

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF DEFENSE MOBILIZATION
Washington 25, D.C.

C O P Y

February 20, 1958

MEMORANDUM FOR MR. JAMES S. LAY, JR.
Executive Secretary
National Security Council

SUBJECT: Security of Strategically Important Industrial
Operations in Foreign Countries

REFERENCE: NSC 163/1

1. By paragraph 3 of reference statement of policy approved October 24, 1953, responsibility for implementing the program for maintaining and improving the security of strategically important industrial operations in foreign countries was assigned as follows:

"a. The Director of the Office of Defense Mobilization will:

(1) Administer the program in coordination with the Departments of State and Defense and the Central Intelligence Agency.

(2) Arrange for the conduct of surveys, where feasible, of the security of the listed facilities and devise plans for their protection, utilizing available facilities of other agencies so far as practicable.

"b. The Department of State will determine the feasibility of and will conduct any negotiations with foreign governments which will be required under the program. Where appropriate, security and intelligence liaison channels will be used in arranging for foreign cooperation.

"c. The Central Intelligence Agency will provide, from time to time at the request of ODM, intelligence appraisals of the nature and extent of the threat of sabotage to the security of each of the listed facilities; and, in exceptional circumstances with the concurrence of the Department of State.

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2. By paragraph 2 of reference statement of policy, the program was confined to the limited number of foreign-owned foreign facilities and U. S.-owned foreign facilities, listed in Annex 1 thereto, with the provision that the Director of the Office of Defense Mobilization, after coordination with the Department of Defense, would be permitted in the event that the supply situation of any material, whether or not listed in Annex 1, should change substantially in relation to war needs, to add to or delete from the list one or more of the facilities involved in the production, processing or transportation of such material.

3. Although the materials and facilities for their production listed in Annex 1 as originally prepared were substantially more extensive, the Director of the Office of Defense Mobilization by report to the National Security Council, dated November 9, 1956, indicated that with the following exceptions these materials had achieved a sufficiently secure situation to eliminate the necessity for further special action:

(a) With respect to petroleum, special measures were required for the protection of Venezuelan petroleum sources, as well as the refineries in Curacao and Aruba. (It was indicated that a special report had been requested of any special protective measures necessary beyond those already instituted by the Department of Interior in connection with the oil industry.)

(b) With respect to copper, until the coming into production of new domestic sources in Montana and Nevada and the large development in Peru, copper should not be deleted from the list. (It was indicated that the Office of Defense Mobilization had requested CIA to institute a new survey with emphasis upon the protection of power plants and most vulnerable aspects of Chilean copper production.)

4. In submitting the report, the Director of the Office of Defense Mobilization stated that he saw no need to refer it to the Council for action inasmuch as NSC 163/1 permitted the actions mentioned in the report. Accordingly the report was not scheduled for Council consideration.

5. By letter of December 3, 1956 the undersigned, then Assistant Secretary of Defense (ISA), concurred with the request of the Director of the Office of Defense Mobilization that the United States Government should focus on the protection of Chilean copper, Venezuelan oil, and the oil refineries of Curacao and Aruba, thereby meeting the condition specified by NSC 163/1 for a change in the list of operations to be the subject of special attention.

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6. By letter of May 3, 1957 to the Director of the Office of Defense Mobilization, Mr. Allen W. Dulles, Director Central Intelligence Agency, reporting on developments in connection with the operations which continued to be the subject of special attention, stated:

(a) That a survey of the oil and iron ore industries in Venezuela had been completed and that a report was being prepared, with the Department of State handling the distribution;

(b) That the Department of State had not yet been able to obtain the necessary permission of the Netherlands Government to permit a survey of the refining installations on Aruba and Curacao, but expected to have this in time to permit that portion of the survey to be completed in June 1957; and

(c) That it was understood that the Department of State had not received certain preliminary information requested from the Embassy in Santiago, Chile, in connection with the requirement for a review as recommended by the Operations Coordinating Board in implementing NSC 1290-d.

7. More recently by letter of November 14, 1957, addressed to the Director of the Office of Defense Mobilization, Mr. Robert Murphy, Deputy Under Secretary of State:

(a) Transmitted a copy of a survey of oil and mining industries in Venezuela, indicating that the Department of State was currently preparing an appropriately edited version for distribution to the Government of Venezuela and to the interested petroleum producing companies;

(b) Stated that it had been impossible to complete the security surveys of the petroleum refinery installations in Curacao and Aruba, because the Netherlands Government had rejected a request to make such a survey on the basis of an interpretation of a portion of the Memorandum of Guidance for Military Discussions between the United States Commander in Chief, Caribbean, and the Netherlands Antilles Military Authorities; and

(c) Stated that the survey of Chilean copper facilities was being initiated with a preliminary study and re-evaluation of recent developments and of existing conditions affecting that industry.

8. Although it does not follow that all of the foreign operations on the list, as revised in 1956, should necessarily continue to remain the object of concern under reference

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statement of policy, there is reason to believe that greater importance should be attached to foreign sources of critical materials. In the light of increased USSR capabilities for attack, the ability to rely upon domestic stocks, and domestic sources of production, has been sharply curtailed, and the need for emphasis on foreign sources, particularly accessible foreign sources in the Western Hemisphere, increased proportionately. For example, were the United States to suffer the loss of most of its refining capacity, the refineries in Curacao and Aruba would acquire greater importance.

9. This greater importance post-attack of foreign industrial operations points up the need of insuring that the execution of the program, and the coordination between the several agencies responsible, be handled in the most expeditious way possible.

10. The experience of the Office of the Defense Mobilization in the administration of the program strongly suggests that the machinery provided by NSC 163/1 is not that best adapted to the task. While not impossible for the Office of Defense Mobilization, with the aid of an interdepartmental committee, to monitor programs whose application lies wholly without the United States, the foreign locus of the facilities and the disconnected duties assigned under the policy paper to the four participating departments and agencies argue forcibly for adoption for present purposes of the same means by which the execution of other foreign programs is coordinated.

11. It is therefore proposed that responsibility for coordination of the program under reference policy be referred to the Operations Coordinating Board.

12. Because the reference policy by its terms provides adequate flexibility for adding to or deleting from the list of facilities (viz. ODM is permitted to take this action after coordination with the Department of Defense) and because the assignments to departments and agencies of special responsibilities would remain the same, revision of reference statement of policy in other respects is not believed necessary.

/s/ Gordon Gray
Director

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