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2013/09/03 : CIA-RDP86T00268R000700170001-8 *returns*

Attached are some comments on the paper  
[redacted] handed you which may be more  
suitable for passing to him than the  
comments from ORR.

STAT

*L*  
Louis Marengo

*Mr. Amory talked with*  
*17 Aug 61.*

STAT [redacted] 29 June 1961

(DATE)

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29 June 1961

Comments on Paper Entitled "Current Need for Policy Oriented Analytical Studies on Sino-Soviet Bloc Activities in Less Developed Areas"

1. Comments on this paper properly fall into two categories. The first concern the need for the more policy oriented analytical studies and the second the specific suggestions for research.

2. We agree with the author's point that there is a need for basic studies on Bloc operations abroad. At the present time, a comparatively small number of people are directly engaged in research on Bloc economic activities in the underdeveloped countries of the free world. The demand on these individuals for current intelligence is so great that they have not had the opportunity to do the research necessary to improve and extend the basic data. Much of the comparatively small time available for basic research has been devoted to an analysis of drawings against Bloc credits, on which our knowledge, however, remains inadequate.

3. The problem is not only one of research, but also of collection. It is true, of course, that a considerable body of basic data are available. Nonetheless, knowledge is lacking on many areas and collection could be substantially improved. The problem is in large measure one of securing the necessary priorities.

4. Some work has of course been done outside of the intelligence community as well as inside. For example, the Department of State in 1958 published a paper entitled "The Sino-Soviet Economic Offensive in the Less Developed Countries" and Joseph Berliner in the same year published a book entitled "Soviet Economic Aid". Both of these are good pieces of work, but they are now out of date.

5. It is possible to take issue with some of the requirements expressed in the paper. For example, the paper suggests that a study be made of areas in which the Bloc has been notably deficient in its performance or taken advantage of the recipient country in an underhanded way. Considerable attention has already been given to this range of problems and little evidence of Bloc dereliction has come to light. The paper also suggests that a study be made of the types of operations in which Bloc countries are particularly strong

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or particularly weak. It is doubtful that such a study would yield very much that could be put to effective policy use. These criticisms are relatively unimportant, however, when viewed against the main point of the paper--that analytical studies are urgently needed.

6. Two general points in the paper are also open to criticism. The first is the possible implication that the underdeveloped country problem can yield to a series of special studies conducted by a special study group. What is needed is continuing study over what will probably be a long period of time; the Bloc trade and aid program has been with us since 1955 and continues to grow at a healthy rate. Second, we do not believe it would be desirable to have the suggested analytical studies done by a special unit set up for the purpose. In addition to avoiding a start from scratch, the use of existing departments and agencies would involve only a fraction of the cost of establishing and staffing a separate entity, and would be more efficient. Current reporting and basic analytical studies do not constitute neatly separable categories of work. The two activities are intimately related and mutually supporting, and would require much the same basic material. There seems to be no point in having two separate groups examining the same material from two different points of view. It is certainly not inevitable that basic analytical studies would get bogged down in other priorities if handled by the same office doing current studies.

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1	AD/RR	<i>DEG</i>	<i>28 June</i>
2	Ass't. to DD/I (NSC)		
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<input type="checkbox"/> ACTION	<input type="checkbox"/> DIRECT REPLY	<input type="checkbox"/> PREPARE REPLY
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**Remarks:**

*Jerry Forrest, ICA, must have written the enclosed. He has talked to me along these lines. DEG.*

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FROM: NAME, ADDRESS AND PHONE NO.	DATE
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27 June 1961

MEMORANDUM FOR: Assistant to the DD/I (NSC)

SUBJECT: Comments on ICA Paper, "Current Need for Policy Oriented Analytical Studies on Sino-Soviet Bloc Activities in Less Developed Areas"

1. A review of the subject paper must be made sympathetically; the author touches on a number of specific points which find present intelligence studies wanting. As an experienced practitioner in U.S. assistance programs to underdeveloped countries, his lack of understanding as to what his Soviet counterparts are "up to" in these Free World areas and the activity of the EIC Standing Group certainly merits attention. For, if he feels a lack of sureness in assessing Bloc activities, how much more unprepared are the rotating policy-makers?

