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EIC-D-174

FIFTH ANNUAL PROGRESS REPORT TO THE IAC  
OF THE  
ECONOMIC INTELLIGENCE COMMITTEE

AUGUST 1956

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FIFTH ANNUAL PROGRESS REPORT TO THE IAC

OF THE

ECONOMIC INTELLIGENCE COMMITTEE

JULY 1955 - JUNE 1956

I. Principal Developments in Economic Intelligence Coordination

The year ending 30 June 1956 witnessed a marked extension of Bloc efforts to gain economic and political advantage by expanding Sino-Soviet economic relations with Free World countries. Accordingly, important new EIC efforts were instituted to provide coordinated intelligence on these developments. At the request of the Special Assistant to the President for Foreign Economic Policy, a special EIC working group was established to follow systematically and report regularly (biweekly and quarterly) on Sino-Soviet foreign economic activities, particularly in underdeveloped countries of the Free World. Ad hoc EIC working groups were established to study the "Economic Implications of the Denial of Middle East Oil" to the Free World and to evaluate the extent of Free World "Copper Exports to the Sino-Soviet Bloc in 1955." The standing subcommittees of the EIC regularly provided intelligence support for the consideration of proposed U.S. - Soviet Bloc exchange visits; and the EIC community-wide survey listings of economic intelligence research were extended to cover research on Free World countries which might be subject to Bloc economic influences.

The major attention of the EIC, nevertheless, remained centered on analysis of the Sino-Soviet Bloc itself. Completed EIC studies on the Bloc in FY 1956 included estimates of Soviet military POL consumption, economic aspects of Soviet science and technology, and the 1954 patterns of China's trade and transport. Major studies still in progress include the study of China's trade and transport in 1955, Soviet agricultural prospects, revised estimates of the capacity of the Trans-Siberian Railway, and an analysis of Bloc military transport capabilities for conducting an offensive into Western Europe (see Section IIA f. and Tabs B and C attached)

The regular EIC survey listings of economic research completed or in progress and the periodically revised EIC surveys of priority deficiencies in research and collection within this field provide aids for programming within government agencies of economic research on the Sino-Soviet Bloc. Within the framework of DCID 15/1, greater understanding has been obtained within the intelligence community of the responsibilities and capabilities of the various agencies for the production of economic intelligence in the interests of national security. This

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has resulted in greater exchange of knowledge and information among professional and technical personnel in the various agencies at the working level, and more effective and rapid coordination of responses to special requests placed upon the EIC. Some economic intelligence questions can now be most efficiently answered by single agency effort or by informal consultation among analysts of two or more agencies. Accordingly some of the EIC subcommittees have become less active and the EIC discontinued, in January, its Subcommittee on Armaments. The EIC Working Group on Guided Missiles was disbanded in December after formation of the Guided Missile Intelligence Committee of the IAC.

II. EIC Accomplishments in Fiscal Year 1956

A. Major Studies and Related Support Activities

During this year coordinated EIC studies were produced on six different problems.

1. The new EIC Working Group on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas published ten biweekly reports on the developing Soviet economic offensive in the Free World. About 500 copies of each issue are currently distributed; 60 copies of future issues are to be sent regularly to U.S. Foreign Service posts. 25X1 25X1

2. The annual [ ] Intelligence Conference on Communist China's Trade and Transport met in June in [ ] and issued an agreed summary of principal conclusions on China's trade and transport for 1955. A more detailed US (unilateral) report for 1955 is now under revision for early publication as EIC-R1-S5.

3. Three other EIC studies on special problems were completed, covering the "Economic Implications of the Denial of Middle East Oil", "Estimated Military Consumption of Petroleum Products by the Sino-Soviet Bloc, 1950-1955"; and a contribution to NIE 11-6-56 on "Capabilities and Trends of Soviet Science and Technology". In addition, the EIC provided support to a coordinated study of the "Armored Fighting Vehicle Industry of the Soviet Bloc, 1945-1955", now in publication by ACSI.

