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 SECURITY INFORMATION

NIE-56

ECONOMIC IMPORTANCE OF THE NEAR AND MIDDLE EAST*

Resources of the Near and Middle East

The strategic importance of the Near East to the Free World stems largely from its petroleum production and the metallurgical chromite ore of Turkey.

The Near East is expected to export 93.9 million tons of oil in 1952 and to supply 10.3 million tons of bunkers to ships passing through the area. The total surplus of 104.1 $\frac{1}{2}$ million tons is 17 percent of the expected Free World supply in 1952. The Near East is the World's most promising region for future oil development. Its present production is a small part of its potential production. Since only a minor part of the loss of this area's oil could be offset by increased production in the Western Hemisphere, which would require large-scale investments, drastic rationing in the United States and Western Europe would be necessary. This rationing would probably be more severe than World War II rationing in the United States. The resulting loss would be severe for several years.

Loss of Turkish chromite ore would be serious to the Free World. Turkey's ore represented about 35% of the Free World's production of metallurgical grade chromite in 1950 and 44% of US imports in 1951. Loss of this ore would necessitate large withdrawals from ^{the US} stockpiles. The development of expanded production in Southern Rhodesia would require considerable time and investment. The loss would be serious in 1952, but would probably be progressively alleviated over the ensuing years.

Other resources of the Near East are of smaller importance to the United States and its Allies. Loss of Egypt's long staple cotton would seriously inconvenience the United Kingdom and other Western European countries. None of the other commodities exported appear to present problems that would seriously hamper the defense program of the United States and its Allies.

The Importance of Individual Countries

The countries of the Near East which have the greatest strategic importance are the four main oil producing countries and Turkey.

*Includes Egypt, Iraq, Israel, Jordan, Syria, Lebanon, Saudi Arabia, Iran, Turkey, Afghanistan, Kuwait, Tatar and Bahreia.

$\frac{1}{2}$ The total surplus of the area, 104.1 million metric tons, minus the 0.3 million tons available for stocks of the whole Free World is equal to the 103.8 million deficit that would be created in the event of loss of the Near East.

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While the loss of the Near East oil region as a whole would be serious for the Free World, the loss of any one of the four chief producers, Saudi Arabia, Kuwait, Iran and Iraq, would not be commensurate with its estimated 1952 production. Production in all the countries is capable of considerable expansion. Thus, in spite of the loss of Iranian production for about half of 1951, Near East oil production was greater in 1951 than in 1950. Although loss of Iranian crude can be offset, the Abadan refinery is important because of the current absence of reserve refining capacity.

Turkey's importance rests mainly on its chromite exports. In addition, Turkey exports opium, tobacco and recently wheat, the loss of which would impose some problems of substitution and alternative sources.

Next in importance is Egypt. Its chief exports are long staple cotton and phosphate rock to Western Europe, rice and salt to other Eastern countries, and minor quantities of manganese to the United States.

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RESOURCES OF MAJOR IMPORTANCE IN THE NEAR AND MIDDLE EAST

Resource	Chief Sources	NET EXPORTS OF AREA 1/		Area Primarily Affected By Loss	Degree 2/ of Loss	Remarks
		As % of Free World Exports	As % of Free World Production			
Natural Resources						
Chromite	<u>Near East Total</u> : 21		20	Free World	B	Turkey is especially important as a source of Metallurgical grade Chromite (35% of world production). US stockpile is sizeable (representing somewhat less than 5 years of Turkey's output) but only 55% complete. Considerable time would be required to expand alternate source in Africa.
	Turkey	22				
	Cyprus	1				
Manganese	<u>Near East Total</u> : 8	3/7	1	Free World	E	Egyptian ore is low grade; equivalent to 3% of world metallurgical grade supply.
	Egypt					
	Turkey	1				
Salt	Egypt, Adan	n.a.	n.a.	India, Japan	E	Alternate sources available.
Phosphate Rock	Egypt	n.a.	n.a.	Europe, Asia	E	Alternate sources available by or before 1954.
Petroleum 4/	<u>Near East Total</u> : 53		17	Free World	B	Alternate sources could meet only a small part of the loss.
	Saudi Arabia	22				
	Kuwait	18				
	Iran	9				
	Iraq	6				
Agricultural Resources						
Long Staple Cotton	Egypt and Sudan	93-	90-	United Kingdom	C	Substitution of shorter staple cotton not generally possible. In time other sources of supply (US) and synthetic substitutes could largely compensate for loss. US stockpile is about 20% of the objective and represents nearly 80% of annual imports from the Near East. The UK stockpile is sufficient for from 6 to 12 months consumption.

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RESOURCES OF MAJOR IMPORTANCE IN THE NEAR AND MIDDLE EAST (Cont'd)

Resource	Chief Sources	NET EXPORTS OF AREA 1/		Area Primarily Affected By Loss	Degree 2/ of Loss	Remarks
		As % of Free World Exports	As % of Free World Production			
Agricultural Resources:						
Opium	<u>Near East Total</u>	65	52 5/	United States	D	Alternate sources could be developed and use of substitutes expanded.
	Turkey	32				
	Iran	28				
Rice	<u>Near East Total</u>	2	*	South Asia	E	Supplies only 10% of imports of India, Ceylon, and Malaya. Alternate sources could compensate for the loss.
	Egypt					
Tobacco	Turkey	13	1	Free World	E	Alternate sources can supply minimum needs.
Grains other than Rice	<u>Near East Total</u>	1	Negligible	Western Europe Far East	E	Loss quantitatively small.

* Less than 1 percent.

n.a. Not Available

1/ These percentages based on 1950 export and production figures unless otherwise indicated.

2/ The commodities are grouped in the approximate order of their strategic importance by means of the letter ratings A, B, C, D, and E. Inasmuch as the criteria are not satisfactory in every respect, they could not be rigidly applied in making ratings.