2. It would be a simple matter to "nitpick" the author's list of requirements for study -- we have, for example, reviewed allegations that Soviet aid goods were of poor quality, sold at excessive prices to simple-minded dupes, and other claims of "sharp" practices, to no particular avail. One may also question whether the underdeveloped country problem is of the ad-hoc nature implied by the author; that is, of the kind which would yield to a series of special studies prepared by a special study group. The Soviet Bloc trade and aid program has been with us since 1955 and shows no tendency of diminishing; on the contrary it continues to grow at a healthy rate.

3. However, it is impossible to deny the truth of the author's basic concern, namely, that intelligence on the cold war is simply inadequate. This, in our opinion, is due both to a lack of collection and to an insufficiency of analysis. It has been compounded by the Department of State's progressive dismantling of its effort in the field. As Sino-Soviet involvement in Free World underdeveloped countries grows, and as U.S. financial commitments to the cold war increase, the U.S. intelligence community's analytical capabilities progressively dwindle. Make sense?

4. The intelligence collection machinery is still overwhelmingly geared to hot war.

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SUBJECT: Comments on ICA Paper, "Current Need for Policy-Oriented Analytical Studies on Sino-Soviet Bloc Activities in Less Developed Areas"

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5. Analysis? State just is not doing its part on Free World underdeveloped countries. Equally important, we have recently had to "bail out" ONE by contributing or rewriting the economic part of NIE's on Taiwan, Yugoslavia, Japan, and Brazil, and on other developed and underdeveloped Free World countries. It has been fortunate that so far, thanks to ORR unofficial aid, no serious economic error has been allowed to remain in an NIE. However, this "bail out" practice is something like having a nation's civil air fleet composed exclusively of unscheduled airlines -- it's fine as long as it works, but there are bound to be days when nothing flies.

6. The present ORR effort in research on economic activities of the Bloc in the underdeveloped Free World is carried on by a handful of professionals. These people are augmented on an ad hoc basis by other specialists in the trade, construction, transport, weapons, and various commodity fields. The latter specialists, however, have functional responsibilities for research on a limited geographic area, namely, the Sino-Soviet Bloc. The Cold War, however, is not so conveniently confined either geographically or by subject. The demands for finished current intelligence which are placed on this group in ORR are of such a volume that only scattered moments of time are available for research of the type necessary to improve and extend the basic data. For over a year these scattered moments have been devoted to an attempt to make adequate our very inadequate rule-of-thumb estimates of drawings against Bloc credits. Progress has been depressingly slow.

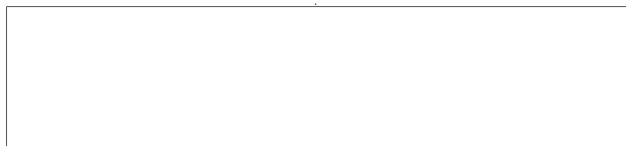
7. What is needed is not a new organization which will mean more paper, pencils and poohbahs, but an increase in the research capability of the organizations who have dealt with this problem and a charter to extend research into areas which will be useful. This means much more work on strategic Free World economies and much more work on subjects which are only peripherally economic, but which are integral parts of the Bloc offensive. In our opinion, above all else this means an

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augmentation of the ERA/ORR effort. We also believe that existing departments and agencies have personnel and materials to carry on an expansion of the present collection and analysis at a fraction of the cost of establishing and staffing some separate entity. Moreover, use of established organizations where possible maintains the authority and responsibility of action and production organizations. Coordination of research could be carried on within existing governmental committees to the extent such coordination is required. What is presently required is more collection as well as more research and writing, rather than coordination. The latter will always be with us.



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Chief, Economic Research Area  
Research and Reports

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**Current Need for Policy-Oriented Analytical Studies on  
Sino-Soviet Bloc Activities in Less Developed Areas.**



Bloc aid, trade and cultural activities in underdeveloped countries in the last five years have developed spectacularly in variety, scope and impact, but the way in which our information on such activities is prepared and used does not fully meet current U. S. policy and operational requirements. Coverage of Bloc operations abroad has improved significantly, and executive branch agencies produce a large number of separate pieces of intelligence and reporting on various Bloc activities abroad. However, although these separate informational pieces perform a definite service, their usefulness is quite limited. Like varicolored pieces of tile, they need to be fitted together into a mosaic to bring out their full meaning. From existing reports and despatches, our policy planners, State and ICA operations officers, and Embassy and USOM personnel at present can gain but a fragmentary knowledge of the wide ramifications of the Bloc offensive and the many ways in which it affects both US interests and the interests of the recipient countries. Currently produced intelligence materials are not in the form required to give a meaningful backdrop to the formulation of U. S. policy and the execution of operational counter-measures with respect to Bloc activities overseas.

