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1. letter	E. Richardson to W. Simon re intelligence support for economic policymaking (5 pp.) <i>redacted</i> 7/29/10	12/20/76	A

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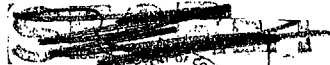
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THE SECRETARY OF COMMERCE  
Washington, D.C. 20230

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Honorable William E. Simon  
Secretary of the Treasury  
Washington, D. C. 20220

Dear Bill:

This letter is a response to your request that we record and expand on our views expressed at the recent Economic Policy Board (EPB) meeting on how to improve intelligence support for economic policymaking.

I would like to repeat what I said there about your own activities in this area. I think that your initiatives are commendable. You have done a great deal to improve communication between the economic policymaking agencies and the CIA, and you have helped improve both the CIA's understanding of the needs of the policymakers, and the appreciation by the policymakers of what the Intelligence Community can do for them. I think you are making a permanent contribution in this regard which is most praiseworthy.

I also want to thank you personally for the cooperation you have given my department in our recent efforts to improve our own relationship with the Intelligence Community. As you know, we have had [redacted] of [redacted] staff here for almost three months now, doing a study of Commerce's utilization of intelligence and making recommendations on how to improve it. He has been helpful also in providing current intelligence support, and Treasury has been very cooperative in providing him assistance when he has needed it.

The study has shown that Commerce is receiving only about 60% of the economic intelligence produced that is pertinent to Commerce, and far less of the scientific intelligence, where Commerce also has major interests. Much of the reason for this deficiency is simply the absence of good two-way communication -- a lack of knowledge of the Department of Commerce mission and an understanding of its needs by the Intelligence Community, and similarly, a lack of knowledge by Commerce of the intelligence apparatus and how to tap its resources. Without this good two-way communication, we have also fallen victim to more mundane considerations --



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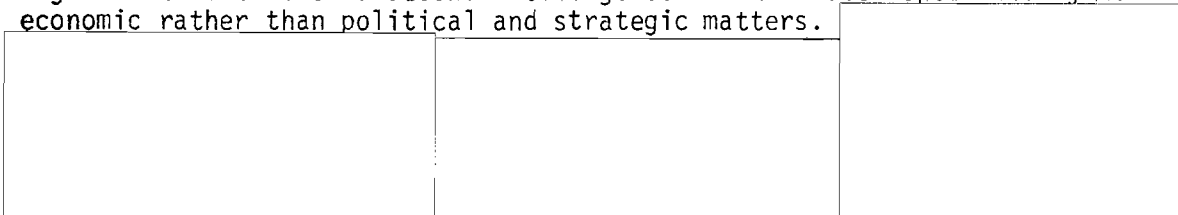
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a lack of sufficient special security clearances by Commerce personnel with a "need to know", and lack of efficient and secure mechanisms for receiving, handling and storing highly classified material at Commerce. We are in the process of correcting both these situations. I intend to recommend to my successor that a small intelligence handling and liaison unit be established in Commerce, and I think this will do much to remedy the deficiencies and to better the communication and understanding between the Department and the Intelligence Community.

One step that might further assist the process of improving the relationship between the economic policymakers and the Intelligence Community would be to have the National Foreign Intelligence Board (NFIB) consider granting membership or observer status to the Department of Commerce. I know that the deliberations of this Board have been dominated by military and strategic considerations over the years, but certainly international developments since the late 1960's have shown that economic matters have become both very political, and strategically important. We should be talking increasingly in terms of the old discipline of "political economy". I am sure that Treasury's own membership on the Board for the past five years has helped focus more attention on economic matters, and I think that the presence of Commerce would help further in this regard. Moreover, Commerce has a special role with respect to international trade and investment, law of the sea, maritime affairs, energy and other matters and it could contribute to the NFIB as well as benefit, from membership. This could also help sharpen the process of establishing "requirements" for economic intelligence collection and analysis.

George Bush suggested, in response to this proposal, that an alternative might be to establish a second Intelligence Board devoted specifically to economic rather than political and strategic matters.



Any alternative that is adopted must not lose sight of the fundamental need to relate and integrate political and economic considerations.

The experiences of my recent trip served to deepen my convictions that we have done an inadequate job of analyzing and capitalizing upon the interrelationships between economic and political issues. For instance, there is an insufficient understanding, at the top policymaking levels of the U.S. government, of the differences between the economic systems of the various developed nations. We western democracies tend to act much of the time as though we are a group of nations with relatively

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homogenous structures and attitudes, in which the role of government is essentially the same. In actual fact, there are very substantial differences in the role of government, the structure of government, and the behavior of government, even between nations with such a common heritage as the U.S. and the U.K. These differences are greater among other industrialized democracies such as France, Germany, Japan and Italy. Similarly, there are substantial differences among the economic management systems of Eastern Europe's socialist states, such as Hungary, Romania and Yugoslavia, and these affect their relations between themselves as well as their relations with western nations.

The point of all this is that our own foreign policy could profit if we took the time and care to be more analytical and incisive in examining the machinery of foreign governments, the respective roles and interests of their parts, and the comparative differences between nations. Our own trade and commercial relationships can be more important instruments of foreign policy if we become more sophisticated and flexible in learning how to use them. I believe that the Intelligence Community can aid importantly in this process of analysis and differentiation.

