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14 October 1971

MEMORANDUM FOR: Deputy Director for Intelligence

SUBJECT : Possible Request by Peterson for an
NIE on Foreign Reactions to the New
US Economic Policies

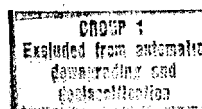
1. Implementation of the foreign aspects of the new US policy (NEP) apparently has passed the sparring stage and is about to enter the stage of serious negotiations. On 9 October Peterson organized four interagency working groups dealing respectively with monetary, defense, and trade questions and with strategies concerning the import surcharge and investments control. Each of these groups is to prepare a paper presenting a set of policy options for consideration by the Coordinating Group of the CIEP on Friday 15 October (See Attachment A). In the same memorandum which established the four working groups Peterson also expressed the view that a broader look at available information bearing on the chances of success of the NEP was needed. In particular:

1. A better means to share basic factual information among the Coordinating Group Members, including results of meetings;
2. Perhaps a mechanism to assess the trend in the reactions of others; and
3. An estimate of possible countermeasures of foreign governments.

Dean Hinton of the CIEP staff chaired an interagency meeting on October 13th, which was attended by [redacted] [redacted] detached from OER, to discuss this Peterson request. A variety of questions was raised at the meeting, most of which concern the political and economic impact of the US measures on foreign countries and the reactions of foreign governments (See Attachment B). Apparently it was felt that an NIE could be a

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useful instrument for shedding light on some of these questions. Hinton is willing to let us draft terms of reference, to which he could then react informally. This would allow an opportunity to iron out any problems before Peterson took formal action to request an NIE from the DCI.

2. The request is a difficult one for an intelligence Agency to handle. We do not know what is U.S. policy, except in very general terms, although presumably the 4 CIEP working group papers will cast some further light on this matter. An estimate of foreign reactions to alternative US policies could come dangerously close to a judgment as to the appropriateness and effectiveness of the policies themselves. Obviously there is much potential for trouble here. On the other hand, sticking to a factual description of reactions to date would be an insignificant contribution and, in any case, not an NIE. Nevertheless, I believe there is a need for a broad look at foreign reactions through eyes that are not continuously fixed at a single, narrow part of the problem. And, given a general disinclination to rely solely on State's judgment, the intelligence community is the obvious choice.

3. We have, it seems to me, four possible courses of action:

1. Turn down the request on the grounds that it is not ^{an} appropriate subject for an intelligence Agency.

2. Accept an NIE under the general conditions suggested by the CIEP staff - namely that we draft the terms of reference.

3. Turn down the request for an NIE but offer as a substitute some sort of joint memorandum (a CIA memorandum or perhaps a CIA/INR memorandum).

4. Turn down the request on the grounds that it is too sweeping but express a willingness to do studies on particular aspects of the problem -- to be more clearly defined -- on which we have special competence.

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4. I do not believe we can flatly refuse the request, because of the evident need for some intelligence input. An NIE would involve some disadvantages, including rather cumbersome procedures and inclusion of Agencies (the military agencies) which have little or no interest in the matter. On the other hand an NIE would leave CIA less exposed in case of major differences on sensitive issues and might make it easier to obtain a reasonably objective input from the State Department. A joint project other than an NIE would be administratively simpler but would probably mean OER taking the lead and having to coordinate its draft with others. This should not present any great difficulty if coordination were limited to CIA, but in that case, CIA could end up out on a limb. On the other hand coordination with State could prove very sticky. The fourth alternative -- to wait for more specific requests -- could make our task easier, but, given the fact that the policy agencies probably all want different things, there is a strong possibility that we would end up writing on the wrong questions.

4. From the point of view of OER and the DDI generally I believe an NIE would be the best response, if ONE and the DCI agree. It is essential, however, to achieve a meeting of minds, first, between the CIA units involved, and second, between us and the CIEP staff. Attached is a draft outline of some of the broad topics I believe might legitimately be covered in an NIE. With respect to Peterson's original request, such a study would contribute to the policy makers' factual information and would assess foreign reactions. However, it would deal only in general terms with possible foreign countermeasures.

5. If you agree, I propose to discuss this matter with OCI and ONE before the end of the week so you can have a joint recommendation before taking the matter further.

[Redacted Signature]

MAURICE C. ERNST
Director
Economic Research

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Attachments:
As stated

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