What is vitally needed now, it seems to me, is a number of analytical intelligence studies which are focussed specifically on aiding the policy-making process. These studies can be developed from the mass of intelligence information acquired over the past years. They should be directed to answering a number of key questions which have been repeatedly raised, but not adequately clarified, in the Executive Branch and in the Embassies and USOM's. Such questions are concerned with the strengths and weaknesses of Bloc operations, discernible patterns of approach and execution, specific effects on U. S. and recipient country interests, inter-relationships of activities, overlapping of U. S. and Bloc aid, etc.

I would recommend that the following studies be undertaken to provide the analytical background so necessary to intelligent U. S. decisions on this subject. All of these studies should be documented by case and example so as both to indicate the validity of the points made and to serve as a base for continuing assessment.

1. Precisely in what ways do various Bloc activities in the free world adversely affect U. S. interests and the interests of the recipient country?

Since it is fast becoming apparent that Bloc entry into a country cannot be denied, we need better information on those fields where Bloc participation is most dangerous and those where such participation is less harmful. Such information will help put us in a position to minimize the effects of Bloc operations in a more effective way.

*fields*

a. With Regard to U. S. Interests: For example, how does the building by the USSR of a steel mill in India hurt the US; what if the Bloc helps finance its 5-year plans; what does it mean to us in terms of political, economic or military interests if the Bloc builds highways, airfields and oil storage depots in Afghanistan, or sends ships to Indonesia or small arms to Guinea; or if Red China sends acrobatic or operatic troupes and movies to Cambodia or Brazil; or if the USSR sells newsprint to Iran; or buys cotton in the Sudan; or establishes friendship societies and libraries, builds hospitals, staffs schools, sets up banks, trains technicians, or trades machinery?

This would involve topics such as the build-up of the public sector, the reduction of the role of U. S. private investment, greater use of Bloc products and Bloc weapons, participation of the Bloc in key ministries, reduction of U. S. leverage, encouragement of diplomatic recognition of Bloc countries, promotion of Bloc prestige and influence, weakening of U. S. bases, pre-empting by Bloc of most desirable plan projects, introduction of Bloc cadres and training systems, etc. Cases which do not appear to be against the interests of the U. S. should also be covered.

*This is on most cases outside our control*

*to whom & for what reason?*

*How could an analytic study do otherwise!*

b. With Regard to Interests of the Recipient Country: Similarly, how do such Bloc activities adversely affect the interests of the recipient countries? Definitive answers to this question would put us in a better position than we are now to exercise dissuasion and take counteraction. Our ambassadors and USOM directors need solid facts and arguments in this respect, many of which they do not now have or cannot get solely by their own efforts. Our man in Ethiopia needs to know what takes place in going programs in Afghanistan or Indonesia or U.A.R. to be in a position to enlighten both himself and the Emperor on the labyrinthian aspects of Bloc aid activities and their dangers. So does our man in Tunisia, or Pakistan, or Paraguay, or Mali, or Brazil or any of the countries where the Bloc is pushing for greater influence.

*Need for exp's*

This study would involve topics such as cumulative dependence on the Bloc for critical materials and for spare parts, using projects for intelligence purposes, strengthening local communist bodies, uneconomical use of country resources, obligation of repayments with hard currency exports, breakaway from established markets, influencing of the military, subversion opportunities, etc.

*not being used*

2. In what types of operations are the Bloc countries particularly strong; in what types are they particularly weak? in terms of what?

This study should cover (1) types of projects (e.g. - sugar mills, cement factories, hospitals, drilling projects, road building, airfields, irrigation); (2) types of commodities (e.g. - trucks, textiles, grains, tractors, machine tools, light machinery, oil); (3) types of military equipment (e.g. - various small arms, transport planes, tanks, destroyers, A.A. guns, question of obsolescence); types of technicians (e.g. - vocational teachers, agricultural experts, economic planners, medical personnel, industrial specialists, military); types of training programs (e.g. - steel mill operations, small industry, language, agriculture, road-building, military). (4) strengths and weaknesses in trade and aid agreement terms, repayment and settlement provisions, arbitration of disputes, etc.

