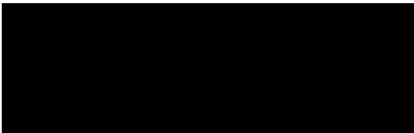


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8 May 1952



Dear [Redacted]

We have reviewed with much interest your paper on Manganese, Tin, and Tungsten in East-West Trade and have prepared the attached comments and suggestions for your consideration in preparing a revised version. If our personnel can be of any further assistance to you in connection with this paper, please let me know.

Sincerely yours,

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ROBERT AMORY, JR.
Assistant Director
Research and Reports

1 Encl.
Comments on E-W Trade Study #12

D/A/RR: [Redacted] rs

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**CIA Comments on NSA Study "Manganese, Tin
and Tungsten in East-West Trade"
(preliminary draft dated April 18, 1952)**

The attached report in general appears most interesting, clearly expressed and is a definite contribution to the study of East-West Trade problems.

The paper has been reviewed by specialists in CIA and the attached rather lengthy suggestions are made in the light of intelligence material available to CIA experts and analysts that may not be available to NSA.

I. Manganese

1. Regarding the first paragraph of the summary, it should be stated that manganese is an essential element in the manufacture of all grades of steel, carbon as well as alloy steels and cast irons. Its primary purposes are: (1) as a deoxidizer and (2) to counteract the deleterious effects of sulphur in the rolling operation.

2. Paragraph 2 of the summary fails to mention the fact that, beginning in 1949, the USSR restricted exports of manganese to non-Soviet areas. Exports to the United States were restricted in 1949 and 1950 and ceased entirely in 1951. The Soviet Union has also restricted shipments to Western Europe, using manganese for bargaining purposes to obtain strategic materials from Italy, Norway and Sweden.

3. On page 3 Brazil should be included as one of the major producing countries which supply the free world with manganese. It is an important producer at present, and has excellent resources of manganese. If manganese shipments to the United States from India decreased substantially or were cut off during a war, Brazilian manganese might become very important to the U.S. For these reasons the various problems involved in its development might be mentioned in the report.

4. It is suggested that the sentence on page 3 regarding the major producing countries be reworded to indicate that the sentence refers only to the major exporting countries. Japan, which is a major producer, consumes all of its domestic manganese and is also an importer.

5. CIA estimates of manganese ore production in the USSR do not agree with those given in the study, page 2. Reliable confidential intelligence reports including reports on USSR production by geographic region indicate that the USSR is producing manganese at a higher rate than is shown in Table 1. The following table gives estimates of USSR production, as based on such intelligence materials.

(metric tons)

<u>1940</u>	<u>1946</u>	<u>1947</u>	<u>1948</u>	<u>1949</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>
2,800,000	2,210,000	2,400,000	2,690,000	3,200,000	3,550,000	3,850,000	4,150,000

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In regard to exports from the Soviet Union to Western Europe for the year 1951, it is estimated from available information that the Soviet Union shipped about 100,000 metric tons to Norway, Sweden and Italy.

5. Information on the free world situation for manganese for the year 1950, as obtained from the U.S. Bureau of Mines, disagrees in a number of ways with the material presented in tables 2 and 3. For example, manganese production in Japan, the Philippines, Egypt and Mexico is large enough to be shown separately in the tables. In addition, the Bureau of Mines material reports 1950 output in Western Europe at 59,006 tons of ore, which in terms of 15 percent manganese content represents 26,500 tons of metal content. Table 2 of the subject report gives 8,000 tons of metal as the European production. This point may require review in the Bureau of Mines, since it is possible that the Bureau's figures include all grades of manganese while those in the report are stated as representing only the metallurgical grade. The attached table on free world production, imports, exports and consumption of manganese ore for 1950, was prepared by the US Bureau of Mines for use in ~~the report~~ ^{Project 118}. (Incidentally, the usual method for reporting production and consumption of manganese is in terms of manganese ore rather than in metal content, as used in tables 2 and 3).

