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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Memo	Goldstein to the President (Cross Reference: LE/ND 4-3)	4/29/68	C
Memo	Goldstein to the President	3/14/68	C
Memo	Moody to Califano	10/24/67	C

FILE LOCATION

Ex ND 4-3 8/26/67-8/25/68

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RESTRICTION CODES

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To: Central Files

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON, D.C. 20504

OFFICE OF THE DIRECTOR

em

Central Files

(2)

EXECUTIVE
ND4-3
CM/Molybdenum
FG155
FG11-6

AUG 8 1968

Honorable C. R. Smith
Secretary of Commerce
Washington, D. C. 20230

Dear Mr. Secretary:

On December 28, 1967, your office was requested to continue the allocation of molybdenum remaining to be sold from the stockpile under Public Law 89-413. In view of the current supply situation, it is the opinion of this Office, after consultation with Mr. Thomas Curtis, Director, Office of Industrial Materials, Industrial Mobilization, Business and Defense Services Administration, of your office; Mr. Bob Ross, Acting Assistant Deputy Commissioner, Property Management and Disposal Service, General Services Administration; and Mr. Carl Rolle, Commodity Industry Analyst, Office of the Assistant Secretary of Defense (I&L), Department of Defense; that the allocation is no longer necessary. Therefore, we are asking the Administrator of General Services, GSA, to arrange for any materials remaining under this disposal authorization to be included with the molybdenum authorized for sale from the National Stockpile under Public Law 90-151.

Accordingly, it is requested that you take such action as necessary to terminate this allocation procedure.

Sincerely,

Price Daniel

Price Daniel
Director

RECEIVED
AUG 9 1968
CENTRAL FILES

cc: Hon. E. Ernest Goldstein
Special Assistant to the President

EXECUTIVE
LE/ND4-3
BY POUCH ND4-3

Friday, August 2, 1968
4:50 p. m.

MEMORANDUM FOR THE PRESIDENT

From: Ernest Goldstein

Mr. President:

Senator Williams was off the floor today. The Senate was therefore able to pass the beryl ore stockpile disposal bill without the Williams amendment.

The bill will shortly be on its way to you for signature and I recommend signing it.

I doubt if platinum and magnesium will move in the same way.

Ernest Goldstein

MEMORANDUM

EXECUTIVE

ND 4-3
CM/Rubber
FG 105
FG 240

THE WHITE HOUSE

WASHINGTON

Monday, July 22, 1968
2:30 p.m.

MEMORANDUM FOR THE PRESIDENT

From: Ernest Goldstein

INFORMATION

Mr. President:

Last year we announced that stockpile disposal of rubber would be at the rate of "70,000 tons or defense's needs, whichever is greater."

This fiscal year our defense needs will be 90,000 tons, and State and GSA agree that it is desirable that we fill that need from the stockpile. We are going ahead on that basis. There will be no new public announcement as the 90,000 tons fits the policy enunciated in 1967.

E

Ernest Goldstein

EXECUTIVE

ND 4-3

FG 240

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Monday, July 22, 1968
2:30 p.m.

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Ernest Goldstein

EXECUTIVE
LE/ND4-3
ND4-3
CM/Platinum

July 15, 1968

Dear Mr. Moeller:

It was indeed my pleasure to meet you and Mrs. Moeller.

I appreciate having the additional information which you have furnished.

I look forward to receiving the booklet, "The Odyssey of 41 Glassmakers."

Yours faithfully,

E. Ernest Goldstein
Special Assistant
to the President

Mr. Hans Moeller
Executive Vice President
Schott Optical Glass, Inc.
200 Park Avenue
New York, New York 10017

book rec'd 7/18/68

Nothing else sent to
Central Files as of 11-8-68

EXECUTIVE
LE/ND 4-3
ND 4-3

Friday, May 24, 1968
7:00 p.m.

MEMORANDUM FOR THE PRESIDENT

From: Ernest Goldstein

Mr. President:

The stockpile bills are presently held up in the House. GSA has advised Congressman Philbin that it has had to consult State, Commerce, Defense, Treasury, and the Council of Economic Advisers concerning the impact of the Williams Amendment.

Until GSA has a full analysis of the impact of the Williams Amendment, it cannot move, and Congressman Philbin, it is hoped, also will not move.

My information is that State and CEA will be a long time in completing their studies. In fact, it may not be until next Fall.

We hope that Congressman Philbin will be able to be patient despite prodding from Congressman Arends.

Ernest Goldstein

cc - Barefoot Sanders

c - Central files

(3)

EXECUTIVE

LE/ND 4-3

ND 4-3

FG 240

20405

3 1968

TO	CO								R9	R10

NAME AND/OR SYMBOL	BUILDING, ROOM, ETC.
1. Honorable E. Ernest Goldstein	
2. Special Assistant to the President	
The White House	
3.	
4.	
5.	

File—Stockpile

- [ ] ALLOTMENT SYMBOL
- [ ] APPROVAL
- [ ] AS REQUESTED
- [ ] CONCURRENCE
- [ ] CORRECTION
- [ ] FILING
- [ ] FULL REPORT
- [ ] ANSWER OR ACKNOWLEDGE ON OR BEFORE
- [ ] PREPARE REPLY FOR THE SIGNATURE OF
- [ ] HANDLE DIRECT
- [ ] IMMEDIATE ACTION
- [ ] INITIALS
- [ ] NECESSARY ACTION
- [ ] NOTE AND RETURN
- [ ] PER OUR CONVERSATION
- [ ] PER TELEPHONE CONVERSATION
- [ ] READ AND DESTROY
- [ ] RECOMMENDATION
- [ ] SEE ME
- [ ] SIGNATURE
- [ ] YOUR COMMENT
- [ ] YOUR INFORMATION
- [ ]

REMARKS

Attached is a copy of a letter to Congressman Philbin dispatched late today. Also attached is a copy of a letter to Mr. Solomon, State Department, that was also dispatched late today, with identical letters to: 1) Mr. J. Cordell Moore, Interior; 2) Mr. Lawrence C. McQuade, Commerce; 3) Mr. Merton J. Peck, CEA; 4) Mr. Thomas D. Morris, DoD; and 5) Honorable Farris Bryant, OEP.

Phil

FROM	CO	R1	R2	R3	R4	R5	R6	R7	R8	R9	R10

NAME AND/OR SYMBOL	BUILDING, ROOM, ETC.	
Mr. Harlan	GSA, Room 6001	
	TELEPHONE 183-4344	DATE 5-13-68

GPO : 1962 O—655346

GSA FORM 14 FEB 62

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forth in DMO 8600.1, provide in Sec. 3.n., for him to "authorize disposal of excess materials whenever possible under the following conditions: (a) avoidance of serious disruption of the usual markets of producers, processors, and consumers, (b) avoidance of adverse effects on the international interests of the United States, (c) due regard to the protection of the United States against avoidable loss, (d) avoidance of adverse effects upon

EXECUTIVE
LE/ND 4-3
ND 4-3
CM/Platinum
FG 240

(3)

GENERAL SERVICES ADMINISTRATION

FROM
THE DEPUTY ADMINISTRATOR

TO Hon. Ernest Goldstein

For your information

File Platinum

GSA-WASH DC 66-19983

May 14, 1968

by Mr. Lowry of Shell Chemical
ling representatives of the oil,
well as at least one producer-
n presented to Congressman
with Shell Chemical and is

w of the effects of the Williams
and the domestic platinum
le distribution on the Hill.
uld rather not have a bill
than to have one with the Williams amendment. They also do not feel they want to exert pressure on the Congress since they don't think they can get much support for opposing the Williams amendment on the floor of Congress.

John G. Harlan, Jr.

EXECUTIVE (4)
LE/ND 4-3
ND 4-3
FG 240

Monday, May 13, 1963
11:15 a.m.

MEMORANDUM FOR THE PRESIDENT

From: Ernest Goldstein

Mr. President:

Philbin

GSA reports that Congressman Philbin has asked for a statement concerning the impact of the Williams amendment on the stockpile bills.

John

GSA will tell the Congressman that the radical change caused by the Williams amendment requires the most careful research and examination. Therefore GSA is asking OEP, State, CEA, Budget, Treasury and Defense for their views.

In light of this development, it seems unnecessary to bring up the matter at this time in the leadership meeting.

Ernest Goldstein

bcc - Barefoot Sanders

gov't stockpile

file

gale/

EXECUTIVE

②

LE/ND 4-3

ND 4-3

THE WHITE HOUSE

WASHINGTON

May 6, 1968

(Platinum).

MEMO FOR: Ernie Goldstein

FROM : Barefoot Sanders

posed by
pile
s and sale

Please give me a very short briefing paper on the three stockpile bills for my use at the Leadership meeting tomorrow morning - the impact of the Williams amendment and what we want the House to do, and how we would like to finally end up.

John J.

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Senator Williams started out by attacking platinum H. R. 5789, and spread his attack to the other bills. H. R. 5789 is his real target, and logic and facts have proved no match for the Senator's desire to attack for the sake of attack.

Jake/

LE/ND4-3
ND 4-3
File

TO: Honorable Ernest E. Goldstein

FROM: Jim

DATE: May 2, 1968

As you requested, you will note that the arguments for and against vary as between the Administration bill and the bill incorporating the Williams Amendment. Perhaps the strongest argument against the amended bill are: (1) We would be obligated to sell to the highest responsible bidder without regard for the relationships between the actual value and the high bid. In other words, we read the Williams amendment to require acceptance of a high bid from a responsible bidder for platinum at - say - $75 per ounce even though the true value might be considerably higher.

(2) All material covered by the bills would have to be sold and could not be used to meet Government needs.

We see no relationship between action or inaction on these three bills and the nickel bill. No one has questioned the fact that the quantities of the materials covered by these bills are, in fact, excess; whereas, we understand that Senator Symington (and others) seriously question whether the 180 M pounds of nickel covered by H. R. 5786 are, in fact, excess to stockpile needs and, for that reason, has no intention of acting on the bill.

EXECUTIVE
LE/ND 4-3
ND 4-3

April 29, 1968
Monday - 4:30 p.m.

MEMORANDUM FOR THE PRESIDENT

FROM: Mike Manatos

I saw Senator Mansfield this morning and in the course of conversation we discussed the three stockpile bills which the Senate passed last week containing the Williams amendment on sales at public auction.

Mansfield is of the opinion that if we are to avoid floor speeches by John Williams which would be critical of the whole program, the wisest course of action would be for the House to accept the Senate action. In Mansfield's view any attempt to reach an agreement in conference which would permit other than competitive sealed bids (based on the contrary finding of the Administrator of GSA) would only be waving a red flag in the face of John Williams.

I shall take this matter up with Barefoot Sanders and Ernie Goldstein.

Copy for Ernie Goldstein

mm/ncsa

gah/EF MEMORANDUM

(18)

EXECUTIVE (3)

ND 4-3

LE/ND 4-3-1

ND 4-3-1

CM/Nickel

THE WHITE HOUSE

WASHINGTON

Thursday, April 25, 1968
10:00 a.m.

Rec'd 10^06 a

MEMORANDUM FOR THE PRESIDENT

Mr. President:

May I remind you that it is urgent that we get together on the stockpile issue.

The problem has grown somewhat larger because of a new push for moving on the nickel stockpile bill.

Ernest Goldstein

EXECUTIVE

ND 4-3

LE/ND 4-3-1

ND 4-3-1

CM/Nickel

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

Thursday, April 25, 1968
10:00 a.m.

MEMORANDUM FOR THE PRESIDENT

Mr. President:

May I remind you that it is *urgent* that we get together on the stockpile issue.

The problem has grown somewhat larger because of a new push for moving on the nickel stockpile bill.

Ernest Goldstein

gak/

EXECUTIVE
LE/ND 4-3
ND 4-3

Thursday, April 25, 1968
4:55 p.m.

MEMORANDUM FOR THE PRESIDENT

From: Ernest Goldstein

Mr. Presiddnt:

Ramsey called re stockpile bills.

Senator Mansfield is ill. Senator Byrd by error has set the stockpile bills for tomorrow.

Senator Williams has been notified.

Senator Byrd is willing to admit he goofed and to pull the bills back.

Senator Mansfield wants to let the bills go.

Senator Symington is waiting for instructions.

Ramsey and I recommend that you let the bills go.

I must call back very soon.

Ernest Goldstein

________ Let them go

________ Hold the bills

________ Call me

No copies to Central Files

gah/

(31

LE/ND 4-3
ND 4-3
FG 135

Wednesday, April 24, 1968
9:10 a.m.

MEMORANDUM FOR THE PRESIDENT

Mr. President:

Stuart

Immediately after the reception last night, I called Ramsey Clark. I asked Ramsey to call Senator Symington this morning to ask that action be suspended on the stockpile bills.

Ernest Goldstein

gale/

EXECUTIVE
LE/ND 4-3
ND 4-3
FG 135

Wednesday, April 24, 1968
12:50 p.m.

MEMORANDUM FOR THE PRESIDENT

Mr. President:

- Stuart

Ramsey called. He has talked to *Symington. Symington will try to hold the stockpile bills until Monday. Every effort will be made to avoid a "disturbance" arising by reason of the delay.

We should talk about this very soon.

Ernest Goldstein

No copies to Central Files

cc - Stockpile

EXECUTIVE
LE/ND4-3
ND4-3
CM/Platinum
FG240
FG135

ET

April 15, 1968

MEMORANDUM TO THE FILE

From: Ernest Goldstein

On Thursday, Aprill 11, I received a phone call from DeVier Pierson who said that he had been called by Joe Moody concerning the possibility that the platinum stockpile bill would come out on the enate floor that day with Senator Williams' amendment.

I asked DeVier why he got into the act since stockpile is not one of his problems. He siad that Moody had been instructed by Ramsey Clark.

I then called Moody concerning Pierson's statement and he said he was puzzled as to why the Attorney General suggested dealing with Pierson instead of me.

Moody further disclosed that there was a good chance that Senator Williams would use the bill again as a vehicle for mud-slinging and for an attack on the President. John J.

I then called Ramsey Clark who indicated he had some confusion as to the general state of facts, and he also apologized for not dealing with me directly.

I suggested to Ramsey that if we could not avoid having the bill come onto the floor, the least we could do was to explore any possibility to avoid further mud-slinging on the part of Senator Williams. I said that I could not in good conscience take a chance on further vilification of the President. I further renewed my suggestion of some weeks ago that we consider an attempt to have some of the people at Dupont talk to Senator Williams. The purpose of the talks would be to instruct the Senator to the facts, and thus hopefully make himrealize that villification was not called for. No effort would be made to dissuade him from his amendment.

Nothing else sent to
Central Files as of 11-8-68

jak/

(2)
LE/ND 4-3
ND 4-3
CM/Platinum

Monday, March 25, 1968
5:30 p.m.

MEMORANDUM FOR THE PRESIDENT

Mr. President:

I have just learned of your platinum talk last week with Joe Moody and Ramsey Clark.

While I agree with the decision to let the platinum bill gather dust, I would urge action to prevent Senator Williams from trotting out his platinum charges each time we try to move a stockpile bill through the Senate.

Every pending stockpile bill contains language authorizing disposal by negotiation or other means. This is the language Williams seeks to amend. In every case except platinum, we are willing to allow sealed bids, and the present language permits sealed bids.

What the Senator really needs is assurance on each remaining bill that we will sell by sealed bids.

Therefore, I recommend that we get word to Senator Williams in advance that we will handle the remaining stockpile sales, if authorized, by sealed bids.

Otherwise there is a risk that he will recite on platinum each time another stockpile bill is called up.

________ Tell GSA to advise Williams re other bills

________ Do nothing

________ Call me

Ernest Goldstein

EEG:cms

Ne cys Central file

MEMORANDUM ~~our file only~~ Central Files

Clamped

THE WHITE HOUSE

WASHINGTON

EXECUTIVE
ND4-3
MC

March 13, 1968
5:30 p.m.

MEMORANDUM FOR RECORDS

SUBJECT: March 12th Stockpile Meeting

Present at this meeting were E. Ernest Goldstein, Special Assistant to the President; Joe Moody, GSA; Mr. Peck, CEA; Tom Morris, DOD; John G. Harlan, Jr., of GSA; Governor Price Daniel of OEP; Mr. Katz of the Department of State, and an associate of his; Sam Hughes of Bureau of the Budget; and a representative of the Department of Commerce and the Department of Interior.

Governor Daniel states that he recommends the President consider areas outside the Western Hemisphere for access to the stockpiles if the Department of State concurs.

After considerable discussion, it was agreed that the projected duration of a possible war will be considered to be three years, rather than two, although the Joint Chiefs of Staff have gone on record as favoring two years. It was thought that this is not the appropriate time to bring about such a change.

Daniel suggested that the National Security Council (NSC) make the decision as to "free world accessibility" to the stockpiles. He further suggested that it might be well to get Congressmen and Senators to give their advice on this matter.

CEA is currently halfway through its study of how much of the stockpiles the civilian economy will need under war-time conditions. This study involves recomputing the gross national product, calculating the unemployment rate, and other factors under these conditions.

The Department of State is not yet ready to completely swing over to the "free world accessibility" idea.

OEP is also awaiting the civilian study being conducted by the Bureau of the Budget.

It was decided that this group will meet after the CEA report is ready and that we want to present a unified recommendation to the NSC.

Nothing else sent to
Central Files as of 4/7/68

Bill Blackburn

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

EXECUTIVE

March 13, 1968
5:30 p.m.

MEMORANDUM FOR RECORDS

SUBJECT: March 12th Stockpile Meeting

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It was decided that this group will meet after the CEA report is ready and that we want to present a unified recommendation to the NSC.

Bill Blackburn...

Nothing else sent to
Central Files as of ________

gak/

Tuesday, March 12, 1968
3:30 p.m.

MEMORANDUM FOR THE PRESIDENT

From: Ernest Goldstein

Mr. President:

The stockpile group met in my office this morning.

The conflicting views of Defense, OEP, CEA, State and Commerce concerning the criteria for establishing stockpile objectives are now being replaced by a consensus.

This exercise has been going on since I assumed responsibility for the stockpile. Our ultimate goal is to have a single Executive Branch view. In turn we hope that this view can be convincingly communicated to the Congressional Committees involved with stockpile disposal. At this time many legislators question our good faith in asking for disposal legislation. They believe that our objectives lack foundation and are designed solely to produce revenue at the expense of national security.

Later this month we expect to set out for your approval a plan for an exercise which will serve hopefully to convince key legislators of the logic of our objectives and the resultant stockpile surpluses.

Ernest Goldstein

No cys to C.F.

EXECUTIVE
LA6/Copper
ND 4-3
TA6/Copper
CM/Lead
CM/Zinc
FH 160
FH 155
FH 115

(13)

February 12, 1968

Mr. Charles A. Horsky
Covington & Burling
Union Trust Building
Washington, D. C.

Dear Charlie:

Many thanks for sending us a copy of the American Smelting and Refining Company memorandum on the copper strike. Harry McPherson passed it along to me.

We are, as we have been over the past several months, watching the copper situation closely. Secretarjes Wirtz and Trowbridge, as well as Secretary McNamara, are keeping a close eye on it. We appreciate having the information you submitted and I am passing it along to Secretary Wirtz.

With warm personal regards,

Sincerely,

/s/

Joseph A. Califano, Jr.
Special Assistant to the President

Anaconda Company

cc: Secretary Wirtz

Paul A. Barber
Simon D. Strauss
Robert B. Fulton

RECEIVED
FEB 1 3 1968
CENTRAL FILES

GENERAL SERVICES ADMINISTRATION

FROM
THE DEPUTY ADMINISTRATOR

TO Mr. Doblstein

These are the reports on the Williams - Platinum situation which we have submitted to Sanders on the dates indicated

GSA-WASH DC 66-19983

EXECUTIVE (5)
LE
FG 240
LE/ND 4-3
ND 4-3
CM/Platinum
HO1(A

February 9, 1968

Williams, John J.

...ers, Jr.

...ly report covering legis-
...ncern to the General
... week ending February 9,
1968.

