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Authority NLE 2012-35 #3

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~~TOP SECRET~~

November 9, 1956

Report by the Office of Defense Mobilization to the National Security Council on its Responsibilities under NSC 163/1 (Security of Strategically Important Industrial Operations in Foreign Countries)

1. Duties of the Office of Defense Mobilization under NSC 163/1

Under Section 2, sub-section b of the Statement of Policy (NSC 163/1)

"The Director of the Office of Defense Mobilization, after coordination with the Department of Defense, will be permitted, in the event that the supply situation of any material, whether or not listed in Annex 1, deteriorates or improves substantially in relation to war needs, to add to or delete from the list one or more facilities involved in its production, processing or transportation."

Under Section 3, sub-section a of the Statement of Policy

"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."

Under Section 3, sub-section c, the Office of Defense Mobilization is further empowered to request the Central Intelligence Agency to provide "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, will conduct covert surveillance of such facilities."

Under Section 4, the Office of Defense Mobilization is further directed to "take into account the appraisals made by the CIA, as well as the assurances received from responsible governments or private companies, in determining the need for surveys of facilities and in recommending protective action to be taken."

Under Section 5, "Expenditures for surveys and protective measures in Fiscal Year 1954 should not exceed \$25,000 and \$75,000 respectively, from funds to be provided by the Department of Defense, the Office of Defense Mobilization or the Central Intelligence Agency, subject to the approval of the Director of the Bureau of the Budget."

2. The annex contains a number of facilities, whose protection is judged to be vital to the United States as an assurance of continuing supply under conditions of wartime.

3. The actions taken under NSC 163/1 were as of date of October 24, 1953 when the stockpiling position of the United States was much more critical and far shorter of objectives than it is at the present time. Certain surveys were undertaken by either the Central Intelligence Agency or industrial sources that dealt with the vulnerability of Chilean copper, and Venezuelan petroleum. Surveys within British and other foreign territory, however, which were explored particularly with the British authorities, were not attempted in view of the attitude of the countries concerned and on the advice of the Department of State.

4. Of the five materials listed in the annex, cobalt from the Belgian Congo, nickel from Canada, bauxite from Surinam, copper from Chile, and petroleum from Venezuela (including the oil refinery facilities of Aruba and Curacao) were deemed to require special protective action or to be the subject of special investigation to that end. This list had been greatly reduced from the previous policy statement in NSC/29, which had included ten materials and facilities from ten sources plus four foreign projects under way, 11 petroleum installations and 4 sources of material of particular interest to our allies.

5. It is the view of the Office of Defense Mobilization that the materials on this list, other than petroleum, are now in a sufficiently secure supply situation to eliminate the necessity for further special actions of the type contemplated to prevent sabotage. The improved situation is due, in the first instance, to the achievement of the basic minimum requirements held to be essential for purely strategic stockpiling purposes when taken in connection with the increased availability of alternative sources of supply or the increased production from relatively secure sources. This view is particularly supported by the Joint Chiefs' judgment that strictly wartime uses for strategic materials could be changed in the requirements from a 5-year to a 3-year basis. This view was accepted in the National Security action of January 12, 1956 which provided for the planning on this basis as a strategic priority level, leaving the remainder of the 5-year total defense objective to be achieved on a lower and longer priority basis.

6. In the light of this criterion, the Office of Defense Mobilization recommends that the Security Council note that it is the ODM's judgment that where a deficit in supply could not occur under present stockpiling and relatively secure sources of supply until after three years of war, the situation in the important strategic materials listed above does not call for priority action under the terms established in the previous policy papers--NSC/29 and NSC 163/1. It recommends that the Council also take note of the additional criterion that, if alternative courses of action to increase the supply would provide for requirements for three years of war, less than a three years supply would not necessarily qualify a given source for NSC listing.