A - Reduction in defense and essential civilian consumption unavoidable.

B - Impact on defense and essential civilian consumption could be avoided only by drastic sacrifice of non-essential civilian consumption and by withdrawal from stockpiles, if any.

C - Defense and essential civilian consumption could be maintained only by reducing either non-essential civilian consumption or stockpiles, if any.

D - Maintenance of scheduled defense and essential civilian consumption would require moderate rationing, stockpile reduction, or slowing down scheduled increase of stockpile.

E - Relatively minor economic adjustments could compensate for the loss.

3/ Production figures rather than exports. Major part of production is exported.

4/ Data for petroleum is a projection to 1952.

5/ Based on estimated average postwar world production.

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Petroleum

This study is based on the year 1952 with the assumption that no general war would occur in event of denial of the oil of any one of the specified areas. The data is considered adequate for general conclusions on the petroleum position of the United States, Canada and Western Europe in event of loss of these areas.

The loss of the Near East would have most serious repercussions. The denial of the oil of this area would result in a serious deficit in the petroleum supply of the remaining non-Communist world.

The Near East has a surplus of petroleum in the order of nearly 94 million metric tons. The availability is about 114.4 million tons while the requirement is only about 20.5 million (including 10.2 million tons of bunkers). However, the actual potential availability of crude oil is far in excess of the planned production during 1952. In the event of loss of the Near East the rest of the non-Communist world would be faced with a heavy deficit of about 103.3 million tons which is 16.7% of the total requirements amounting to 619.7 million.

The refinery capacity is about 50 million tons, or less than half of the planned crude production. The capacity for aviation gasoline, while small in relation to the United States, is nevertheless important and, in event of loss of the area, the capacity would have to be replaced.

The bunker requirement of about 10 million metric tons in the Near East is largely for merchant shipping of the Western world with only a minor quantity required for trade with the area. The bunkering requirement is, therefore, part of the shipping requirement of the non-Communist world and would not be eliminated with the loss of the area. For convenience it has been added to the requirement of the United States, Canada and Western Europe.

The estimates on crude production visualize some solution to the Iranian oil problem with the result that the crude oil output of Iran and Kuwait together would be comparable to their 1950 production. In 1950 Iran produced about 33.1 million metric tons and Kuwait 17.2 million, giving a total of 50.3 million. In 1952 it is estimated that Iranian output will drop to approximately 18.5 million tons while Kuwait's will rise to 35.0 million, resulting in a total for the two countries of 53.5 million. The increased production from Kuwait will more than offset the decrease of production in Iran.

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Part of the deficit could be offset by extraordinary production measures, but drastic rationing would be necessary. Motor gasoline, heating oils for private consumers, and bunkers would be the products most effected. The rationing would probably be more severe than experienced in the United States during World War II (about 12%). The necessity for rationing would apply to all remaining non-Communist countries.

In the event that the oil industry in Iran remains substantially idle during 1952, the potential of the non-Communist world, including the remaining countries of the Near East, is sufficient to produce the required crude oil, but the refining capacity would continue to be pressed. The threat of a shortage would remain.

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TABLE 1. Availability and Civilian Requirements in the Non-Communist World
1952 Assuming no General War
Thousand Metric Tons Crude Oil Equivalent

Countries	Crude Oil Availability	Crude Charging Capacity	Civilian Requirements ^{1/}		Total
			Bunkers	Other Products	
<u>US, Canada and Western Europe</u>					
US and Possessions	379,800	307,375	18,352	378,679	396,931
Canada	7,260	23,620	777	20,768	21,545
Iceland	-	-	69	228	297
Norway	-	50	200	1,677	1,877
Denmark	-	31	141	1,940	2,081
United Kingdom	50	29,615	2,979	19,700	22,679
Netherlands	700	7,375	911	3,255	4,166
Belgium-Luxembourg	-	3,495	320	3,200	3,520
France	190	24,675	1,100	12,188	13,288
Italy	10	10,685	733	6,108	6,841
Portugal	-	800	250	778	1,028
West Germany	1,300	6,987	356	6,549	6,904
Finland	-	-	7	705	706
Sweden	-	1,190	163	4,946	5,109
Spain	-	2,435	1,959	1,697	3,656
Switzerland	-	200	-	1,331	1,331
Yugoslavia	150	400	-	322	322
Total	339,450	478,603	28,310	463,971	492,281
<u>Far East</u>	13,850	17,452	3,336	15,222	18,558
<u>Near East</u>					
Aden	-	-	2,652	38	2,690
Bahrain	1,500	7,750	646	55	701
Iran	18,500	25,125	2,364	1,322	3,686
Iraq	12,000	975	10	790	800
Yemen	35,000	1,250	959	48	1,007
Saudi Arabia	42,500	8,000	1,467	152	1,619
Qatar	2,500	-	-	5	5
Greece	-	-	160	1,526	1,686
Turkey	50	70	78	690	768
Israel	-	4,275	104	917	1,021
Egypt	2,320	2,350	1,725	5,305	5,630
Other	-	500	102	825	927
Total	114,400	50,205	10,254	10,283	20,537
<u>South Asia</u>	450	513	1,519	5,710	7,229
<u>Africa</u>	100	75	3,124	6,794	9,918
<u>Latin America</u>	112,500	80,971	9,179	39,100	48,279
<u>GRAND TOTAL</u>	630,750	627,909	55,722	541,080	596,802

^{1/} For the purposes of comparison in this study the requirements for petroleum products have been converted to crude oil equivalent. It has been assumed that the weight of the products available is 87 percent of the weight of the crude oil used in their production. For comparative purposes the same percentage relationship is assumed for the bunkering requirements as well as the requirements for other products. As in the case of availability the estimates have been based on information developed by the Petroleum Administration for Defense with the assistance of special industry committees. It is believed that the range of error is between plus 5 and minus 5 percent.