Sincerely yours,

/S/ Robert T. Griffin

Robert T. Griffin
Assistant Administrator

Enclosure

gah/fyc

File
Stockpile

(2)

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

EXECUTIVE
ND 4-3
FG 115
FG 105

INSTALLATIONS AND LOGISTICS
WS

Honorable Anthony M. Solomon
Assistant Secretary of State for
Economic Affairs
State Department
Washington, D. C. 20520

17 JAN 1968

Dear Mr. Solomon:

At the stockpile meeting of January 9 you indicated that you could develop political and economic dependability factors for countries assumed to be accessible as wartime sources of strategic materials. These factors have been developed in recent years with respect to only the very limited list of countries presently considered by the Office of Emergency Planning to be accessible. Were this list to be substantially enlarged, as recommended by the Department of Defense, your evaluations would have to be broadened accordingly.

The last detailed accessibility guidance of the Department of Defense was contained in a letter of July 5, 1966 from the Assistant Secretary of Defense(Installations and Logistics) to the Director of the Office of Emergency Planning. A copy of that letter was included with the stockpile documents forwarded to you by Governor Daniel on January 4, 1968.

The Joint Chiefs of Staff are being requested to review this guidance and update it as appropriate. This review is expected to be completed before March 1, but in the interim you could use the July 5, 1966 guidance as a general indicator of the additional countries for which dependability factors would be needed.

Sincerely,

(Signed Thomas D. Morris)
THOMAS D. MORRIS
Assistant Secretary of Defense
(Installations and Logistics)

EXECUTIVE
LAb/Copper
CM/Copper
ND 4-3
LA
TA 4
FD 240
FG

9:30 p.m., Wednesday

January 10, 1968

FOR THE PRESIDENT

FROM Joe Califano

You asked that we outline your options on dealing with the copper dispute

Present Measures

Various measures to conserve copper are already in effect:

-- Export controls have been imposed.

-- GSA has directed all Government agencies to substitute other material for copper wherever possible.

-- Set asides have been established for defense-rated orders, and special provisions have been made to allocate existing copper supplies to particular parts of the defense industry that have been hit with shortages during the strike.

-- A contract was entered with the Duval Company to expand U. S. copper production by about 60,000 tons per year beginning in 1969.

There is nothing more that can be done short of invoking Taft-Hartley or making a stockpile release. There have been some proposals for you to create a special commission to attempt to mediate this dispute, but no one really thinks that this sort of action would be helpful given the bitter nature of the dispute.

Taft-Hartley

If a strike threatens the "national health or safety", a Taft-Hartley injunction can be ordered.

Nothing else sent to
Central Files as of 2/12/68
wR

gah/

Our files

EXECUTIVE
ND 4-3

January 9, 1968
5:20 p.m.

MEMORANDUM FOR RECORD

SUBJECT: January 9 Stockpile Meeting

At 11:30 a.m. the following met with E. Ernest Goldstein in his office: Charles Zwick, BOB; Governor Price Daniel, OEP; Tony Solomon, State; Tom Morris, DOD; Cordell Moore and Joseph McCaskill, Interior; Larry McQuade, Commerce; James Dusenberry, CEA; Joe Moody, GSA; and Bill Blackburn.

The stockpile objective papers which have been submitted to Governor Daniel have raised several areas for possible re-evaluation: (a) Should the duration of a future war be estimated at 2 or 3 years? (b) Should countries other than those contiguous to the United States be relied upon for stockpile materials during time of war, or, at any rate, should those outside the Western Hemisphere be so relied upon? (c) At what level should the civilian economy be expected to operate during this period with respect to the stockpile? (d) What will the effect of the war be on shipping? and, (e) How should concentrated areas of production be discounted, if at all, in factoring?

Tom Morris says that the Joint Chiefs of Staff and Secretary McNamara have, for some time, considered a two year projection for the war to be realistic. Governor Daniel indicated that both Governors Ellington and Bryant had been unable to get such a commitment from DOD and, therefore, OEP criteria still referred to three years. Goldstein suggested that this apparently was a breakdown in communications and should be readily resolved.

Goldstein called upon the group to take a thorough look at our objectives. If we are making mistakes, we should take steps to correct this and do the job properly. We should not go before the Congressional committees until such time as we are able to justify and defend our procedures and criteria.

Dusenberry pointed out that, from an economic standpoint, it would require some time to evaluate properly all the aspects of this problem and to project an economy for the hypothetical two year conflict. For example, one would have to consider such problems as what would a "fully employed economy" be and what should be the capital formation during this period.

Dusenberry suggested that within a month's time CEA might be able to come up with some suggestions, if the Department of Defense has already done some of the basic research necessary. Morris said that Defense was prepared on most of these issues.

Solomon pointed out that the actual details of what goes into the final product should not be revealed to the Congressional staffs. For example, we could get into trouble on the factoring percentages as to the political and economic stability of various countries.

Goldstein appointed Governor Daniel as coordinator between the various departments and agencies involved and asked that he evaluate what real differences there existed between the current criteria and suggested changes.

Dusenberry and Morris said they would get together on economic projections, and Solomon said he would handle the factoring when Defense indicated to him what sea lanes were critical during the war.

Mentioned several times was the credibility gap re stockpiling that the White House has with Congress. For example, Senator Russell insists that the White House juggles and manipulates the stockpiles at will with no real benefit to the economy.

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Goldstein appointed Governor Daniel as coordinator between the various departments and agencies involved and asked that he evaluate what real differences there existed between the current criteria and suggested changes.

Dusenberry and Morris said they would get together on economic projections, and Solomon said he would handle the factoring when Defense indicated to him what sea lanes were critical during the war.

Mentioned several times was the credibility gap re stockpiling that the White House has with Congress. For example, Senator Russell insists that the White House juggles and manipulates the stockpiles at will with no real benefit to the economy.

EXECUTIVE
ND4-3
FG155
CM/Copper
FG115
FG 135

(4)

ew

rec'd 1/5/68
Central Files

MEMORANDUM

TO : John W. Douglas
Assistant Attorney General

SUBJECT: Considerations on Copper

Views on substitutions in government procurement specifications

We have been informed by the Department of Defense that the potential savings in copper supplies based upon the use of substitute materials is extremely limited, and the Department of Defense adheres to the view that no more than 10 per cent of the total copper used by DOD could be conserved if specifications were changed. The conserved total would under these estimates not exceed 15,000 tons per year, based upon presently foreseeable needs.

The Department of Defense is now surveying the various services requesting their views on potential copper conservation measures and will inform the Office of the Assistant Secretary, Installations and Logistics, what actions are possible and what possible savings in copper might be involved if substitutions are made. DOD informed us that in the heavy copper use area, such as ammunition, no substitutions are possible.

General Services Administration reports that potential savings are not capable of being estimated until a full review of items is made and the effect of state and local regulations in the construction areas are assessed. Administrator Knott is meeting with his department heads this week to outline a survey and review program.

Information from the Mint

The Mint currently holds approximately 110,000 tons of copper out of the 150,000 tons made available to it from the national stockpile. It is estimated that this quantity will barely cover its projected needs for the next three years for the production of coins from 1 cent to 50 cents.

Filed by Califano's Office 1/5/68

(more)

Eight thousand tons of copper per year is used in the production of 1 cent coins. There is estimated to be 127,000 tons of copper 1 cent coins in circulation at the present time. The Mint pointed out that any change in coinage content requires Congressional approval. In addition, however, production problems in connection with pennies would be encountered if substitute materials were to be used.

Processing of scrap for defense purposes

Some of the 50,000 - 60,000 tons of copper-base scrap (conserved in this country because of the limitation placed on scrap exports for 1966) can be converted into refined copper at an additional cost of about $200 per ton. (The added cost would involve the subsidizing of the difference between 36¢ refined copper and the price of scrap plus approximately 5¢ refining charge).

This action by the Government would bring into the refined copper supply that portion of the available scrap which might otherwise be held from the market. This new supply of refined copper could be purchased by the U.S. Government for defense needs with Defense Production Act funds. If the total quantity were so subsidized the cost would be $10 to $12 millions per year. This is a potential source of a quickly available supply.

Domestic mine production

Domestic mine production of copper historically has responded to price increases by increasing by approximately the same proportion during time periods of one year or more in length. Normally a ten per cent increase in annual average price has been followed by approximately a ten per cent increase in annual output. This has been the experience with changes of annual data since 1957 except for the year 1959 (when output declined more than expected at the 1959 price).

Expansion

Government expansion contracts could be utilized to obtain higher output similar to those used in the Korean War and World War II. For example, if a ten per cent increase in realized price to producers of refined copper from domestic ore were attempted, it would cost around $50/ton on the average. (The highest contracts would be at

(more)

$72 ton or 3.6 cents a pound which would raise the maximum subsidized price to 39.6 cents). The increased domestic mine production would be about 10 per cent or around 135,000 tons per year would be produced if the contracts were written on a 5 to 15 year basis adequate to write off the investment. The 135,000 tons is approximately 5 per cent of U.S. consumption. At 7 years, as during the Korean War, this would obligate about $50,000,000.

General substitution

Past consumption and price patterns of copper and aluminum show that when the ratio of the annual average price of copper to that of aluminum rose 10 per cent, the ratio of annual apparent consumption of copper (divided by apparent consumption of aluminum) fell by about 10 per cent. This has been the case fairly clearly since 1957. Between 1950 and 1956 the ratio of consumption fell more in response to price ratio increases.

These annual ratios of statistics show how all business consumers as a whole have reacted. Before 1957 the advantages of aluminum not previously fully realized became better known. After 1957 improved technology of copper and aluminum have kept more closely apace, and the shift in relative consumption has been due primarily to change in relative prices.

A. B. Trowbridge

EXECUTIVE (4)
ND4-3
CM/Copper
ST51-2
CO49
TA4

cw/BB

rec'd 1/5/68

AGENDA FOR COPPER MEETING

1. Export Controls (Connor)
2. Zambia, Katanga Planning (Douglas)
3. Possible release of additional copper from stockpile (Ignatius, Fowler, Connor)
4. Expansion of production in Puerto Rico (Fowler)

Tighten Export Controls
Release of copper from stockpile re bill —
~~Expansion of~~
Can't be allowed to back off —

Chile Cuna

Substitution

Filed by Califano's Office 1/5/68

GENERAL SERVICES ADMINISTRATION

FROM
THE DEPUTY ADMINISTRATOR

TO Hon. Earnest Goldstein

For your information

J
1-4-68

file
Stockpile
drawers.

GSA-WASH DC 66-19983

gah/
LBJL

Office of the Attorney General **EXECUTIVE** (4)
ND 4-3
FG 135
FG 115
CM/Diamonds

To:	
A/D/	
For ☐ Action	For ☑ Info.
Prepare Reply for Signature of	
Furnish Copy of Reply to	
Copy also sent to	

January 2, 1968

Honorable Robert S. McNamara
Secretary of Defense
Washington, D. C.

Dear Bob,

We have discussed periodically the possible sale of 8.5 million carats of excess industrial diamonds. When I last wrote you on September 18, 1967, I expressed the view that sale to the de Beers syndicate would generate serious antitrust problems which should be carefully weighed against the benefits of such a transaction. In view of our current balance of payment efforts, I have re-examined the matter.

Additional legislation would be required to dispose of the entire 8.5 million carats during FY 1968. Under present law, GSA is authorized to dispose of only 1.8 million carats and the law provides that the time and method of disposition must be fixed with "due regard to the protection of the United States against avoidable loss and protection of producers, processors, and consumers against avoidable disruption of their usual markets." It is our present understanding that GSA has adopted a program, after consulting with the industry, under which annual disposal on the domestic market is limited to 90,000 carats. It is GSA's view that it would be necessary to secure the approval of the House Armed Services Subcommittee No. 1 if a disposition of 1.8 million carats were undertaken in a single year rather than over a 20 year period. In any event, it is clear that new legislation would be necessary to dispose of more than 1.8 million carats.

In view of the syndicate's monopoly position, we continue to feel that it would be desirable to explore the possibility of sale to parties other than de Beers. This would include sale to foreign governments, to private parties in the United States, and to private parties abroad--perhaps in the Antwerp market where American diamond merchants sell approximately 500,000 carats annually.

We should now consider the desirability of legislation for disposal of the excess 8.5 million carats. In the meantime, GSA can conduct explorations to determine if other purchasers are available.

At the same time, GSA might explore whether the syndicate would be willing to pay the going world market price ($13 per carat) for the entire U.S. excess capacity. Of the excess 8.5 million carats, approximately 75 percent, or 6.4 million carats, consists of tool stones. American consumption of this category is approximately 500,000 carats annually and world consumption is believed to be approximately 1 million carats. There is some doubt that the syndicate would be willing to pay the going world market price for merchandise it could sell only over a period of six to eight years.

We believe that exploration of these matters by GSA will provide information which is necessary in weighing the budgetary and balance of payments advantages against antitrust considerations.

Sincerely,

Attorney General

cc: Honorable Lawson B. Knott, Jr.
Administrator
General Services Administration

GENERAL SERVICES ADMINISTRATION

12-29-67

FROM
THE ADMINISTRATOR

EXECUTIVE
LE/ND 4-3
ND 4-3
CM/Molybdenum
FG 240

③

TO Ernie Goldstein

See pp 2128-9 of report of hearings.

J
12/29

GSA-WASH DC 62-15267

denum
posal Procedure

onsensus expressed by the industry at
e General Services Administration
of excess molybdenum, subject to
essentially the following manner:

a "off-the-shelf" basis at prices

in accordance with the markets
without disruption. Under present
s is now expected to take three or

(c) Priority would be given to holders of unsatisfied defense-rated orders. The filling of such orders would not be restricted by any other provision of this program;

(d) Sales would be restricted to (1) domestic producers or processors of molybdenum concentrates who would agree to resell the Government material, either in its present forms or after processing, for domestic consumption only, or (2) to domestic consumers of molybdenum who would certify they are not able to obtain all their molybdenum requirements from their regular sources of supply, and who would also certify they would either consume the material "as is" in their own domestic facility or arrange for processing into a usable

EF

EXECUTIVE

ND4-3
CM/Rubber
MC
PR11

(3)

December 28, 1967
1:00 p.m.

MEMORANDUM FOR WALT ROSTOW

Re: Stockpile

Further to my memo of yesterday. In talking with Marshall Wright this morning I learned that he had not advised of rubber stockpile developments since he had assumed that Ed Fried, by participating in my stockpile activities, was arranging for all cables to get to me. Obviously, this is not the case.

I now wonder what other traffic dealing with other stockpile commodities passes me by.

Is it possible to have a system that insures that I see what is relevant to this area of responsibility?

The problem may well exist in other areas of responsibility as well.

An initial effort ought to be made to provide what I have missed in the past several months. Marshall is doing that for rubber.

Ernest Goldstein

EEG:cms

Copies to CF

Mr. Goldstein

PLEASE ADMIT THE FOLLOWING FOR A MEETING TODAY BETWEEN 5:00 and 5:30 p.m.:

Peter Sternlight

~~Martin Richman~~

John Harlan

Frank Wozencraft

Stanley Nehmer

~~Saul Drimmer~~

Bob Barnett

Ed Getzin

George Jacobs

Joe Moody

Mr Dusenberry CEA

Ed Fried

Marshall Wright

Stan Ross

FROM: Ernest Goldstein

PLEASE ADMIT THE FOLLOWING THROUGH THE SOUTHWEST GATE TODAY AT 10:00 a.m.:

Stanley Nehmer Commerce

Saul Drimmer Commerce

Glen Gibson Day D –

Jack Harlan GSA

Bob Bar~~t~~lett

Ed Getzin

Bob ~~Duelning~~ Duemling

State

AT THE WEST BASEMENT AT 10:00

Carey Modlin CEA

Joe Moody GSA

AT 3:30 THE SOUTHWEST GATE

Assistant Attorney General Donald Turner

Mr. Zimmerman (his assistant)

Joe Moody GSA

Ed Fried Hum.

EOB

Stan Ross OBB

BW

c Files

EXECUTIVE
ND 4-3

December 28, 1967
1:00 p.m.

MEMORANDUM FOR WALT ROSTOW

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Ernest Goldstein

EEG:cms

original sent,

Nothing else sent to
Central Files as of 1/30/68
L.B.

Files CO333
(7) EXECUTIVE
ND 4-3
TR 126
FO 2/CO333
CM/Rubber

December 27, 1967
3:00 p.m.

MEMORANDUM FOR WALT ROSTOW

Walt,

Some time ago Ambassador Bell was supposed to propose to the Malaysians a new rubber stockpile deal. I have never seen the reply.

I understand that Razak spoke to the President during the Australian visit about World Bank financing of the stockpile sale.

I will be meeting my stockpile committee next week and it is essential that somehow I get word of what is going on.

Any clarification would be appreciated.

Ernest Goldstein

EEG:cms

Nothing else sent to Central Files as of 1/24/68 gak/gr

MEMORANDUM

Our file ①

THE WHITE HOUSE

WASHINGTON

EXECUTIVE

ND 4-3

CM/Diamonds

December 9, 1967

MEMORANDUM FOR RECORD

SUBJECT: December 7th Meeting -- Diamond Stockpile

Present at a 4:15 meeting in the office of E. Ernest Goldstein were Tony Solomon, Joe Moody, Stan Ross, Ed Fried, Stanley Nehmer, Bill Blackburn, and Goldstein.

Moody gave a background sketch on the peculiar status of the diamond stockpile. The syndicate, or cartel, so dominates the market that it is necessary to establish their position on the disposition of our stockpile before we can determine the best course of action to follow.

Solomon is bothered with the antitrust aspect of the situation and prefers an auction of the diamonds rather than selling them directly to the syndicate.

Stan Ross suggested a public corporation be formed to incorporate all the stockpile surpluses. Joe Moody pointed out that this had been suggested before and rejected.

It was agreed that Moody of GSA would go to London with a State Department representative and investigate the possibility of a sale on an auction basis in the open market. If we could not get agreement from the syndicate on this, we would have a case against them and then could go to Congress and ask for the necessary power to fight them on this point.

It was pointed out that industry is more concerned about domestic sale than foreign sale of the stockpile.

File

Dec 7

4 o'clock mtg - Diamonds

Moody
Solomon
Stanley Nehmer (McQuade's deputy)
Fried
Ross
Blackburn

~~S - for you in case you need diamond folder~~

Mr. Kline has added Mr. Henry Rothchild, Vice Pres. of Phillips Div of Englehardt for your 3 o'clock mtg, Dec 6. I'll clear him too.

MKT

EXECUTIVE
ND 4-3

THE WHITE HOUSE
WASHINGTON

December 1, 1967

MEMORANDUM FOR ERNEST GOLDSTEIN

Per our conversation this morning, the names of the gentlemen who will visit you to discuss commodity matters on Wednesday, December 6, at 3 P.M. are:

Mr. Lester Shapiro, Assistant to the Chairman, Englehardt Industries

Mr. Ludwig Jesselson, Executive Vice President, Philips Division, Englehardt Industries

Mr. James Feely, Vice President, Philips Division, Englehardt Industries

Thanks very much for your cooperation.

(Mr. Kline added - Mr. Henry Rothchild, VP, Philips Div, Englehardt)

Robert R. Klein

Bob Klein

all have been cleared.

EXECUTIVE
LE/ND 4-3
ND 4-3

December 18, 1967
1:00 p.m.

MEMORANDUM FOR MIKE MANATOS

The House has passed H. R. 5789, H. R. 5785 and H. R. 14367 -- all stockpile bills.

Will you lend a hand next session on these in the Senate.

Thanks,

Ernest Goldstein

gak/

~~Mr. Goldstein~~

file

(8)

EXECUTIVE
ND 4-3
FG 11-1
FG 11-6
FG 105
FG 115
FG 145
FG 155
FG 240
FG 11-3

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

December 1, 1967

MEMORANDUM FOR: HONORABLE CHARLES L. SCHULTZE
HONORABLE PRICE DANIEL
HONORABLE ANTHONY M. SOLOMON
HONORABLE THOMAS D. MORRIS
HONORABLE J. CORDELL MOORE
HONORABLE LAWRENCE C. McQUADE
HONORABLE JAMES S. DUSENBERRY
MR. JOE E. MOODY
MR. EDWARD R. FRIED
MR. JOHN G. HARLAN, JR.

