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EDIC/AM-10
Control No.
13 April 1955

MEMORANDUM FOR: Economic Defense Intelligence Committee

FROM : Executive Secretary, EDIC

SUBJECT : "Balance-Sheet" of EDIC Capabilities and Deficiencies

1. At the meeting of 17 March the Acting Chairman "noted the possible need for a revision of EDIC terms of reference to reflect a changed situation." The following "Balance-sheet" of EDIC capabilities and deficiencies has been prepared as background for possible future discussion of this subject. This statement does not purport to be a complete or detailed analysis of the EDIC operation but merely an attempt to highlight certain fundamental points which have been revealed in the nearly three years of EDIC-(IWG) activity.

2. For reference purposes the following are cited as basic documents:

- a) IWG(EDIC) Terms of Reference - IAC-D-53/1 of 25 July 1952, as revised by IAC-D-53/3.1 of 25 February 1953
- b) Intelligence Working Group Procedures - EDAC D-48, 25 May 1953
- c) First Annual Progress Report of the IWG - IWG/R-13, 18 September 1953
- d) Second Annual Progress Report of the IWG - IWG/R-19, 1 September 1954
- e) Requests for Economic Defense Intelligence - EDAC Memo 40a, 8 May 1954
- f) Proposed FY 1955 OIR Economic Defense Staffing Program - ED/EC D-60/1 of 17 September 1954
- g) Memorandum from Chairman Executive Committee to Acting Chairman EDIC on "Channeling of EDAC Agency Requests for Intelligence under DCIB 15/1"

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- h) Memorandum from Acting Chairman, Executive Committee to Chairman IWG of 18 November 1953 - Comments on First Annual Progress Report of the IWG
- i) Memorandum for OSD on "Respective Responsibilities of the EIC and IWG in the Study of Relatively Long-Term Problems" - 4 December 1953
- j) Statement on Status of IWG Activity - IWG/AM-21 of 12 May 1954

3. EDIC accomplishments and shortcomings under its Terms of Reference (as indicated) may be summarized roughly as follows:

a) Arrange for the mobilization of the economic data and analysis relevant to appropriate needs of the EDAC. This is of general character and is difficult to evaluate. EDIC success in this assigned activity has been dependent upon the degree to which EDAC components have shown a desire or willingness to use EDIC facilities in drawing upon intelligence resources of the Government. EDAC use of EDIC is reflected in the initiation of "cases" where EDAC needs are made known. In recent months there has been a marked decline in this utilization, evidenced by the fact that 75 cases were initiated between July 1952 and January 1954. One case was undertaken on 20 October 1954. Only four cases have been initiated subsequent to that date.

b) Prepare or arrange for the preparation of reports which present the best available economic intelligence on problems of concern to the EDAC. Nineteen reports (including two annual reports) were prepared under IWG auspices between July 1952 and September 1954. Only one report

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has been prepared since that date. This, again, is a reflection of the fact that intelligence support to the EDAC has not been channelled through EDIC but instead has flowed directly from the several intelligence agencies to EDAC consumers. Slow processing by EDIC has been cited as a reason for this by-passing of EDIC facilities. This is not entirely relevant, however, since examples can be given (copper, support for China List review, etc) of months having elapsed when such support to EDAC flowed directly from intelligence to action agencies.

c) Provide current intelligence to the EDAC in response to specific requests or on its own initiative. This was thought to be a primary function of IWG upon its establishment. It was soon discovered, however, that this function could best be carried on outside IWG and at the recommendation of the IWG Subgroup on Current Intelligence, facilities for this purpose were established in CIA. This CIA unit, working closely with the Diversion Control Net, has operated adequately in this field and has supplanted similar operations by the EDIC. During the entire period of IWG-EDIC operations, ONI has contributed significantly to the EDAC program by providing intelligence on ship and cargo movements.

d) Request intelligence memoranda and reports from the several intelligence agencies as required. No comment is considered necessary on this routine operation except to point out that during the security list review in the spring of 1954, a special effort was made to obtain additional information and support from the military intelligence agencies.

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e) Determine the necessity, desirability, and feasibility of obtaining further information or intelligence concerning the subject matter of specific reports or to fill specific gaps, and recommend action by appropriate agencies to meet these needs. EDIC has been a particularly useful facility in this field, although it has not been entirely successful in its efforts to improve the collection of economic defense intelligence. Its action on [REDACTED] program, its production of a report on the need for intelligence on Soviet bloc external financial operations and its assistance in development of a program for lateral dissemination of economic defense intelligence can be cited in this regard.

f) Arrange for the review, on a continuing basis, of pertinent intelligence materials to provide for the timely distribution of such materials to the IAG representatives. No specific action under this heading can be cited, although consideration was once given to the possibility of circulating an economic defense digest for information of members. More recently, copies of OIR intelligence reports have been circulated for comment within EDIC.

4. It is concluded that the EDIC can continue to play a useful role in the intelligence support picture for economic defense. This can be accomplished, however, only through the willingness of all concerned to utilize the EDIC in drawing upon the resources of the entire intelligence community. The Executive Secretary has made a sincere effort over the past several years to maintain and strengthen the EDIC and to encourage its use by intelligence and action agencies alike. The usefulness of EDIC

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as a "standby" facility in the event of emergency has been noted when the question of EDIC present inactivity has been raised. There is merit to the suggestion that EDIC should be retained if only for that purpose. EDIC will be ready in an emergency, however, only if action and intelligence agencies together agree to full exploitation of its present capabilities.

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