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Deputy Assistant Director for Research and Reports

24 September 1958

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Comments on Semi-Final Draft of OCB Report on Security of Strategically Important Industrial Operations in Foreign Countries

1. I have read subject report carefully and several senior individuals in D/M have done likewise. In reading the paper for possible comment, we have kept the contents of DD/I Notice 50-100-11/1 in mind. Our only comments follow:

A. At the present time Chile produces about 435,000 metric tons of copper and Peru 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 thought 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. Generally speaking, the authors of the OCB draft have been conservative in picking installations to be protected, i.e., they have rigorously applied the criteria given them. It seems to me that this approach is a desirable one.

C. Annex A is a survey of a number of commodities, which gives 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, (p. 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 the sizable U.S. stockpiles reduce the calculated dependency. The discussion of fluorospar (p. 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 percentages of dependency are calculated

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after taking stockpiles into account. Other statements seem to support the latter interpretation. I think it would be worthwhile to clear this point up at the outset.

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