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2 SEP 1958

MEMORANDUM FOR: Deputy Director/Intelligence
ATTENTION: Assistant to DD/I (NSC and National Estimates)
SUBJECT: ORR Comments on "Semi-Final Draft of Report on Security of Strategically Important Industrial Operations in Foreign Countries (NSC 163/1)"

While the material contained in the subject report is outside the scope of ORR's responsibility, we believe that the following comments may be of some use to you in reviewing this report:

a. At the present time, Chile produces about 435,000 metric tons of copper whereas Peru produces only 60,000 metric tons. The Cerro de Pasco Corporation and the Southern Peru Copper Corporation plan, however, to increase their copper output in Peru by a total of 300,000 metric tons per year. It may be desirable, therefore, to add these Peruvian copper facilities to the list of strategically important industrial operations which should receive protection. Both the above firms are U.S. owned.

b. Annex A surveys a number of commodities, and notes for each a percentage of "possible dependence." This is defined on the bottom of the first page as "the percentage of 3-year U.S. emergency requirements that might need to be met from sources other than the U.S., Canada, and Mexico." The paper never states explicitly whether or not U.S. stockpiles are considered in arriving at this percentage of dependency. In the discussion of antimony (page 2), the statement is made that the "U.S. has a sizable stockpile." This statement implies that the percentage of dependency was calculated by ignoring stockpiles and that sizable U.S. stockpiles reduce the calculated dependency. The discussion of fluor spar (page 7), however, says that there is going to be a substantial decline in requirements, and that additional quantities are being stockpiled. "Because of these factors," the paper says, "it is probably [sic!] that little or no overseas dependence will be shown within a short period of time." This statement implies that after taking stockpiles into account, percentages of dependency are calculated. Other statements seem to support the latter interpretation. I think it would be worth while to clarify this point at the outset.

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OTTO E. GURNE

Assistant Director

Research and Reports

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