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CENTRAL INTELLIGENCE AGENCY

7 March 1950

INTELLIGENCE MEMORANDUM NO. 277

SUBJECT: Effect of lowered tin prices on Bolivian production and governmental stability.

The precipitous drop of world tin prices over the past five months has brought the economy of Bolivia almost to crisis and has weakened the pro-US Bolivian Government, already beset by persistent totalitarian enemies of both the right and the left. The price drop has been felt so keenly because Bolivian economic and political stability depend in large measure on the continued sale of tin concentrates, which normally constitute about 70 percent of the total value of Bolivian exports. An even more serious effect will be felt should low prices or imposition of production quotas reduce the market for the low grade concentrates that comprise the majority of Bolivian exports.

The Patino Company of Bolivia, which sells its production to the UK under a long-standing contract, can probably meet competition until prices are even lower than at present, but smaller producers, whose production is mainly low grade concentrates, cannot do so. Such low grade material cannot be economically produced or refined when the richer alluvial concentrates of the Far East are available. The Bolivian mines, however, are the sole Western Hemisphere source of tin and played a vital role in the US war effort during World War II when Far Eastern tin sources were overrun by the enemy. Up to 31 December 1949, the US continued to buy Bolivian concentrates, under a contract with the Bolivian producers, to feed the Texas City smelter. It is doubtful whether Bolivian full production can be maintained at the present market prices of tin, much less at lower prices.

Note: This memorandum has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and the Air Force.

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Consequently, it may prove difficult to maintain the present level of Bolivian tin production without some type of preferential treatment inside the US market. Substantial reduction of Bolivian tin production at the present time might well induce such chaos in the country as to make increased production extremely difficult in the event the Western Hemisphere should again become the main source of US tin.

The present Bolivian Government has been pro-US and pro-democratic since its inception in 1947. Rightly or wrongly, the Bolivians feel that the US has a "moral obligation" to aid them in their present difficulties in view of their valuable contribution to the war effort. If tin production in Bolivia is not maintained at a level sufficient to avoid serious economic dislocations, a political crisis will probably ensue that could be fatal to the present government in that country.

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