At our meeting on Tuesday, December 5th, at 11:30 a.m., I hope that we can discuss the following items:

1. A new look at the criteria used in establishing objectives and a resultant new look at objectives.

2. Current Treasury ideas concerning disposal of its nickel supply.

3. Exploration by GSA and State Department representatives in London of the possibility of a sale of industrial diamond stones and bort to the diamond syndicate, or by auction. Foreign sales potential of other stockpile items will also be investigated.

4. The status of pending stockpile disposal legislation - with particular emphasis on the nickel bill.

Ernie

Ernest Goldstein

cc - Blackburn
Ross

November 28, 1967

MEMORANDUM FOR: HONORABLE CHARLES L. SCHULTZE
HONORABLE PRICE DANIEL
HONORABLE ANTHONY M. SOLOMON
HONORABLE THOMAS D. MORRIS
HONORABLE J. CORDELL MOORE
HONORABLE LAWRENCE C. McQUADE
MR. JAMES S. DUSENBERRY
MR. JOE E. MOODY
MR. EDWARD R. FRIED
MR. JOHN G. HARLAN, JR.

Beginning with Tuesday, December 5, at 11:30 a.m. we are going to have regular monthly meetings on stockpile. Copies of the agenda for the December 5 meeting will be sent along shortly.

Ernest Goldstein

Ross & Blackburn too

gaky fjc

EXECUTIVE
ND 4-3
FG 240
FG 11-6

(2)

GENERAL SERVICES ADMINISTRATION
WASHINGTON 20405
November 27, 1967

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR: Honorable E. Ernest Goldstein
Special Assistant to the President

SUBJECT : Stockpile

Pursuant to our telephone conversation of this afternoon, enclosed are:

1. A copy of the most recent OEP Stockpile Report to the Congress which lists, beginning on page 4, the materials in the Stockpile showing among other things the objective; total inventory; the quantity of the total which is excess; and the portion of excess remaining available for disposal.

2. A copy of our weekly report on Disposal of Excess Stockpile Materials No. 68-18, dated November 6, 1967. Since this report included the end of the month of October, we included in addition to our regular report a copy of our inventory report for the month of October. We do this at the end of each month. The information in this inventory report is much the same as that included in enclosure 1, above, except it is brought right up-to-date as of the end of each month.

In the Stockpile meetings, heretofore held weekly, it was our practice to use our weekly report for the prior week as the agenda for the meeting plus any special items which GSA or any other member wanted to raise. It is suggested that we continue the practice of relying on the weekly reports as the basic agenda which, pursuant to your request, we will supplement informally with other suggested items. Will it be satisfactory if I get these supplemental suggestions to you on the day before the meeting?

JEMoody

J. E. Moody
Deputy Administrator

Enclosures - 2

November 6, 1967

MEMORANDUM FOR: Honorable Joseph A. Califano, Jr.
Special Assistant to the President

SUBJECT : Weekly Report - Disposal of Excess Stockpile Materials, Fiscal Year 1968

Enclosed are six copies of our Report No. 68-18. In addition, we are enclosing copies of our Inventory Report for the month of October.

Summary of Market Situation and Stockpile Sales

With commercial markets for most major industrial raw materials in a state of oversupply, opportunities for stockpile sales remain extremely limited. As a result, despite our efforts to maximize disposals to the fullest extent possible within existing authorizations and program terms, volume of business remains relatively low.

Sales for the month of October totaled $13.401 million, bringing cumulative sales for the first four months of FY 1968 to $53.4 million. At the same time last fiscal year our sales had reached $155.2 million. The decline of $101.8 million in this year's sales is accounted for primarily by sharp reductions in disposals of aluminum, nickel, rubber, and tin.

Sale of Zinc to India

After several weeks of negotiation and consultation, we have now completed arrangements on the sale of $5 million of zinc (about 20,000 tons) to importers of the metal in India.

The sale was made possible through fine cooperation from the Agency for International Development as well as the major domestic zinc producers, with which we are required to consult under the restrictive legislative history of the disposal authorization.

Rubber

The rubber sales reported last week are a part of the 2,000 ton "loan" made against next quarter's allocation to satisfy an urgent need of the Government of Korea under the AID program. The transaction was approved by the Office of Emergency Planning and the other members of the Interagency Advisory Committee on Disposal of Natural Rubber.

Platinum

The dealer price of platinum edged higher last week, with asking prices reaching $192 per ounce, up $9 per ounce over the prior week's closing.

Trade sources indicate that the withdrawal of Russia as a seller for the past two months remains the dominant factor in the market. These sources state that the big imponderable is when, and at what price, Russia will reenter the market, and add that still higher dealer prices seem inevitable in the absence of additional material in the marketplace.

Silver

Bidding for silver in our November 3 sale continued strong, and we were able to make awards on 1,728,000 ounces, with a value of $3,170,457. Acceptable bid prices ranged from $1.8205 to $1.8550 per ounce, for an average recovery of $1.8348 per ounce.

Cumulative sales of silver to date amount to 29,043,201 troy ounces with a total value of $49,818,859, or an average recovery of $1.7153 per troy ounce. Of this sales total, $12.3 million represents the value in excess of the monetary value of $1.2929 per ounce, which will be deposited in Miscellaneous Receipts of the Treasury.

Lawson B. Knott, Jr.

Enclosures

NOTE:
Sales are reported on a contract commitment basis and inventories reflect uncommitted balances.

GENERAL SERVICES ADMINISTRATION
Disposal & Collection Activity - Strategic and Critical Materials - Fiscal Year 1968
Week Ending November 3, 1967
($ Millions)

		(1) Total Inventory		(2) Activity This Week Sales		Cash	(3) Cumulative Activity Fiscal Year 1968 Sales		Cash	(4) Estimates for Fiscal Year 1968 Sales		Cash
Commodity	Unit	Quantity	Value	Quantity	Value	Collec.	Quantity	Value	Collec.	Quantity	Commit.	Collec.
Aluminum	ST	1,497,567 1/	748.785	11	.005	0	41	.021	.138	(BEING DEVELOPED)		
Bismuth	LB	3,600,000	14.400	0	0	0	0	0	0			
Cadmium	LB	13,763,761	34.822	0	0	.005	23,800	.059	.144			
Chromite-Met.	SDT	5,561,141	309.387	0	0	.070	0	0	.555			
Cobalt	LB	95,345,386	159.853	55,066	.093	.039	1,390,898	2.343	1.961			
Columbium	LB	13,253,117	22.676	0	0	0	0	0	.131			
Copper	ST	260,594	195.445	0	0	.226	0	0	18.903			
Cordage Fiber, Abaca	LB	128,354,287	24.542	251,625	.030	.006	2,874,031	.360	.370			
Cordage Fiber, Sisal	LB	240,416,426	20.608	52,000	.004	.023	15,316,389	1.113	.533			
Diamond Stones	KT	25,525,872	355.329	0	0	0	0	0	0			
Lead	ST	1,206,170	337.758	1,908	.516	.029	6,132	1.720	1.001			
Magnesium	ST	145,000	92.800	0	0	0	0	0	.717			
Manganese-Met.	SDT	12,533,174	415.294	0	0	.095	276,996	7.386	1.108			
Mercury	FL	28,339	13.863	0	0	.062	2,632	1.289	1.857			
Molybdenum	LB	55,882,437	94.159	0	0	0	49,200	.087	.001			
Nickel	LB	100,000,000	93.065	0	0	.343	0	4.548	4.402			
Platinum	Tr.Oz.	450,000	49.725	0	0	0	0	0	0			
Rubber	LT	468,704	226.383	1,595	.443	.342	36,595	14.394	12.390			
Silver 2/	Tr.Oz.				.938	.725		12.269	9.969			
Tin	LT	261,146	900.854	70	.240	.127	1,065	3.646	4.856			
Tungsten	LB	188,250,698	516.247	0	0	.006	145,274	.382	3.930			
Vanadium	ST	5,472	26.546	0	0	0	0	0	0			
Zinc	ST	1,194,959	322.637	0	0	0	136	.038	0			
Miscellaneous	(See Attached)		1,402.541		.010	.232		5.797	3.418			
TOTAL			$6,377.719		$2.279	$2.330		$55.452	$66.384			
Silver, Fine 3/	Tr.Oz.			1,728,000	$3.170	$2.709	29,043,201	$49.819	$41.754			

1/ Includes 1,047,567 short tons committed for sale but undelivered under long term contracts with producers.
2/ Represents the portion of sales proceeds in excess of $1.2929 per ounce deposited to Miscellaneous Receipts.
3/ Represents all values covering sales of Treasury silver, including the portion deposited to Miscellaneous Receipts.

MISCELLANEOUS
($ Millions)

Commodity	Unit	(1) Total Inventory Quantity	(1) Total Inventory Value	(2) Activity This Week Sales Quantity	(2) Activity This Week Sales Value	(2) Activity This Week Cash Collec.	(3) Cumulative Activity Fiscal Year 1968 Sales Quantity	(3) Cumulative Activity Fiscal Year 1968 Sales Value	(3) Cumulative Activity Fiscal Year 1968 Cash Collec.	(4) Estimates for Fiscal Year 1968 Sales Quantity	(4) Estimates for Fiscal Year 1968 Sales Commit.	(4) Estimates for Fiscal Year 1968 Cash Collec.
Aluminum Oxide	ST	429,265	67.579	0	0	0	0	0	0			
Antimony	ST	50,712	44.033	0	0	0	15	.009	.009			
Asbestos-Amosite	ST	65,491	13.763	0	0	0	300	.053	0			
Asbestos-Chrysotile	ST	15,686	9.372	0	0	.008	52	.008	.016			
Asbestos-Crocidolite	ST	48,262	11.052	0	0	.005	100	.019	.019			
Bauxite, Refractory	LCT	173,916	7.305	0	0	.009	48,500	1.989	.241			
Beryl	ST	42,065	62.949	0	0	0	0	0	0			
Castor Oil	LB	109,432,222	20.357	0	0	.168	13,257,916	2.539	1.935			
Celestite	ST	41,079	.875	0	0	0	0	0	.026			
Chromite, Chemical Grade	SDT	1,059,302	27.252	0	0	0	0	0	0			
Colemanite	LDT	0	0	0	0	0	67,506	.625	0			
Corundum	ST	1,964	.255	0	0	0	0	0	0			
Diamond, Industrial Bort	KT	39,632,093	93.016	0	0	0	0	0	0			
Diamond Tools	PC	64,178	.770	0	0	0	0	0	0			
Fluorspar, Acid Grade	SDT	1,123,200	37.908	0	0	0	0	0	.136			
Lithium	LB	12,992,500	6.498	0	0	0	2,400	0	0			
Manganese, Battery Grade Synthetic Dioxide	SDT	24,823	12.164	0	0	0	0	0	0			
Manganese, Chemical Grade-Type A	SDT	146,914	13.012	0	0	0	0	0	0			
Manganese, Chemical Grade-Type B	SDT	100,838	5.042	0	0	0	0	0	0			

MISCELLANEOUS (Continued)
($ Millions)

Commodity	Unit	(1) Total Inventory Quantity	(1) Total Inventory Value	(2) Activity This Week Sales Quantity	(2) Activity This Week Sales Value	(2) Activity This Week Cash Collec.	(3) Cumulative Activity Fiscal Year 1968 Sales Quantity	(3) Cumulative Activity Fiscal Year 1968 Sales Value	(3) Cumulative Activity Fiscal Year 1968 Cash Collec.	(4) Estimates for Fiscal Year 1968 Sales Quantity	(4) Estimates for Fiscal Year 1968 Sales Commit.	(4) Estimates for Fiscal Year 1968 Cash Collec.
Mica (All types)	LB	71,640,217	152.696	0	0	0	6,187	.013	.016			
Quartz Crystals	LB	5,452,974	58.341	1,100	.007	0	8,349	.048	.043			
Quinine	OZ	3,548,135	5.411	0	0	0	0	0	0			
Rare Earths	SDT	15,788	7.105	0	0	0	0	0	0			
Shellac	LB	13,371,891	2.010	0	0	.007	57,237	.010	.068			
Thorium	LB	3,638,861	15.267	0	0	0	0	0	0			
Titanium	ST	29,731	71.827	0	0	0	.133	.279	.708			
Other			656.682		.003	.035		.205	.201			
TOTAL MISCELLANEOUS			$1,402.541		$.010	$.232		$5.797	$3.418			

NOTE:
Sales are reported on a contract commitment basis and inventories reflect uncommitted balances.

GENERAL SERVICES ADMINISTRATION
Inventory of Stockpile Materials
Month Ending October 31, 1967
($ Millions)

	Number Commodities	Value
Total Inventory	89	$6,378.826
Objective	77	3,109.760
Excess	71	3,269.066
Available for Sale	53	1,583.133
Pending - Congress	9	146.967
Unauthorized	31	1,538.966

Commodity	Unit	Monthly Sales Commitments		Total Inventory		Stockpile Objective	Total Excess		Available for Disposal	
		Quantity	Value	Quantity	Value	Quantity	Quantity	Value	Quantity	Value
Commodities having Stockpile Objectives										
Aluminum	ST	0	0	1,497,578	748.790	450,000	1,047,578 1/	523.790	1,047,578 1/	523.790
Aluminum Oxide	ST	0	0	429,265	67.579	300,000	129,265	17.871	129,265	17.871
Antimony, Metal	ST	0	0	50,712	44.033	25,500	25,212	21.738	2,628	2.260
Asbestos, Amosite	ST	0	0	65,491	13.763	40,000	25,491 2/	5.363	14,301	3.013
Asbestos, Chrysotile	ST	0	0	15,686	9.372	13,700	4,731 2/	.905	1,884	.321
Bauxite, Metal Grade Jamaica Type	LDT	0	0	8,858,881	103.117	5,000,000	3,858,881	44.917	714,000	8.311
Bauxite, Metal Grade, Surinam Type	LDT	0	0	7,889,967	121.111	5,300,000	2,589,967	39.756	0	0
Bauxite Refractory Grade	LCT	0	0	173,916	7.305	173,000	916	.039	916	.039
Beryl	ST	0	0	42,065	62.949	28,000	14,065	17.431	(9,888)	(3.000) 4/
Bismuth	LB	0	0	3,600,000	14.400	2,400,000	1,200,000	4.800	(1,200,000)	(4.800) 4/
Cadmium	LB	1,800	.005	13,763,761	34.822	5,100,000	8,663,761	21.919	3,592,292	9.089
Castor Oil	LB	6,608,493	1.355	109,432,222	20.357	22,000,000	87,432,222	15.226	41,045,602	6.926
									(46,000,000)	(8.300) 4/
Celestite	ST	0	0	41,079	.875	10,300	30,779	.504	28,811	.432
Chromite, Chemical Grade	SDT	0	0	1,059,302	27.252	600,000	459,302	11.829	116,458	2.053
Chromite, Metallurgical Grade	SDT	0	0	5,561,141	309.387	2,970,000	2,594,722	185.688	1,176,914	14.548
Chromite, Refractory Grade	SDT	0	0	1,426,671	21.671	1,425,000	1,671 2/	.025	0	0
Cobalt	LB	298,760	.504	95,365,499	159.887	42,000,000	53,365,499	89.504	18,230,237	30.624
Columbium	LB	0	0	13,253,117	22.676	1,176,000	12,781,073	20.653	5,383,746	8.452
Copper	ST	0	0	260,594	195.445	775,000	0	0	0	0
Cordage Fiber, Abaca	LB	526,700	.062	128,605,912	24.572	50,000,000	78,605,912	15.072	78,605,912	15.072
Cordage Fiber, Sisal	LB	3,914,000	.293	240,468,426	20.612	200,000,000	40,468,426	3.612	40,468,426	3.612
Corundum	ST	0	0	1,964	.255	2,500	1,952 2/	.254	(1,952)	(.254) 4/

Commodity	Unit	Monthly Sales Commitments Quantity	Monthly Sales Commitments Value	Total Inventory Quantity	Total Inventory Value	Stockpile Objective Quantity	Total Excess Quantity	Total Excess Value	Available for Disposal Quantity	Available for Disposal Value
Diamond Dies, Small	PC	0	0	13,696	.527	25,000	0	0	0	0
Diamond, Industrial Crushing Bort	KT	0	0	39,632,093	93.016	24,700,000	14,932,093	35.046	0	0
Diamond, Industrial Stones	KT	0	0	25,525,872	355.329	16,500,000	9,025,872	121.849	1,800,000	24.678
Feathers & Down Waterfowl	LB	0	0	3,000,000	11.400	3,000,000	0	0	0	0
Fluorspar, Acid Grade	SDT	0	0	1,123,200	37.908	890,000	233,200	7.648	6,067	.225
Fluorspar Metallurgical Grade	SDT	0	0	412,243	15.665	850,000	0	0	0	0
Graphite, Natural Ceylon, amorphous lump	ST	0	0	5,886	1.314	5,500	386	.086	0	0
Graphite, Natural Malagasy, crystalline	ST	50	.006	33,344	3.783	18,800	15,344	1,764	15,344	1.764
Graphite, Natural other than C&M crystalline	ST	0	0	4,810	.674	2,800	2,010	.282	2,010	.282
Iodine	LB	0	0	7,105,615	8.385	8,000,000	0	0	0	0
Jewel Bearings	PC	0	0	54,427,169	22.859	57,500,000	14,726,698 2/	6.185	0	0
Kyanite-Mullite	SDT	0	0	4,800	.559	4,800	0	0	0	0
Lead	ST	1,864	.516	1,208,078	338.274	0	1,208,078	338.274	79,781	22.350
Magnesium	ST	0	0	145,000	92.800	90,000	55,000	35.200	(55,000)	(35.200) 4/
Manganese, Battery Grade, natural ore	SDT	0	0	308,839	21.927	80,000	228,839	16.247	0	0
Manganese, Battery Grade Grade, Synthetic dioxide	SDT	0	0	24,823	12.164	6,700	18,123	8.881	18,123	8.881
Manganese Ore, Chemical Grade, Type A	SDT	0	0	146,914	13.012	68,500	78,414	6.945	0	0
Manganese Ore, Chemical Grade, Type B	SDT	0	0	100,838	5.042	64,000	36,838	1.842	0	0
Manganese, Metallurgical Grade	SDT	16,241	.285	12,533,174	415.294	7,900,000	4,858,175	174.210	3,052,711	62.654
Mercury	FL	0	0	200,365	97.878	200,000	365	.178	0	0
Mica, Muscovite Block Stained & Better	LB	0	0	15,455,204	65.517	6,564,750	8,890,454	25.869	7,297,845	21.089
Mica, Muscovite Film, 1st & 2nd qualities	LB	0	0	1,441,670	16.300	2,000,000	6,420	.006	6,420	.006