7. In that light, the Office of Defense Mobilization submits an appendix explaining the supply situation for the materials listed and concluding that cobalt, nickel and bauxite should be removed from the requirement for special priority action without eliminating the normal vigilance and protection measures against sabotage that are part of the security program for the protection of industrial facilities.

8. With respect to copper, as explained in the appendix, given the possibilities of restoration of facilities which also apply to the materials previously listed, the probabilities are that even the interruption of Chilean supplies and their loss for a period of a year or more would not create a deficit against the 3-year requirements. Until, however, the coming into production of new domestic sources in Montana and Nevada and the large development in Peru, the ODM would not recommend the deletion of copper from the list of its responsibilities and watchfulness. It has, to that end, requested the CIA to institute a new survey with particular emphasis upon the protection of the power plants and most vulnerable aspects of Chilean copper production.

9. The petroleum situation requires special measures of review not only for the security of the Venezuelan sources and the refineries previously mentioned but as a part of the general problem which is being reviewed by the Council in connection with Middle Eastern oil. The ODM has asked to have a special report on any additional protective measures that need to be taken beyond those presently instituted by the Department of the Interior in connection with the oil industry. This should be made the subject of a special report to the Council by March 15, 1957. It should be noted that the major problem in connection with petroleum supply arises from the probability that the oil resources presently under development by companies in Venezuela and in the Middle East would be essential for the wartime requirements of NATO countries in view of the probabilities that the major problem for United States requirements would be a matter of

the domestic protection of such refineries and facilities, including port facilities as had survived nuclear tests in case of all-out war or required special protection in view of more limited war.

10. The protection of materials for the Atomic Energy Commission is the special problem of that Commission and is not part of the subject of this report.

11. The relative essentiality to the U. S. of vulnerable sources of supply for strategic and critical materials in other countries will be kept under continuous study by ODM, both for the above materials and others of major importance. In view of the much improved situation in this regard, however, it is felt that the special activities required under the NSC 163/1 directive and the terms of the directive are no longer justified.

12. In these evaluations, if major and unforeseen problems do arise in the future, ODM will report these to the NSC.



ANNEX I

The criterion suggested in the ODM report for estimating the supply situation is supplied in the following analysis.

In these evaluations, a mobilization date of January 1, 1958, as used in stockpile calculations, has been assumed, and DPA and stockpile inventories on hand plus probable shipments before that date have been included as part of the mobilization supply.

1. Cobalt - Belgian Congo - (Production facilities plus hydroelectric stations in the area)

After eliminating supplies from Belgian Congo, an analysis of the figures and scheduled shipments of cobalt to the Government indicates that we could fight a war for more than 3 years before encountering a deficit. In this respect, we could also take into account cobalt which may result as a by-product from the nickel expansion program now under way. While not yet firm, these operations may result in additional cobalt supplies from Cuba, amounting to 12 million pounds per year by 1959. With these supplies in hand and without further action our mobilization supplies would suffice for almost 4 years of war before a deficit would occur.

2. Nickel - Canada - (International Nickel Company, smelting and refining facilities)

Assuming that the critical INCO refinery is bombed in the first days of war beginning in 1958 and is out of operation for 9 months (a discount already used in calculating the stockpile objective), it would be possible to fight a war without encountering any deficit for about 3 years. While damage to the less critical smelter has not been included in the stockpile calculations, it is believed that this facility would be less difficult to reconstruct than the refinery. Assuming that the Bethlehem Steel Company and Freeport Sulphur Company projects in Cuba will be undertaken in accordance with current negotiations, it would be possible to avoid a mobilization deficit for more than 3 years under such circumstances.

