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SECURITY INFORMATION

5 MAY 1952

MEMORANDUM FOR: Deputy Assistant Director (Administration), NE
FROM : Executive Secretary, EIC
SUBJECT : NIE-40

1. The EIC Working Group has already transmitted to your Office the sector papers and the revised conclusions of its contribution to NIE-40. Enclosure A contains the final corrigenda to this contribution.

2. Although this estimate has been concurred in by the working group representatives of the contributing agencies, there were several questions in the petroleum sections relating to Western Europe that were not completely resolved. In an effort to obtain expert advice on these sections the EIC consulted with its Petroleum Intelligence Advisory Group.^(a) The views of the Chairman of this group are in the attached letters (enclosure B). In addition these sections were reviewed by the Petroleum Consultants Panel^(b) to ORR.

3. While there were some differences of opinion and fact on various aspects of this subject, the major item of interest to the Office of National Estimates is the general difference between the conclusions of some of the petroleum specialists and those of the EIC Working Group on the question of residual oil. Some of the petroleum specialists believe that residual oil consumption could not be cut by more than 50 per cent without reducing the levels of production envisioned in the contribution to NIE-40. The EIC Working Group, on the other hand, believes that consumption could be cut by 75 per cent. The primary point at issue is the speed at which Western European industry could be expected to convert from oil-burning to coal-burning facilities. The petroleum specialists on the ORR Consultants Panel anticipate a conversion time of 12 to 18 months, while the Working Group anticipate a conversion time on the order of 6 months. Neither group has sufficient evidence for an authoritative estimate. That evidence could be collected only through a large-scale effort in Western Europe. The Working Group's opinion is based on statements from MSA

(a) This group is made up of top petroleum experts from: Petroleum Administration for Defense; Munitions Board; Mutual Security Agency; Department of State and CIA.

(b) Membership on this panel includes:

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analysts to the effect that stand-by coal furnaces are maintained in many Western European plants now using residual oil for fuel and that furnaces in other plants are so constructed as to facilitate convertibility between oil and coal. The petroleum specialists are skeptical of the suggested ease of convertibility.

4. In general the petroleum specialists felt that the impact on the economy of Western Europe would be more drastic than that envisaged by the EIC Working Group. If the views of these specialists are correct, the economic contribution of a Soviet-occupied Continental Western Europe would be lower than outlined in the contribution to NIE-40. Unfortunately, no data have been presented to suggest the amounts by which production in different economic sectors would be reduced.

5. One other difference arose on the question of whether the Soviets would draw on captured stocks of POL or would hold them in reserve. This question really could not be answered unless the circumstances of the occupation period were known. In preparing NIE-40 it is suggested that ONE indicate the possibility of both courses of action.

6. ORR suggests that ONE carefully consider the footnote on page 19 which states the assumption that there will be no imports of crude oil or petroleum products into the USSR from Iran, with the exception of 300,000 tons which could be moved by rail. It is now the opinion of ORR that in one year or less, the Soviets could construct and place in operation a 20-inch products pipe line from the Abadan area to a Caspian port, and that if the Abadan refinery were not wrecked, 200,000 bbls. a day of products could be delivered to tankers and barges on the Caspian by this means. Moreover, the presumption that no significant amounts of POL could be moved by pipe line to the Mediterranean Sea and from there by water to the ports of Southern Europe and the Danube basin seems entirely unrealistic in the face of the basic hypothesis that the Soviets would occupy the Near East and the Iberian Peninsula.

Enclosures:

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Tab A - Corrigenda, Cover Sheets for
Annexes 1&6, Annex 2

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Tab B -

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