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TABLE II. Relationship of Crude Oil Availability to Total Requirements
 1952 Assuming no General War
 Thousands of Metric Tons Crude Oil Equivalent

	Crude Oil Availability	Requirements				Surplus / or Deficit =
		Civilian		Military	Total	
		Bankers	Other Products			
<u>Total Non-Communist World</u>						
US, Canada and Western Europe	389,450	28,310	463,971	33,150	525,431	-136,181
Far East	13,850	3,336	15,222	-	18,558	- 4,708
Near East	114,400	10,254	10,233	-	20,537	/ 93,863
South Asia	450	1,519	5,710	-	7,229	- 6,779
Africa	100	3,124	6,794	-	9,918	- 9,818
Latin America	112,500	9,179	39,100	-	48,279	/ 64,221
<u>Total</u>	<u>530,750</u>	<u>55,722</u>	<u>541,080</u>	<u>33,150</u>	<u>629,952</u>	<u>/ 99,202</u>
<u>Loss of Far East</u>	616,900	52,386	525,856	33,150	611,394	/ 5,406
<u>Loss of Near East</u>						
US, Canada and Western Europe	389,450	38,564	463,971	33,150	536,685	-146,235
Far East	13,850	3,336	15,222	-	18,558	- 4,708
South Asia	450	1,519	5,710	-	7,229	- 6,779
Africa	100	3,124	6,794	-	9,918	- 9,818
Latin America	112,500	9,179	39,100	-	48,279	/ 64,221
<u>Total</u>	<u>516,350</u>	<u>55,722</u>	<u>530,797</u>	<u>33,150</u>	<u>619,669</u>	<u>-103,319</u>
<u>Loss of South Asia</u>	630,300	54,203	535,370	33,150	622,723	/ 7,977
<u>Loss of Africa</u>	630,650	52,593	534,286	33,150	620,034	/ 10,616
<u>Loss of Latin America</u>	518,250	46,543	501,980	33,150	581,673	- 63,423

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MINERALS AND METALS

The industrial output of the Free World would suffer from the loss of the metal and mineral supply of the Near and Middle East primarily owing to loss of Turkish chromite and to a minor extent from the loss of certain other products.

Chromite. Turkey was the Free World's second most important source of all types of chromite in 1950 (354 thousand metric tons) and the most important source of the metallurgical grade. Turkey supplied the U. S. with 195,600 metric tons of metallurgical ore in 1950 (32 per cent of U. S. total imports of this grade) and with 240 thousand metric tons in 1951 (44 per cent).

The other most important sources of U. S. imports of metallurgical chromite in 1950 were Southern Rhodesia, 133 thousand metric tons; the Philippines, 65 thousand metric tons; and New Caledonia, 59 thousand metric tons. The rest of the Free World draws on these same sources. The supply from Southern Rhodesia could be increased to meet the loss of the Turkish ore if transportation to port and port facilities were sufficiently improved. This would involve new equipment and solving political difficulties. With present facilities, exports could be increased only at the expense of other strategic raw materials.

The stockpile objective for metallurgical chromite is 3,251 thousand metric tons; the inventory as of December 31, 1951, 1,801 thousand metric tons.

To some extent chemical grade chromite can be substituted for metallurgical grade. The Union of South Africa supplied the U. S. with 260 thousand metric tons of chemical chromite in 1950. The stockpile objective is 427 thousand metric tons, with 295 thousand metric tons in inventory as of December 31, 1951.

The loss of Turkish ore would be serious to the Free World. Consumption requirements of the United States, in particular, would increase with an all out emergency but could be offset, in part, by conservation measures. The loss of the Turkish ore would necessitate sharing part of the metallurgical ore we now draw from other sources with the rest of the Free World, large withdrawals from the stockpile and resolution of the transportation and port difficulties in Africa.

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Manganese ore. Turkey produced about 31,000 metric tons of manganese ore in 1950. In 1951 (11 months) the United States received about 19,650 metric tons, averaging about 46 percent manganese. Egypt (Sinai Peninsula) produced in 1950 about 213,000 metric tons of low-grade (about 28 percent manganese) ore; about 33,000 tons of this ore was received in the United States. In 1951 (11 months) receipts were 132,000 metric tons. The balance is sold in Europe. Though of limited utility, requiring for the most part blending with high-grade ores, the Egyptian output, reckoned solely on its metal content, is equivalent to about 125,000 long tons of metallurgical grade or less than 3 percent of the estimated Free World Supply.

Copper. Turkey in 1949-50 produced about 13,000 metric tons of copper annually. By the end of 1952 production is expected to reach 25,000 tons, most of which will be available to the free world. This is only a little more than 1% of the world output, excluding the USSR, but is significant because of the present severe shortage of copper.

Salt. Egypt's solar salt output is around 600,000 metric tons, and Aden's about 300,000. Turkey is expanding production to about 440,000 tons, about 45 percent of this would be exportable. Aden and Egypt have been consistent shippers to India. In recent years they have furnished 500,000 tons and more to Japan. Japan is dependent to a considerable extent on imports to meet its estimated 2 million ton annual needs. Loss of this supply would markedly affect Japan's chemical and food processing industries.

Phosphate Rock. Egypt has produced about 400,000 metric tons of phosphate rock annually, most of this has been exported. In 1950, 160,000 tons were shipped to Japan, 30,000 tons to India and about 170,000 tons to Europe. By or before 1954 French Morocco should be able to make up with higher grade rock any Egyptian loss to Europe. Far Eastern sources appear unable to meet all Indian and Japanese needs. The deficit could be covered from Morocco (or North Africa) or the United States.

