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Approved For Release 2004/08/19 : CIA-RDP80M01133A000100220001-3

Committee 9

Executive Registry

75-8990

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

17 OCT 1975

MEMORANDUM FOR: Chairman, Economic Intelligence Committee
SUBJECT : Letter of Instruction--FY 1976

1. The purpose of this letter is to set forth those tasks I expect your committee to accomplish this fiscal year. By devoting particular attention to these matters, the EIC will provide valuable support to me as I carry out my intelligence community responsibilities.

2. As noted in my previous Letter of Instruction (4 September 1974), I look to you and your committee to coordinate the provision of guidance by the relevant users in Washington, D. C. to all economic intelligence collectors. In so doing, you will continue to work in cooperation with the appropriate USIB collection committees, and the Department of State as manager of the Executive Branch's Combined Economic Reporting Program (CERP). Likewise, I look to you for judgments on priorities, including those that should be attached to the economic items identified in DCID 1/2 and the National SIGINT Requirements System. While maintaining your focus on overt human and COMINT collection, I would like you to determine the extent to which the EIC should provide coordinated guidance to the clandestine and overhead collection managers.

3. In addition, I direct you to:

a. Review DCID 3/1, "Production and Coordination of Foreign Economic Intelligence" (effective 23 April 1965), making recommendations to USIB for modifications so that the directive is in consonance with current practice;

b. Arrange, in consultation with its chairman, for the orderly transfer of those functions of the EIC Shipbuilding Subcommittee that now are appropriately within the purview of the new Weapon and Space Systems Intelligence Committee;

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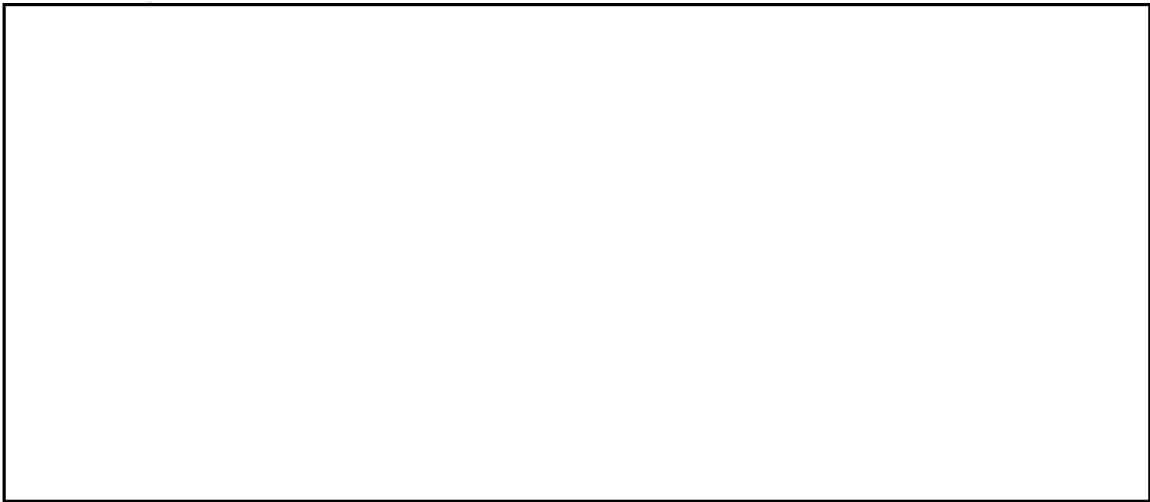
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CONFIDENTIAL

ECONOMIC INTELLIGENCE COMMITTEE

The primary mission of the Economic Intelligence Committee (EIC) is to coordinate the production of foreign economic intelligence. The Committee, chaired by the Director, OER, is composed of representatives from CIA, DIA, State, Treasury, NSA, and the military services. In addition, representatives from 15 other Government agencies and departments concerned with US foreign economic relations participate in the work of the Committee as associate members or observers.