3. Bauxite (metal grade) - Surinam - (Mines, port facilities and trans-shipping facilities at Trinidad)

Without supplies of bauxite from this area, we would encounter a deficit during a mobilization period after 2 years and 4 months. Assuming the unlikely prospect that no supplies from this area would be available during the war period, such a deficit could be overcome by increasing shipments from Jamaica. (Additional processing facilities in the U. S. would be necessary, however, to make use of this material.) Alternatively domestic Surinam-type ores could be used. Processing the latter material would also require modification of present facilities. However, interruption of supplies from Surinam was in part predicated on blocking the narrow river to the source and destruction of the Trinidad transshipment facilities. Since any river blockage could probably be made temporary and since partially loaded ships could make the trip from Surinam to the U. S. without the use of "barging" to Trinidad, it might not be necessary to use the alternative measures cited above to any large degree.

4. Copper - Chile - (Production, power and transportation facilities)

Without copper from Chile a deficit in supply would appear toward the end of the second year of war, beginning in January 1958. This deficit would increase from 250,000 tons, or 10% of the requirements for that year, up to 700,000 tons or 28% of the requirements for the third year. However, it should be noted that new supplies will be coming forward within a few years from domestic production in Montana and Nevada, and a large development in Peru will eventually be productive. None of these could contribute substantially to the supply within the 3-year period unless extraordinary measures are used. At the same time, however, the possibility should be noted that the Chilean facilities could be restored to operation within a 2-year period, that some share of the African production might be made available to us and that in a severe war there would be inevitable damage to consuming facilities. With these factors in mind it is possible that a war could be fought for 3 years without encountering a serious deficit, even if Chilean supplies are interrupted.

5. Nickel - Cuba - (U. S. Government-owned refinery in  
Nicaro, Cuba)

It appears that without supplies from the Nicaro nickel project in Cuba, we could fight a war for 2 years and 9 months before a deficit develops. In light of the potential supplies discussed in paragraphs 1 and 2 above, a deficit in supply might not appear for approximately 3 years. With reconstruction of the plant within a year's time we would have adequate supplies for 3 years and 2 months.

6. Petroleum - Venezuela production and refinery  
facilities  
- Refineries at Aruba and Curacao

With respect to the essentiality of the petroleum producing complex of Venezuela and the Aruba and Curacao (Willemstad and Standard Oil Company of New Jersey) refineries, a brief examination indicates that this could be of the highest importance as a source for our allies in light of the vulnerability of the Middle East facilities. While maximum domestic production would probably provide for our own mobilization needs, assuming severe restrictions, there may be an over-riding security factor for the U. S. in obtaining assurance that the military needs of our allies are met from this source.

The terms of definition of NSC 163/1, i.e., "U. S. efforts at maintaining, and where feasible, improving the security of its most important and vulnerable foreign sources of supply..." would imply concern for our own needs only. Within this narrow limitation, imports from Venezuela could be replaced for mobilization purposes by present U. S. surplus capacity on minimum basis and, therefore, the U. S. would be self-sufficient for its own minimum mobilization requirements. In this sense then, Venezuela as a source would not be "absolutely essential" to the U. S. The Aruba and Curacao refineries do not generally ship to the U. S. but they could be similarly classified. Thus, technically, these facilities need not be the subject of further action under the NSC 163/1 provisions, but they may warrant further attention in another area.

Conclusion

The above review indicates that we are in a relatively comfortable position for cobalt. With regard to

Chilean copper and Surinam bauxite, the situation is less clear, but alternative measures appear to be feasible which would provide us with adequate supplies for three years.

There is a special situation with regard to nickel in that simultaneous destruction through atomic bombing of the INCO refinery in Canada and the Cuban plant could be a serious matter but we would assume under such circumstances some parallel destruction of consuming facilities. If other type bombing or sabotage were employed, it is probable that reconstruction within a year's time would be feasible. The mobilization supply would then be adequate for two years and eight months. With the benefit of the output from nickel projects now under consideration, a deficit would not appear for three years.

Supplies of petroleum and petroleum products from Venezuela and the Aruba and Curacao refineries do not appear to be essential for U. S. mobilization requirements but their significance for our allies and a joint war effort are such that they may warrant further consideration in another context.