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EFFECTS OF REMOVAL OF NEAR AND MIDDLE EAST FROM THE FREE WORLD SUPPLY AND DEMAND FOR STRATEGIC METALS AND MINERALS

Unit-Metric tons

	<u>FREE WORLD TOTAL</u>		<u>NEAR AND MIDDLE EAST TOTAL</u>		<u>FREE WORLD LESS NEAR AND MIDDLE EAST</u>		<u>U. S. STOCKPILE</u>
	<u>Mine PRODUCTION</u>	<u>Apparent consumption</u>	<u>Mine production</u>	<u>Apparent consumption</u>	<u>Mine production</u>	<u>Apparent consumption</u>	<u>Dec. 31, 1951</u>
CHROMITE	1,822,000	1,731,000	444,834	a/	1,377,166	1,731,000	2,379,443
MANGANESE	3,595,652	3,618,000	172,169	1,454	3,423,483	3,616,546	2,236,947

a/ Negligible.

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NEAR AND MIDDLE EAST

Agricultural Significance of Near and Middle East to the
United States, US Allies, and "Other Non-Communist" Areas

Summary

The loss of the Near and Middle East would not, in the field of agriculture materially reduce the effectiveness of the economy, in peace or war, in the United States or Allied or other non-Communist countries, though the loss of this area would create some problems. Generally speaking these problems would be more serious in Allied and other non-Communist countries than in the US.

Only five commodities, extra long staple cotton, opium, rice, grains other than rice, and tobacco, are of sufficient importance to be considered individually. Detailed statements and tables with regard to these five commodities are contained in Appendices 1 through 5 attached.

Important Commodities

1. Extra long staple cotton - Egypt and the Sudan produce over 90 percent (about 230,000 metric tons) of the world's supply of extra long staple cotton which is of great importance for certain textile requirements such as high speed machine sewing thread, balloon, Eyrd, typewriter and aeroplane cloth, and fine apparel. Demand for these special items is usually stimulated by armament programs. Substitute fibers are not generally considered suitable for all uses, and in particular, synthetic fibers do not stand up under the high temperatures generated in high speed machine sewing.

The United States could, at least after some seasons, produce sufficient long staple cotton to fill its own requirements. Even under the most favorable conditions, however, United States domestic production could not be increased to the extent that any significant surplus would be available to supply United States allies. The US is stockpiling extra long staple, and as of February 14, 1952, had 17,687 metric tons in storage, another 15,533 tons due for delivery in August 1952, against a stockpile objective of 90,703 tons.

The United Kingdom imports over 80,000 metric tons of extra long staple cotton each year from the Middle East. About 20% of the United Kingdom textile industry is geared to the use of long staples, though the percentage of extra staples in total cotton textile exports is much greater. Long staple textile machines could not be readily adapted to the use of shorter fibers. The loss of the Middle East

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area would seriously inconvenience the United Kingdom and other NATO allies, though it is not believed that the loss of the extra staples would significantly affect the ability of the United Kingdom to earn dollar exchange. It is believed that the United Kingdom normally tries to maintain a supply of extra staples sufficient for 6 to 12 months operation.

2. Opium - Turkey and Iran exported in 1950 about 65 percent (412 tons) of the world's exportable supply of opium. The US is currently dependent entirely on the Near and Middle East for its supply of opium. Several European countries also obtain the bulk of their opium imports from this area. India is the only other important source to the Free World at the present time.

The opium poppy, which thrives under a wide range of climatic conditions, can, if, necessary, be grown in the United States and in several allied countries in sufficient quantities to supply minimum needs of opium in the event of the loss of Turkey and Iran, if sufficient incentives are provided growers and narcotics control objections are removed. Also, synthetic drugs are available which in some cases, can be used as a substitute for morphine and codeine, the two most important alkaloids of opium. There does not exist sufficient evidence to indicate that fully satisfactory synthetic substitute narcotics are available to replace morphine and codeine in medical uses at the present time.

The United States is stockpiling opium independently of synthetic narcotic developments and by December 31, 1951, the stockpile objective of 127 metric tons was 28.8 percent fulfilled.

3. Grains other than rice - The Near and Middle East has been a sporadic and relatively unimportant export source of grain (other than rice), chiefly barley. However, Turkey has been rapidly expanding grain acreage and has an estimated 750,000 tons of wheat and barley available for export from the 1951 crop. Indications are that Turkey's stepped-up level of production may be maintained, and perhaps increased. The loss of the Near and Middle East grain surplus areas would aggravate exchange problems in Allied and other non-Communist areas, and would represent a fairly significant loss in quantitative terms if Turkish expectations for continued high level grain production are realized. On the other hand, Egypt now imports from 500,000 to 1 million tons of grain annually, and a loss of the entire Near and Middle East area would eliminate this drain on Free World grain supplies.

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4. Rice - About 9 percent of the world's exportable supply of 4 million tons of rice is produced in the Near and Middle East, chiefly Egypt. The chief importers of Egyptian rice have been India, Ceylon, and Malaya. These countries, however, have been importing only about 10 percent of their total rice imports from the Near and Middle East. The loss of this area would tend to increase the dependence of the importing countries on dollar sources of grain, thus aggravating their exchange problems. The quantity involved would not be difficult to make up, supply-wise, in the form of other grains from such sources as the US and Canada. No country outside the Far East and South Asia would be seriously affected by the loss of Near and Middle East rice.

5. Tobacco - The tobacco surplus producing countries of the Near and Middle East, of which Turkey is by far the most important, produce about 13 percent of the world's exports of tobacco. Distribution of Turkish tobacco is not concentrated in any one country or geographic group of countries. The US is dependent on Turkish tobacco from the standpoint of its blend qualities and for that reason is regarded as almost essential by tobacco product manufacturers. There is no major dependence among other countries of the Free World on Turkish tobacco except, as in the case of the US, for quality reasons. Although the loss of the near East would increase the dependence of such countries on dollar sources, quantitatively, at least, the loss of the Turkish source of supply would be of minor importance.