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c. Assist the new NIO for Economics and Energy in his review and evaluation of overt field collectors' responses--especially those of the Treasury attachés--to the guidance provided them with respect to the FY 1976 economic KIQs; and

d. Utilize your newly instituted, semi-annual review of recently completed and scheduled foreign economic research in support of economic KIQs to assess the degree to which the expressed needs of senior policy officials are being met, and charge your functional subcommittees--commencing with the Subcommittee on Energy--to review in depth the entire research program, both in-house and external, within their areas of responsibility.

4. In carrying out this year's program, you should continue to:

a. Issue in conjunction with CERP, the eight triannual Economic Alert Lists and the annual "Coordinated Statement of Priorities on Economic, Financial, and Commercial Intelligence Requirements Worldwide of the Washington Economic Community," the coordinated community guidance documents for overt human collection.



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c. Employ your membership on the Economic Intelligence Subcommittee of NSCIC to assure that the views of its members are effectively conveyed to both collectors and producers of intelligence, as the expression of senior-level guidance on requirements for international economic intelligence;

d. Periodically review the KIQs and recommend to the NIOs any revisions the EIC believes to be warranted in the light of significant changes in the demand for economic intelligence, which are identified by EIC member organizations; and

e. Impress upon all members of your committee the need for full cooperation on economic intelligence questions falling within the province and capability of more than one agency, fostering joint production in those instances deemed feasible and desirable.

~~W. E. Colby~~

W. E. Colby

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Attachments:
As stated

Distribution:

Orig - Addressee with attachments

1 - ER

1 - DDCI

1 - IC Registry

1 - AD/DCI/IC

1 - PRD [redacted]

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1 - CS subject

1 - CS chrono

1 - VDM chrono

DCI/ICS/CS, [redacted] (9 Oct 75)

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Executive Registry

75-8990/1

15 OCT 1975

DCI-IC-75-3904

MEMORANDUM FOR: Director of Central Intelligence
THROUGH : D/DCI/IC
SUBJECT : FY 1976 Letter of Instruction for
Chairman, EIC

1. At General Wilson's request, I met recently with Maurice Ernst to review the accomplishments of the Economic Intelligence Committee during the past year and to work out revised objectives for the current fiscal year. The attached Letter of Instruction for FY 1976 (Tab A) is the result of that meeting and is submitted for your consideration.

2. This meeting was the first of several I am holding, individually, with the USIB Committee Chairmen, and in view of your workload, I would propose to forward each Chairman's new LOI for your consideration as available, rather than burden you with a large package at one time.

3. As was the case last year (see FY 75 LOI at Tab B), the EIC's new LOI continues to focus on the goals of the Economic Intelligence Action Program of November of 1974, which sought to enhance the utility of intelligence in support of the economic policies of the US Government (Tab C). You will note that paragraph 2 calls for a special emphasis to determine what guidance is needed to the clandestine and overhead collection managers. This task combined

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4. Another noteworthy accomplishment last year was the establishment of the new Subcommittee on Energy, designed to

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actively encourage the most effective use of the economic and technical talent on energy matters available in or to the Government in meeting the needs of US policymakers.

5. The critical problem of energy is, I believe, worth special attention in looking at the ways in which USIB Committees address this issue. It is a matter of interest to JAEIC, and to the Scientific and Technical Intelligence Committee, as well as to EIC. It appears to me that each of those Committees should have working groups dealing with energy, and that the Chairmen of those Committees should meet and confer occasionally to integrate the work and findings of the working groups.

6. I recommend that, after you have approved the attached LOI, we ask to send copies to USIB for information as was done last year.

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E. H. Knoche
Associate Deputy to the DCI
for the Intelligence Community

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NEWS SERVICE

DISTRIBUTION II

The attached is from yesterday's New York News.

No Signs CIA Used Inside Info for Pension Funds

By WILLIAM BROWN

The Central Intelligence Agency does not appear to have used any inside business information it may have snagged in its spy network web to boost the performance of its employe voluntary investment plan.

Based on the findings of a News investigation, such unethical activity by the CIA as suggested by Congressman Robert W. Kasten Jr. (R-Wis.) earlier this year is apparently groundless.

Kasten, a member of the House Select Committee on Intelligence, said in July that "there has been uncovered sufficient evidence that this would be a possibility" and he wanted to know why a CIA pension fund was "substantially" more profitable than the stock market averages.

