

April 20, 1954

Dear Allan:

I am constrained to ask you to give your personal attention to a problem whose magnitude would not seem to warrant taking your time, but in which are involved issues of considerable importance to the Department and to the Central Intelligence Agency. The immediate question is whether the Department will continue to have an assigned responsibility for the production and maintenance of certain of the economic sections of the NE for the Soviet Bloc area, or whether the CIA will assume full responsibility for all of the economic sections on that area. The funds involved amount to only about \$70,000 a year, but I believe that an important principle is enmeshed in the question.

The inability to resolve the issue between our two agencies up to this time stems in part from the difficulty we have all faced in trying to allocate specific responsibility for the various elements of economic intelligence. Discussions looking to a clarification of the dividing lines have been carried on over a period of many months between our two organizations. In February of this year agreement was reached at the senior working level on the provisions of a directive which it was proposed that you as DDI would issue covering the allocation of responsibility for all of the DDC agencies for production of economic intelligence with respect to the Soviet Bloc. This directive undertook to define and recognize the primary responsibilities of the Department and the military services and to assign to the CIA certain broad primary responsibilities as services of common concern. It was our understanding at that time that the CIA representatives would undertake forthwith to secure the agreement of the military services to the revised allocations which, in effect, interpret and particularize the provisions of DDC Intelligence Directives Nos. 1, 3 and 15. On April 16, however, I was informed by Mr. Amery that the CIA does not now accept the agreement as theretofore negotiated and intends to assume responsibility for all of the economic sections of the NE on the Soviet Bloc area.

The Honorable

Allen W. Dulles,  
Director of Central Intelligence,  
Washington, D.C.

In essence,

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In essence, we believe that the intelligence organization of the Department of State, as is true in the policy formulation and operational responsibilities of the Department, cannot divorce itself from certain aspects of economic intelligence which are indissolubly associated with, or have an important effect upon, political problems. The economic policy of a foreign country and major economic trends within it reflect and react upon political decisions to such a marked degree that analysis in the political field that neglected them would be worthless.

We recognize, on the other hand, that there are sizable areas of economic intelligence which it is not necessary for us to engage in and which can and probably should be performed centrally, in the interest of avoidance of duplication and as a matter of common concern. We believe that such specific responsibilities can be delineated and that sufficiently practical demarcation lines can be established as to clarify the responsibilities of the respective intelligence agencies and to minimize areas of overlap. Based on our previous working level discussions, we have prepared a draft directive which makes such an allocation, both in the broad field of economic intelligence and, more specifically, in respect to the economic sections of the NSIC. I am enclosing a copy of such a draft for your consideration and for possible discussion with the other NSIC members.

Were it not for the fact that time is now short if changes are to be made for the next fiscal year, this problem would not be of so urgent a nature. However, as appropriations could be withdrawn from us for work which we have been doing for several years if CIA should assume total responsibility for the NSIC economic sections on the Soviet Bloc area, it is important in respect to that part of the problem that a solution be reached at the earliest possible date.

I shall be glad to discuss this matter with you in any further detail you might wish at your convenience.

Sincerely yours,

Mark Armstrong, Jr.

Encl.