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Appendix 1 - Extra Long Staple Cotton

Appendix 2 - Opium

Appendix 3 - Grains Other than Rice

Appendix 4 - Rice

Appendix 5 - Tobacco

Washington, D. C.
14 March 1952

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Appendix 1

THE NEAR AND MIDDLE EAST

Extra Long Staple Cotton

Although extra long staple cotton (1 3/8" and over) constitutes only about 3 percent of total world cotton production, it is of great importance for certain textile requirements such as high speed machine sewing thread; balloon Eyrd, typewriter and aeroplane cloth; and fine apparel, organdy, voiles and laces. With a few borderline exceptions, shorter staples cannot be substituted. Also, textile machines designed for the processing of extra long staple varieties cannot readily be adapted to the use of shorter fibers.

Extra long staple cotton production is concentrated in five countries, Egypt, the Sudan, Peru, the United States, and the West Indies. Egypt produces substantially more than all other countries, and together with the Sudan, produces over 90 percent of the total world supply of about 230,000 metric tons.

United States Dependence on the Near and Middle East.

Extra long staples play only a very minor role in the United States cotton economy. The textile industry in the United States is geared primarily to the use of domestically produced short, medium and long staples. United States production of extra long staples during the last ten years has averaged less than 7,000 metric tons. Imports during the last four years have averaged less than 25,000 tons.

The United States is capable of producing its own supply of extra long staples. In Arizona and adjoining areas in Texas and New Mexico there are both the irrigated land and the long growing season necessary for the production of extra long staple varieties. With the necessary price incentives the United States requirement of extra long staples could probably be met by domestic production.

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The United States stockpile objective is 90,703 metric tons of extra long staples to be attained by 30 June, 1954. This is considered sufficient to supply all critical needs until domestic production can be stimulated sufficiently to supply the minimum needs of the United States. The first acquisition for the stockpile was made in February 1951. As of February 14, 1952 there were 17,687 metric tons in storage. In addition, 15,533 metric tons have been contracted for from Egypt and are due for delivery prior to August 1952. Another 3,400 tons will be purchased for the stockpile by the CCC from the U. S. 1951-52 crop. It is estimated, therefore, that a total of 36,620 metric tons, or 40 percent of the objective, will be stockpiled as of August 1, 1952.

Allied Dependence on the Middle East.

The United Kingdom imports over 80,000 metric tons of extra long staple cotton each year from the Middle East. This represents about 40 percent of the total production in the area. Other NATO countries together import 25,000 tons. Since neither the United Kingdom or the other NATO countries have areas suitable for the growing of long staple varieties and since much of its textile machinery is adapted to this type and could not readily be utilized for other lengths or other fibers, it follows that the NATO countries, excluding the United States, would be seriously inconvenienced if the Middle East should be lost to them as a source of supply.

The United Kingdom would suffer the most if the Middle East source were lost for a long period. It would result in a paralysis of the fine cotton spinning industry. Although the United Kingdom is one of the most stockpile conscious countries in the world it would be virtually impossible for it to store a supply of extra staples sufficient to meet an emergency. The United Kingdom's stockpile objective varies, naturally, according to world conditions. It is believed that it normally tries to maintain a supply of extra staples sufficient for 6 to 12 month operations.

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Although extra staple lengths constitute only about 20 percent of the United Kingdom's total cotton consumption, the percentage which extra staples is of total cotton textile exports is certainly much larger. The extra staples, therefore, are an important source of foreign exchange. Extra staples are most important in the manufacture of high quality cotton goods. The high quality lines are the only ones in which the United Kingdom can compete price-wise on the world market. Although much of this high quality cotton merchandise is sold in Australia and New Zealand, Canada and the United States are important dollar markets for such goods at the present time. Although statistical proof is not available, it is not believed that the loss of extra staples would significantly affect the ability of the United Kingdom to earn dollar exchange. Fine woollen goods are more important as dollar earners than are fine cotton goods.

Other Non-Communist Area Dependence on Middle East.

In this group of countries, India is the only large purchaser of extra long staples from the Middle East. Indian imports average around 54,000 tons each year. Although this is about one-fifth of India's total cotton imports and is a significant portion, it is a much smaller portion of their total cotton consumption and the loss of the Middle East source might not be a serious handicap to the Indian textile industry.

Table I shows the average exports of extra long staples from the Middle East, by destination, during the last four years.

Conclusion:

The principal uses of extra long staples are for high speed machine sewing thread and for balloon, Byrd, typewriter and aeroplane cloth. Demand for these special items is usually stimulated by armament programs. Substitute fibers are generally not considered suitable. For thread, in particular, synthetic fibers do not stand up under the high temperatures generated in high speed machine sewing.

The United States apparently would, after some seasons, be capable of producing its own requirements of extra long staples. Even under the most favorable conditions, however, United States domestic production could not

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be stimulated to the extent that any significant surplus would be available to supply United States' Allies. In order to attain such an objective, production in the United States would have to be stimulated to heights never heretofore attained. Even with price incentives and appeals to patriotism, production of extra staples in the United States never exceeded 16,000 tons in any one year.

It appears, therefore, that since the Middle East is the only source of a substantial supply of extra staples, the loss of this area would seriously inconvenience our NATO allies, particularly the United Kingdom. After a year or so the fine spinning cotton industry would probably be at a standstill for lack of further stockpile supplies.

