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This report is particularly valuable as an expansion and elaboration of one segment of the Bonn Countermeasures Group working paper. It will provide a useful basis for further study of trade measures against the GDR.

ACTION RECOMMENDED

It is suggested that you sign the attached letter to Mr. Gunning. (Tab A) The letter conveys your appreciation of the report and of Mr. Gunning's efforts in having this study made.

Attachments:

- Tab A - Proposed letter to Mr. Gunning.
- Tab B - Memorandum to Mr. Gunning, October 20, 1960.
- Tab C - Copy of EIC-R-18.

Clearances:

- GER - Mr. Freshman
Mr. McKiernan
- SOV - Mr. W. O. Anderson

Copy to GER - Mr. Cash

EUR:GER:WBM:Miller:is
12-20-60

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December 21, 1960

Dear Hugh:

You may recall that on October 20 of this year I inquired of you whether it would be possible to have a study of the economic vulnerability of the Soviet Zone of Germany undertaken by our Intelligence Community. I have now seen an advance copy of SIC-R-18, "Vulnerability of the East German Economy to Western Countermeasures", dated December 9, which was produced in response to your action. I understand this study was approved by the SIC December 16 and that it will be reproduced and distributed in the very near future.

I wish to indicate my gratitude for the cooperation of the Intelligence Community in preparing the report. I feel that it will serve as a valuable guide for the continuing study of possible countermeasures which might be developed for use against the Zone. It complements work done by the Bonn Working Group on countermeasures by providing a helpful and expanded treatment of material which was handled in a more limited fashion in that report. Both the statistical tables and the analysis give evidence of the extensive work involved in the preparation of the study. In view of the utility of this report, I hope that the Community will continue to maintain its interest in this area and will keep us informed of pertinent developments.

Will you please express my appreciation for this report both to the members of your staff and to those elsewhere in the Intelligence Community who participated in its preparation.

Sincerely yours,

Ray D. Kohler

The Honorable

Hugh S. Gussing, Jr.,

Director of Intelligence and Research.

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