Commodity	Unit	Monthly Sales Commitments Quantity	Monthly Sales Commitments Value	Total Inventory Quantity	Total Inventory Value	Stockpile Objective Quantity	Total Excess Quantity	Total Excess Value	Available for Disposal Quantity	Available for Disposal Value
Mica, Muscovite Splittings	LB	0	0	44,656,023	53.586	22,200,000	22,456,023	26.945	22,456,023	26.945
Mica, Phlogopite Block	LB	0	0	223,239	.061	17,000	206,520 2/	.041	206,520	.041
Mica, Phlogopite Splittings	LB	0	0	5,047,479	8.096	1,300,000	3,747,479	6.016	3,747,479	6.016
Molybdenum	LB	0	0	55,882,437	94.159	40,000,000	15,882,437	25.709	704,972	1.142
									(15,000,000)	(23.767) 4/
Nickel	LB	0	0	100,000,000	93.065	40,000,000	60,000,000	55.500	0	0
									(60,000,000)	(55.500) 4/
Opium, morphine cont.	Av.LB	0	0	143,000	19.208	143,000	0	0	0	0
Platinum Group Metals, Iridium	Tr.Oz.	0	0	14,111	2.646	17,000	0	0	0	0
Platinum Group Metals, Palladium	Tr.Oz.	0	0	850,052	32.302	1,300,000	0	0	0	0
Platinum Group Metals, Platinum	Tr.Oz.	0	0	450,000	49.725	335,000	115,000	12.708	(115,000)	(12.708) 4/
Pyrethrum	LB	0	0	67,044	.758	25,000	0	0	0	0
Quartz Crystal	LB	0	0	5,454,074	58.348	650,000	4,804,074	50.788	4,804,074	50.788
Quinidine	Oz.	0	0	1,600,438	4.361	2,000,000	0	0	0	0
Quinine	Oz.	0	0	3,548,135	5.411	4,130,000	0	0	0	0
Rare Earths	SDT	0	0	15,788	7.105	3,000	12,788	5.755	(7,640)	(3.438) 4/
Rubber	LT	16,109	6.066	470,299	226.826	130,000	340,299	164.582	340,299	164.582
Rutile	SDT	0	0	47,617	5.714	200,000	0	0	0	0
Sapphire & Ruby	KT	0	0	16,308,797	.179	18,000,000	0	0	0	0
Selenium	LB	0	0	403,702	1.817	475,000	0	0	0	0
Shellac	LB	0	0	13,371,891	2.010	8,300,000	5,071,891	.558	5,071,891	.558
Silicon Carbide, Crude	ST	0	0	196,453	43.023	30,000	166,453	36.453	0	0
Silver, Fine	Tr.Oz.	0	0	0	0	165,000,000	0	0	0	0
Sperm Oil	LB	0	0	23,481,738	3.757	23,400,000	0	0	0	0
Talc, Steatite Block and Lump	ST	0	0	1,244	.405	200	1,044	.339	1,044	.339
Tantalum	LB	0	0	3,400,000 3/	50.222	3,400,000	0	0	0	0
Thorium	LB	0	0	3,638,861	15.267	500,000	3,138,861	13.170	3,138,861	13.170
Tin	LT	205	.702	261,166	900.922	200,000	61,166	211.002	61,166	211.002
Titanium Sponge	ST	12	.025	29,731	71.827	37,500	2/ 9,231	21.538	9,231	21.538
Tungsten	LB	25,000	.063	188,250,698	516.247	44,000,000	146,630,248	397.183	62,994,512	170.727

Commodity	Unit	Monthly Sales Commitments Quantity	Monthly Sales Commitments Value	Total Inventory Quantity	Total Inventory Value	Stockpile Objective Quantity	Total Excess Quantity	Total Excess Value	Available for Disposal Quantity	Available for Disposal Value
Vanadium	ST	0	0	5,472	26.546	1,500	3,972	17.318	3,972	17.318
Vegetable Tannin Extract Chestnut	LT	0	0	33,526	6.705	15,000	18,526	3.705	18,526	3.705
Vegetable Tannin Extract, Quebracho	LT	18	.003	195,693	39.453	86,000	109,693	22.115	109,693	22.115
Vegetable Tannin Extract, Wattle	LT	0	0	38,915	7.745	15,000	23,915	4.760	23,915	4.760
Zinc	ST	21	.006	1,194,959	322.637	0	1,194,959	322.637	118,446	31.979
Total-Commodities with Objectives			$9.891		$6,329.990			$3,220.230		$1,535.067
Commodities having no Stockpile Objectives										
Asbestos, Crocidolite	ST	0	0	48,262	11.052	-	48,262	11.052	48,262	11.052
Diamond Tools	PC	0	0	64,178	.770	-	64,178	.770	0	0
Mica, Muscovite block, Stained B & Lower	LB	0	0	4,320,202	8.640	-	4,320,202	8.640	4,320,202	8.640
Mica, Muscovite Film Third Quality	LB	0	0	496,400	.496	-	496,400	.496	496,400	.496
Platinum Group Metals, Ruthenium	Tr.Oz.	100	.004	12,000	.722	-	12,000	.722	12,000	.722
Talc, Steatite, Ground	ST	0	0	3,900	.021	-	3,900	.021	3,900	.021
Thorium Residue	LB	0	0	839,079	.025	-	839,079	.025	839,079	.025
Zirconium Ore, Baddeleyite	SDT	0	0	16,514	.747	-	16,514	.747	16,514	.747
Zirconium Ore, Zircon	SDT	0	0	1,721	.002	-	1,721	.002	1,721	.002
Total-Commodities with no Objectives			$.004		$22.475			$22.475		$21.705

Commodity	Unit	Monthly Sales Commitments Quantity	Monthly Sales Commitments Value	Total Inventory Quantity	Total Inventory Value	Stockpile Objective Quantity	Total Excess Quantity	Total Excess Value	Available for Disposal Quantity	Available for Disposal Value
Other Inventories										
Bauxite	LDT	0	0	1,320,000	6.000	-	1,320,000 1/	6.000	1,320,000 1/	6.000
Lithium	LB	0	0	12,992,500	6.498	-	12,992,500	6.498	12,992,500	6.498
Mercury	FL	226	.110	28,339	13.863	-	28,339	13.863	28,339	13.863
Silver 5/	Tr.Oz.		3.396							
Total-Other Inventories			$3.506		$ 26.361			$ 26.361		$ 26.361
Grand Total			$13.401		$6,378.826			$3,269.066		$1,583.133
Silver, Fine 6/	Tr.Oz.	7,303,125	$12.838							

1/ Committed for sale but undelivered under long term contracts.
2/ Excess represents non-stockpile quality material not held for objective.
3/ Takes into consideration materials required in upgrading.
4/ Section 5 or Legislation required. Quantity and value of excess for which legislation is being requested is shown in parenthesis.
5/ Represents the portion of sales proceeds in excess of $1.2929 per ounce deposited to Miscellaneous Receipts.
6/ Represents all values covering sales of Treasury silver, including the portion deposited to Miscellaneous Receipts.

Units of Measure

FL - Flasks
KT - Carats
LB - Pounds
LCT - Long Calcined Tons
LDT - Long Dry Tons
LT - Long Tons
OZ - Ounces
PC - Pieces
SDT - Short Dry Tons
ST - Short Tons
Tr.Oz. - Troy Ounces

OFFICE OF EMERGENCY PLANNING

EXECUTIVE OFFICE OF THE PRESIDENT

STOCKPILE REPORT

TO THE CONGRESS

JANUARY - JUNE 1967

STOCKPILE REPORT
to the Congress

JANUARY - JUNE 1967

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON, D. C. 20504

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OFFICE OF THE DIRECTOR

October 5, 1967

Honorable Hubert H. Humphrey
President of the Senate

Honorable John W. McCormack
Speaker of the House of Representatives

Sirs:

Pursuant to Section 4 of the Strategic and Critical Materials Stock Piling Act, Public Law 520, 79th Congress, there is presented herewith the semiannual report to the Congress on the strategic and critical materials stockpiling program for the period January 1 to June 30, 1967.

A statistical supplement to this report was transmitted to you on September 19, 1967.

Sincerely,

Farris Bryant
Director

CONTENTS

SUMMARY

This report covers the principal activities in stockpile planning and management carried out during January 1 through June 30, 1967, under the provisions of Public Law 520 (79th Congress), the Strategic and Critical Materials Stock Piling Act.

Strategic materials on hand in all Government inventories as of June 30, 1967, amounted to $6.9 billion at acquisition cost and $6.5 billion at estimated market value. Of the total materials in Government inventories, $3.8 billion at cost and $3.3 billion at estimated market value are considered to be in excess of stockpile objectives. Comparison of the estimated market value of the objectives established and the extent to which materials on hand in all Government inventories meet these objectives are shown in the bar chart on page 3.

Cumulative sales commitments by the General Services Administration for the disposal of surplus materials as of June 30, 1967, totaled approximately $2.7 billion at sales value. Disposal sales commitments during January-June 1967 totaled $262.2 million, a slight increase above the $204.7 million in sales during the preceding six months but less than half the record sales of $582.2 million during January-June 1966. (See Figures 1 and 2, page 12)

INTRODUCTION

SUPPLY-REQUIREMENTS STUDIES

In order to assure that up-to-date supply and requirements data are reflected in the National Stockpile objectives, the Office of Emergency Planning maintains close surveillance over the individual materials that are stockpiled and initiates new supply-requirements analyses whenever reviews indicate that the status of a particular material has substantially changed or will change in the future. In January 1967, OEP completed a number of such special analyses. As indicated in the previous report, these new studies resulted in the establishment of revised conventional war stockpile objectives for nine materials—bismuth, feathers and down, magnesium, molybdenum, nickel, platinum, rutile, titanium, and vanadium.

In addition to special studies, OEP is currently engaged in one of its periodic analyses of the supply-requirements status for all stockpiled materials under conventional war emergency assumptions. A substantial portion of these studies is expected to be completed, and revised objectives will, where found to be necessary, be established by the end of 1967.

Stockpile objectives for nuclear war were announced by OEP in early January 1967. The nuclear war objectives represented the culmination of three years of study and involved the cooperation of approximately 30 Federal departments and agencies. Th results disclosed that nuclear war objectives for strategic materials were less than or identical to the objectives for conventional war, with the exception of morphine sulfate where the nuclear objective was higher. Morphine sulfate is an upgraded form of opium and is highly regarded as a pain killer. The stockpile objectives set for conventional war, therefore, are controlling, except in the case of morphine sulfate.

In carrying out the nuclear war analyses, OEP developed new techniques for determining the goals that would be set for the various sectors of the economy and for computing the requirements for individual materials. The Inter-Industry Study of the American Economy, completed by the Office of Business Economics, Department of Commerce, in November 1964 and new data on the use of materials were important factors in the study.

The techniques and methodology developed for this study are being used in other studies of emergency period requirements. For example, the Department of Transportation, with OEP assistance, is using them in study of transportation requirements that would have to be met in emergency periods. BDSA and OEP are also using them in supply-requirements analyses for conventional war.

SUMMARY OF GOVERNMENT INVENTORIES OF STRATEGIC AND CRITICAL MATERIALS

As of June 30, 1967, the strategic materials held in all Government inventories amounted to $6.9 billion at acquisition cost and $6.5 billion at estimated market value. Of this total, $4.5 billion at cost was in the National Stockpile, $1.4 billion in the Supplemental Stockpile, $1.0 billion in the Defense Production Act inventory, and $7.3 million in the Commodity Credit Corporation inventory. Of the total materials in Government inventories, approximately $3.8 billion at cost and $3.3 billion at estimated market value are considered to be in excess of stockpile objectives. Over 83 percent of the market value of the total excess is made up of 12 materials consisting of aluminum, bauxite (Jamaica and Surinam), metallurgical grade chromite, cobalt, industrial diamond stones, lead, metallurgical grade manganese, nickel, rubber, tin, tungsten, and zinc.

The following table is a summary of the total value of all materials carried in Government inventories, including those with quantities in excess of determined stockpile objectives. It indicates the acquisition cost and estimated market value of materials with inventories meeting stockpile objectives, and materials with inventories excess to stockpile objectives.

SUMMARY OF GOVERNMENT INVENTORIES OF STRATEGIC AND CRITICAL MATERIALS

June 30, 1967

	Acquisition Cost	Market Value [1]
I. Total Inventories		
National Stockpile	$4,463,807,100	$4,572,374,300
Supplemental Stockpile	1,435,517,700	1,329,698,100
Defense Production Act	1,029,729,300	612,824,500
Commodity Credit Corporation	7,266,600	7,915,700
Total on Hand	6,936,320,700	6,522,812,600
On Order	26,396,600	27,094,200
II. Inventories Within Objective		
Total on Hand	3,116,264,000	3,177,237,100
III. Inventories Excess to Objective		
Total on Hand	3,820,056,700	3,345,575,500

[1] Market values are computed from prices at which similar materials are being traded currently; or, in the absence of current trading, an estimate of the price which would prevail in commercial markets. The market values are generally unadjusted for normal premiums and discounts relating to contained qualities. The market values do not necessarily reflect the amount that would be realized at time of sale.

Source: General Services Administration

STATUS OF STOCKPILE OBJECTIVES

The bar chart below shows the estimated market value of the objectives established and the extent to which materials on hand in all Government inventories (National Stockpile, Supplemental Stockpile, DPA, and CCC) meet these objectives. The figures do not include the quantities on hand in all Government inventories which are in excess of stockpile objectives ($3.3 billion).

STATUS OF STOCKPILE OBJECTIVES

AS OF JUNE 30, 1967

(In Billions of Dollars)

Inventories, including objectives, and balance of disposal authorizations, for each material on the Strategic and Critical Materials List are shown in the following summary. As of June 30, 1967, total quantities of stockpile grade materials on hand and on order for all Government-owned inventories are in excess or equal to the stockpile objectives for 65 of the 77 basic materials on the List of Strategic and Critical Materials for Stockpiling. In addition to the specification grade materials, Government inventories contain nonspecification grades not credited to stockpile objectives. Most of the nonspecification grade materials in the National Stockpile were acquired by the transfer of Government-owned surpluses to the stockpile after World War II while others were accepted as contract termination inventories. Several were of specification grade when acquired but no longer qualify due to changes in industry practices and other technological advances. Disposal action for practically all excesses shown in the following summary has been authorized by the Congress or in the case of DPA materials by the OEP. There are, however, a few materials for which disposal was deferred pending new supply-requirements studies or improvement in market conditions. Certain technologically obsolete grades of materials now in inventory will be transferred to the disposal list as soon as new acquisitions are made of currently standard qualities. Inventory changes during the report period were due primarily to disposals, or to reclassification and other adjustments in the inventories.

SUMMARY OF GOVERNMENT INVENTORIES, OBJECTIVES, EXCESSES AND BALANCE OF DISPOSAL AUTHORIZATIONS

Basic Stockpile Materials

As of June 30, 1967

(Market Value—$ Millions)

Commodity	Unit	Objective	Total Inventory [1,2]	Market Value	Excess [2]	Market Value	Balance of Disposal Authorization
1. Aluminum	ST	450,000	1,501,875	$750.9	1,051,875	$525.9	1,047,609 [3]
2. Aluminum oxide, fused	ST	300,000	429,265	67.6	129,265	17.9	129,265
3. Antimony	ST	25,500	49,390	42.9	23,890 [4]	20.4	2,638
4. Asbestos, amosite..	ST	40,000	65,841	13.8	25,841	5.4	14,601
5. Asbestos, chrysotile	ST	13,700	15,738	9.8	5,282 [4]	1.4	1,936
6. Bauxite, metal, Jamaica	LDT	5,000,000	8,858,881	103.1	3,858,881 [5]	44.9	714,000
7. Bauxite, metal, Surinam	LDT	5,300,000	7,889,967	121.1	2,589,967 [5]	39.8	0
8. Bauxite, refractory	LCT	173,000	236,258	9.9	63,258	2.7	49,416
9. Beryl	ST	28,000	48,926	61.6	17,309 [6]	8.9	0
10. Bismuth	LB	2,400,000	3,812,315	15.2	1,412,315 [5]	5.6	0
11. Cadmium	LB	5,100,000	13,865,532	35.1	8,765,532 [7]	22.2	3,616,092
12. Castor oil	LB	22,000,000	128,356,509	19.7	106,356,509 [8]	15.3	54,303,518
13. Celestite	ST	10,300	47,325	1.1	37,025	.7	28,811
14. Chromite, chemical	SDT	600,000	1,059,301	27.3	459,301 [9]	11.8	116,458
15. Chromite, metallurgical ...	SDT	2,970,000	6,177,912	318.0	3,207,912 [10]	193.9	1,170,617
16. Chromite, refractory	SDT	1,425,000	1,426,671	21.7	1,671	.03	0
17. Cobalt	LB	42,000,000	97,163,883	163.0	55,163,883 [8]	92.6	19,601,022
18. Columbium	LB	1,176,000	13,305,693	22.8	12,129,693 [6]	20.7	5,383,746
19. Copper	ST	775,000	315,458	246.1	0	0	0
20. Cordage fiber, abaca	LB	50,000,000	132,757,025	25.2	82,757,025	15.7	81,235,343
21. Cordage fiber, sisal	LB	200,000,000	258,811,353	22.0	58,811,353	5.0	55,725,607
22. Corundum	ST	2,500	1,964	.2	1,952 [4]	.2	0
23. Diamond dies, small	PC	25,000	14,993	.6	442 [11]	.02	0
24. Diamond, industrial bort ..	KT	24,700,000	39,632,093	93.0	14,932,093 [12]	35.2	0
25. Diamond, industrial stones.	KT	16,500,000	25,525,872	355.3	9,025,872 [10]	121.8	1,800,000
26. Feathers and down	LB	3,000,000	4,773,133	14.3	1,773,133	2.9	0
27. Fluorspar, acid grade	SDT	540,000	1,147,847	38.7	257,847 [10, 13]	8.5	6,067

Commodity	Unit	Objective	Total Inventory [1,2]	Market Value	Excess [2]	Market Value	Balance of Disposal Authorization
28. Fluorspar, metallurgical	SDT	850,000	412,243	$ 15.7	0	$ 0	0
29. Graphite, natural, Ceylon	ST	5,500	5,886	1.3	386 [11]	.09	0
30. Graphite, natural, Malagasy	ST	18,000	33,777	3.8	15,777	1.8	15,394
31. Graphite, other ...	ST	2,800	4,901	1.2	2,101	.5	2,009
32. Iodine	LB	8,000,000	7,105,815	8.4	0	0	0
33. Jewel bearings ...	PC	57,500,000	54,427,169	22.8	14,726,698 [14]	6.2	0
34. Kyanite, Mullite ..	SDT	4,800	6,244	.7	1,444	.1	0
35. Lead	ST	0	1,202,136	336.6	1,202,136 [4]	336.6	84,005
36. Magnesium	ST	90,000	146,140	93.5	56,140 [5]	35.9	0
37. Manganese, battery, natural	SDT	80,000	308,839	21.9	228,839 [4]	16.2	0
38. Manganese, battery, synthetic dioxide	SDT	6,700	24,824	12.2	18,124	8.9	18,122
39. Manganese ore, chemical A	SDT	68,500	146,914	13.0	78,414 [4]	6.9	0
40. Manganese ore, chemical B	SDT	64,000	100,838	5.0	36,838 [4]	1.8	0
41. Manganese, metallurgical ...	SDT	7,900,000	13,026,489	428.9	5,126,489 [15]	184.2	3,329,707
42. Mercury	FL	200,000	200,365	97.9	365 [11]	.2	0
43. Mica, muscovite block St./ Better	LB	6,000,000	15,455,526	65.5	8,890,776 [16]	25.9	7,298,032
44. Mica, muscovite film, 1 & 2 quality	LB	2,000,000	1,441,670	16.3	6,420	.006	6,420
45. Mica, muscovite splittings	LB	22,200,000	44,664,023	53.6	22,464,023	27.0	22,462,023
46. Mica, phlogopite block	LB	17,000	223,239	.06	206,520	.04	206,520
47. Mica, phlogopite splittings	LB	1,300,000	5,047,103	8.1	3,747,103	6.0	3,747,479
48. Molybdenum	LB	40,000,000	58,693,128	99.1	18,693,128 [5]	31.7	752,058
49. Nickel	ST	20,000	78,316	133.7	58,316 [5]	99.6	0
50. Opium	AVLB	143,000	164,062	16.6	21,062	2.6	0
51. Platinum group, iridium	TrOz	17,000	14,111	2.6	174 [17]	.03	0
52. Platinum group, palladium	TrOz	1,300,000	850,052	32.3	6,395 [17]	.2	0
53. Platinum group, platinum	TrOz	335,000	450,091	49.7	115,091 [5]	12.7	0
54. Pyrethrum	LB	25,000	67,044	.8	42,044 [7]	.5	0
55. Quartz crystals ...	LB	650,000	5,463,426	58.0	4,813,426	50.5	4,811,323
56. Quinidine	OZ	2,000,000	1,600,438	4.4	0	0	0

