuous body in which collection representatives have come together since the dissolution of the old CIG Committee on Collection in 1947. Since its establishment less than a year ago this group has made several important contributions. First, it has prepared and coordinated the requirements of the IAC agencies for economic reporting by the Foreign Service on some 17 countries and as a related effort has submitted a detailed proposal for world-wide periodic Foreign Service reporting on minerals. Also of related interest have been its written proposals to assist the State Peripheral Reporting units. Second,

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the Subcommittee has initiated a coordinated travel folder program for intelligence guidance of travelers in the USSR. Several folders have in fact already been prepared. Third, a sub-group has been set up to determine the treatment, operations, procedures and end-products which would make foreign language documents of maximum value to analysts engaged in economic intelligence research. Finally, in addition to the numerous other activities listed in Tab A, this group is now examining the theoretical and practical feasibility of some form of central index of documentary and published economic intelligence material. In the future these and other programs will play an important role in providing more useful information for the research analyst.

C. Continuing Survey of Economic Intelligence Deficiencies

The EIC naturally looks for guidance on intelligence targets from the NSC, the IAC, and ONE as well as from the individual departments and agencies. At the same time the EIC, of its own initiative, also seeks to identify those intelligence deficiencies and problems which require either action or recommendations by the economic intelligence community.

One of the principal methods used to identify these deficiencies is the special survey. In one instance a survey was conducted at the request of the Office of National Estimates to determine the extent of the current economic research effort on Communist China. This survey revealed serious intelligence deficiencies and its findings were incorporated by ONE in a special report to the IAC. In the future it appears that ONE will continue to use the EIC survey facilities in connection with its post-mortem procedure in order to determine whether certain suspected critical gaps do in fact exist.

Apart from the special surveys generated by ONE, the EIC has in process, through the medium of its subcommittees, a continuing government-wide survey of critical gaps in the economic research effort. Area-wise the principal emphasis is currently on the Soviet Bloc, including China; although some of the subcommittees are conducting these surveys on a world-wide basis. Essentially these surveys are designed to determine the critical deficiencies on the major intelligence aspects of each important field. On the subject of petroleum in the USSR, for example, what is the state of our intelligence on production, consumption, trade, plant data, etc. The critical nature of the deficiency is determined by its importance to national security in terms of the probable end-intelligence use. For example, it is of much more immediate importance to increase our knowledge on Soviet stocks of aviation gasoline than it is to expand our understanding of Soviet

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petroleum geology largely because of the importance of the former to studies of Soviet capabilities and vulnerabilities. It is on this basis that critical deficiencies are identified. Once the subcommittees have made this identification they must then determine whether the deficiency is caused by inadequate collection, inadequate collation (i.e., indexing, translating, etc.), inadequate research or by some combination of these. Only by knowing the source of the problem can the proper action be taken or the appropriate recommendations made. On the date this memorandum was prepared several subcommittees were well along in their survey efforts.

IV. Problems and Limitations

The principal limitation to the effectiveness of the EIC has been the inordinately long period of time required for completion of its various reports and surveys. One reason for the delay is inherent in the mechanics of coordination among a large number of agencies; although it is expected that in its second year the EIC will establish procedures to mitigate this difficulty. A second factor is bound up in the nature and scope of the studies and surveys that have been undertaken. For the most part they have not represented merely summary judgments and estimates but rather have been careful analyses with a detailed accounting of the facts relating to the problem. The third element in this problem derives from the fact that individual EIC members are among the top professional analysts of their respective agencies and as such they have agency responsibilities which limit their time on EIC matters. In a large part this problem will be overcome in the coming year by enlarging the EIC Secretariat to provide for greater assistance to the members and to the subcommittees and working groups. However, in order to satisfactorily resolve this problem, member agencies must exert greater efforts to meet their assignment deadlines.

Other problems can be noted more briefly:

a. Some agencies have made several shifts in their membership on subcommittees and working groups without providing for an adequate briefing of the new representatives.

b. Certain members have been appointed to subcommittees and working groups who are not professionally competent either as commodity specialists or trained analysts to understand the subject matter under discussion. Of equal importance has been the lack of analysts with the desired combination of operating or technical background in commodities or industries and training in economic analysis. The solution to this problem will lie partly in having existing commodity and technical specialists undergo on the job training in economic analysis and partly in the recruitment of additional economic analysts to work with the commodity and industry analysts.

c. There have been difficulties in getting information from the technical specialists in the non-intelligence offices of the service agencies.

Solutions to these and other problems will be sought by the EIC in the coming year.

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Robert Amory, Jr.
Chairman
Economic Intelligence Committee