B. Review of Research and Other Support of Research Programming

1. The EIC again issued semi-annual and annual survey listings of internal and external economic research projects on the Sino-Soviet Bloc, covering the calendar year 1955. Underdeveloped areas of the Free World were covered for the first time by a similar survey listing (for the year 1954) which it is planned to bring up to date and expand in the near future.

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2. Four surveys of priority deficiencies in research or collection were approved and published for particular sectors of the Bloc economy, and twelve others are currently in preparation. Account has been taken of identified research deficiencies in the annual programming of the agencies primarily responsible.

C. Improvement of Collection Requirements and Other Support for Collection Activities

1. The EIC Subcommittee on Requirements and Facilities for Collection completed preparation of a Bibliography of Requirements Manuals and Guides available in the community for interrogation on Economic and Scientific and Technical intelligence on the Sino-Soviet Bloc. Since many of the collection aids therein listed cut across several fields this bibliography was coordinated with the Scientific Estimates Committee, Joint Atomic Energy Intelligence Committee and Guided Missiles Intelligence Committee.

2. The Requirements Subcommittee continued to be the focus of a number of other continuing community-wide efforts to improve collection requirements for economic information and guidance for collection activities.

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b. Economic Reporting Guidance Program

During FY.1956 additional reporting guidance, maps and photographic equipment were supplied Foreign Service economic reporting officers in Moscow, Bucharest, Budapest, Prague and Warsaw, which contributed to the continued improvement in the quality of economic reporting from Moscow and the European Satellites.

c. Procedures for Filling Priority Collection Gaps

For several years the EIC has sought to develop procedures for obtaining more effective coordinated action in response to EIC-approved surveys of priority collection deficiencies. It is now generally agreed that the process of preparing such surveys of priority gaps is itself the best means of assuring remedial action. In the process of their preparation by individual subcommittees,

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principal deficiencies in reporting become more clearly identified by the officers concerned -- who then serve collection requirements on the field through the regular mechanisms of their respective agencies. Furthermore, the EIC-approved surveys are referred to the Requirements Subcommittee in order that any additional appropriate action may be taken.

D. Other Activities (See Tabs B and C, attached)

1. Technical Advice on Exchange Proposals

During the latter part of the year the IAC Standing Committee on Exchanges increasingly called on the members of EIC subcommittees for their technical advice and suggestions in connection with proposed visits of Bloc technicians to the U. S. in exchange for visits of U. S. technicians to the Soviet Bloc. To date ten EIC subcommittees have been asked to comment on one or more specific exchange proposals and have provided detailed responses.

2. Support for National Intelligence Estimates

As part of its responsibility for systematic evaluation of the efforts of the economic intelligence community, the EIC had appointed a special group of its members to examine the problem. The recommendations of this group as approved in August 1955 placed primary emphasis on improved support for the National Intelligence Estimates program. In line with these recommendations, the EIC specifically considered the economic portions of the Post Mortems on NIE 11-5-55, "Air Defense of the Sino-Soviet Bloc, 1955-60"; and NIE 13-56, "Chinese Communist Capabilities and Probable Courses of Action Through 1960", to assure that appropriate remedial actions were being taken by the various responsible agencies. The EIC has recently undertaken to prepare a statement of Priority National Economic Intelligence Objectives as a means of identifying and expanding the economic aspects of DCID 4/5, Priority National Intelligence Objectives.

3. Reviews of External Economic Research Projects (See Annex to Tab C attached)

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In accordance with DCID 15/1, seven proposals for external research involving contracts totalling approximately  were favorably reviewed.

4. Other Subcommittee and Working Group Activities

The subcommittees continued the development and maintenance of agreed basic statistics in their separate fields of responsibility. A number of subcommittees discussed important substantive papers in their fields, and explored differences in methods of analysis used. The Transportation Subcommittee

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in particular has made major progress toward developing agreed technical methodologies, and is increasingly relying on the full-time interagency working group sponsored by ACSI for coordinated development of important estimates in the Subcommittee's field of interest.

III. Future Outlook

As the EIC enters its sixth year of community-wide coordination of economic intelligence no particular problems appear to call for special emphasis. It may be expected that future work will generally continue along present lines, with increasing attention to the economic activities of the Bloc in Free World countries.

