

COMMENTS ON MR. DODGE'S LETTER OF
13 FEBRUARY 1959 TO GENERAL DRAFER

1. The report quoted by Mr. Dodge is one published by Lionel D. Edie and Company. It will be noted that U.S. steel capacity in 1965 is the author's own estimate and Western European capacity in that year has been based on an ECE estimate of future economic growth, presumably of the total Western European economy. The figures cited for Western European capacity in prior years do not agree precisely with any data available to us.

2. If Western European capacity is to be added to that of the US, then at least the capacity of the European Satellites should be added to that of the USSR. The inclusion of eastern Europe (exclusive of Yugoslavia), using the Edie estimates for the US and Western Europe, would change the table on page 5 of the Edie report as follows:

<u>Steel Production Capacity</u> (million short tons)						
<u>Year</u>	<u>U.S.</u>	<u>Western Europe</u>	<u>U.S. and Western Europe</u>	<u>European Satellites</u>	<u>USSR</u>	<u>USSR and EuSats</u>
1957 Actual	133.5	93.0	226.5	17.6	56.2	74.0
1965 Projection	167.0	151.0	318.0	31.5	100.0	131.5
Estimated Additions to capacity 1957-1965	33.5	58.0	91.5	13.7	43.8	57.5

The planned European Satellite contribution to Soviet Bloc steel capacity during the 1957-1965 period does not greatly alter the conclusions quoted on the last page of Mr. Dodge's letter. Another conclusion which may be drawn, however, is that Soviet and European Satellites steelmaking capacity will increase to 41% of United States and Western European capacity in 1965 from 33% in 1957.

3. Aside from the possibility of error in the Edie estimates of future US and Western European expansion, one must also note

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that the steel industries of the free world rarely utilize their full capacities. During the period covered by the Edie article, for example, the US steel industry operated at 93% of capacity in 1957, 84.5% in 1957, and slightly over 60% in 1958. Although Western Europe operated at higher rates than the US in 1958, it also did not fully utilize its capacity.

4. Although a relatively low level of labor utilization was observed by the American steel delegation to the USSR, it was also noted that this was principally in the less skilled areas of materials handling, maintenance and cleanup crews, etc. To the extent that the Soviets are successful in providing more efficient facilities in these necessary fields, labor can be released and trained for more productive assignments.

5. The Soviet steel industry is second in size only to that of the US, is well integrated and is based on abundant raw materials located within the borders of the USSR. The industry is rapidly growing in both output and efficiency and produces a full range of products adequate to meet any probable emergency needs.

6. A final comment concerns the highly divergent steel consumption patterns in the US and the USSR. Even though the USSR produced far less steel than the US in 1957 and 1958, Soviet output of machine tools, presses and forging equipment exceeded our own. Similarly, Soviet production of power generators and turbines was about half that of the US, while Soviet output of tractors was equal to two-thirds of our own. In contrast, Soviet consumption of steel for automobiles, refrigerators, washing machines and other consumer goods was negligible; US steel consumption by consumer goods industries accounted for a very substantial share of total output.

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ORR:M/FM/OCh/E: (24 February 1959)

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