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Appendix 1

Table 1. Cotton, Extra Long Staple: Exports from the Near and Middle East by Country of Origin and Area of Destination

DESTINATION	EGYPT AND THE SUDAN	
	1947/48 - 1950/51 Average 1/	
	Metric Tons	Percentage of Total
United States	22,727	10.0
United Kingdom	82,955	36.5
Other NATO:		
France	14,091	6.2
Italy	11,591	5.1
Total Other NATO	25,682	11.3
Other Allies:		
Japan	2,045	0.9
Germany 2/	7,273	3.2
Other Non-Communist:		
Switzerland	5,227	2.3
India	54,091	23.8
Total Other Non-Communist	59,318	26.1
Soviet Orbit:		
Russia	10,455	4.6
Eastern Europe	1,818	0.8
Total Soviet Orbit	12,273	5.4
Unspecified	15,227	6.6
TOTAL	227,500	100.0

1/ Marketing year beginning September 1.

2/ Proportion to Western Germany unknown.

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THE NEAR AND MIDDLE EAST

Opium

Significance of the Near and Middle East in World's Supply.

Total world production of raw opium before World War II was slightly over 1,000 metric tons. Of this amount, the countries of the Near and Middle East produced about 75 percent. Normal postwar world production appears to have been about 800 tons annually. However, cultivation of the opium poppy is so subject to the hazards of nature and so entangled with political factors that wide fluctuations in the volume of world production occur from year to year. In the face of the added factor of incomplete statistics on opium in all producing countries, it is meaningless to speak of "average annual production" in any country.

In 1950 Turkey and Iran exported about 412 tons, or 65 percent of the world's exportable supply of approximately 637 metric tons of opium. Most of these exports went to the United States, with smaller amounts to the United Kingdom, Belgium and Italy.

United States Dependence on the Near and Middle East.

The United States is currently depending entirely on the Near and Middle East for a necessary supply of opium. Although the United States imported a small amount of opium from Yugoslavia in each of the three years 1947-49, Turkey and Iran were the only United States suppliers in 1950. India has not been a United States supplier since 1944.

The opium stockpile objective of 127 metric tons is scheduled to be completed by 30 June 1954. However, because of tight supply and the difficulty in procurement, it is questionable if that deadline can be met. From 30 June 1951 to 31 December 1951 the 6.6 metric ton accumulation raised the percent of stockpile accumulation from 23.6 to 28.8 percent of the total objective. The amount scheduled for delivery by 31 December 1951 would have increased inventories to 30.1 percent of the total objective had it been delivered. The amount scheduled for delivery 30 June 1952

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will increase stockpile inventories to 31.7 percent of the total objective. Although stocks planned for delivery at various dates between the present time and the target date indicate a 96.4 percent fulfillment, scheduling of deliveries beyond 30 June 1952 has not been completed. This indicates that until more deliveries can be scheduled the accumulation of opium beyond mid-summer 1952 will remain at 31.7 percent of the total objective.

Allied Dependence on Near and Middle East

Of our allies, Belgium, Italy and Western Germany are important purchasers of Near East-produced opium. Belgium and Italy obtained all their known imports from this area in 1950. The Netherlands and Denmark also obtained a small but significant portion of their total imports from the Near East.

Other Non-Communist Area Dependence on Near and Middle East

Switzerland was the only other non-Communist importer of opium. Although Switzerland obtained over 60 percent of its supply from Turkey in 1950, its total imports were not more than about 7 metric tons.

The attached Table 1 shows the exports of raw opium for the year 1950 from Turkey, Iran and Afghanistan to the chief importing countries of the world.

Conclusion

Under current conditions the United States is depending completely upon Turkey and Iran for its supply of raw opium. To a lesser extent, most of our allies in Western Europe are also dependent on the same source. The United Kingdom, however, buys over 90 percent of its opium from India.

Since Turkey and Iran each supplied about one-half of the United States imports in 1950 it appears that the loss of either or both these countries would result in a sharp curtailment in the supply for the United States. The seriousness of the resultant situation would depend to a large extent on the adequacy of the United States stockpile and the rapidity with which alternate sources of supply could be developed.

The wide yearly fluctuation in world production of opium suggests that

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alternate sources of supply could be developed rapidly if growers are offered the proper inducements. The wide range of climatic conditions under which the opium poppy thrives suggests that the United States and her allies could produce domestically the minimum amount of opium required for the medicinal needs of the Free World. To attain such a level of production rapidly, however, would require a considerable amount of preliminary planning. Price incentives to growers would be necessary. With a reasonable amount of cooperation between the Government and the growers, however, the United States and its allies could, by growing their own poppies, be assured of a supply of opium even if Turkey and Iran were lost as a source of supply.

Opium is composed of about 25 alkaloids of which four are useful in medicine. However, only two alkaloids, morphine and codeine, are important.

Raw gum opium yields about 11 percent of morphine and one percent of codeine by weight.

Morphine has two major uses. First, it is a pain killer and is used as an analgesia and as an inducer of sleep. Secondly, it is the product from which codeine is methylated. Approximately 80 percent of all morphine is used in the form of codeine and other narcotic derivatives.

Codeine has several uses. Since it contains 10 to 15 percent morphine it retains most of the pain-killing properties of morphine but it does not have the sleep inducing effects. Codeine is used widely in the treatment of ambulatory patients since it can be self-administered. It is used to treat post-operative cases to prevent coughing. It is also an ingredient in medicines used in the control of cough, and is used in patrol action as a preventative measure against coughing, which may disclose one's position.

Experiments have not as yet produced entirely satisfactory substitutes for morphine and codeine. A dozen synthetic narcotic drugs are now subject to international control; but only two, methadone and dromoran, are of significant importance. Dromoran closely resembles morphine in its pain-killing properties but is highly addicting. This synthetic is available in unlimited

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supply, and has been standardized for use by the armed forces. Although another synthetic called methadone (called amadone by the Germans who discovered it during World War II) has medicinal properties similar to those of codeine in its effect on the control of cough, the medical profession has not found it to be as reliable as codeine in the treatment of the various ills for which codeine is so universally effective.