Commodity	Unit	Objective	Total Inventory [1,2]	Market Value	Excess [2]	Market Value	Balance of Disposal Authorization
57. Quinine	OZ	4,130,000	3,548,135	$ 5.4	0	$ 0	0
58. Rare earths	SDT	3,000	15,788	7.1	12,788 [18]	5.8	0
59. Rubber	LT	130,000	528,171	252.9	398,171	190.6	375,299
60. Rutile	SDT	200,000	47,617	5.7	0	0	0
61. Sapphire and Ruby	KT	18,000,000	16,308,797	.2	0	0	0
62. Selenium	LB	475,000	403,702	1.8	0	0	0
63. Shellac	LB	8,300,000	14,114,089	2.1	6,420,126	.7	5,129,128
64. Silicon carbide crude	ST	30,000	196,453	43.0	166,453 [4]	36.5	0
65. Silver	FineTrOz	165,000,000	[19]				
66. Sperm oil	LB	23,400,000	23,481,738	3.8	81,738 [7]	.01	0
67. Talc, steatite block & lump	ST	200	1,254	.4	1,054	.3	1,048
68. Tantalum	LB	3,400,000	3,990,905	50.6	[20]	0	0
69. Thorium oxide	LB	500,000	500,000 [21]	0	0	0	0
70. Tin	LT	200,000	263,397	908.6	63,397	218.7	62,197
71. Titanium sponge ..	ST	37,500	30,070	72.0	0	0	9,364
72. Tungsten	LBW	44,000,000	190,391,782	518.8	146,391,782 [8]	399.7	63,139,786
73. Vanadium	ST	1,500	5,609	27.1	4,109	17.9	3,972
74. Vegetable tannin, chestnut	LT	15,000	33,526	6.7	18,526	3.7	18,519
75. Vegetable tannin, quebracho	LT	86,000	196,450	39.6	110,450	22.3	110,331
76. Vegetable tannin, wattle	LT	15,000	38,940	7.7	23,940	4.8	23,912
77. Zinc	ST	0	1,198,618	323.6	1,198,618 [4]	323.6	118,552

[1] Total inventory consists of stockpile and nonstockpile grades.
[2] Includes quantities that have been committed but not shipped, as well as quantities of nonstockpile quality material which may be held toward objectives.
[3] Committed for sale but undelivered under long-term contracts.
[4] Uncommitted balance of excess held due to market impact.
[5] Balance of excess pending Congressional approval.
[6] Congressional approval for disposal of 9,888 short tons is being requested. Excess quantity excludes (i) 3,617 ST in beryllium copper master alloy and (ii) the amount held in the CCC inventory.
[7] Balance of excess pending supply-requirements study.
[8] Balance of excess pending present sales program.
[9] Balance of excess retained due to high quality.
[10] Balance of excess deferred by the Congress due to market impact.
[11] Retained due to limited quantity.
[12] Deferred due to foreign situation.
[13] Excludes 350,000 SDT credited to metallurgical fluorspar.
[14] Factory inspecting feasibility of reworking bearings to meet stockpile specifications.
[15] Includes high carbon ferromanganese. Also includes quantity of metallurgical manganese ore retained for strategic reasons.
[16] Excludes 564,750 LBS credited to mica, muscovite film.
[17] Quantity being held for upgrading.
[18] 7,640 SDT pending Congressional approval; 5,148 SDT pending supply-requirements study.
[19] Under PL 90–29, objective will be filled in June 1968 from stocks currently held by the Treasury.
[20] Takes into consideration materials required in upgrading.
[21] Includes 1,086,960 LBS thorium nitrate credited as 500,000 LBS thorium oxide.

OTHER MATERIALS IN GOVERNMENT INVENTORIES

In addition to inventories, including objectives, and balance of disposal authorizations for each material on the Strategic and Critical Materials List, inventories covering materials that have been removed from the stockpile list, and others for which there are no stockpile objectives, are indicated in the table below.

SUMMARY OF GOVERNMENT INVENTORIES AND BALANCE OF DISPOSAL AUTHORIZATIONS COVERING MATERIALS FOR WHICH THERE ARE NO STOCKPILE OBJECTIVES

As of June 30, 1967
(Market Value—$ Millions)

Commodity	Unit	Total Inventory [1]	Market Value	Balance of Disposal Authorizations
Antimonial lead	ST	10,763	$ 3.2	9,394
Asbestos, crocidolite	ST	48,362	11.1	47,373
Colemanite	LDT	67,571	.7	67,506
Cryolite	ST	1,279	.2	0
Diamond tools	PC	64,178 [2]	.8	0
Mica, muscovite block, St.B/Lower	LB	4,320,202	8.6	4,320,202
Mica, muscovite film, 3rd quality	LB	496,400	.5	496,400
Platinum group metals, ruthenium	TrOz	13,699	.8	13,699
Silk noils	LB	52,199	.04	0
Talc, steatite ground	ST	3,900	.02	3,900
Thorium nitrate (oxide content)	LB	7,910,569 [3]	15.3	3,138,861
Thorium residue	LB	839,079	0	839,079
Zirconium ore, baddeleyite	SDT	16,514	.7	16,514
Zirconium ore, zircon	SDT	1,721	.002	1,721

[1] Includes quantities that have been committed but not shipped.
[2] Deferred due to market impact.
[3] Includes 1,086,960 pounds credited to thorium oxide objective.

NATIONAL STOCKPILE ACTIVITIES

PROCUREMENT AND UPGRADING

The OEP Strategic Stockpile Procurement Directive for FY 1967, as amended, listed 16 program actions involving (1) cash; (2) barter of surplus agricultural commodities and (3) payment in excess strategic materials for new acquisition and beneficiation purposes.

The materials, quantities involved, and the action methods authorized are shown in the following table:

FISCAL YEAR 1967 PROCUREMENT AUTHORIZATIONS

Material	*Unit*	*Cash*	*Upgrading*	*Barter*
1. Jewel bearings	PC	2,000,000		
2. Copper wire bars	ST	139,000+[1]		
3. Copper, OFHC type	ST		3,000	

Material	Unit	Cash	Upgrading	Barter
4. Morphine sulfate	M–AV–LBS		34,233	
5. Tungsten metal powder	W–LBS		250,000	
6. Asbestos, chrysotile	ST			3,247
7. Corundum	ST			2,500
8. Ferromanganese, medium carbon	ST		36,000	
9. Iridium	TROZ			3,063
10. Iridium	TROZ		300 Max.	
11. Palladium	TROZ			100,000
12. Palladium	TROZ			362,065 [2]
13. Palladium	TROZ		10,000 Max.	
14. Quinidine	AVOZ			399,562
15. Rutile	ST			53,000
16. Selenium	LB			71,298

[1] Defense Production Act expansion program.
[2] P.L. 89–390, April 14, 1966, materials exchange action.

The Property Management and Disposal Service of the General Services Administration makes provision for cash purchases and upgrading services under the Strategic and Critical Materials Stock Piling Act and the Defense Production Act. Barter arrangements, using surplus agricultural commodities in exchange for strategic materials needed to fulfill stockpile objectives, are made by the Department of Agriculture, Foreign Agricultural Service, Barter and Stockpiling Division.

The status of activity on June 30, 1967, in respect to the 16 listed projects was as follows:

1. *Jewel bearings.* The William J. Langer Jewel Bearing Plant at Rolla, North Dakota, performs the dual purpose of maintaining within the United States a capability of producing jewel bearings in time of war and manufacturing in time of peace the bearings that are vital to the performance of military and other essential instruments. The plant is contract operated by the Bulova Watch Company. The stockpile contract and lease for the property was extended to June 30, 1968. Part of the plant's production is used to fill current military demands. Production levels are now at a rate of about 50,000 bearings per week due to increased efficiency following plant modernization. Quantities not needed to meet military orders but produced in order to schedule operations at an efficient level are purchased for the stockpile. The stockpile objective is being gradually filled in an orderly manner under these procedures. In fiscal year 1967 the plant delivered about 624,000 bearings to the stockpile. The plant is also examining and reworking, where feasible, some of the excess World War II bearings which the stockpile had been holding, so that the ultimate objective-inventory will be technologically up-to-date.

A proposal for a reduction in prices covering sales of jewel bearings to the Department of Defense contractors was rejected on the basis that no change in prices should be considered until action is taken on the proposed legislation being submitted by the GSA which will authorize new methods for operating the plant. The proposed legislation would permit financing of production against predetermined inventory levels. This legislative proposal is currently receiving agency clearance by the Bureau of the Budget.

2. *Copper.* On March 29, 1966, the President made a finding that a program for encouraging additional production through new purchases or commitments to purchase copper under section 303 of the Defense Production Act was essential to the national security. The high level of industrial consumption of copper accentuated by the pressures of the Viet Nam situation influenced this determination. Work stoppages in many countries had seriously affected world supply and stockpile inventories

had receded below the objective as a result of releases to meet military and other industrial shortages within the United States. The GSA was directed to accelerate where practical the development of new and additional copper production in the United States under the provisions of the Defense Production Act. New purchase authority under that Act, as amended June 30, 1964, is restricted to $100 million. Expansions receiving financial support from the Government were in addition to such increases in capacity for the production of copper as were contemplated or already under way by domestic producers. Although a number of proposals have been received by the GSA in response to the invitation to participate in the copper expansion program, the statutory limitation on contracting and commitments has required a degree of selectivity. One contract still under negotiation as of June 30, 1967, could result, substantially, in the exhaustion of the contracting authority. A few small projects may be feasible from the residual authority if the negotiations for the larger expansion are successfully completed.

3. *Copper, OFHC type.* The basic Procurement Directive issued in FY 1967 provided for the upgrading of 6,000 short tons of copper to the high purity grade. In February 1967, the OEP re-evaluated the overall copper inventory and determined that further acquisitions of the OFHC type would create a relative imbalance between the amounts of standard copper and special grades in the inventory. The upgrading to OFHC type was, therefore, curtailed and is not planned for resumption until the inventory level of standard copper is improved.

4. *Morphine sulfate.* The upgrading of crude gum opium to the more readily usable form of morphine sulfate is expected to be completed by January 31, 1968, under a contract executed September 7, 1966. A substantial quantity has already been returned by the contractor. This material is specifically stockpiled for post-nuclear attack purposes. It is stored at maximum security facilities. Emergency distribution would be under the direction of the Department of Health, Education and Welfare.

5. *Tungsten metal powder, hydrogen reduced.* This material is one of a number of higher forms of tungsten stockpiled in limited amounts to meet the initial surge of abnormal emergency demand. The subobjective is being gradually acquired by upgrading basic ores and concentrates. Approximately 250,000 pounds were contracted for this year.

6. *Asbestos, chrysotile type, low iron.* No contracts effected in FY 1967.

7. *Corundum.* No contracts effected in FY 1967.

8. *Ferromanganese, medium carbon.* Placed on the upgrading list late in the fiscal year as the availability of production capacity improved. Preparation of bid solicitation has been completed with probable contracting action to take place in FY 1968.

9. *Iridium.* Awaiting approval of listing as eligible for barter.

10. *Iridium.* Small quantity of subspecification iridium recently acquired as surplus from another Federal agency is scheduled for beneficiation to stockpile quality. Action delayed until pre-contracting assays are completed by the U.S. Assay Office.

11. *Palladium.* No barter contracting effected. Acquisition through exchange for stockpile excesses being explored. (See item 12 below.)

12. *Palladium.* Public Law 89-390 authorizes materials approved for disposal to be exchanged for palladium. The tight supply-demand situation for palladium in FY 1967 precluded acquisitions. Possible easing of supply in late June 1967 indicates some procurement potential in FY 1968.

13. *Palladium.* Upgrading covers small amount of excess palladium received on surplus declaration of other Federal agency plus some of the older stockpile inventory. Awaiting assay. (See item 10 above.)

14. *Quinidine.* Awaiting approval of listing as eligible for barter. (See also item 9 above.)

15. *Rutile.* Barter contract for 3,400 tons was awarded by CCC which, when delivered, will complete the former objective of 51,000 tons. The rutile objective was raised in FY 1967 from 51,000 to 200,000 short tons. Ad-

ditional procurement will be necessary to reduce the new deficit.

A domestic rutile production expansion program was established by OEP under the provisions of the Defense Production Act on January 23, 1967. The potential of acquiring substitute domestic materials useful for titanium metal and welding rod production will not be known until results are obtained from the research projects established in late June 1967 by the Department of the Interior under a certification by the Office of Emergency Planning. Successful completion of the program will decrease dependence on foreign sources thereby providing the basis for reduction of the stockpile objective. In the interim, action to reduce the rutile deficit will be continued under other existing statutory authorities.

16. *Selenium.* The CCC entered into two contracts which, upon delivery, will fulfill the selenium objective.

DISPOSAL PROGRAM ACTIVITY

The market demand for many stockpile materials available for disposal remained slow during the January-June 1967 period. Disposal sales and commitments for the six months amounted to $262.2 million, somewhat higher than the $204.7 million during July-December 1966, but substantially below the record sales of $582.2 million for January-June 1966. Several factors have contributed to the lower sales level. These include among others, the general slowdown throughout the domestic economy and in foreign countries and lower productive activity in certain major industries; the increased availability, both domestically and worldwide, of several Government-held materials previously in short supply; the depletion of Government surplus stocks for certain materials; and the Government's inability to release several materials in excess of stockpile needs pending Congressional approval. The following table shows that seven materials made up the major difference in sales during the comparable periods.

SALES COMMITMENTS
($Millions)

	January-June 1966	January-June 1967	Decrease
Aluminum ..	$110.0	$ 21.7	$ 88.3
Copper	156.1	114.9	41.2
Molybdenum	19.3	1.5	17.8
Nickel	126.9	19.3	107.6
Platinum ...	29.5	0	29.5
Tin	34.4	15.8	18.6
Zinc	13.3	4.5	8.8
TOTAL ..	$489.5	$177.7	$311.8

During the six months period, approximately 56 approved materials were available for disposal from Government inventories of which 46 were in the National and Supplemental Stockpiles, 7 in the Defense Production Act inventory and 3 from both the Stockpile and the DPA inventory. Of the materials available for disposal, 36 made up the sales during the period.

During the report period, a constant review of existing programs was maintained in accordance with the policy set forth in Defense Mobilization Order 8600.1 to insure that the mutual interests of industry, foreign countries, and the U.S. Government are fully protected. Accordingly, reviews of sales plans and related matters were conducted with respect to abaca, beryl, castor oil, cobalt, mica, quartz crystal, rubber, tin, and tungsten and sales rates were adjusted in keeping with market conditions.

LEGISLATION RELATIVE TO STOCKPILE DISPOSALS

No legislation authorizing disposal was enacted during the January-June period. In January, OEP authorized the General Services Administration to request Congressional approval for the release of five materials from the National and Supplemental Stockpiles. These were determined to be excess to stockpile needs on the basis of supply-requirements studies completed late in 1966 and early January 1967. Six disposal plans, including rare earths which was approved by OEP in 1966, were submitted for Congressional consideration in February and were pending as of June 30. Included among these are some materials in critically short supply.

LEGISLATION RELATIVE TO STOCKPILE MATERIALS
January—June 1967

Material	Unit	Quantity	Value ($ Millions)	Bill No.
Bismuth	LB	1,200,000	$ 4.8	H.R. 5788
Magnesium	ST	55,000	35.2	H.R. 5785
Molybdenum	LB	15,000,000	24.3	H.R. 5784
Nickel	LB	60,000,000	50.0	H.R. 5786
Platinum	TrOz	115,000	12.6	H.R. 5789
Rare Earths	ST	7,640	3.4	H.R. 5787
TOTAL			$130.3	

On March 7, 1967, the President, at the recommendation of the Director of OEP and the Secretary of Defense, directed that 200,000 ounces of quinine be released to the Department of Defense from the National Stockpile for the purposes of common defense pursuant to Section 5 of the Strategic and Critical Materials Stock Piling Act, as amended.

SALES COMMITMENTS

For the six months January-June 1967, sales commitments totaled $262.2 million at sales value. Of this total, $229.5 million were from the National and Supplemental Stockpiles, $29.2 million from the Defense Production Act inventory, and about $3.5 million from sales of mercury from the Federal Property Act inventory. These materials had an acquisition cost of $262.4 million indicating that the Government practically recovered its original cost of the materials. Commercial sales accounted for $224.6 million of the total commitments and Government-use programs totaled approximately $37.6 million.

Sales commitments for the previous six months were $204.7 million, making the total for fiscal year 1967, $466.9 million. Since the inception of the disposal program in 1958, total disposal sales approximate $2.7 billion at sales value (Figures 1 and 2). A list of the materials sold during the January-June period is shown in the following table. It is noted that 7 materials account for approximately $225.9 million or 86 percent of the total sales: aluminum, $21.7 million; metallurgical chromite, $13.9 million; copper, $114.9 million; nickel, $19.3 million; rubber, $27.0 million; tin, $15.8 million; and tungsten, $13.3 million.