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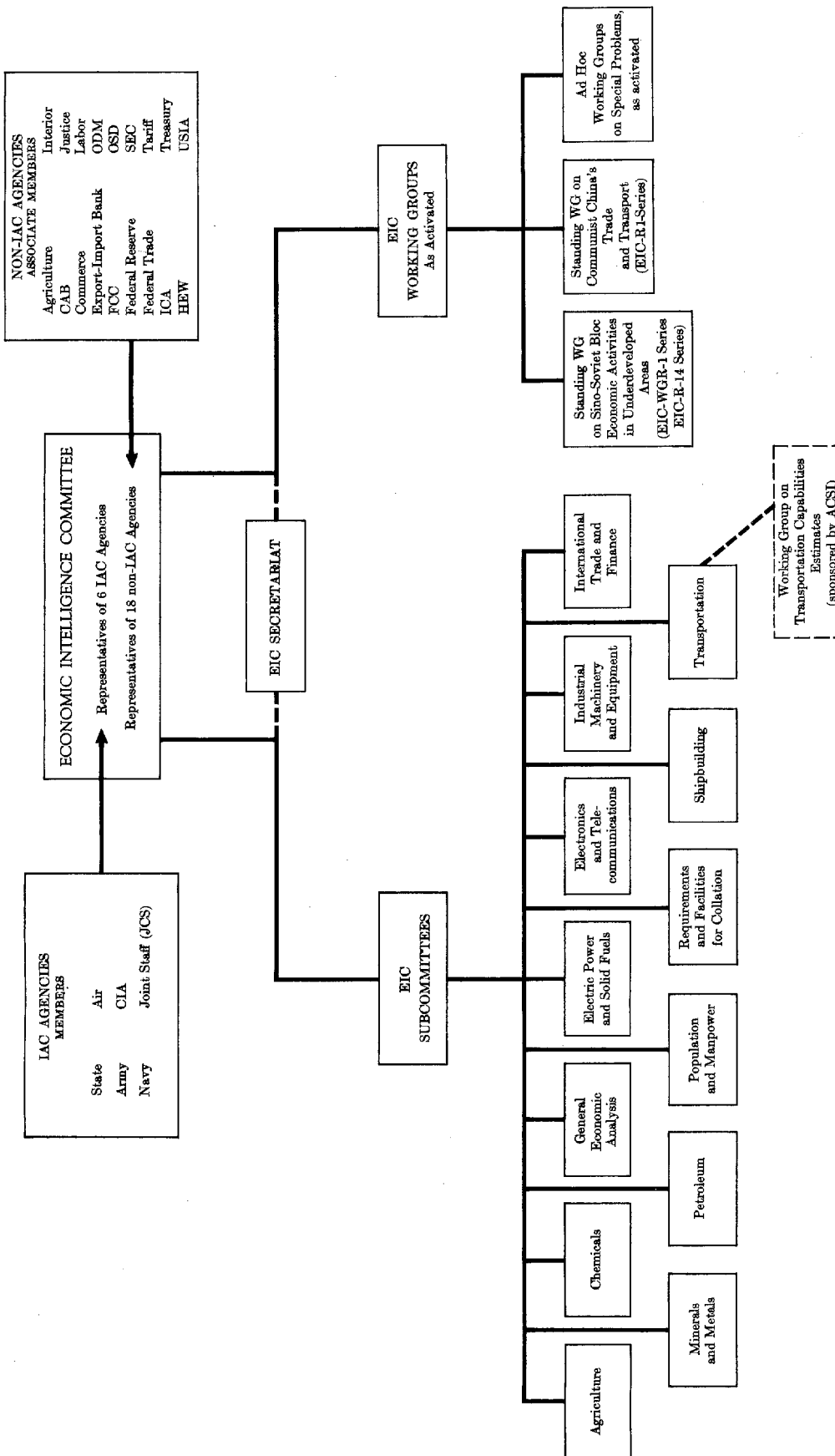


OTTO E. GUIZÉ  
Chairman  
Economic Intelligence Committee

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# ORGANIZATIONAL CHART OF THE ECONOMIC INTELLIGENCE COMMITTEE JULY, 1956