6. The effects of a cessation of East-West trade as stated on page 5 and in the summary, are true in that a cessation of imports from the Soviet bloc, "would not present an unmanageable problem." On the other hand, if India were occupied by the Soviet bloc, or if exports of manganese from India to the free world were cut off for any other reason during a full-scale war, adjustments would have to be made to free world sources of supply that are closer to Western Europe and the United States. The rapidity of such adjustments might depend on how much has been done in the meantime to improve transportation from the mines in Africa and Brazil.

A/E/HR: [redacted] :aa

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FREE WORLD PRODUCTION AND CONSUMPTION OF MANGANESE IRON ORE FOR 1950,
GROSS WEIGHT, IN METRIC TONS

<u>Countries</u>	<u>Mine Production</u>	<u>Imports</u>	<u>Exports</u>	<u>b/ Apparent Consumption</u>
<u>Free World (Rounded)</u>	<u>3,359,000</u>			<u>3,618,000</u>
<u>Far East</u>	<u>180,667</u>			<u>213,282</u>
Australia	a	a	a	a
Japan	134,066	47,820	a	181,886
Philippines	a	nil	a	nil
<u>Near and Middle East</u>	<u>172,169</u>			<u>1,454</u>
Egypt e/	152,169	nil	n.a.	n.a.
Turkey	a	nil	a	a
<u>South Asia</u>	<u>699,307</u>			<u>50,075</u>
Portuguese India	a	nil	a	nil
India d/	679,163	nil	679,163	b/ f/ 50,000
Other and n.e.s.	nil	a	a	a
<u>Africa (excl. Egypt)</u>	<u>1,816,666</u>			<u>44,000</u>
Angola	a	nil	a	nil
Belgian Congo	a	nil	a	nil
French Africa	287,265	nil	291,548	nil
Gold Coast d/	711,416	nil	711,416	nil
Union of South Africa	790,937	nil	710,046	e/ 44,000
Other and n.e.s.	a	nil	a	nil
<u>Latin America</u>	<u>303,732</u>			<u>28,500</u>
Argentina	a	nil	a	a
Brasil e/	162,600	nil	e/ 162,600	a
Chile	a	nil	n.a.	a
Cuba	79,209	nil	89,266	nil
Mexico e/	32,400	nil	35,824	f/ 15,000
<u>North America (excl. Latin American Countries)</u>	<u>127,188</u>			<u>2,074,670</u>
Canada	nil	123,102	nil	123,102
United States g/	127,188	1,832,510	8,130	1,951,568
<u>Western Europe</u>	<u>59,006</u>			<u>1,205,942</u>
Belgium-Luxembourg	nil	45,826	763	45,063
France	nil	h/ 340,552	2,942	337,610
Western Germany	a	150,047	104	149,943
Italy	a	a	a	a
Netherlands	nil	a	a	a
Norway	nil	162,176	nil	162,176
Spain	a	n.a.	nil	a
Sweden e/	10,000	28,782	a	38,782
United Kingdom	nil	410,366	nil	410,366
Yugoslavia	a	a	a	a
Other and n.e.s.	nil	a	nil	a
Greece	a	nil	a	a
Portugal	a	nil	a	nil

- a. Less than one percent of free world total. b. Production plus imports are not necessarily equal to the sum of exports and apparent consumption due to changes in producers' inventories. c. Approximately 30 percent manganese. d. Exports. e. Estimate. f. Where apparent consumption calculates to a negative figure, actual or estimated data have been included. g. Shipments. h. Including manganeseiferous iron ore. n.a. Not available.

MANGANESE ORE STOCKPILE POSITION
STATED IN LONG DRY TONS

	In Inventory Oct. 31, 1951	Scheduled to be in Inventory Dec. 31, 1951	Objective	Fiscal Year of Completion
Battery Grade	50,965	54,318	170,000	1956
Chemical Grade	9,653	11,049	27,000	1954
Metallurgical Grade	2,211,220	2,211,220	5,000,000	1956