Fairly good results have been obtained from experimental use of these drugs with service personnel; but it must be remembered that these military personnel do not represent a fair sample of the population of the United States.

There does not exist sufficient evidence to indicate that synthetic substitute narcotics are available to replace morphine and codeine in medical uses in the United States at the present time. Although much experimental work is being done to develop satisfactory substitutes, it cannot be assumed that substitutes will for the next few years, at least, lessen the need for raw opium.

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Appendix 2

Table 1. Raw Opium: Exports from the Near and Middle East
by Country of Origin and Area of Destination, 1950

DESTINATION	Origin			
	Turkey	Iran	Afghanistan	Total
	* Kilograms			
United States	164,652	156,009	-	320,661
United Kingdom	7,389	-	-	7,389
Other NATO:				
France	481	-	-	481
Belgium	7,600	16,687	-	24,287
Italy	10,000	3,537	-	13,537
Netherlands	1,200	-	-	1,200
Denmark	720	145	-	865
Total Other NATO	20,001	20,369	-	40,370
Other Allies:				
Western Germany 1/	8,996	2,117	-	11,113
Other Non-Communist:				
Switzerland	4,793	-	-	4,793
Soviet Orbit:				
U.S.S.R.	-	-	28,000	28,000
Czechoslovakia	9	-	-	9
Unspecified	160	-	-	160
TOTAL	206,000	178,495	28,000	412,495

1/ French and United States Zone.

Source: Permanent Central Opium Board.

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NEAR AND MIDDLE EAST

Grains Other Than RiceSignificance of Near and Middle East in World Supply.

The Near and Middle East has been a somewhat sporadic and relatively unimportant exporter of grain. In the past, barley has been the chief export grain of this area, though in some years wheat has been exported in significant quantities. Iraq is the main exporter of barley and accounted for 81 percent of the 400,000 metric tons of barley exported from the Near East in 1949. However, Iran, Turkey, Syria, Lebanon, Jordan, and Egypt have all exported some grain in various years, though none, including Iraq, has been a consistently dependable source for sizeable amounts. In 1949, about 63 percent (206,000 metric tons) of Iraq barley exports (for which the destination is known) went to the UK and other Western European countries, and most of the rest went to Japan and India.

Probably the most important development in the Near and Middle East grain situation, however, was the excellent 1951 grain crop in Turkey. That country has not exported significant quantities of grain in recent years, and has, in fact, been on an import basis in several years. But, according to recent Turkish estimates, about 750,000 tons of grain, mostly wheat, will be available for export from the 1951 crops. Substantial quantities have already been sold, chiefly to Syria, France, West Germany, and other Western European countries. Actual exports have been slow inasmuch as Turkey's transportation and grain handling facilities are not geared to the movement of large quantities of grain, and the high price of Turkish grain has restricted sales somewhat. However, recent information indicates that some improvement in the grain shipping situation is taking place and that importers are continuing to buy in spite of the price. Seedings for 1952 are very large and condition reports are favorable thus far. Turkey is clearly determined to increase its grain acreage and production, is receiving US aid to that end, and it appears quite possible that Turkey will become an exporting nation of some consequence.

United States Dependence on Near and Middle East.

The United States, itself an exporter of grain, is not at all dependent on the Near and Middle East source of wheat and barley.

Allied Dependence in Near and Middle East.

The United Kingdom, Denmark, Netherlands, Belgium, and Japan have been among the principal buyers of Iraq's barley. Western European countries are expected to buy the bulk of Turkey's grain in 1952, and in the future, if Turkey

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continues as an exporter. In recent years, Allied imports from the Near and Middle East have amounted to only about 1 percent of the total of such imports, with considerable variation as between different years. The chief importance of Near and Middle East grain to our Allies in the past has been the fact that it could be obtained for exchange other than dollars. If Turkey achieves regular exports of around 1 million tons in the near future, it is possible that our Western European Allies might expect to import nearly that quantity from the Near and Middle East area as a whole. This would be about 5 percent of their grain imports. Such a quantity would be important, again chiefly from the exchange standpoint. If the area were lost, the grain could (in most years, at least) be replaced, but largely from dollar sources.

Other Non-Communist Area Dependency in the Near and Middle East.

In the past, the dependence of other non-Communist areas on Near and Middle East grain has been almost negligible, except that some countries in the Near and Middle East area depend fairly heavily on exports from their neighbors during certain years. If Turkey develops as a source, this dependence may increase, and other importing countries such as India may endeavor to build up a large trade. Egypt has become an important wheat importer in recent years (500,000 to 1 million tons annually), and has been depending on a wide variety of sources of supplies.

Conclusions

Based on historical evidence, the loss of the Near and Middle East as a source of grain would not be of great importance, the chief effect being an increasing dependence on the part of importing countries on dollar sources of grain but on a relatively small scale. The possible emergence of Turkey as an exporter of grain (mostly wheat) in a quantity approaching 1 million tons annually would alter the significance of the area greatly. However, the significance would still hinge largely on the exchange problem, as the Turkish grain could, in most normal years, be replaced from dollar sources, though the quantity, if regularly available, is large enough to be regarded as important, and might under some circumstances represent a substantial loss to the Free World aside from exchange considerations.

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Appendix 4

NEAR AND MIDDLE EAST

RICE

Significance of Near and Middle East in World's Supply.

The rice surplus producing countries of the Near and Middle East - Egypt, Iran, and Iraq - export 361,000 tons or about 9 percent of the world's exportable supply of 4 million tons of milled rice. Of the exports from these three countries in 1949, about 227,000 tons, or 66 percent, went to countries in the Far East. The chief importers have been India, Ceylon, and Malaya.

