EFFECT OF INTERNATIONAL SITUATION ON UNITED STATES TRADE IN MINERALS

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SUMMARY OUTLINE

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Stimulation of import trade by national defense program.—The position of the United States with respect to its dependence on foreign sources of supply for certain strategic and critical minerals as listed and defined by the Army and Navy Munitions Board in March 1940 was improved considerably during the year through effective administration of the Strategic Materials Act (Public No. 117—76th Congress), which became law in June 1939. Certain restrictions inserted in this act, however, retarded stock-pile purchases to such a degree that in June 1940 the Metals Reserve Co. was created by the Reconstruction Finance Corporation to acquire and carry a reserve supply of strategic and critical minerals, principally tin and manganese, in connection with the national defense program. During 1940 the Procurement Division of the Treasury Department—the agency responsible for administering the purchasing and stock-piling features of the Strategic Materials Act—and the Metals Reserve Co. endeavored to coordinate their activities directly concerned with the procurement features of the national defense program.

The rapidly changing conditions in world markets since May 1940 and the continual revisions of estimated requirements of mineral raw materials necessary to meet unprecedented and in certain instances unanticipated industrial demands prompted direct negotiations between the Government of the United States on one hand and foreign governments and producers on the other; these negotiations have resulted in contracts for the purchase of certain minerals essential in the present emergency.

In September 1940 the Metals Reserve Co. contracted with the National Resources Commission of China for the purchase of tungsten ore, the total value of which will approximate $30,000,000; the ore will be delivered over a period of years at prices established by existing market conditions at the time of delivery. In November 1940 the same agency contracted with tin-ore producers of Bolivia for annual delivery to the United States during the next 5 years of tin concentrates equivalent to 18,000 tons of refined metallic tin a year; the Bolivian Government has guaranteed the performance of this con-
tract. To refine the Bolivian concentrates the Reconstruction Finance Corporation agreed to underwrite the construction of a tin smelter to be built at Texas City, Tex., by the Tin Processing Corporation of New York, a subsidiary of N. V. Billiton Maatschappij, Netherlands East Indies. The plant will be owned by the United States Government and operated for its account. The smelter will have an annual capacity of 50,000 tons of tin concentrates or 18,000 tons of fine tin.

Although the chief concern of United States Government purchasing agencies is the procurement of strategic materials of which this country has inadequate domestic reserves, in December 1940 the Metals Reserve Co. announced that it had contracted to purchase 100,000 tons of copper produced in Latin America. Early in 1941 a contract for an additional 100,000 tons involving the same foreign producers was negotiated, with delivery beginning in March 1941. In January 1941 the Metals Reserve Co. also contracted for 300,000 short tons of Chilean sodium nitrate.

Control of exports essential to procurement program.—As the national defense program expanded during the year it became increasingly clear that to insure domestic industries against serious shortages of vital raw materials some method of export control had to be applied whenever a deficiency could be anticipated. The need for such control was foreseen, and on July 2, 1940, H. R. 9850, "an act to expedite the strengthening of the national defense," became law. This act provides legal authority for the control, by a licensing scheme, of exports of munitions, materials, and machinery essential to national defense from the United States.

Although the control of exports is principally a matter of national defense and as such is a function of the Administrator of Export Control, War Department, the Department of State actually issues the licenses under which all controlled items may be exported. Seven Presidential proclamations and two Executive orders were issued between July 2, 1940, and January 10, 1941, specifying commodities of which the export was subjected to control through the issuance of licenses. This list of controlled mineral products, comprising ore, metals, nonmetallic minerals, fuels, chemicals, semifabricates, and manufactures, was virtually all-inclusive by the beginning of 1941. These proclamations and Executive orders are registered at the National Archives, Washington, D. C., under Presidential Proclamations Nos. 2413, 2417, 2423, 2428, 2441, 2449, 2453, and Executive Orders Nos. 8607 and 8617.

Alternative sources of strategic minerals.—Dislocation in ocean traffic that extended throughout 1940, shortage of carriers, and transport difficulties incidental to the delivery of essential raw materials to the United States, which interrupted the flow of Turkish and Greek chromite and Russian manganese ore, may, if extended to the Pacific Ocean, reduce or entirely cut off delivery of such supplies as Chinese tungsten, Malayan and Netherlands East Indian tin, and Indian mica. The present and potential difficulties in this direction have prompted the United States to focus attention on sources of such essential minerals in the Western Hemisphere.

