

~~SECRET~~*Office Memorandum* • UNITED STATES GOVERNMENT

TO : Chief, Economic Research Area
THRU : Chief, Materials Division
FROM : Chief, Nonferrous Metals and Minerals Branch

DATE: 14 February 1958

SUBJECT: Chilean Copper Sales to the Sino-Soviet Bloc

1. Several recent Associated Press releases have stated that Chile has sold copper wire to the Soviet Bloc. Thusfar, sales of 4,500 tons of copper wire (probably 6 mm and under in diameter) have been reported and discussions concerning the possible sale of 35,000 tons are supposed to be underway.

2. On 10 February 1958, the State Department cabled the American Embassy in Santiago asking for comments on these press releases. On 13 February at 1700 a telegram from Santiago was received at State, in which was confirmed definite sales of 3,500 tons of 5.8 mm wire to Otto Schilling, Hamburg, for reshipment to the Bloc. The telegram also stated that the Copper Department of the Chilean Government was trying to sell 10,300 tons of wire direct to the USSR but the deal had not been concluded. The telegram did not contain any information on prices.

3. As you know, the Bloc has discussed possible copper deals with Chile several times in the past. Heretofore, the deals fell through because Chile held out for hard currency, while the Bloc wanted to give either soft currency or barter. Apparently, Schilling has been able to satisfy the demands of both parties on the matter of exchange. Whether the USSR and Chile will be able to conclude a direct deal is still problematical.

4. In view of the current copper surplus in the Free World and the continuing copper deficit in the Bloc, pressure on Chile for additional exports of copper wire to the Bloc will continue. While we do not know the price that the Bloc has paid for the 3,500 tons bought thusfar, there is no possibility that the price was more than 10 percent below the Free World price. The only electrolytic copper available to the Chilean Government is that obtained from Anaconda and Kennecott--normally 20,000 tons per year--at 10 percent below the Free World price. Chile has wire drawing facilities for more than this amount--at least 30,000 tons annually. Santiago has reported, however, that "copper department has raised reserves for local fabricators to 41,200 tons for 1958". Presumably, the Chilean Government will obtain more electrolytic copper in 1958 and increase its output of wire substantially.

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