The pension fund alluded to by Kasten is known to be the agency's government employe Voluntary Investment Plan. The plan, a supplemental program offered to CIA employes apart from normal retirement pensions, is funded by contributions made by employes and invested in two mutual funds and an insurance company income fund.

The CIA disclosed to the News that the funds are two no-load funds, T. Rowe Price Growth Stock Fund and the Johnston Mutual Fund.

As of June 30 this year, the CIA's voluntary plan had \$2,137,735 in assets in the Rowe Price Fund and \$2,247,214 in the Johnston Fund.

Despite Kasten's assertions of performance, both funds, although showing gains of 20% in net asset value for the first nine months of this year, have underperformed the popular average since January.

Through the first nine months of this year, the net asset value of the Price Growth Fund has climbed 22.09% and the Johnston Fund 20.08%.

These advances compare with a 23.83% climb in the Dow Jones 30 industrial index, and a 21.44% rise in the Upper Growth Fund Index, an average of 33 growth mutual funds. During the same span, Standard & Poor's 425-stock index has risen 22.55% and the New York Stock

the performance of the funds have been well above the averages, a development that might have concerned Kasten.

But reliable sources in the fund industry explain that the two funds in question are "deep into glamor stocks" which have been much more popular and shown better performance over the long run than the averages.

The latest five-year growth record of the T. Rowe Price Growth Stock Fund is +43.92% and that of the Johnston Fund +53%. This compared to a Dow Jones gain of 23.6% and S. & P. 425 rise of 30.9%.

What has given the funds such a better performance seems to be concentration in glamors and blue chips, rather than any inside information the CIA might have provided.

At the end of last year, the Rowe Price Fund had \$797,177,531 in assets with 88.2% of that figure in common stocks. The five largest individual investments in its portfolio were International Business Machines (4.8%), Coca-Cola (2.5%), Xerox (2.5%), Warner-Lambert (2.4%) and Avon (2.4%).

On Dec. 31, 1974, Johnston Fund had 78.6% of its \$206,399,880 assets invested in common stocks with the largest individual investment also in IBM (4.1%).

Since the CIA investment in the Rowe Price Fund amounts to less than three-tenths of 1% of the fund's total assets and the agency's investment in the Johnston Fund amounts to about 1% of the total assets in the Johnston fund, it appears ludicrous to suggest that the agency could try to attempt to cash in on business insider information by passing it on to the two funds in which it had such a minuscule stake.

Charles W. Shaeffer, new head of the Investment Company Institute and founder of the T. Rowe Price group of mutual funds, said Wednesday he wasn't even aware that the CIA used one of his funds for its pension investment program.

What might best be learned from the CIA's non-involvement is the agency's investment strategy. The CIA invests in no-load funds that don't charge a sales front-end purchase fee that, by its initial asset ownership--and in keeping with non-load fund track records.

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USIB-D-44. 1/1
4 September 1974

UNITED STATES INTELLIGENCE BOARD

MEMORANDUM FOR THE UNITED STATES INTELLIGENCE BOARD

SUBJECT : Letter of Instruction

The Director of Central Intelligence has issued the attached Letter of Instruction to the Chairman, Economic Intelligence Committee. It is provided herewith to USIB for information.



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Executive Secretary

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Exempt from general declassification schedule of E. O. 11652, exemption category 5B(2). Automatically declassified on: date impossible to determine.

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THE DIRECTOR OF CENTRAL INTELLIGENCE

Attachment
USIB-D-44. 1/1

WASHINGTON, D. C. 20505

4 SEP 1974

MEMORANDUM FOR: Chairman, Economic Intelligence
Committee

SUBJECT : Letter of Instruction

1. This Letter of Instruction identifies the major objectives on which I wish you and your committee to concentrate during the coming year in the interest of continued improvement of the Intelligence Community support to the economic intelligence needs of our Government. It is highly important that we assure a focus of the collective expertise of the Community on the identification of important foreign intelligence requirements and the application of analytic efforts to priority tasks.