Of course, the job of educating ourselves on this score is not one wholly ascribable to the Intelligence Community. Some group in the NSC or EPB, or with joint representation, perhaps including the Intelligence Community, needs to study the subject of economic leverage in pursuit of political objectives. What are its potentials? What are its limitations?

On the subject of economic intelligence requirements, there is a point which I wish to emphasize -- and that is the need for a systematic and periodic review of consumer needs at a high level. This requires an interchange between consumers and producers. I realize that there are "requirements" systems in effect now, such as the Economic Alert Lists, etc. and these are useful, but I am speaking of a need for interchange and broad discussion at a higher level. For example, the Economic Policy Board, or its successor, might meet periodically with the Director of Central Intelligence, in gatherings like the one you just convened, to review priority economic intelligence problems and needs, and the subject of intelligence support to economic policymakers generally. The EPB seems to me to be the appropriate institution to do this because it is the apex of the U.S. economic policymaking machinery and the place where various departmental needs are best coordinated. One of the difficulties for the Intelligence Community in meeting the needs of economic policymakers has been precisely because the responsibilities for policymaking are fragmented among so many different agencies.



A matter which I think is going to need more attention by the Intelligence Community, and the EPB, in the next few years is technology transfer -- both in the context of East-West trade and in relations

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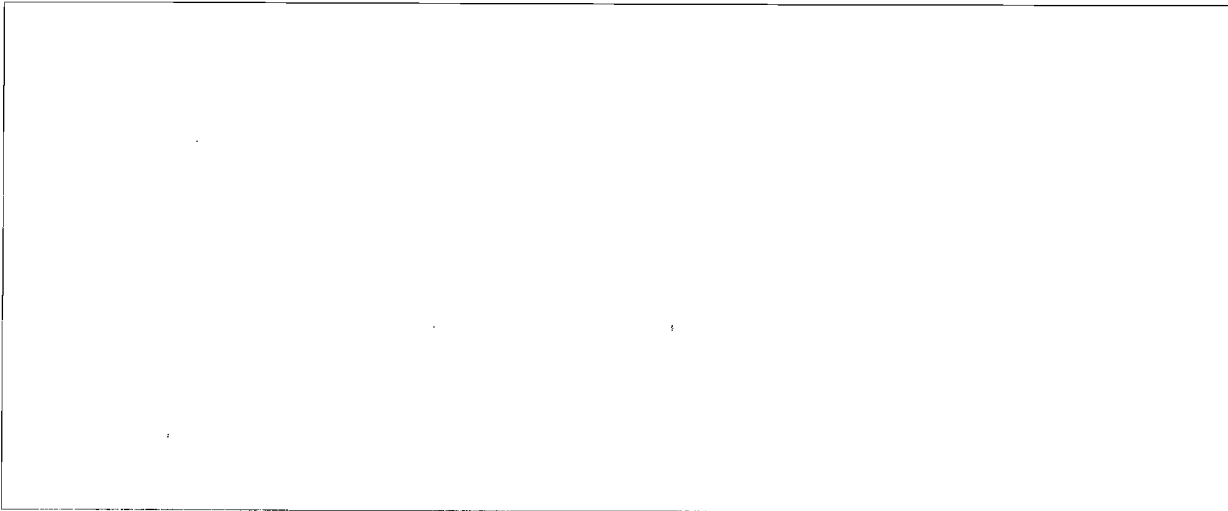
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between developed and developing nations. Commerce's concern, of course, is to promote U.S. business abroad, but not at the price of benefiting the strategic military establishments of countries with interests inimical to those of the U.S. Technology transfer is a difficult and complex subject and there has been much confused or simplistic thinking in this area.

[redacted] and more analytical and incisive assessments of what constitutes a significant technological transfer in these fields. This need will grow over the next few years.



On the matter of the security classification of intelligence publications and reports, I know that this is a more difficult problem for the producer than is readily apparent to the consumer. Yet I am constantly struck with instances of important material in intelligence reports which I feel is either not selectively classified or is over-classified, which if it were downgraded would be much more useful. I think this could be accomplished in many instances simply by classifying the material by paragraph or by taking some care in eliminating one sensitive portion in a way which did not significantly degrade the overall utility of the report. While I am sympathetic to the problems caused to intelligence producers in devising ways to lower the security classification of their reports, I think they need to be more sensitive to the needs of the consumers in this area than heretofore. I know you share my views on this score.



George Bush raised the question of whether or not we wanted a closer relationship with the Intelligence Community or whether we felt we should

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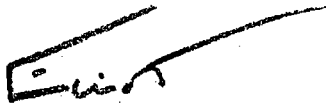
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keep them at arms length. The traditional view is, of course, that if intelligence becomes too close to policymaking it will end up recommending policy and will then become wedded to advocating its own position. While I am somewhat sympathetic to this line of argument, I think it has been greatly overdone. I have found in my own experience that the problem is alleviated simply by better communication at the top executive levels, which can generally be relied upon to analyze recommendations independently, regardless of the source. In any case, in the economic area, intelligence is certainly not yet close enough to the policymakers to make this a cause for serious concern.

Again, I thought the EPB meeting on the subject of economic intelligence was most useful.

With warm regard,

Sincerely,



Elliot L. Richardson



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