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**ECONOMIC INTELLIGENCE COMMITTEE  
PRODUCTION AND SPECIAL ACTIVITIES  
FY 1955/56**

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CONTINUING ACTIVITIES

REQUIREMENTS  
SUBCOMMITTEE

SUBSTANTIVE  
SUBCOMMITTEES  
AND WORKING GROUPS

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OTHER ASSIGNMENTS  
SUPPORTING THE  
INTELLIGENCE COMMUNITY,  
UNDERTAKEN BY VARIOUS  
SPECIAL WORKING GROUPS  
AS ACTIVATED

**SPECIAL ACTIVITIES**

Economic Reporting Guidance Program
Development of Procedures for Correcting Priority Deficiencies in Collection
Exchange of Collection and Interrogation Manuals
Coordination of the Comprehensive Economic Reporting Program (CERP)
Working Group on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas
Working Group on Transportation Capabilities Estimates (Sponsored by ACSI)
Technical Advice to the IAC Standing Committee on Exchanges
Review of Proposed External Research Projects
Development of Agreed Basic Statistics
Review of Substantive Papers and Methodologies
Inventoring of Government and Government-Sponsored Economic Research and Related Matters
Working Group for Systematic Evaluation of the Efforts of the Intelligence Community (Completed)
Consideration of Post Mortems on: NIE 11-5-55, "Air Defense of the Sino-Soviet Bloc, 1950-1960" (Electronics Production Aspects) (Completed)
NIE 13-56, "Chinese Communist Capabilities and Probable Courses of Action through 1960" (In Progress)
Working Group on Guided Missiles Economic Intelligence (Discontinued)
Working Group on Copper Exports to the Sino-Soviet Bloc in 1955 (In Progress)
Working Group on Priority National Economic Intelligence Objectives (In Progress)

**REVIEWS OF  
PROGRAMS AND FACILITIES**

S-20	Internal and External Governmental Research on Selected Peripheral Non-Bloc Areas (1954)
S-21	Internal and External Governmental Research Projects on the Sino-Soviet Bloc (1st half 1955)
S-22	Internal and External Governmental Research Projects on the Sino-Soviet Bloc (1955)
S-23	Bibliography of Economic and Scientific and Technical Guide Requirements
S-5/2	
S-1/7-1	USSR Armaments Industries
S-16/2-I	USSR Armaments Industries
S-16/12-1c	USSR Highway Systems
S-16/12-1d	USSR Inland Waterway System

**LISTINGS OF  
COMPLETED AND  
PLANNED RESEARCH**

**SPECIAL SURVEYS**

**IDENTIFICATION OF  
PRIORITY GAPS  
IN RESEARCH ON  
SINO-SOVIET BLOC**

**IN COLLECTION  
ON  
SINO-SOVIET BLOC**

**MAJOR STUDIES**

WGR 1/1 thru 1/10	EIC Working Group Biweekly Reports on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas
R1-S4	Communist China's Imports and Exports, 1954: Trade and Transport Involved (Joint US-UK)
R-15 Preliminary	Economic Implications of the Denial of Middle East Oil
PSC-WP-1	Military Consumption of Petroleum Products—Sino-Soviet Bloc, 1950-55
WP-4	EIC Contribution to NIE 11-6-56, "Capabilities and Trends of Soviet Science and Technology"
P-11	Armored Fighting Vehicle Industry of the Soviet Bloc, 1945-50 (EIC assistance to ACSI)

- BIWEEKLY WG REPORTS { WGR 1/1 thru 1/10
- EIC REPORTS { R1-S4
- { R-15 Preliminary
- SUBCOMMITTEE WORKING PAPER { PSC-WP-1
- EIC WORKING PAPER { WP-4
- ACSI REPORT { P-11

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TAB C

EIC PRODUCTION AND SPECIAL ACTIVITIES1 July 1955 to 30 June 1956I. Reports and Special StudiesA. Completed Reports and Studies