2. The EIC is to focus particularly on guiding and coordinating the economic intelligence collection effort of the US Government to improve the reporting and dissemination of information on foreign economic developments of national interest. The Committee should be alert to any unnecessary duplication of either collection or research and to any opportunities for improving effectiveness of the effort through joint action.

3. Over the course of the year you are specifically directed to:

a. Work toward simplifying and improving guidance to all US human collection activities -- especially the Foreign Service -- in cooperation with the Chairman of the USIB Human Sources Committee.

b. Review the existing coordinated collection guidance documents -- the eight triannual Economic Alert Lists and the annual Coordinated Statement of Priorities on Economic, Financial, and Commercial Intelligence Requirements Worldwide of the Washington Economic Community -- and make recommendations for their refinement, revision and/or elimination as warranted.

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c. Assist the NIO for Economics and Energy in his review and evaluation of field collectors' responses to the guidance provided them, and recommend to him appropriate actions to remedy any noted deficiencies in reporting by Foreign Service Officers, Treasury attaches and other overt field collectors.

d. Periodically review the economic KIQs and recommend to the NIOs any revisions the EIC believes to be warranted in the light of significant changes in the demand for economic intelligence identified by EIC member organizations.

e. Utilize your membership on the reactivated Requirements Advisory Board to assure that the views of the RAB are effectively conveyed to both collectors and producers of intelligence as expression of senior-level guidance on requirements for international economic intelligence.

f. Review and report to the USIB on the CIEP Periodic Inventory of US Government Studies, identifying unnecessary duplication of effort among agencies and assessing the degree to which economic intelligence research programs are responsive to the economic KIQs, to identified priorities, and to the expressed specific needs of policy officials.

g. Review the inventories of on-going external research prepared by the Undersecretaries Subcommittee on Foreign Affairs Research (USC/FAR) to determine the degree to which the EIC might participate in that effort.

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i. Review the division of responsibilities among USIB agencies for research coverage of specialized types of economic intelligence, such as Soviet transportation, of interest to several agencies, and identify to me areas of unnecessary duplication and gaps in coverage.

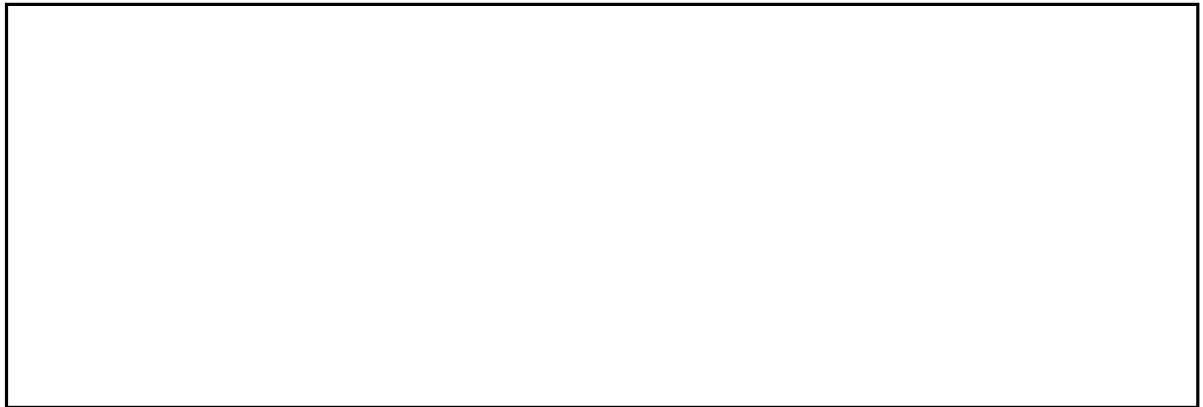
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4. It is important that you impress upon all members of your committee the need for full cooperation on economic intelligence questions that fall within the province and capability of more than one member agency. Joint production efforts should be fostered in those instances where you deem it feasible and desirable.