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II Tin

1. With reference to the first paragraph of the summary, the principal uses of tin are listed as "tin plate (for cans),... etc." In the USSR the primary use of the metal is not for tinplate, and perhaps it should be so indicated.
2. The last sentence in paragraph 2 p. 7 needs some clarification, as the statement in parenthesis "coupled with the RRC's withdrawal from the market for a number of months after April 1951" - would seem to have the opposite or different effect on markets/^{than} that which the writer appears to imply.
3. In paragraph 1, p.8, if it is assumed that the Free World production in 1951 was about 160,000 tons (omitting China) and that the Bloc obtained about 6,500 tons of Free World production, this would amount to 4% rather than 5%. On a 5% basis the amount would be about 8,000 tons.
4. The statement in line 13, p. 9, that "estimated production in recent years representing about a threefold increase over the 1945 level" means little without indicating an estimated production for 1945.
5. With reference to the last paragraph on p. 9, it is suggested that the 1950 figure of 5,237 tons should be checked, as it is believed to be considerably less. Furthermore, the 1951 figure (in the report based on Jan - Oct) is no doubt now available for 12 months of 1951.
6. Table 2 on p. 11 on World Tin Consumption would be more valuable if estimated consumption of the whole bloc were included instead of only the USSR figures and those of the Free World.
7. In next to the last paragraph on p.11, the following statement is made: "A December 1951 estimate by the same source, however, places consumption at 21,000 - 22,000, increased in the event of war by an additional 4,500 - 7,500 tons."

In OIR Report No. 4800.25, January 1951, the annual primary tin requirements for Eastern Europe (including USSR but excluding Finland and Yugoslavia) were estimated at 21,300 tons. It is believed that in the above quotation the word "consumption" should read "consumption requirements". Relative to the statement "increased in the event of war by an additional 4,500 - 7,500 tons", it is believed this estimate could be considerably reduced under strict conservation measures on the part of the Soviet Bloc.
8. The statement in the last paragraph on p.11 that "According to the CIA, it (stockpile) amounts to 8,500 tons at present, having been built up since about 1948", is not a correct quotation. In the first place, CIA had assumed that there were 3,000 tons in the stockpile at the beginning of 1948 and it was estimated that a certain quantity of domestic production was set aside amounting to about 3,500 tons during the four years following. CIA also believed that some of the tin acquired by the USSR from Soviet Bloc countries during this period, possibly 2,000 tons, went into the stockpile which made up the 8,500 tons. CIA stated, however, that no definite information was available and that these rough estimates might be off by 25% or more. Such a statement as the quotation given above is very misleading and should not be used without indicating that it is a tentative estimate and may be in error by a large margin.

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iii Tungsten

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The tungsten situation in the Free World is believed to be more critical than is indicated in the MSA study.

1. Page 14 of the tungsten report summary states factual information generally in agreement with intelligence available in CIA.

2. Estimated USSR output of tungsten metal (Table 1, page 16 MSA report) differs widely from the estimates made by Ferrous Metal Branch (CIA) for the following years:

	<u>Ferrous Metal Branch</u> (Thousands of pounds)	<u>MSA (Table 1)</u> (Thousands of pounds)
1950	4,630	1,571
1951	5,202	2,000
1952	6,283	2,000

3. The report as a whole is more optimistic in projected estimates of production in the Free World for the years 1951 - 1955 than other studies reviewed. For example on page 19, table 3 estimates of target levels of production are compared with figures presented in a tungsten study by the Signal Intelligence Agency in July 1951: (thousand pounds tungsten content)

	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
MSA	22,100	35,000	44,500	50,700	56,700
SIGIA	19,000	27,000	32,000	34,000	35,000

(Production in 1950 was reported at 18,000,000 lbs.)

CIA metals specialists are more nearly inclined to accept the later figures as more realistic in view of the general production possibilities.

If production of tungsten in the Free World in 1952 reaches 27,000,000 lbs. (SIGIA estimate) and requirements are 34,400,000 lbs. (Table 5, page 22 MSA study) there would be a deficit of 7,400,000 lbs. and none for stockpiling instead of "over a half million pounds available for addition to stocks." (page 21, Par. 1 MSA report).

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4. ~~RR-56~~ of April 1952 disagrees with the opinion expressed in paragraph 2, page 21 that stocks reduced in 1951 may be restored in 1953. Conclusions drawn from ~~RR-56~~ indicate that even under the most favorable conditions, it is unlikely that Free World requirements including additions to the stockpile can be met even in 1955. In the US on Oct. 31, 1951 the stockpile inventory was 20,320 metric tons while the objective for that year was 66,360 metric tons.

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May 7, 1952

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