FIGURE 1

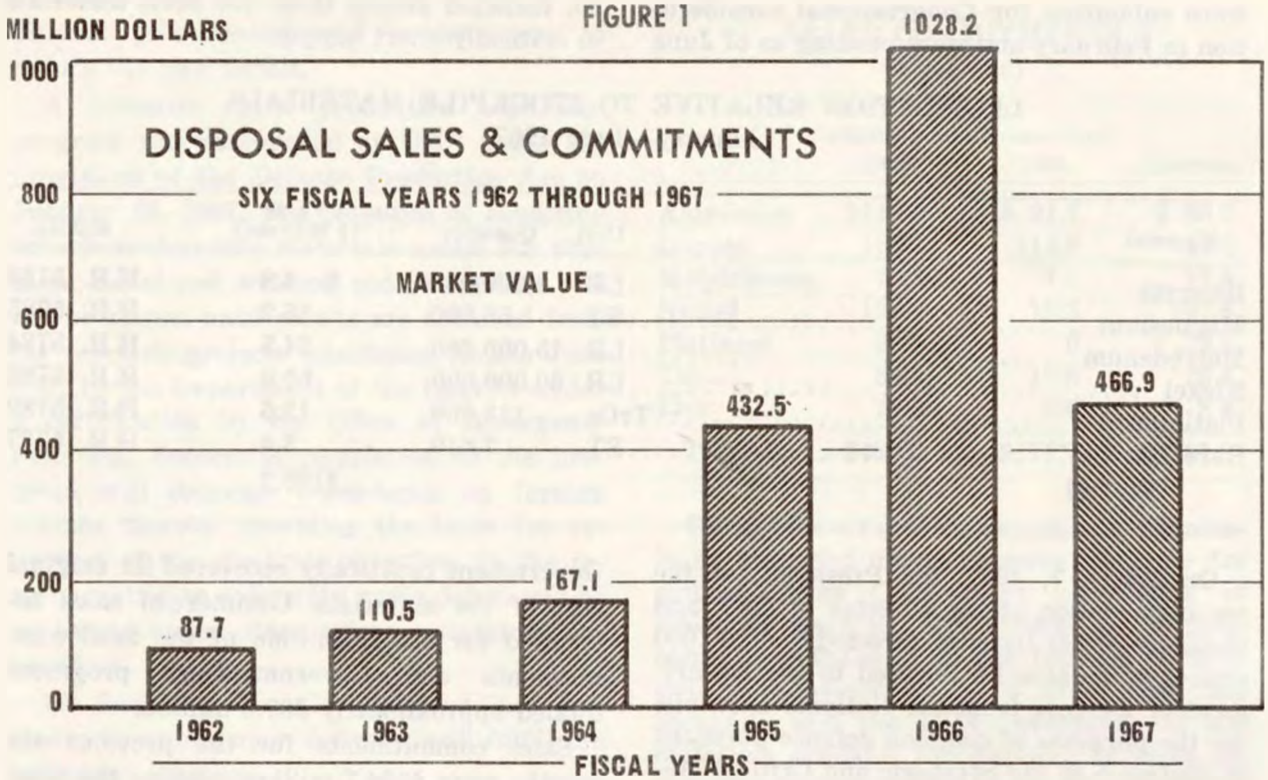
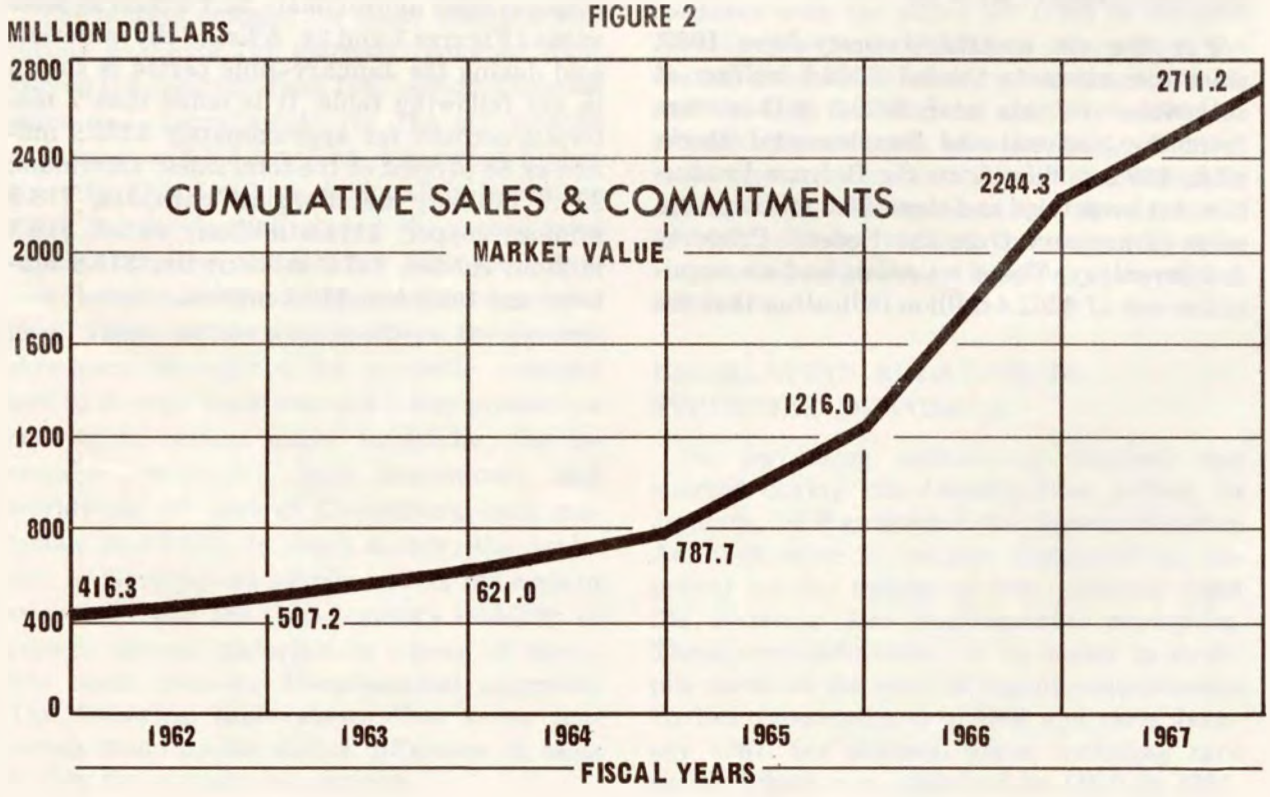


FIGURE 2



DISPOSALS OF STRATEGIC AND CRITICAL MATERIALS
January–June 1967

Material	Unit	Quantity	Sales Commitments: Government Use	Sales Commitments: Industrial Use	Sales Commitments: Total Sales Value
NATIONAL AND SUPPLEMENTAL STOCKPILE INVENTORIES:					
Aluminum	ST	36,295	$	$ 17,816,964	$ 17,816,964
Antimony	ST	58		36,995	36,995
Asbestos, amosite	ST	50		7,800	7,800
Asbestos, crocidolite	ST	50		9,500	9,500
Bauxite, refractory	LDT	16,597		700,508	700,508
Cadmium	LB	721,346		1,788,301	1,788,301
Castor oil	LB	19,526,350		3,149,852	3,149,852
Chromite, metallurgical	SDT	591,744		13,868,261	13,868,261
Copper	ST	150,000	1,888,154	113,002,680	114,890,834
Cordage fiber, abaca	LB	4,588,475	148,546	616,193	764,739
Cordage fiber, sisal	LB	10,525,750		868,831	868,831
Fluorspar	SDT	15,642		489,594	489,594
Graphite, Malagasy	ST	165		(10,743) [1]	(10,743) [1]
Graphite, other than Ceylon and Malagasy	ST	246		34,522	34,522
Lead	ST	5,723	118,924	1,582,737	1,701,661
Magnesium	ST	2,456	264,000	1,240,145	1,504,145
Manganese, metallurgical	SDT	94,341		2,476,835	2,476,835
Mica	LB	4,509		(7,091) [1]	(7,091) [1]
Molybdenum	LB	739,352		1,536,944	1,536,944
Nickel	LB	18,600,283	3,480,067	15,856,017	19,336,084
Platinum group metals:					
Rhodium	TrOz	173	17,913	18,494	36,407
Quartz Crystals	LB	96,054		584,952	584,952
Quinine	OZ	200,000	350,000		350,000
Rubber	LT	59,958	21,592,140	5,391,736	26,983,876
Shellac	LB	1,560,995		261,489	261,489
Tin	LT	4,564	4,014,091	11,787,837	15,801,928
Vegetable tannin:					
Quebracho	LT	169		34,091	34,091
Zinc	ST	15,464	4,266,445	227,370	4,493,815
Total National and Supplemental Stockpile			$36,140,280	$193,370,814	$229,511,094

Material	Unit	Quantity	Sales Commitments: Government Use	Industrial Use	Total Sales Value
DEFENSE PRODUCTION ACT INVENTORY:					
Aluminum	ST	7,416		$ 3,891,094	$ 3,891,094
Asbestos, chrysotile	ST	114		19,194	19,194
Cobalt	LB	3,948,006		6,619,587	6,619,587
Columbium	LB	553,841		4,141,156	4,141,156
Manganese, metallurgical	SDT	14,388		288,622	288,622
Nickel	LB	—		200	200
Titanium	ST	474		1,002,152	1,002,152
Tungsten	LB-W	5,398,754	984,449	12,304,587	13,289,036
Total DPA			$984,449	$28,266,592	$29,251,041
FEDERAL PROPERTY ACT INVENTORY:					
Mercury	FL	7,108	$ 550,414	$ 2,934,721	$ 3,485,135
Total Federal Property Act Inv.		7,108	$ 550,414	$ 2,934,721	$ 3,485,135
GRAND TOTAL			$37,675,143	$224,572,127	$262,247,270

[1] Credit adjustment for prior period.

NOTES ON STRATEGIC AND CRITICAL MATERIALS DISPOSAL ACTIVITIES JANUARY-JUNE 1967

Aluminum

Sales of primary aluminum under long-term contracts negotiated with the six domestic primary aluminum producers and one Canadian producer—Aluminum Company of America, Kaiser Aluminum & Chemical Corporation, Reynolds Metals Company, Olin Mathieson Chemical Corporation, Harvey Aluminum, Revere Copper and Brass Incorporated and Aluminium Limited Incorporated—continued during the period but at a much lower rate than previously. Sales totaled 43,711 short tons, valued at $21.7 million, for the period, compared with 83,875 tons, valued at $41.3 million, for the previous six months. During fiscal year 1967, producers purchased 127,586 tons, valued at $63.0 million, as against 273,419 tons, valued at $134.4 million, during the seven months the program was in effect in fiscal year 1966. The general economic slowdown throughout industry along with lower production activity in the construction and automotive industries are cited as major causes for the sharp drop in stockpile purchases.

Under the long-term arrangement worked out with the aluminum industry in the fall of 1965, the aluminum industry was obligated to purchase a minimum of 100,000 short tons or their Government purchase requirement, whichever was greater, but not more than 200,000 short tons during any calendar year. This agreement was based on full participation by all domestic producers and one Canadian primary producer. Since only six domestic producers and one Canadian primary producer are participating in the program, the participating producers are obligated to purchase a minimum of 90,300 short tons or their Government purchase requirement, whichever is greater, but not more than 180,600 short tons during calendar year 1967. Set-asides of 15,000 tons are provided annually for small business, nonintegrated and other nonparticipating producers which reduce the producers obligated share in the amount of the set-asides sold during the year.

Participating producers currently are permitted to accelerate or defer purchases providing all deferred obligations to purchase during the first four-year period are fulfilled by the end of the period (December 31, 1969). A similar provision applies to each successive four-year period. Quantities purchased in excess of the maximum commitment in any year may be applied against the purchase obligations in any subsequent years during the life of the contract. Through June 30, 1967, purchases totaled 401,005 short tons, valued at $197.4 million.

Castor Oil

Disposal offerings are made on a sealed-bid basis at two-month intervals. All of the offerings were oversubscribed, following the trend set in the July-December period. A total of 19.5 million pounds of castor oil was sold at a value of approximately $3.2 million. The cumulative total sold since the first sale of August 15, 1962, amounts to 101.3 million pounds with a cumulative sales value of $14.7 million, leaving 54.3 million pounds remaining unsold from the 1962 disposal authorization and another 46.0 million pounds excess to the stockpile awaiting GSA submission to the Congress for disposal consideration.

Chromite, Metallurgical

The domestic demand for metallurgical chromite has continued at a strong pace due to the prevailing Rhodesian crisis and the embargo placed on U.S. imports from that country.

On May 11, 1966, the Congress authorized the disposal of 885,000 short dry tons of metallurgical chromite from the National and Supplemental Stockpiles but removed ferrochromium (1.4 million tons) from the legislative request when industry representatives testified that the sale of ferrochromium would adversely affect the market.

During the January-June period, GSA entered into long-term contracts with six major producers and one trader for delivery of approximately 510,000 tons valued at $13.5 million over a period of from one to six years accounting for practically all of the $13.9 million sold during the period.

Cobalt

The domestic supply of cobalt became tight during the year due to increased demand and unsettled conditions in the principal source country, the Republic of the Congo.

Since announcing the release of 25 million pounds from the Defense Production Act inventory in August 1966, industry purchases have warranted a continuous review of the sales program. Following heavy responses to sealed-bid offerings during late 1966, GSA announced in January 1967 that cobalt would be sold off-the-shelf. Although shelf sales were initially limited to 1.5 million pounds annually, this limitation was removed when the Congo situation threatened to further cut back available supplies. Sales during January-June totaled 3.9 million pounds, valued at $6.6 million, bringing the total sales to 5.5 million pounds, valued at $8.9 million, for the 10 months starting August 1966.

Columbium

Sales of columbium-bearing ores and concentrates for the January-June period amounted to approximately 554,000 pounds, valued at $4.1 million, compared with one million pounds valued at $2.8 million for the same period in 1966. The higher dollar return in 1967 reflects the increase in unit price from $2.71 per pound in 1966 to $5.87 per pound in 1967. The higher unit price and demand for columbium were attributed to two major factors—the inability of Nigerian producers, the principal suppliers, to meet U.S. demands and the extremely tight market for tantalum which is physically associated with the predominately columbium-bearing ores. Based on an inventory analysis, OEP declared an additional 282,000 pounds of contained tantalum (25 percent or more of Ta_2O_5) in columbium ores, excess to stockpile needs. This action substantially aided industry in relieving the severity of the tantalum shortage situation.

Copper

As the availability of refined copper continued to fall well behind the constantly growing industrial demand, the President, on December 1, 1966, determined that the release of an additional 150,000 short tons of copper from the National Stockpile was required for purposes of the common defense, as provided for under Section 5 of the Strategic and Critical Materials Stock Piling Act, as amended. This was the third Presidential release of copper. These releases total 550,000 short tons since November 18, 1965, and reduce the stockpile inventory level to about 259,000 tons against an objective of 775,000 short tons.

The 150,000 tons were prorated to producers over the first nine months of calendar year 1967, on the basis of their 1965 production from domestic ore, for redistribution to consumers for defense-rated orders only, at no added cost. Government releases progressed at an average rate of approximately 20,000 short tons per month during January through June. Distribution of the balance of the 150,000 short tons will be accomplished in the third quarter of calendar year 1967.

In accordance with OEP's recommendation of March 17, 1966, which the President approved March 21, 1966, GSA has undertaken to expand domestic production of copper through the use of incentives on a selective basis. At the year end, GSA had reached the final stages of negotiations on a contract under the Defense Production Act covering potential production of approximately 65,000 tons of copper per year. It is estimated that production could start in 1969.

Lead

Lead sales during the six months ending June 30, 1967, declined substantially, totaling only 5,723 short tons, valued at $1.7 million, compared with 43,293 tons, valued at $12.1 million in the previous six months. Available supplies eased materially during the period due to increased domestic production and higher imports from foreign sources (quota restrictions were removed in October 1965). Since June 1966, lead has been offered for sale as a shelf-item on a daily purchase basis.

Magnesium

During the period, industry took the remaining 2,456 tons of magnesium, valued at $1.5 million, available under the 21,500 tons authorized for sale by the Congress in August 1965. The domestic demand for magnesium has continued strong due to new commercial uses and military buildup. On the basis of revised supply-requirements studies, OEP declared as excess and approved the release of 55,000 tons from the National Stockpile. Proposed legislation authorizing the disposal of this quantity is pending before the Congress.

Molybdenum

The Congress authorized the release of 14 million pounds of excess molybdenum from the National Stockpile (PL 89–413) in May 1966. To effect equitable distribution in the face of the critical supply shortage, industry concurred that the materials should be allocated by BDSA against consumer applications for domestic consumption only with priorities given to defense-rated orders and alleviation of hardship, particularly small business. During the period, sales commitments totaled 739,352 pounds, valued at $1.5 million. As of May 31, 1967, approximately 3.2 million pounds of molybdenum disulphide, delivered under outstanding contracts with producers for conversion into commercially usable forms, remain to be allocated by BDSA. Another 754,000 pounds are available from the stockpile, making a total of approximately 4.0 million pounds awaiting allocation by BDSA at the end of the fiscal year.

As of June 30, 15.0 million pounds of molybdenum were excess to the stockpile objective, but not included in the quantity authorized for release. Legislation for release of this excess is pending before Congress.

Nickel

The nickel market continued in critically short supply during January-June with the domestic supply deficit estimated at approximately 75 million pounds for the calendar year. By March 31, industry had taken all the available surplus authorized by the Congress under PL 89–740 (November 2, 1966). Sales were restricted to domestic consumption and subject to allocation by the Business and Defense Services Administration on the basis of 90 percent for defense-rated orders and 10 percent for the alleviation of hardship cases. Total releases for fiscal year 1967 amounted to 51.2 million pounds, valued at $45.3 million. Based on new supply-requirements studies, the stockpile objective was reduced in January from 100 million to 40 million pounds. OEP approved the release of the 60 million pounds surplus, subject to Congressional authorization, and legislative approval was requested by GSA in early February. The House approved the disposal in April, but adversely reported by the Senate Armed Services Committee on June 8, 1967.

In March, the Department of Commerce fixed the April set-aside of primary nickel for defense purposes at 25 percent of production —up from 12½ percent in February and March. This higher rate continued throughout the period ending June 30. Due to the high level of military demand and constantly growing domestic uses, consumers throughout all segments of the nickel industry have strongly urged Government officials to help meet the critical supply shortage and alleviate hardship by releasing surplus nickel from the stockpile.

Rubber

As announced in October 1966, the rate of disposal of rubber from the stockpile was reduced from 170,000 long tons to 120,000 tons (30,000 tons quarterly) effective January 1. The Government took this action in the interest of rubber producing countries when rubber prices continued to decline in the world market.

When the international rubber market continued at relatively low levels during the January-June period, producing countries strongly protested the Government's current sales program and urged a further reduction in the rate of rubber sales. Because of the importance of export revenues to the producing countries, the Government upon the recommendation of the Department of State, decided on June 9, 1967, to limit rubber sales, effective July 1, to actual Government-use programs or 70,000 long tons annually, whichever is higher, in approximately equal quarterly installments.

Sales during the period, amounted to 59,958 long tons, valued at approximately $27.0 million, making a total of 144,944 tons, valued at $66.6 million for the fiscal year. This compared with 130,847 tons, valued at $66.8 million, for the previous fiscal year. Of the 59,958 long tons, approximately 12,000 tons, valued at $5.4 million, were commercial sales and 47,958 tons, valued at $21.6 million, were for Government-use programs, including DOD truck and aircraft tires, and retreading programs.

Silver

In March 1967, the Secretary of the Treasury proposed legislation permitting the Treasury to remove the silver reserve requirements for silver certificates which are not expected to be presented for redemption. On June 24, 1967, Public Law 90–29 was enacted which permits the Secretary of the Treasury to determine from time to time the amount of silver certificates (not exceeding $200,000,000) which in his judgment have been destroyed or irretrievably lost, or are held in collections, and will never be presented for redemption. This will release the silver heretofore retained in support of these certificates.

The Act further provides that all silver certificates now in circulation shall be exchangeable for silver bullion for one year following its enactment. Thereafter, all silver certificates will retain their monetary value but will not be redeemable for silver.

A further provision of PL 90–29 requires the Secretary of the Treasury to hold as a reserve for purposes of the common defense not less than 165,000,000 fine troy ounces of silver and upon the expiration of one year after the date of enactment, the Secretary of the Treasury shall transfer not less than 165,000,000 fine troy ounces of silver to the National Stockpile. This is the amount established as the stockpile objective by the Director of the Office of Emergency Planning on June 3, 1965 (Stockpile Objective Action No. 279).

Tin

Although tin continued to be one of the Government's major revenue producers, prices were somewhat lower than in the previous period. During January-June 1967, sales declined to $15.8 million as compared with $24.7 million for the previous six months. Totals for the fiscal year were 11,723 tons, valued at $40.5 million, of which Government-use programs accounted for 2,502 tons, valued at $8.7 million. Since tin disposals started in September 1962, cumulative sales have amounted to 85,803 tons, valued at $296.4 million. As of June 30, 62,197 long tons remained available for disposal under Congressional authorization.

Tungsten

The world supply situation for tungsten continued to tighten during the period due to the higher rate of consumption and the limited quantities being offered for sale by the world's major producer, Communist China. GSA sales for the period totaled 5.4 million pounds, valued at $13.3 million, bringing the total for the fiscal year to 9.3 million pounds, valued at $23.3 million. During the April 1967 session of the Working Group of the United Nations Committee on Tungsten, the industry advisory group to the U.S. delegate gave strong endorsement to GSA's tungsten disposal program. In June, the Government announced that tungsten would continue to be offered as a shelf-item on an unrestricted sales basis for the next program year.

Zinc

Sales of zinc during January-June amounted to 15,464 tons, valued at $4.5 million, making a total of 26,604 tons, valued at $7.8 million, for the twelve months. This compares to sales of 178,573 tons, valued at $54.0 million, for the previous twelve months period ending June 30, 1966. The market has continued to weaken since early 1966 with zinc prices declining in May 1967—for the first time in two years—from 14½ cents per pound to 13½ cents. Trade sources attribute the situation to three market developments—lagging demand caused by cutbacks in automobile production, rising inventories at domestic smelter plants, and increased imports of foreign zinc offered to U.S. consumers at competitive prices. The drop in price below the 14½ cents level triggers stabilization payments to small domestic producers provided under the Lead-Zinc Small Producers Stabilization Act, as amended, October 5, 1965 (PL 89–238).

ACTIVITIES OF THE GENERAL SERVICES ADMINISTRATION RELATING TO STOCKPILING OF STRATEGIC AND CRITICAL MATERIALS

The General Services Administration is charged with the general operating responsibility, under policies set forth by OEP, for stockpile management, including (1) purchasing and making commitments to purchase, transferring, rotating, upgrading, and processing of metals, minerals, and other materials; (2) expansion of productive capacity through the installation of additional equipment in Government-owned plants and the installation of Government-owned equipment in privately-owned facilities; (3) storage and maintenance of all strategic materials held in Government inventories, and (4) disposal of excess stockpile materials, including the development of disposal plans, selling the materials, and arranging for Government use of such materials.