W. E. Colby
Director

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Attachment

USIB/IRAC-D-44.1/2

7 November 1974

ECONOMIC INTELLIGENCE -- AN ACTION PROGRAM

Among the Objectives for the Intelligence Community that the DCI presented in September 1973 in a memorandum to the President was one requiring action to enhance the utility of intelligence in support of "economic policies of the U.S. Government." A program meeting this commitment is outlined below. While this program focuses primarily on formal institutional arrangements, it is recognized that to a great extent the effectiveness of economic intelligence in supporting policymakers is governed by the day-to-day, informal contacts between intelligence officers and those officials responsible for policymaking and negotiations.

A. With respect to management, the following steps are being taken to increase the responsiveness of the intelligence community:

-- The policy-level Requirements Advisory Board (RAB) will be reactivated this fall under the chairmanship of a senior economic policy official. This body will play a central role in identifying high-level user needs. In effect, it will function as a subcommittee of NSCIC, which now includes a Treasury representative.

-- The NIO for Economics and Energy, in consultation with policy officials, has drafted eight economic Key Intelligence Questions (KIQs) for FY 1975. They, and others containing economic aspects, will soon be vetted by NSCIC and USIB.



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The EIC will continue to provide reporting guidance to the Foreign Service and other non-intelligence officers abroad via the Combined Economic Reporting Program (CERP), which is administered by the Department of State.

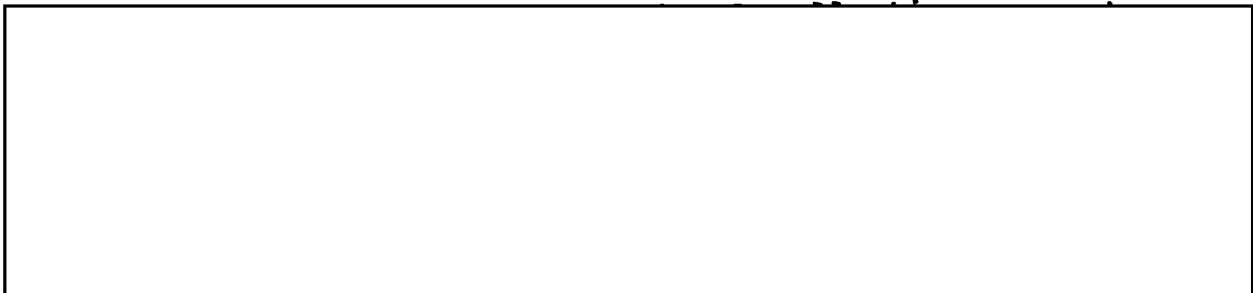
-- The Human Sources Committee will encourage EIC members to supplement their formal reporting guidance by responding positively to the State Department's recent invitation to provide missions abroad with informal, working-level feedback on economic reporting.

-- The Intelligence Resources Advisory Committee (IRAC) will be tasked to recommend suitable resource levels for economic intelligence. Invitations to participate in the work of IRAC will be extended to representatives of non-member agencies and departments with economic interests. Based on the work done in FY 1975, it should be possible for IRAC to examine NIP resources allocated to political-economic intelligence collection in FY 1976.

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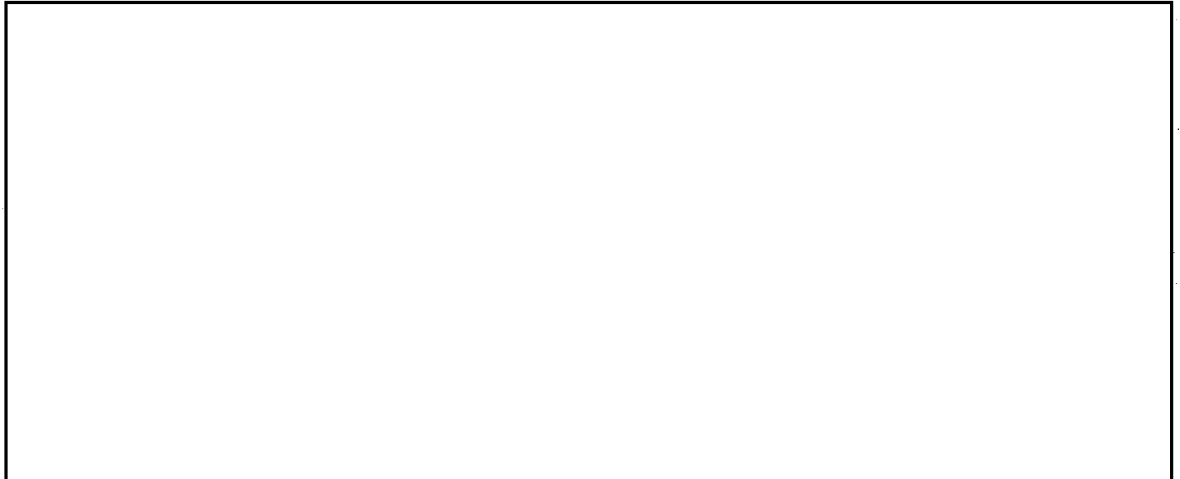
-- The NIO for Economics and Energy, with the assistance of the EIC and economic intelligence