Egypt is actually the only country in the Near East with a significant supply of exportable rice. Egypt exported about 343,000 metric tons in 1949; or 95 percent of all the rice exported from the Near and Middle East.

The Near and Middle East produce 1.8 million metric tons or only about 1 percent of the total world rice output of about 150 million metric tons of rough rice annually.

United States Dependence on Near and Middle East.

The United States, itself an exporter of rice on a relatively small scale, is not at all dependent on the Near East source.

Allied Dependence on Far East.

None of our Allies is greatly dependent on the Near East as a source of rice.

Other Non-Communist Area Dependence on Near and Middle East.

In this group India, Ceylon, and Malaya are the principal buyers of Egyptian rice. These three countries took about 202,000 tons, or 59 percent, of Egypt's exportable supply of rice in 1949. This, however, amounted to only about 10 percent of the total rice imports of the three countries. Compared with the imports of other food grains, the imports of rice into India, Ceylon, and Malaya from the Near East are insignificant. Barring a Communist invasion of Southeast Asia, loss of the Near and Middle East or, more particularly, of Egypt, would probably cause only nominal hardship in these countries. The value of Near East rice to India, Ceylon, and Malaya stems primarily from the fact that it is a non-dollar source of supply. As long as the rice supplies of Mainland Southeast Asia remain available to the non-Communist world, loss of the rice supply of the Near and Middle East could be offset by imports of rice from other sources or by substitution of other food grains.

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Although Japan is not recorded to have imported any Egyptian rice in 1949, she was one of Egypt's best customers in 1950 and 1951. Russia imports rice from Iran although none is recorded in 1949. Egypt, reportedly, entered into an agreement to supply Russia with some 40,000 tons of rice in 1951.

The attached Table 1 shows the rice exports in 1949 from Egypt, Iran, and Iraq, and totals from the Near and Middle East to the chief importing areas of the world.

Conclusion.

From the standpoint of total rice supplies, loss of the Near East supplies would not seriously affect any of the rice importing countries as long as Mainland Southeast Asia remains non-Communist, although it would require some adjustments in the programing of rice imports, particularly in India, Ceylon, and Malaya.

Attachment.

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Appendix 1

Table 1: Rice Exports By Countries of Origin and Areas of Destination.

Destination	Egypt	Iraq	Iran	Total
Thousands of metric tons				
Nato Countries	10.3	0.2		10.5
Other Allies	9.5			9.5
Other Non-Communist				
Far East	226.7			226.7
Near and Middle East	18.6	1.0	16.3	35.9
Switzerland	6.2			6.2
Finland	0.3			0.3
Austria	4.5			4.5
Yugoslavia	4.5			4.5
Other Countries	62.7			62.7
Total	343.3	1.2	16.3	360.8

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Appendix 5

TCBACOO

Significance of Near and Middle East in World Supply.

The tobacco surplus producing countries of the Near and Middle East - Turkey and Syria - export about 13 percent of the world's exports of tobacco. Turkey is the chief exporting country, accounting for 97 percent of the 82,459 metric tons of tobacco exported from the Near and Middle East in 1949. Turkish tobacco enters many trade channels and its distribution is not concentrated in any one country or geographic group of countries. The 1949 exports to Germany (20,336 metric tons) represent the largest export to any one country.

Since this figure represents exports to all of Germany, without indicating breakdown by zone, an analysis of the importance of Turkish tobacco to Western Germany alone is not practical. Near and Middle East tobacco exports made up 44.4 percent of total imports to all of Germany in 1949.

Of the total Near and Middle East tobacco exported in 1949, 22 percent went to the United States, 32 percent to our allies, 12 percent to other non-Communist countries (includes 7.5 percent which was exported to Near and Middle East countries), 25 percent to Germany, 5.9 percent to Soviet Orbit countries, and 3.9 percent to other countries. Near and Middle East tobacco made up 10 percent of all tobacco imported by the United States' allies and other non-Communist countries.

The Near and Middle East countries produced in 1949 less than 3 percent of the total world production of tobacco, which was about 3 million metric tons.

United States Dependence on Near and Middle East.

The United States, a large exporter of tobacco, is dependent on the Near and Middle East source only from the standpoint of the blend qualities of Turkish tobacco.

Allied Dependence on the Near and Middle East.

Almost all NATO countries import some tobacco from the Near and Middle East. Turkish tobacco made up 6 percent of the tobacco imports of the United Kingdom in 1949. Imports of Turkish tobacco accounted for 14 percent of all other NATO countries' tobacco imports. The pattern of tobacco distribution from the Near and Middle East indicates no major dependence of our allies upon this source of supply, except, as in the case of the United States, flavor of most tobacco products appears to have a greater appeal when the proper "Turkish Blend" is added.

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Other Non-Communist Area Dependency on the Near and Middle East.

Near and Middle East tobacco make up 7 percent of the tobacco imports of other non-Communist countries in Western Europe in 1949. The amount shipped to South American countries was less than one percent of their tobacco imports. Only in the Middle East itself did tobacco from Syria and Turkey amount to a substantial portion, 35 percent, of the total amount imported.

The attached Table 1 shows tobacco exports in 1949 from Turkey and Syria to the chief importing areas of geographical and political affiliation with totals and appropriate sub-totals.

Conclusion.

Since Near and Middle East tobacco makes up not more than 10 percent of the tobacco consumed in the United States, its Allies, and other non-Communist countries, the loss of this source would not materially reduce the available supply of tobacco to these countries. Except for the psychological value which it adds to the utilization of tobacco products, the loss of the Turkish tobacco supply would not result in a serious tobacco loss to the free world.

Attachment.

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