<u>EIC Designation</u>	<u>Title</u>	<u>Requestor</u>
EIC-WGR-1/1 through 1/10	EIC Working Group Biweekly Reports on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas	Special Assistant to the President for Foreign Economic Policy
EIC-R-15 Preliminary	Economic Implications of the Denial of Middle East Oil	NSC Planning Board through DD/I, CIA
EIC-R1-S4	Communist China's Imports and Exports, 1954: Trade and Transport Involved	IAC
EIC-PSC-WP-1	Military Consumption of Petroleum Products -- Sino-Soviet Bloc, 1950-55	EIC
EIC-P-11 (ACSI Report)	Armored Fighting Vehicle Industry of the Soviet Bloc (To be published by Department of the Army, ACSI, with acknowledgment of EIC assistance in preparation.)	EIC
EIC-WP-4	EIC Contribution to NIE 11-6-56, "Capabilities and Trends of Soviet Science and Technology"	ONE through SEC

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B. Reports and Studies in Progress  
as of 30 June 1956

EIC-WGR-1 Series	EIC Working Group Biweekly Reports on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas (Continuing Series)	Special Assistant to the President for Foreign Economic Policy
EIC-R1-S5	Communist China's Imports and Exports, 1955: Trade and Transport Involved	IAC
EIC-R9-S1	Revision of EIC-R-9, "Capability of the Trans-Siberian Railroad and Connecting Lines in Manchuria and Korea"	EIC
EIC-R-14	Sino-Soviet Bloc Postwar Economic Activities in Underdeveloped Areas (This summary of postwar activities initiates a series of quarterly reports on subject.)	Special Assistant to the President for Foreign Economic Policy
EIC-P-12	Policies, Performance, and Prospects of Soviet Agriculture	State Department
EIC-P-16	Copper Shipments to the Sino-Soviet Bloc in 1955	State Department
EIC-P-6	Economic Capabilities of the Soviet Bloc to Support a General War Under Certain Assumptions	Joint Staff through IAC
EIC-P-8	Soviet Bloc's 1955-56 Military Transportation Capability to Launch and Support Campaigns into the Area between the Baltic Sea and the Alps	WSEG through IAC

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II. EIC SurveysA. Surveys Completed

EIC-S-20	Report of Internal and External Economic Research Projects on Selected Peripheral Non-Bloc Areas (1 January 1954 through 31 December 1954)	EIC
EIC-S-21	1955 Semiannual Report of Internal and External Economic Research Projects on the Sino-Soviet Bloc (1 January 1955 through 30 June 1955)	EIC
EIC-S-22	1955 Annual Report of Internal and External Economic Research Projects on the Sino-Soviet Bloc (1 January 1955 through 31 December 1955)	EIC
EIC-S-23	Bibliography of Economic and Scientific and Technical Guide Requirements 25X1	EIC
EIC-S-5/2	<div style="border: 1px solid black; height: 15px; width: 100%;"></div>	EIC
EIC-S-1/7 Section I	Priority Deficiencies of Research on the Sino-Soviet Bloc Armaments Industries Section I. USSR	EIC
EIC-S-16/2	Priority Deficiencies of Collection on the Sino-Soviet Bloc Armaments Industries Section I. USSR	EIC
EIC-S-16/12 (c) Section I	Priority Deficiencies of Collection on the Sino-Soviet Bloc Transportation Systems Part c. Highways Section I. USSR	EIC
EIC-S-16/12 (d) Section I	Priority Deficiencies of Collection on the Sino-Soviet Bloc Transportation Systems Part d. Inland Waterways Section I. USSR	EIC

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B. EIC Surveys in Progress  
as of 30 June 1956

