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NOV 29 1951

Dear General Smith:

I should like to refer to previous correspondence between the Department of State and your Agency on the subject of NSC-29, "Security of Strategically Important Industrial Operations in Foreign Countries", and to NSC-97, "A National Petroleum Program".

As you know, NSC-97 directed the Director of Defense Mobilization to develop a national petroleum program leading to a complete supply of Allied requirements for petroleum. The resulting PAD report dated July 30, 1951, "World-wide Demand and Supply of Petroleum in Event of a Major War 1952-1957", was discussed at a meeting of the Senior NSC Staff on August 16. Recommendation two of the PAD report requests that the State Department and the GIA study and report on measures that could be taken to counter sabotage of oil installations abroad.

It is the feeling of the Department that this action in connection with foreign oil facilities falls logically in the same category with action for which the Department is responsible in connection with NSC-29, and the Department proposes to use the already existing NSC-29 mechanism for carrying out its further responsibilities in this field. Accordingly, the Special Interagency Committee on Foreign Sources of Critical Materials was convened to study the PAD report, and a Petroleum Working Group was appointed to identify oil facilities which may require counter-sabotage action. These facilities were then adopted as targets by the Special Interagency Committee, and the targets have been added to the NSC-29 list which is receiving attention.

The

General Walter B. Smith,
Director of Central Intelligence,
Washington, D.C.

State Dept. review completed

NSC review(s) completed.

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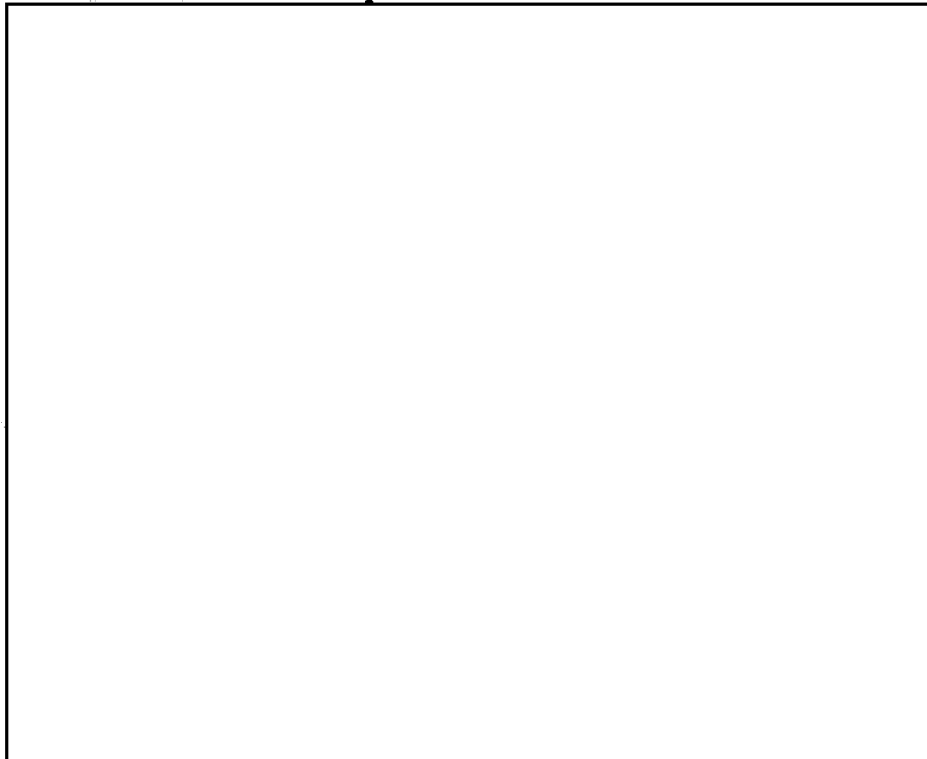
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The enlarged list is now as follows:



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In carrying out its program, the Department intends to request, as provided for in NSC-29, assistance from CIA in the conduct of physical security surveys, and in the development of plans for the improvement of security. In addition, it may be appropriate in some cases to request the initiation of intelligence surveillance, or the institution of covert counter-sabotage measures specifically in relation to the expanded NSC-29 program. The Department recognizes, of course, that action in response to such requests will fulfill only a part of CIA's over-all responsibility in this field.

The Department has not yet reached the point with respect to any of the targets in the NSC-29 program where it is considered desirable to request from CIA assistance in the form of covert intelligence surveillance or counter-sabotage measures; when it appears that this kind of

assistance

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assistance is necessary and appropriate in connection with these targets, specific requests will be made. I realize that it is important for planning and budgetary purposes for your Agency to have as much advance notice as is possible of the Department's requirements under NSC-29 for operations of this kind, as well as for field security surveys. Accordingly, an estimate of the Department's probable requirements for assistance on the matter of field security surveys, and on intelligence surveillance will be prepared and transmitted to you.

I understand that Mr. Robert Joyce of the Policy Planning Staff of the Department will be in touch with appropriate officers of your Agency on the Department's plans for assistance to be requested in the form of covert counter-sabotage measures.

Sincerely yours,

(sgd) W. PARK ARMSTRONG, JR.

W. Park Armstrong, Jr.

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EXTRACT FROM NSC 29

6. U. S. Governmental activities to promote industrial security in foreign countries of enterprises of strategic importance to the United States should be coordinated by the Secretary of State who should avail himself of the assistance of other interested agencies and should keep such agencies fully informed.

7. The Central Intelligence Agency should be directed to undertake, upon request of the Secretary of State, the responsibility (1) to make surveys of the security of specific industrial operations in foreign countries which are producing materials of strategic importance to the United States, (2) to devise plans for the protection of such operations, and (3) to conduct continuous intelligence surveillance of industrial operations of vital importance and under special threat.

8. The Secretary of State should be empowered, either on his own initiative or upon the request of the Secretary of Defense, the Chairman of the National Security Resources Board or the heads of other interested Government agencies, to call upon the Central Intelligence Agency to undertake specific projects of the type mentioned in the foregoing paragraph.

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