

## WHY ECONOMIC INTELLIGENCE?

Economic Potential of the USSR

This is the big question that must be answered by broad generalizations that are based as much as possible on specific knowledge of all important sectors of the Soviet economy. We need to know how big a war the USSR can fight? The answer to this question has all sorts of implications for US mobilization and the US economy. We also need to know what kind of war the USSR can fight? If the USSR can fight major naval and air campaigns, it will affect the way in which we develop our own armed forces. If the USSR can produce a lot of new weapons in quantity, that too will have serious implications for our own planning. Furthermore, the US needs to know how ready is the USSR to fight? A study of the Soviet economy can answer a large part of this question. Many subsidiary questions go into the broad analysis of the economic war potential of the USSR. For example:

Oil

The Soviets produce only about 1/10 as much oil as the US. Does this mean that with regard to petroleum the USSR has only 1/10 the military potential of the US? Probably not. We know that the USSR does not use oil for space heating. By analysis of the Soviet transport system we can determine that movement in their economy requires much less in the way of petroleum products than in the US. By an analysis of the chemical industry, we can determine that the USSR does not use large quantities of petroleum in the manufacture of plastics and other civilian products as the US does. On the military side we can determine how many planes they have and the types of fuel they use. We can then determine whether the USSR can produce enough fuel to keep that number of planes in operation. Also we can study plane production to project that production rate into the future. By comparing that projected rate with a similarly projected rate of fuel production, we can determine the ability of the USSR to expand their military potential within the limits of their petroleum production.

Machine Tools

The USSR has depended heavily in the past on import of machine tools from the US and Europe. At the same time they have given a high priority to the development of a machine tool industry in the USSR. Is the USSR now self sufficient in machine tools? In other words will existing stocks of machine tools last until they can be replaced by internal production? Or is the rate of expansion in the entire economy so great that the USSR must acquire as many tools as possible from any source? What limitation on the

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expansion of the Soviet economy is created by the capacity of Soviet machine tool production and the amount of foreign exchange available with which to buy imported tools? The answers to these questions will affect the US plans for economic warfare as well as our over-all mobilization planning.

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