Latin America as potential source of supply.—Latin America has important mineral resources, but situation of the deposits, transportation difficulties, and lack of capital have retarded their development.
Most of these Latin American mineral commodities are produced principally, if not entirely, for export. Without a foreign market these minerals would find only limited use within the countries that produce them, therefore the volume of foreign trade has a profound effect on the internal economies of most Latin American countries. Closer collaboration between the United States and Latin America so far as the term affects the mineral industries is predicated on recognition of this condition of fact; permanent solution is by no means a simple matter. Latin America is not industrialized as the term is generally understood. Of the mineral resources regarded as basic to modern industry—coal, iron, and petroleum—only petroleum has been developed to any significant extent. South America ranks last among the continents in production of coal. Iron is found to some extent in most Latin American countries, but the deposits have remained largely undeveloped because of their inaccessibility, lack of adequate transportation facilities, and the absence of conveniently situated coal deposits. Consequently nearly all of the minerals (including petroleum) produced in the several countries, must be exported, and before September 1939 countries of destination were principally in Europe.

To illustrate the dependence of certain countries on foreign trade in minerals, several examples are cited. In 1938 mineral products exported from Chile represented 79.4 percent of the total exports in value, while agricultural and related products comprised 17 percent and manufactures 3.6 percent; copper constituted 57.4 percent and nitrates 22.4 percent of the value of all mineral products exported. The influence of the two mineral commodities, copper and nitrates, on Chile's economic welfare is evident. In the same year the value of Bolivia's mineral exports (chiefly tin, tungsten, antimony, and precious metals) was over 96 percent of the total value of all exports. In 1938 the exportation of crude petroleum from Venezuela represented 90 percent of the total value of all exports from that country. In 1938, 26 percent of Colombia's export trade was in crude petroleum; and 60.1 percent of Peru's export trade was in mineral products, chiefly petroleum (33.9 percent), copper (16.9 percent), bismuth, gold, and other mineral concentrates (8.1 percent). To a minor degree the remainder of the mineral-producing countries of Latin America are similarly situated; that is, their principal source of revenue is in the sale abroad of minerals of which in many instances the United States normally has exportable surpluses. No real solution of this problem had been achieved by the end of 1940, but definite progress was made and negotiations were under way between the Government of the United States and several countries of Latin America whereby the latter may ultimately market their entire output of certain minerals in this country under arrangements that will be acceptable to all parties concerned.

With particular reference to the strategic minerals produced in Latin America, opportunities exist for negotiations whereby immediate and mutual benefits can be derived by the United States and the Latin American countries involved. In 1940 the United States imported 1,282,079 long tons of ferro-grade manganese ore, of which approximately 24 percent originated in Latin America, chiefly in Brazil and Cuba. Domestic production last year was about 6 percent of apparent consumption in the United States. It is reliably reported
that if rail facilities in Brazil are improved and ocean shipping space is available about half of the United States requirements for 1941 may be obtained from Brazil alone. Cuba can supply 10 to 15 percent of our needs, and Chile may be able to reduce this country's dependence on other foreign sources of supply even further.

In 1940 the United States imported 2,138 metric tons of tungsten ore, of which about 35 percent originated in Latin America. The United States produced about 65 percent of its apparent consumption of tungsten, and under the impetus of prevailing demand this figure may be increased. However, if the United States acquires the entire output of Bolivia and Argentina it is believed that no serious deficit will develop in 1941.

In 1940 about 96 percent of the antimony imported into the United States originated in Latin America; 90 percent was supplied by Mexico and Bolivia and the remainder by Peru and Argentina.

The only Latin American source that contributed to imports of chromite by the United States in 1940 was Cuba, which supplied about 11 percent of the total imports. However, Brazil has the largest deposits of chromite in South America, and although the output has been limited to only a few thousand tons a year it is believed that with mine development, improved transport facilities, and favorable prices an annual production of possibly 100,000 tons can be attained.

Until the smelter that the Reconstruction Finance Corporation is erecting in Texas is completed and operating, tin concentrates available in Bolivia and Argentina cannot materially reduce dependence of the United States on far eastern sources of supply; even with these smelting facilities available, this country's dependence would be reduced only to a limited extent. However, the output of ore in both Bolivia and Argentina can be increased to some extent, and if the entire production becomes available to the United States the position of this country will be less vulnerable than in the past. Electrical-grade mica, quartz crystals, and industrial diamonds of Brazil are vital in the national defense program, and there are indications that Brazil's entire output of these materials may be contracted for by the United States before the end of 1941.