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consumers, will review responses from the field to collection guidance, taking into account information available from open sources. In particular, he will review the posts to which Treasury officers are assigned to determine whether the establishment of new positions should be recommended. He will also evaluate the reporting of the financial attaches in terms of responsiveness to national intelligence priorities.

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C. With respect to the economic intelligence product, efforts are being concentrated on the KIQs. Thus, intelligence producers are supporting a Substantive Objective of the Intelligence Community for FY 75 to "Provide reliable, timely and comprehensive information and assessments relevant to US international economic policy decisions and negotiations." The intelligence producers will also work toward improved early warning of international developments of priority interest to economic policy officials.

Past experience clearly indicates that a substantial number of demands placed by policymakers on economic intelligence producers cannot be foreseen far in advance because of the rapidity with which new economic events occur. Therefore, economic intelligence producers (and collectors) will be prepared to shift their efforts and resources in line with changing needs.

Efforts will be intensified to improve the quality, scope, utility, and timeliness of the economic intelligence product and its relevance to policy needs through the establishment of better communications with consumers and the freer interchange of research plans among the Washington economic community. Specific steps include:

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-- The NIO for Economics and Energy will expand his contacts, formal and informal, with consumers of economic intelligence to gain better guidance on subjects of concern to policymakers and to provide more effective feedback to producers and collectors.

-- Under the aegis of the RAB, the EIC will hold annual meetings to discuss the direction and focus of economic research programs and to determine how these programs relate to the KIQs and to the expressed needs of policy officials. The Department of State representative will report the committee's findings to the NSC/USC Subcommittee on Foreign Affairs Research (FAR).

-- The NIO for Economics and Energy and the Intelligence Community Staff's Coordinator for External Research, working with the EIC and FAR, will provide advice to contract managers of external research so that there will be a minimum of unnecessary duplication. At the same time, they will review ongoing external economic research contracts so that, if needed, a recommended program of work using external sources can be implemented in FY 1976.

-- The NIO for Economics and Energy will consult with the CIEP staff, with others in the Washington economic community, and with outside consultants, as necessary, to assure that intelligence studies and estimates have the greatest relevance and appropriate rigor, including the employment of relevant analytic methodologies.

10 October 1974

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Committee 9
Cross Ref: Comm 7x8

12 October 1975

MEMORANDUM FOR: Chairman, EIC
Chairman, STIC
Acting Chairman, JAEIC

SUBJECT: Energy

1. Each of your USIB Committees has specialized interests in the critical field of energy in its various forms. The EIC has established a subcommittee to deal with economic and technical aspects of the world energy problem; the STIC is also in process of creating a working group to keep an eye on international energy developments; and JAEIC has a continuing interest in keeping abreast of nuclear energy programs abroad.

2. This is a matter of especial interest to the NIO for Economics and Energy. To help insure a coherent and coordinated approach by the intelligence community to this critical problem, may I suggest that the heads of your committee's substantive entities meet periodically with him to exchange views and identify areas of special concern?

3. The IC Staff too is interested in developments in this field, and wishes to be represented at the meetings the NIO/E calls. The IC Staff representative will be

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E. H. Knoche
AD/DCI/IC

cc: NIO/Economics
ICS/PRD

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