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NFAC 5945-81

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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

15 SEP 1981

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

FROM : Henry S. Rowen
Chairman, National Intelligence Council

SUBJECT : Global Economic Estimate

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c/NIC

1. Conceptualizing and planning an annual global economic estimate will take a good deal of thought. I have asked Maurice Ernst to focus on this subject. In the meantime, however, here are some preliminary ideas.

2. A global annual economic estimate should be primarily concerned with the economic risks, vulnerabilities, and opportunities facing the US and our allies. In other words, it should give our leaders a clearer picture of what they should focus on. In my view, there is little sense devoting much effort to a review of broad economic trends and near term prospects. These questions are well covered by many official and private groups, in such publications as the President's Economic Report. Moreover, I understand that NSC staffers are hoping to put out a modern version of the old CIEP annual report.

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3. Although an annual estimate would have to trace the likely trends in economic growth, inflation, trade, finance and commodity markets, its main focus should be on the implications of those trends for the US and on the risks that events triggering substantially different economic results will occur. For example, how concerned should we be about large scale oil supply interruptions and what might be their impact? How vulnerable is the grain market to major crop failures? What are the risks that debt problems in major LDCs might threaten the liquidity of international banking? What might the Soviets, the East Europeans, and the Chinese do that could impact substantially on the world economies?

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What technologies coming on could alter things. NFAC in Eastern can be our advantage or disadvantage

Mineral shortages or cut offs

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4. This survey should also include opportunities as well as problems; for example, resulting from further declines in the real price of oil or changes in the competitiveness of various sectors of foreign economies that may create opportunities for US business.

5. The important risks and opportunities for the next year or so would be assessed annually. In addition, our estimates should selectively examine trends which only recently became visible but which may have important longer term implications for US or allied interests. These might include changes in international markets, economic policies, economic institutions, and technologies. Where appropriate, the impact of some broad alternative U.S. policies would be considered.

6. The estimate will have to draw on a great many people in the government and the private sector. Within the Intelligence Community proper, however, nearly all the work would have to be done by NFAC and the NIC, there being little capability elsewhere. I believe it would be useful for Maurice and I to discuss this matter with you soon after he comes on board.



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Henry S. Rowen

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*Agree - get list of references
& my central views
in Feb or March*

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