3. Where has the Bloc either been notably deficient in its aid and trade performance or taken advantage of the recipient country in some underhand way?

This study should be in the form of a compilation of specific major examples of the above, with each example followed by a comment which gives an objective presentation of all the main facts we know about the situation. The comment should provide the reader with a true perspective of what was involved so that he can judge how such knowledge can best be used. To the extent possible the comment should clarify whether the fault lay wholly with the Bloc, partly with the Bloc and partly with the recipient country, whether the charge has substance, whether the Bloc rectified the situation, whether the deficiency is typical, etc.

The examples should cover such points as shipments of poor quality materials, overpricing, re-sales at discounts, banking practices which favor Bloc imports, technicians as agents, cases of bribery, construction of potential military highways for the USSR, withholding of spare parts or commodity shipments for political purposes, discontent of students studying in Moscow, poor construction, white elephants and similar items.

4. What evidence do we have to demonstrate various tactics used by the Bloc in achieving particular strategic goals?

This study, which relates closely to Study No. 1, should show by examples the details of Bloc methods used to gain entrance and spread their influence in recipient countries. For example, how are cultural exchanges (e.g. - acrobatic and dance troupes) used to spread communist propaganda in urban and rural areas? How are military aid and trade missions used for political ends? How is military aid used to curry favor with particular unit commanders so as to pave the way for larger military aid agreements? How does the Bloc favor certain importers in

order to penetrate certain manufacturing facilities within a country?  
How is newsprint used to insure spread of Bloc propaganda?

5. Is there a discernible pattern of how the various Bloc activities are interwoven with one another and manipulated in penetrating a country?

This question may be difficult to answer as clearly as we can some of the others, but information on interrelationships and patterns of Bloc activities would certainly be valuable both in planning our own policy and in being able to anticipate Bloc moves. We know, for example, that in many cases military aid is the thin edge of the wedge to gain greater contacts. We have seen how trade missions, cultural missions, and propaganda and local CP activities move concomitantly. We discern evidences of intra-Bloc cooperation and "splitting the pie" in CEMA. It may prove entirely feasible to put together some case studies (e.g. Afghanistan, Ghana, Guinea) which delineate in detail this type of total approach to a country, where aid is only part of a much larger and more ominous picture. //

The above are the major points that require study at this time. There are some others that can be fruitfully explored. One of these is the problem of overlapping Bloc and U. S. aid, such as the Bui and Volta projects in Ghana, the Helmand Valley in Afghanistan, or using PL 480 cotton in Bloc-built textile mills. This problem will become more acute as Bloc implementation proceeds.

That the foregoing recommended studies are important at this time, and will become increasingly so, appears self-evident. However, since the size and quality of the staff necessary to undertake these studies bear a direct relationship to just how important they are judged to be in respect to other needs, the question of study procedures can be left until the question of priority is decided.

At present, all I can say is that long experience on this subject has given me strong convictions on two points. First, these are not the type of studies that can be effectively performed outside of the Executive Branch. Only the Executive Branch agencies have the sources and the resources to produce a meaningful result. Whatever group works on these studies must have day-to-day, continuous access to State Department, CIA and Defense current files and also have close relationships with the people who are familiar with those files. The files are truly voluminous. CIA dispatches, TDCS and spot CS informational reports, are potentially the most lucrative source. Embassy semiannual reports on Bloc activities, their biweekly economic reports and daily dispatches run a very close second. The files of the Defense Department, especially the Army, can be particularly helpful on the military aspects. USIA can be tapped. All these highly classified files are indispensable as support to a worthwhile study effort, and the best way to utilize them is to be in a position to work closely with the people who maintain them.

There will be many gaps that will have to be filled in by querying the field. All this cannot be done effectively by an outside group, no matter how technically proficient in study execution.

The second point concerns the necessity for the establishment of a special unit to work full time on these studies. If the projects are assigned to existing offices now dealing with current reporting on the subject, the probability is that the direction and execution of the studies would inevitably get bogged down in other priorities of the office that the assignment would fall to. The quality of the result will inevitably be weakened. Existing offices, however, must be called upon for their cooperation in filling out various parts of the study and in supplying the source materials.