

15 August 1953

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

July 1952 - June 1953

I. Authority for the Economic Intelligence Committee

In accordance with a directive from the National Security Council (NSCID 15, issued 13 June 1951 and corrected 22 June 1951), the Director of Central Intelligence, in June 1951, formally established the Economic Intelligence Committee. This action and the terms of reference for the Committee were concurred in by the IAC. (IAC D-22/1, revised 29 May 1951)

II. Organization of the Economic Intelligence Committee (Tab A)

The EIC, 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 with the main committee on matters in which their respective departments have particular competence and responsibility.

Assisting the main committee in its responsibility for reviewing the adequacy of economic intelligence and for the preparation of basic research papers are nine permanent subcommittees covering major foreign economic fields. Three additional subcommittees have been proposed and will be established within the next month in order to provide more comprehensive coverage of the major economic sectors. In addition to these subcommittees on substantive economic fields, the EIC has activated a subcommittee on Collection Requirements and Facilities for Collation.

When the EIC is required to focus available economic intelligence on specific problems of importance to national intelligence, special working groups are established on an ad hoc basis.

III. Responsibilities and Accomplishments of the Economic Intelligence Committee

The major responsibilities placed by the IAC on the EIC in its terms of reference are outlined below, together with an indication of the EIC's progress in the past year in meeting these responsibilities. The responsibilities outlined in section 3 f, g and h in the IAC terms of reference are interrelated with 3 a through e and are reported upon under these headings. (Tabs B and C list the entire EIC production over the past two years.)

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a. Responsibility: "The EIC shall arrange concerted economic intelligence support, on selected major issues, for studies of inter-agency interest requested by the Intelligence Advisory Committee, the Joint Chiefs of Staff, etc."

Progress: The EIC has produced on a coordinated basis nine major studies, related to the national intelligence issues at the request of the IAC or the Office of National Estimates, CIA, on such important problems as Communist China's trade and the shipping involved in this trade, the capacity of the Trans-Siberian railroad, and the economic factors relating to Soviet capability for electromagnetic warfare. Four of the nine studies have been directly coordinated with [REDACTED] on a fact-finding basis. (Tab B)

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b. Responsibility: "The EIC shall arrange for the mobilization of the data and analysis available, relevant to appropriate operating problems of any member agency requesting assistance, or of any other agency dealing with economic security problems, which may request assistance."

Progress: Two EIC studies, initiated in response to requests from individual member agencies, have been completed. Three others, are still in progress. In addition the EIC has initiated four studies to fill important intelligence gaps. (Tab B)

c. Responsibility: "The EIC shall examine continuing programs of fundamental economic research relating to the national security throughout the United States Government and recommend to the IAC for appropriate action allocation of responsibility for specific fields of inquiry where such allocation appears appropriate."

Progress: The EIC has completed eight survey reports relating to economic intelligence research programs; three reports were concerned with the allocation of US Government personnel engaged in economic intelligence research; one report reviewed the adequacy of research programs on Communist China; one report reviewed the intelligence program [REDACTED] and the remaining three reports were in the continuing series of periodic EIC surveys of the status of all economic intelligence research projects on the Soviet Bloc undertaken within the US Government. Two other surveys to meet this responsibility are in progress. (Tab C)

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d. Responsibility: "The EIC shall review and report to the IAC from time to time, on the pertinence, extent, and quality of the data and analyses available, bearing on the issues analyzed."

Progress: While the EIC naturally looks for guidance on economic intelligence priorities from the IAC, ONE, CIA, and the individual departments, the EIC also seeks through its subcommittees to identify, on its own initiative, those priority intelligence deficiencies which require action by the intelligence community. In this regard, six survey reports have been completed, and three others are in process, on the priority research and collection deficiencies for major economic intelligence fields. (Tab C)

e. Responsibility: "The EIC shall recommend to the IAC for appropriate action priorities and allocation of responsibilities for the collection and analysis to fill specific gaps in the economic intelligence needed for national security."

Progress: The EIC, through its Subcommittee on Requirements and Facilities for Collation, has assisted in the development of three special collection programs for the IAC, namely: (1) [REDACTED]

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(2) a peripheral reporting program; and (3) an instruction for the guidance of economic reporting officers [REDACTED]. It also has prepared two reports on the facilities for collating intelligence data, including a report on the handling of foreign language materials which contributed to the preparation of NSCID 16 on this subject. In addition, the Subcommittee has prepared and coordinated the requirements of the IAC agencies for economic reporting by the Foreign Service on some 111 Foreign Service posts and has completed the requirements for world-wide periodic Foreign Service reporting on minerals.

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IV. Major Problems and Objectives

In the coming year the EIC will seek to meet its responsibilities as outlined above and will continue to place its greatest emphasis on problems concerning the Soviet Bloc. The EIC feels that, in general, satisfactory progress has been made over the past year but recognizes that there are important deficiencies requiring special attention:

a. Certain projects have tended to be unduly drawn out and improperly directed and coordinated. The study of "The Economic Capability of the Soviet Bloc to Support a General

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War" is a specific case in point. On this project it appears that efforts to use the "input-output" technique were premature in terms of inter-agency capabilities. Moreover, the lack of coordination through the Working Group resulted in the preparation of a CIA rather than an EIC paper. Nevertheless, the experience gained in the use of this input-output technique was valuable and did provide information useful for CIA contributions to NIE's 64 and 65. As a result of a recent request of the IAC, the EIC will review work already completed on this subject and will undertake another study to provide whatever additional intelligence is required.

b. The EIC as a group has not yet analyzed the meaning of several of the government-wide research and personnel surveys completed through the EIC Secretariat. Each agency has simply used these "inventory" findings for their own purposes.

c. The EIC has not devoted sufficient time to guidance and review of subcommittee activities on substance research problems. Of necessity a large part of the EIC effort up to now has been on inventories and procedural matters, such as the subcommittee surveys.

d. While the completed Subcommittee Surveys noting priority research deficiencies have been approved by the EIC and have been useful for working level coordination, they have not been analyzed by the EIC for the purpose of taking coordinated action among the individual agency research programs.

e. The surveys noted in d above have also outlined priority collection deficiencies. While some collection action has been taken on these gaps, a great deal more needs to be done through the Requirements Subcommittee on coordinated basis. In addition, field coordination needs to be encouraged.

f. Surveys of some important fields have not been initiated because Subcommittees have not yet been established to cover all major economic sectors.

These problems will have the concerted attention of the EIC over the next 12 months.

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Otto E. Guthe
Chairman

Economic Intelligence Committee