

CENTRAL INTELLIGENCE AGENCY

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THIS IS UNEVALUATED INFORMATION

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- 1. I obtained little information of value with regard to Communist China and its tin industry. There has been a profound change in the situation in the last several years, and particularly in the year since my last visit. Although leaders in the Malaysian tin industry are in considerable number of Chinese origin, their once carefully nurtured ties with the homeland have been almost completely abandoned. This is due, in my opinion, (a) greatly increased personal identification with Malaysia; (b) education efforts by the Government of Malaysia with a population - in Malaya and Singapore - of nearly 50 percent persons 21 years of age or under; and (c) the attitude of the Malaysian Government in accepting, without apparent restraint, the important and increasing role of ethnic Chinese in wealth accumulation and the control of industry. Contrast the latter with Indonesia, for example, with its punitive measures against the ethnic Chinese.
2. I found the first reason above to exist in striking degree. Ethnic Chinese and others have virtually abandoned their visits to Communist China, and their remittances even to close relatives there. In our conversations there were many more references to "my government," "my country," "our embassy representatives," etc. In short, the population is succeeding to an almost startling degree in creating a nation out of a diversity of peoples and tribes and cultures. This is, of course, due in great part to the prosperity evident on every hand; and good management of the national assets, in education, for example. One by-result is the drying-up of my sources with regard to developments in Communist China.
3. I was able, nevertheless, to confirm the reported existence of a tinplate facility in Shanghai. This must be reasonably new. It means, of course, that there must be increased domestic consumption.
4. I found also strengthening for my earlier view that the Chinese are withholding most of their tin production from the USSR, for political reasons. However, I can cite no specific reasons for this greater assurance on my part.

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5. Some of my sources apparently believe that the Chicomos are active, probably in concert with the Soviets, in recent Bolivian coup. A number of my contacts believe there was no accident in the recent overthrow of Paz Estenssoro in Bolivia. This important segment of industry opinion holds that the Soviets tried to strangle Malaysia, beginning in 1957 to 1958, by dumping great quantities of tin on the world market and thus driving down the price of the incipient nation's most important commodity. Now that this has failed so singularly, they are attempting something much more Machiavellian. They are, in effect, buying up and stockpiling all the surplus sold from the US stockpile, and from additional sources, in an attempt to price important US industrial users out of the market and into the use of substitutes. This would eventually work to "ruin" Malaysia and Bolivia, among others. While I am not yet ready to accept this view, I think it not too far-fetched a possibility to ignore.
6. In this connection I note that one Lechin has been named by new Bolivian President Barrientos to head his government's tin monopoly, COMIBOL. This may be the Lechin who formerly was Vice President but it seems more likely it is the latter's cousin Jules who is an avowed, card-carrying Communist. This must be a link to Soviet involvement in the recent coup.
7. I learned on good authority that the construction of Indonesia's tin smelter, at Muntok is proceeding more or less on schedule. The invited participants from The Netherlands have arrived and are very busy. Contracts for equipment have been let and one big dredge is to be floated out from the UK next year. Other dredges already are en route. The entrepreneurs claim steadfastly that they will have the big dredge in operation, on schedule, by August 1965, but my sources believe it will require until 1966.
8. The Indonesians are not doing any exploration for tin. Nor do they need to. They have tremendous unexploited or barely exploited sources, known for years. Failure to produce from them is the basic cause of the current serious world shortage of tin.
9. It is my personal, "educated" opinion that there is no deal between Indonesia and the USSR for tin futures - pigs or concentrates - in repayment of credits advanced for industrialization. However, I am of the opinion that this is both logical and possible with regard to credits for military supplies. While I know of no specific Indonesian shipments of this commodity to the USSR or its satellites, such sales would explain the current dearth of tin exports from that country. It is evident that the recently declared Indonesian embargo on shipments to the US is a joke. Such sales in the last year or two have been negligible.
10. The principal effect of Indonesia's shipping its tin concentrates to The Netherlands for smelting instead of to Malaya, is a financial loss to both the producers (and Indonesia's foreign exchange position), and the Malayan smelting interests. Obviously Indonesia is willing to expend this difference as a tool in its political attempt to undermine its antagonist in the Great Confrontation.
11. The construction of the new Thai smelter at Phuket (Bhuket) is proceeding on schedule.
12. I was able to obtain the following confidential figures on 1964 direct export of Malayan pigged tin to the Soviet Bloc. It is important to note, in this connection, that the Malayan tin industry is very much opposed to such sales. However, they do not know from day to day who are the clients of the many buyers in the Penang market. Therefore it is impossible to limit the sales short of government controls.

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13. From Peking to the European Soviet Bloc countries, all through the ports of Odessa, Gdynia and Rijeka, the following direct shipments of pig tin were made in 1964:

January	290 tons	June	100 tons
February	355 tons	July	150 tons
March	325 tons	August	975 tons
April	---	September	1300 tons
May	351 tons		

All the above was shipped in Bloc vessels except in one instance when a Japanese ship was used.

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