EIC-S-24	Priority National Economic Intelligence Objectives	IAC
EIC-S-1/3	Priority Deficiencies of Research on Sino-Soviet Bloc Trade and Finance	EIC
EIC-S-1/6	Priority Deficiencies of Research in the Field of General Economic Analysis of the Sino-Soviet Bloc	EIC
EIC-S-1/8 (a) Section II	Priority Deficiencies of Research on Sino-Soviet Bloc Electronics and Telecommunications Part a. Equipment Production Section II. Communist China	EIC
EIC-S-1/8 (b) Section II	Priority Deficiencies of Research on Sino-Soviet Bloc Electronics and Telecommunications Part b. Facilities (Installations) Section II. Communist China	EIC
EIC-S-1/9 (e)	Priority Deficiencies of Research on the Sino-Soviet Bloc Transportation Systems Part e. Air Transportation	EIC
EIC-S-1/11	Priority Deficiencies of Research on the Sino-Soviet Bloc Electric Power and Solid Fuels	EIC
EIC-S-1/12	Priority Deficiencies of Research on Sino-Soviet Bloc Industrial Machinery and Equipment	EIC
EIC-S-1/13	Priority Deficiencies of Research on Sino-Soviet Bloc Shipbuilding	EIC
EIC-S-16/6 (a) Section II	Priority Deficiencies of Collection on Sino-Soviet Bloc Electronics and Telecommunications Part a. Equipment Production Section II. Communist China	EIC

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TAB C

B. EIC Surveys in Progress  
as of 30 June 1956

EIC-S-16/6 (b) Section II.	Priority Deficiencies of Collection on Sino-Soviet Bloc Electronics and Telecommunications Part b. Facilities (Installations) Section II. Communist China	EIC
EIC-S-16/12 (e)	Priority Deficiencies of Collection on Sino-Soviet Bloc Transportation Systems Part e. Air Transportation	EIC
EIC-S-16/13	Priority Deficiencies of Collection on Sino-Soviet Bloc Shipbuilding	EIC
EIC-SRA-1 Subcommittee Research Aid	List of Key Soviet Personnel Concerned with Research and Production in the Electrotechnical Industry of the USSR	Electronics & Telecommunications Subcommittee, EIC

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III. CONTINUING EIC SPECIAL ACTIVITIES

A. OF THE EIC SUBCOMMITTEE ON REQUIREMENTS AND FACILITIES FOR COLLATION

1. Coordination  25X1
2. Economic Reporting Guidance Program
3. Development of Procedures for Correcting Priority Deficiencies in Collection

B. OF OTHER SUBCOMMITTEES AND WORKING GROUPS

1. Completed Activities

Working Group for Systematic Evaluation of the Effort of the Intelligence Community

Consideration of Post Mortem on NIE 11-5-55, "Air Defense of the Sino-Soviet Bloc, 1955-60" (electronics production aspects)

EIC Working Group on Guided Missiles Production (discontinued)

2. In Progress or Continuing

Working Group on Sino-Soviet Bloc Economic Activities in Underdeveloped Areas

Working Group on Transportation Capabilities Estimates (under ACSI sponsorship)

Technical Advice to the IAC Standing Committee on Exchanges

Review of Proposed External Research Projects (see Annex to Tab C, f)

Development of Agreed Basic Statistics

Review of Substantive Papers and Methodologies

Continuing Exchange of Chinese Trade Information

Consideration of Post Mortem on NIE 13-56, "Chinese Communist Capabilities and Probable Courses of Action through 1960"

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TAB C - ANNEX

External Economic Research ProjectsReviewed by EIC During Fiscal Year 1956

In accordance with the provisions of DCID 15/1, the following government-sponsored external economic research projects were reviewed by the EIC during fiscal year 1956. In all cases the projects were favorably considered.

<u>Title</u>	<u>Sponsoring Agency</u>	<u>Contractor</u>	<u>Amount of Contract</u>
Agriculture in Certain South-east Asian Countries	Army	Dept. of Agriculture	--
Process Analysis of the Primary Metals Industries	Air Force	Arthur D. Little, Inc., Cambridge, Mass.	\$117,000
Planning Study of the Soviet Heavy Machine Building Industry	Air Force	University of North Carolina, Chapel Hill, N. C.	\$ 88,500
Development of Data Arrays and Techniques for Target Analysis of the People's Republic of China	Air Force	Council for Economic & Industry Research, Inc., Wash., D.C.	\$160,000
Data and Techniques for Estimating Soviet Bloc Military Capabilities and Growth	Air Force	Council for Economic & Industry Research, Inc., Wash., D.C.	\$365,000

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