The activities of the General Services Administration particularly in connection with procurement, upgrading and disposals have been summarized in the earlier sections of this report.

STORAGE AND MAINTENANCE

On June 30, 1967, approximately 47.8 million tons of strategic materials were stored at 148 locations, as follows:

Type of Facility	As of 6/30/67	Change in last 6 months
Military depots	40	—3
GSA depots	29	+2
Other Government-owned sites	15	0
Leased commercial sites .	14	0
Industrial plantsites	39	0
Commercial warehouses..	11	—1
TOTAL	148	—2

Custody of stockpile materials stored at the Voorheesville storage area of the Schenectady Army Depot and the Erie Army Depot was transferred to GSA on January 1, 1967. These facilities have been inactivated by the Army.

All stockpile materials were removed from the Sioux Army Depot, another facility inactivated by the Army. In addition, one commercial warehouse in New Bedford, Massachusetts, was evacuated of stockpile materials.

Shipments from the stockpile continued at a heavy rate, as 541,000 tons were shipped during the report period. The total of 1,207,000 tons shipped during fiscal year 1967, is substantially the same as the 1,223,000 tons shipped during the preceding fiscal year.

Savings in recurring storage costs of $366,000 per year are projected as a result of inventory reductions in the period.

A plan to evacuate the warehouses at the GSA depot in Sharonville, Ohio, was approved. Under the plan, as much as possible of the 125,000 tons in storage will be sold on disposal programs and the balance relocated to other Government depots. When the warehouse portion of the facility is inactivated, annual savings of over $300,000 will be realized. During the report period, 16,000 tons were shipped from Sharonville on disposal sales and 51,000 tons relocated to other depots.

ACTIVITIES OF THE DEPARTMENT OF COMMERCE RELATING TO STOCKPILING OF STRATEGIC AND CRITICAL MATERIALS

RESPONSIBILITIES

The Department of Commerce has been delegated a number of responsibilities with regard to the National Stockpile and these in turn have been assigned to the Business and Defense Services Administration within the Department. BDSA prepares for the Office of Emergency Planning estimates of essential civilian and war-supporting requirements for strategic materials in a mobilization period, a basic element in determining stockpile objectives. In certain limited cases, it also prepares estimates of the mobilization supply of such materials. It reviews plans for disposal of surplus stockpile materials and it provides OEP or GSA with its evaluation of the market impact of proposed schedules of sales. In addition, it develops recommendations in the matter of purchase specifications and storage procedures. Also, it prepares special studies for OEP regarding strategic material problems and, in general, submits to OEP on behalf of the Department recommendations or advice on stockpile policies and programs.

ESSENTIAL CIVILIAN AND WAR-SUPPORTING REQUIREMENTS

During the first half of 1967, there was virtually no activity in a primary area of BDSA's stockpiling responsibility, i.e., providing estimates of essential civilian war-supporting requirements for stockpile items in a mobilization period. Following completion of such estimates under nuclear-attack conditions in the previous half year for almost all stockpile items, a schedule was developed for reviewing conventional-war requirements over a twelve month period beginning toward the end of the present half year. However, action was suspended pending refinement by OEP of new guidelines for this purpose. It is expected that the revised guidelines will be made available shortly and that the schedule of reviews will be put into effect early in the second half of 1967.

DISPOSAL PROGRAM

Programs for disposal of most surpluses in the stockpile had been considered and approved by January 1966. Consequently, BDSA recommendations regarding the potential market impact of proposed disposals were limited to five items for which new surpluses had been generated through revision of stockpile objectives and nine items involving reviews of established disposal programs. Included in these groups were the following:

Abaca	Molybdenum
Beryl	Nickel
Bismuth	Platinum
Castor oil	Quartz crystals
Chromite, metallurgical grade	Rubber
Cobalt (two reviews)	Tin
Magnesium	Tungsten

HIGH-HEAT ALLOY AND SPECIAL PROPERTY MATERIALS

During the period under consideration, BDSA also submitted to OEP its annual report on the supply-requirements situation for certain high-heat alloy and special property materials in a mobilization period. As before, the report was directed to technological developments and trends in usage which could indicate a need for stockpiling additional materials or changing the form or specification of those materials already stockpiled. The report found that under existing circumstances no additions or changes would be necessary for those items covered by the study. The following materials were considered:

Beryl	Indium
Boron (elemental)	Silicon (high purity)
Cerium	Rhenium
Cesium	Rubidium
Columbium	Tantalum
Gallium	Tellurium
Germanium	Titanium
Graphite (artificial-special grades)	Tungsten
Hafnium	Zirconium

PURCHASE SPECIFICATION, SPECIAL INSTRUCTIONS AND STORAGE PROCEDURES

Among other regularly scheduled activities in the stockpile area, BDSA prepared comment on proposed storage procedures covering bauxite and submitted to OEP draft revisions of purchase specifications and special stockpile instructions for the following materials:

Purchase Specifications

Mica, muscovite block
Mica, muscovite film
Quinine sulphate
Rutile
Tantalum metal, capacitor grade

Special Stockpile Instructions

Antimony
Mica, muscovite block and film

Considerable work was done during the period on special stockpile studies and reports and on activities related to disposal programs. Significant among these were the following:

Nickel.—At the request of OEP, BDSA reviewed the extent to which nickel metal could be replaced by high purity nickel oxide in a mobilization period since the latter could be potentially in greater supply. After consultation with industry, it was found that the indicated shortage of metal in wartime could be substantially eased by the use of such nickel oxide. A report on this situation was submitted to OEP.

Antimony.—Antimony chemicals can be made from antimony metal or from antimony sulphide ore. Since 95 percent of the stockpile inventory consists of metal and only 4 percent of ore, it was necessary to determine if the industry capacity to use metal for chemical purposes was adequate to provide sufficient chemicals for mobilization needs. A survey of the industry situation was conducted to develop this information. It appeared that the capacity of industry to produce chemicals from metal was slightly in excess of mobilization requirements. However, because some producers must use ore for this purpose, it was recommended to OEP that arrangements be made to retain the ore in the stockpile inventory to permit them to participate in the meeting of wartime requirements.

Fluorspar, Acid Grade.—The metallurgical grade fluorspar inventory is substantially short of the objective. There is, however, surplus acid grade fluorspar in the Government inventories sufficient to cover the metallurgical grade deficit. For this use, acid grade fluorspar must be briquetted and kept within certain specification limitations. The fluorspar industry was consulted regarding the feasibility of using, and specifications for, acid spar for metallurgical purposes.

Consumer Listings for the National Resource Analysis Center.—On March 28, 1967, OEP requested BDSA to prepare for the National Resource Evaluation Center (now the National Resource Analysis Center) up-to-date listings of consuming plants using 17 stockpile items. The data to be obtained would include the exact addresses and the normal consuming pattern of each plant. Since a detailed and time consuming survey would be necessary to acquire the necessary information for most items, it was necessary to establish a schedule which would permit coordination of the work with other BDSA responsibilities. Under the schedule, reports on all items should be completed by the end of October 1967. In the first half of 1967, the required data on four materials—diamond dies, ruby and sapphire, jewel bearings, and feathers and down—were assembled and sent to OEP.

Steel Production Capacity.—BDSA is preparing a survey form to be sent to the steel industry which should provide important data relative to mobilization planning, including steel production capacity. However, these data may not be available for several months after the schedule of estimating stockpile requirements is under way. Accordingly, at the request of OEP, BDSA prepared an informal estimate of steel production capacity covering carbon, alloy and stainless steel by type of furnace. This estimate, based on information at hand and discussions with industry, is necessarily interim in character but it is believed to be sufficiently close to the mark for use in the earlier calculations of mobilization requirements for those stockpile items related directly or indirectly to steel production.

Tungsten.—OEP requested BDSA to develop a tungsten ore-tungsten product flow chart showing the output and capacity of each plant, the source and nature of supplies for such plants, and their locations in order to determine the degree of interdependence of the plants and to identify the degree of concentration of production of the intermediate products.

In the preparation of this chart, BDSA utilized the results of a 1964 survey of the industry which were modified to reflect later information obtained as the result of field trips and telephone inquiries. The data thus acquired became the basis for a flow chart which gave authoritative facts regarding the industry in a detail never before obtained. From this, OEP will be able to determine the appropriate action necessary to offset a cutoff of tungsten materials which might arise from a disruption of supply from plants in which production is highly concentrated.

Cobalt.—One of the strategic end uses of cobalt is providing a binder for carbide production. For this purpose, cobalt must be processed into a very fine powder which for the most part is imported. At the request of OEP, BDSA conducted an informal survey of cobalt processors to determine to what extent such fine powder could be domestically produced in an emergency. Preliminary results of the survey were reported to OEP.

Diamond Stones.—Statistically, the surplus of diamond stones in the National and Supplemental Stockpiles approximates 9 million carats. An approved disposal program covering 1.8 million carats of this surplus has been put into effect. However, to determine what stones could be sold, it became necessary to relate the inventory to the requirements by nine classes of stones and by individual sizes within the classes. (The latter groupings were 60 in number.) For this purpose, BDSA applied the GSA breakdown of the diamond stone inventory to each grouping. In a number of cases where deficits were shown, surplus stones in one group could be used to make up the deficit in an adjacent group. In other cases, it was feasible to use surpluses of one class to provide for shortages of some groups in another class. Lastly, it was assumed some surplus larger stones could be processed to meet deficits of some small stone requirements. After making all such possible adjustments, a list of the remaining stones by classes and sizes was sent to OEP for use by GSA in identifying the types of stones to be sold in accordance with the disposal program.

Allocation of Stockpile Materials.—Because of short supply situations for nickel, molybdenum and copper, OEP directed that GSA sales of these commodities from the Government inventories should be in accordance with allotments by BDSA. Allotments by BDSA, however, would follow the basic guidelines set forth in the approved disposal plans, i.e., nickel and molybdenum shipments would be limited to defense orders and hardship cases (cases involving primarily those of small businesses), while copper would be sold only for defense use.

For the nickel and molybdenum disposals, BDSA prepared application forms which would provide sufficient detail to permit evaluation of the nature of the hardship of each applicant or validation of the defense order. Since sales would be made on a monthly basis, each purchaser had to submit individual applications prior to the month involved. Examination of the applications and determination of appropriate allotments in each case was burdensome but the equity of the distribution was indicated by industry's ready acceptance of the allotments.

The distribution of copper for defense purposes was much simpler since essentially it was prorated among the few domestic producers of copper from domestic ores, who in turn agreed to resell it at no profit to consumers, who would use it for defense-rated orders only.

In brief the following actions took place.

Nickel.—The distribution plan of surplus nickel from the National Stockpile as authorized under PL 89–740 was announced by the Department in December 1966. The 24.5 million pounds available for release were distributed on the basis of 90 percent (22.05 million pounds) for defense-rated orders and 10 percent (2.45 million pounds) for hardship cases. Furthermore, all nickel distributed had to be consumed domestically. About 6.3 million pounds were allocated for use in December, of which 5.1 million pounds were alloted to defense-rated orders and 1,225,000 pounds to hardship cases. The remaining 1,225,000 pounds set aside for hardship cases were distributed in January and allotments of the balance of 17 million pounds for defense were spread equally over January, February and March 1967.

Molybdenum.—Congress authorized the disposal of 14 million pounds of surplus molybdenum in the National Stockpile in May 1966. Early in 1967, the urgency of demand had subsided greatly and in consequence applications validated by BDSA for the first quarter of calendar 1967 for subsequent shipment amounted to only 1.1 million pounds, of which 551,000 pounds were allotted to hardship cases. In the second quarter, validated applications fell further to 667,000 pounds, of which only 230,000 pounds were directed to hardship cases. As of June 30, 1967, approximately 4 million pounds remained to be distributed from GSA stocks and stocks sold to producers held for allocation instructions.

Copper.—On December 1, 1966, the President authorized the release of 150,000 short tons of refined copper from the Government stockpile. BDSA, in cooperation with other Government agencies, formulated plans for release of the copper. The total quantity is being sold by the General Services Administration to domestic producers of refined copper from domestic ore for resale to controlled materials producers to fill defense-rated orders only. The schedule of release, as finally approved and as negotiated with industry, follows:

January through March	22,000 tons each month
April and May	20,000 tons each month
June and July	13,000 tons each month
August and September	9,000 tons each month

ACTIVITIES OF THE DEPARTMENT OF STATE RELATING TO STOCKPILING OF STRATEGIC AND CRITICAL MATERIALS

The Department of State provides advice and guidance in regard to the effects of stockpile program activities on U.S. foreign relations and deals with international relations problems arising out of these activities. The Department helps to assess the availability of strategic and critical materials from the primary producing countries and the reliability of these sources in time of national emergency. It participates in a review of the supply and demand situation for each of the strategic materials and helps to develop stockpile objectives.

The Department shares in the development of long-range plans for the disposal of surplus materials and conducts consultations with interested foreign governments on plans for proposed disposals. Based on these consultations, an evaluation is made of the political and economic effects of such plans on friendly foreign countries and on the foreign relations of the United States. As necessary, recommendations are made for the adoption or modification of proposed disposal plans.

The Department reviews proposals for the barter of United States surplus agricultural commodities for strategic materials. It also assists and advises the Department of Agriculture on foreign policy problems arising from the implementation of barter programs.

Between January and June 1967, rubber growing countries, citing a persistent decline in the rubber market, forcefully sought a reduction in the U.S. rubber disposal program. A number of discussions, bilateral and multilateral, were conducted by the Department with interested governments before the public announcement on June 9 that the disposal rate would be cut-back and modified starting July 1.

A softening tin market strengthened apprehension among members of the International Tin Council regarding the U.S. tin disposal plans for the ensuing fiscal year. In June, the Department entered into consultations on this matter with the International Tin Council.

During April a review of the tungsten disposal program was presented to the Working Group of the UN Committee on Tungsten by the Department of State representing the United States Government.

Consultations and discussions on numerous other commodities were held with representatives of interested governments.

ACTIVITIES OF THE U.S. DEPARTMENT OF AGRICULTURE RELATING TO STOCKPILING OF STRATEGIC AND CRITICAL MATERIALS

TRANSFERS FROM STOCKPILE FOR DISPOSALS

In 1962, the General Services Administration transferred all National Stockpile extra-long staple domestic and foreign-grown cotton to the Commodity Credit Corporation. This involved about 123,000 bales (running) of Egyptian and Sudanese cotton. The foreign-grown cotton has been disposed of through an export sales program.

The GSA transfer to CCC involved 47,518 bales of domestic cotton which were added to the CCC inventory, making a total of 53,740 bales. Sales from this cotton have been for unrestricted use. Cumulative sales through June 30, 1967 were 18,549 bales, leaving an inventory of 35,191 bales.

BARTER ACTIVITIES

The barter program of the U.S. Department of Agriculture exchanges agricultural commodities for foreign-produced strategic and other materials for stockpiling and for foreign materials, goods, and services required by other U.S. Government agencies. Barters are transacted mainly under the authority of the Agricultural Trade Development and Assistance Act of 1954, as amended (P.L. 480, 83rd Congress) and the Commodity Credit Corporation Charter Act, as amended.

Three barter contracts for strategic materials, valued at $800,000, were signed during the period January-June 1967. Two of these contracts provided for delivery of selenium, valued at $300,000, and the third provided for delivery of rutile, valued at $500,000. The materials to be delivered under these contracts are needed to fill stockpile objectives.

Strategic materials valued at $10.3 million were delivered to CCC during January-June 1967, bringing the cumulative total of deliveries to CCC under barter contracts since 1950 to approximately $1.6 billion. Of this total, $223.3 million were transferred to the National Stockpile and about $1.4 billion to the Supplemental Stockpile through June 30, 1967.

ACTIVITIES OF THE DEPARTMENT OF THE INTERIOR RELATING TO STOCKPILING OF STRATEGIC AND CRITICAL MATERIALS

The Department of the Interior is responsible for the management, conservation, and development of the Nation's natural resources to meet the requirements of national security and an expanding economy. The Department provides advice and assistance to the Office of Emergency Planning in formulating and carrying out programs for the stockpiling of strategic and critical materials. The Department of the Interior conducts research in exploration, mining, beneficiation, and metallurgy and compiles information on production and consumption for use in stockpile planning.

The Department is responsible for emergency preparedness planning with respect to strategic metals and minerals and other resources, and conducts supply-requirements studies when market conditions or other circumstances indicate problem areas in which materials are likely to be in short supply and recommends appropriate action to overcome deficiencies. The Department also administers programs to encourage the exploration, development, and mining of minerals and metals for emergency purposes.

STOCKPILE DISPOSALS

The Department cooperates in the development of long-range programs for the disposal of surplus Government stockpile inventories and conducts consultations with representatives of the interested industries. The industry views along with analyses of the market situation are carefully considered in the development of Departmental recommendations for acceptance or modification of the proposed plans.

RUTILE RESEARCH PROGRAM

Under the Domestic Rutile Expansion Program established by the OEP, the Department of the Interior developed a three-part comprehensive research program covering domestic titanium-bearing ores. The three-step program will provide for: (1) expanding the current resource investigations on rutile; (2) evaluating the economic potential of certain U.S. columbium-bearing rutile in strategic applications; and (3) testing the commercial use of alternate titaniferous materials as substitutes for rutile. The new research program is the initial step of the expansion program and is aimed at technological and economic problems involved in the commercial use of rutile and titanium-bearing ores.

OTHER ACTIVITIES

Two prototype instruments for silver exploration by *in situ* neutron activation have been built and tested by the Geological Survey. The sensitivity of the instruments is about 1.5 ounces silver per ton and maximum depth of penetration is about 20 inches. With the use of additional equipment, sensitivity probably could be increased to detect as little as 0.05 ounces per ton and by using a more powerful neutron source, depth of penetration might be increased.

A large area of potentially valuable zinc-lead metallization has been delineated by the Geological Survey in portions of the Lancaster quadrangle, Grant County, Wisconsin. Recognition of mineralized outcroppings broadens the target area for prospecting in the northwestern portion of the Wisconsin zinc-lead district.

Bureau of Mines research may enable easier and less costly fabrication methods for molybdenum, tungsten, and other strategic refractory metals or alloys. Preliminary data indicate the feasibility of melting molybdenum by an electroslag process using a slag composed of high-melting-point rare-earth metal oxides. A submerged electrode is melted and consumed in a flux made molten by resistance heating and the refractory metal is transferred in droplets through the molten media to the forming ingot. Ingots prepared in this manner appear to be workable at temperatures from 600° to 750°C, whereas conventional vacuum-arc melted ingots must be worked between 950° and 1200°C.

Special and technical reports, issued during January-June 1967, having a relationship to strategic and critical materials are as follows:

BUREAU OF MINES

Reports of Investigations

6859 A One-Step Operation for Recovery of Manganese as Chloride From Ores and Slags
6885 Reconnaissance of Yttrium and Rare-Earth Resources in Northern New Jersey
6887 Deep Mine Stress Determinations Using Flatjack and Borehole Deformation Methods
6889 Refining Iron-Contaminated Zinc by Filtration and Centrifugation
6892 Investigations of the White Mountain Mercury Deposit, Kuskokwim River Basin, Alaska
6894 Solid-State Electromigration of Impurities in Cerium Metal
6902 Heats of Formation of Ytterbium and Thulium Trichlorides
6905 Reactions of Manganese With Silica
6911 Infrared Vibrations of Benzene Rings in Condensed Thiophenes
6914 Processing of High-Iron Arkansas Bauxite Ores
6915 Rhenium and Rhenium-Tungsten Deposition by Thermochemical Reduction of the Hexafluorides—A Preliminary Study
6923 Recrystallization of Chrome Spinel
6925 Low-Temperature Thermodynamic Properties of the Hydrates of Beryllium Sulfate
6927 Methods for Producing Alumina From Clay—An Evaluation of a Lime-Soda Sinter Process
6928 Preliminary Process Development Studies for Desulfating Great Salt Lake Brines and Sea
6929 Properties of Vanadium-Base Tungsten and Chromium Alloys
6932 Chattanooga Shale Investigations
6933 Lime-Soda Sinter Process. Correlation of Reaction Products With Extractibility of Alumina From Anorthosite
6938 Effects of Ultrasonics on Electrodeposition of Copper Alloys From Cyanide Electrolytes
6939 Adaptation of the Pedersen Process to the Ferruginous Bauxites of the Pacific Northwest
6940 Extraction of Germanium and Gallium From Coal Fly Ash and Phosphorus Furnace Flue Dust
6944 Metallurgical Testing of Hawaiian Ferruginous Bauxites—Concluding Report
6946 An Economic and Technical Evaluation of Magnesium Production Methods (in Three Parts)
6953 Selective Flotation of a Fluorspar Ore From Illinois
6955 Assigning an Area of Influence for an Assay Obtained in Mine Sampling
6956 The Tungsten-Cobalt System for Compositions to 85 Atomic Percent Cobalt
6957 Electrowinning High-Purity Neodymium, Praseodymium, and Didymium Metals From Their Oxides
6963 Tests for Tin-Lead Solders and Solder Joints
6964 Columbium and Tantalum Alloy Development

6969 Heavy Liquid Cyclone Concentration of Minerals (in Two Parts)
6972 An Electrolytic Process for Producing Ductile Vanadium
6974 Noble Metals, Molybdenum, and Tungsten in Hydrocarbon Synthesis

Information Circular

8325 Evaluation of Domestic Reserves and Potential Sources of Ores Containing Copper, Lead, Zinc, and Associated Metals.
8327 An Analysis of the Pacific Northwest Lead-Zinc Industry

U. S. GEOLOGICAL SURVEY

Professional Papers

575–B	Geological Survey Research 1967, Chapter B. Short papers on economic geology, analytical methods, and related subjects.

Bulletins

1198–G	Copper mosses as indicators of metal concentrations, by H. T. Scacklette.
1199–N	Geology and bauxite deposits of the Rock Run and Goshen Valley areas, northeast Alabama, by P. E. Cloud, Jr.
1217	Geology of the Stewart Flat quadrangle, Caribou County, Idaho, by Kathleen M. Montgomery and T. M. Cheney (vanadium).
1218	General geology of the Mammoth quadrangle, Pinal County, Arizona, by S. C. Creasey (copper, lead, zinc, molybdenum, vanadium, tungsten, gold, silver).
1222–E	Geology and ore deposits of the Steeple Rock mining district, Grant County, New Mexico, by R. L. Griggs and H. C. Wagner (copper, lead, zinc, gold, silver).
1228	Bauxite reserves and potential aluminum resources of the world, by S. H. Patterson.
1242–A	Aeromagnetic and tectonic analysis of the Upper Mississippi Valley zinc-lead district, by A. V. Heyl and E. R. King.

Circulars

540	A simple mercury vapor detector for geochemical prospecting, by W. W. Vaughn.
543	Distribution of gold, tellurium, silver, and mercury in part of the Cripple Creek district, Colorado, by G. B. Gott, J. H. McCarthy, Jr., G. H. Van-Sickle, and J. B. McHugh.

Map

MR–46	Reported occurrences of selected minerals in Arizona, compiled by T. F. Stipp, L. B. Haigler, B. R. Alto, and H. L. Sutherland.

STATUS OF OBLIGATIONAL OPERATIONS

Under PL 117 and PL 520 for The National Stockpile

As of June 30, 1967

AUTHORITY	APPROPRIATED FUND [a]	AUTHORIZATIONS FOR MAKING ADVANCE CONTRACTS [b]	AUTHORIZATIONS FOR LIQUIDATING OUTSTANDING ADVANCE CONTRACTS [c]	TOTAL OBLIGATIONAL AUTHORITY (CUMULATIVE) [d]
Under PL 117—76th Congress				
PL 361—76th Congress, August 9, 1939	$ 10,000,000	$	$	$ 10,000,000
PL 442—76th Congress, March 25, 1940	12,500,000			22,500,000
PL 667—76th Congress, June 26, 1940	47,500,000			70,000,000 [e]
Under PL 520—79th Congress				
PL 663—79th Congress, August 8, 1946	100,000,000	—	—	100,000,000
PL 271—80th Congress, July 30, 1947	100,000,000	75,000,000	—	275,000,000
PL 785—80th Congress, June 25, 1948	225,000,000	300,000,000	—	800,000,000
PL 785—80th Congress, June 25, 1948	75,000,000	—	75,000,000	800,000,000
PL 119—81st Congress, June 23, 1949	40,000,000	270,000,000	—	1,110,000,000
PL 150—81st Congress, June 30, 1949	275,000,000	250,000,000	—	1,635,000,000
PL 150—81st Congress, June 30, 1949	250,000,000	—	250,000,000	1,635,000,000
PL 434—81st Congress, October 29, 1949	—	—	100,000,000 [f]	1,535,000,000
PL 759—81st Congress, September 6, 1950	365,000,000	—	240,000,000	1,660,000,000
PL 759—81st Congress, September 6, 1950	240,000,000	125,000,000	—	2,025,000,000
PL 843—81st Congress, September 27, 1950	573,232,449 [g]	—	—	2,598,232,449
PL 911—81st Congress, January 6, 1951	1,834,911,000	—	—	4,433,143,449
PL 253—82nd Congress, November 1, 1951	590,216,500	—	—	5,023,359,949
PL 253—82nd Congress, November 1, 1951	200,000,000	—	200,000,000	5,023,359,949
PL 455—82nd Congress, July 25, 1952	203,979,000	—	70,000,000	5,157,338,949
PL 176—83rd Congress, July 31, 1953	—	—	30,000,000	5,127,338,949
PL 428—83rd Congress, June 24, 1954	—	—	27,600,000	5,099,738,949
PL 663—83rd Congress, August 26, 1954	379,952,000 [h]	—	—	5,479,690,949
PL 112—84th Congress, June 30, 1955	321,721,000 [i]	—	—	5,801,411,949
PL 112—84th Congress, June 30, 1955	27,400,000	—	27,400,000	5,801,411,949
PL 844—85th Congress, August 28, 1958	3,000,000	—	—	5,804,411,949
Rescinded by PL 255—86th Congress, September 14, 1959	—58,370,923 [j]	—	—	5,746,041,026
PL 626—86th Congress, July 12, 1960	22,237,000 [k]	—	—	5,768,278,026
PL 141—87th Congress, August 17, 1961	16,682,510 [l]	—	—	5,784,960,536
PL 741—87th Congress, October 3, 1962	8,729,887 [m]	—	—	5,793,690,423
PL 215—88th Congress, December 19, 1963	23,925,000	—	—	5,817,615,423 [n]
PL 507—88th Congress, August 30, 1964	9,319,168 [o]	—	—	5,826,934,591
PL 16 —89th Congress, April 30, 1965	118,500	—	—	5,827,053,091
PL 128—89th Congress, August 16, 1965	16,096,284 [p]	—	—	5,843,149,375
PL 555—89th Congress, September 6, 1966	18,493,789 [q]	—	—	5,861,643,164
PL 21 —90th Congress, May 29, 1967	244,000	—	—	5,861,887,164
Total PL 117 and 520	$5,931,887,164	$1,020,000,000	$1,020,000,000	$5,931,887,164

SOURCE: GENERAL SERVICES ADMINISTRATION

[a] Congressional appropriations of funds for stockpiling purposes.

[b] Congressional appropriations of contracting authority for stockpiling purposes in advance of appropriation of funds.

[c] Congressional authorization to liquidate outstanding obligations incurred under previously granted advance contract authority.

[d] Cumulative total of appropriated funds and advance contract authorization, less authorization to liquidate outstanding advance contract.

[e] Excludes $8,845,792 received from sale of stockpile materials for wartime consumption. Receipts were returned to Treasury, February 1948.

[f] Cancellation of previously authorized authority to make contracts.

[g] Excludes $25,404,921 transferred to operating expenses for rehabilitation of Government-owned material producing plants.

[h] Excludes $48,000 transferred to Transportation and Public Utilities Service, GSA.

[i] Excludes $430,000 transferred to Transportation and Public Utilities Service, GSA and $199,349,000 transferred to General Fund Receipts on June 27, 1956—PL 623—84th Congress.

[j] As of June 30, 1959 this amount included cash of $52,350,792 and receivables of $6,020,131.

[k] Excludes $7,763,000 transferred to other GSA Funds for classified and wage board salary increases during 1961.

[l] Appropriation of $40,000,000 of which $22,700 transferred to Office of Administrator, GSA and $23,294,790 transferred to General Fund Receipts.

[m] Appropriation of $18,095,000 less transfers to General Fund Receipts of $9,365,113.

[n] Excludes receipts from rotational sales.

[o] Appropriation of $17,755,000 less returns to Treasury of $8,435,832.

[p] Appropriation of $17,400,000 less returns to Treasury of $1,303,716.

[q] Appropriation of $19,847,000 less returns to Treasury of $1,353,211.

TOTAL OBLIGATIONS AND EXPENDITURES OF STOCKPILING FUNDS
Under PL 117 and PL 520 for THE NATIONAL STOCKPILE
CUMULATIVE AND BY FISCAL PERIOD THROUGH JUNE 30, 1967

Fiscal Period	OBLIGATIONS INCURRED [A]		EXPENDITURES [B]	
	Net Change By Fiscal Period	Cumulative As of End of Period	By Fiscal Period	Cumulative As of End of Period
Prior to Fiscal Year 1948	$ 123,871,685	$ 123,871,685	$ 66,330,731	$ 66,330,731
Fiscal Year 1948	252,901,411	376,773,096	82,907,575	149,238,306
Fiscal Year 1949	459,766,881	836,539,977	304,486,177	453,724,483
Fiscal Year 1950	680,427,821	1,516,967,798	440,834,970	894,559,453
Fiscal Year 1951	2,075,317,099	3,592,284,897	655,537,199	1,550,096,652
Fiscal Year 1952	948,117,547	4,540,402,444	844,683,459	2,394,780,111
Fiscal Year 1953	252,375,163	4,792,777,607	906,158,850	3,300,938,961
Fiscal Year 1954	116,586,681	4,909,364,288	644,760,321	3,945,699,282
Fiscal Year 1955	321,799,833	5,231,164,121	801,310,094	4,747,009,376
Fiscal Year 1956 [C]	251,692,667	5,482,856,788	382,011,786 [C]	5,129,021,162 [C]
Fiscal Year 1957	190,000,109	5,672,856,897	354,576,558	5,483,597,720
Fiscal Year 1958	54,473,250	5,727,330,147	173,753,997	5,657,351,717
Fiscal Year 1959	38,710,879	5,766,041,026	65,260,098	5,722,611,815
Fiscal Year 1960	19,859,290	5,785,900,316	49,227,142	5,771,838,957
Fiscal Year 1961	29,082,919	5,814,983,235	33,325,431	5,805,164,388
Fiscal Year 1962	31,179,407	5,846,162,642	33,695,431	5,838,859,819
Fiscal Year 1963	17,414,900	5,863,577,542	22,104,176	5,860,963,995
Fiscal Year 1964	15,489,597	5,879,067,139	16,091,067	5,877,055,062
Fiscal Year 1965	16,288,732	5,895,355,871	16,561,275	5,893,616,337
Fiscal Year 1966	16,296,070	5,911,651,941	16,468,100	5,910,084,437
Fiscal Year 1967	18,197,410	5,929,849,351	17,981,675	5,928,066,112

SOURCE: GENERAL SERVICES ADMINISTRATION

[A] Figures are the sum of obligations incurred under PL 520, 79th Congress and PL 117, 76th Congress. Final obligations under PL 117, 76th Congress were incurred in Fiscal Year 1949.

[B] Figures are the sum of expenditures under PL 520, 79th Congress and PL 117, 76th Congress. Final expenditures under PL 117, 76th Congress were made in Fiscal Year 1951.

[C] 1956 and subsequent fiscal periods and cumulative expenditures are reported on an accrual basis.

EXPENDITURES OF STOCKPILE FUNDS, BY TYPE

(for the National Stockpile)

Cumulative and for Second Half Fiscal Year 1967

Type of Expenditure	Cumulative Through December 31, 1966	Six Months Ended June 30, 1967	Cumulative Through June 30, 1967
Expenditures			
Gross Total	$6,462,796,776	$9,615,250	$6,472,412,026
Less: Adjustments for Receipts from Rotation Sales and Reimbursements	544,036,248	309,666	544,345,914
Net Total	5,918,760,528	9,305,584	5,928,066,112
Material Acquisition Costs, Total	5,438,375,639	199,219	5,438,574,858
Stockpile Maintenance Costs, Total	411,959,089	7,014,091	418,973,180
Facility Construction	43,772,457	—	43,772,457
Storage and Handling Costs	265,436,321	7,014,044	272,450,365
Net Rotation Costs	102,750,311	47	102,750,358
Administrative Costs	58,304,712	1,644,665	59,949,377
Operations, Machine Tool Program	10,121,088	447,609	10,568,697

Cumulative figures are the total of expenditures under PL 117, 76th Congress and PL 520, 79th Congress. Expenditures under PL 117 totaled $70,000,000 of which $55,625,237 was for materials acquisition costs and $14,374,763 was for other costs. Final expenditures under PL 117 were made in FY 1951.

SOURCE: GENERAL SERVICES ADMINISTRATION

(3)

George Christian

EXECUTIVE

ND4-3
LE
FA11-1
FA400

lw

3:15 p.m., Wednesday
November 22, 1967

FOR THE PRESIDENT

FROM Joe Califano

Attached is the Budget memorandum on three stockpile bills -- molybdenum, rare-earth materials, and bismuth.

These are the first stockpile bills passed at this session. The Congress has six others pending covering materials valued at $115 millionl

The enrolled bills are at the Ranch and the last date for action is Saturday, November 25.

I recommend that you issue the attached statement urging the Congress to take action on the remaining stockpile bills.

Levinson drafted the signing statement and I edited it. I recommend your approval of the statement.

Approve ______ Disapprove ______

Nothing else sent to
Central Files as of 11/28/67
L.B.

Immediate

BY THE PRESIDENT

~~Presidential Signing~~ Statement by the President on the Bismuth, Molybdenum and Rare Earths Stockpiles

I have signed three bills which represent economy in government and the wise management of our resources.

These measures authorize the sale of surplus materials -- bismuth, molybdenum and rare earths -- no longer needed in our National stockpiles.

They can be released from the bins where they lie idle into the stream of commerce. Factories and mills across the Nation will be able to use these materials in the production of steel, glass, and drugs.

They will also go into the manufacture of armor plate and electronic equipment, to help supply our troops in Vietnam.

The Government has invested over $32 million in these materials. Now this sum can be returned to the Treasury -- an important saving to the American taxpayer.

While I am pleased to sign these three bills, I must emphasize that Congrees has only begun the vital work of moving surplus materials from stockpile to production line.

Six stockpile measures still remain before the Congress. They cover materials valued at $115 million.

These materials are no longer needed by the Government. They are surplus. They should be put to productive use. To hold them is wasteful. By their sale, everyone benefits - the Government; the Economy; and the American taxpayer.

The 89th Congress enacted 38 separate stockpile bills, returning $1.8 billion to the United States Treasury.

Now, when the need for prudence and frugality in Government has never been greater, I urge this Congress to seize the opportunity that awaits it.

EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON, D.C. 20503

NOV 20 1967

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bills H.R. 5784 - Molybdenum
H.R. 5787 - Rare-earth Materials
H.R. 5788 - Bismuth
Sponsor - Rep. Philbin (D) Massachusetts

Last Day for Action

November 25, 1967 - Saturday

Purpose

To authorize the Administrator of General Services to dispose of stated quantities of molybdenum, rare-earth materials, and bismuth which are excess to stockpile needs, and waives the six-month period that would otherwise be required before disposal.

Agency Recommendations

Bureau of the Budget	Approval
General Services Administration	Approval
Office of Emergency Planning	Approval
Department of Commerce	Approval
Department of State	No objection
Department of the Interior	No objection

Discussion

The three enrolled bills are part of the legislative program of the General Services Administration for 1967. They authorize the Administrator of General Services to dispose, by negotiation or otherwise, of specified quantities of materials, without regard to the six-month waiting period under the Strategic and Critical Materials Stock Piling Act, but with the usual requirement that the timing and method of disposal be fixed with due regard for the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against disruption of their usual markets.

The pertinent details of the three enrolled bills are set forth below:

H.R. 5784 - Molybdenum

The bill would authorize the disposal of approximately 15 million pounds of molybdenum, the amount recommended by GSA. Molybdenum is a hard metal used as an alloying element principally in the manufacture of steel. The United States produced about 79 percent of the free world's total in 1965.

The total inventory of molybdenum in the national stockpile is about 56.5 million pounds, with a stockpile objective of 40 million pounds. Of the total excess, about 1.5 million pounds have previously been authorized for disposal. The enrolled bill would authorize disposal of the balance of the excess. The approximate acquisition cost of the material was $1 per pound, while the market price in January 1967 was approximately $1.55 per pound.

H.R. 5787 - Rare-earth materials

The bill would authorize the disposal of approximately 7,640 short dry tons (rare-earth oxides content) of rare-earth materials from the national and supplemental stockpiles, the amount proposed by GSA.

The rare earths compose a group of 15 closely associated and similar elements which are notable for their peculiar electron-sensitive and light-sensitive nature. Rare earths are used in steel and glass industries and in the manufacture of phosphor compounds for color television tubes. Domestic production of rare-earth ores has increased greatly in recent years.

The national and supplemental stockpiles have a total inventory of 15,787 short dry tons of rare-earth materials, with a stockpile objective of 3,000 short dry tons. The enrolled bill would only authorize disposal of 7,640 short dry tons of the total excess of 12,787 short dry tons. As the report of the House Committee on Armed Services points out, the remaining excess is being held as a cushion against any upward change in the objective which may come about through a survey the Office of Emergency Planning has under way.

The average acquisition cost of the rare earths held in the inventories was $839.10 per short dry ton. The present cost of rare-earth materials is about $450 per short dry ton.

H.R. 5788 - Bismuth

The bill would authorize the disposal of approximately 1.2 million pounds of bismuth from the national and supplemental stockpiles, the amount proposed by GSA. The approximate acquisition cost was $2.134 per pound and the present market value is estimated to be $4 per pound.

The yearly U.S. production of bismuth is about 1 million pounds with world production in 1965 estimated at 9.4 million pounds. Domestic production of bismuth is limited by the mining, smeltering, and refining of other metals and ores, principally copper and lead, since bismuth is a by-product of those processes. The material is used for low-melting (fusible) alloys such as are found in a number of safety devices as plugs. The other major use is as an ingredient in the manufacture of a wide variety of medicinal compounds.

The total stockpile inventory of bismuth, as of December 31, 1966, was 3.6 million pounds. The stockpile objective is 2.4 million pounds leaving an excess of 1.2 million pounds.

Wilfred H. Rommel

Assistant Director for
Legislative Reference

Enclosures

GENERAL SERVICES ADMINISTRATION

Washington, D.C. 20405

NOV 15 1967

Honorable Charles L. Schultze
Director
Bureau of the Budget
Washington, D. C. 20503

Dear Mr. Schultze:

By referral dated November 13, 1967, from the Assistant Director for Legislative Reference, your Bureau requested the views of the General Services Administration on enrolled bill H.R. 5784, an act "To authorize the disposal of molybdenum from the national stockpile."

This proposal is a part of the legislative program of the General Services Administration for 1967.

The enrolled bill would authorize the disposal of approximately 15,000,000 pounds of molybdenum now held in the national stockpile but not needed for stockpile purposes.

In addition to providing the approval by the Congress of the proposed disposition, the bill would waive the procedural requirements of section 3 of the Strategic and Critical Materials Stock Piling Act, 50 U.S.C. 98b, with respect to publication and transmittal of notice and the six-month waiting period. The bill would, however, preserve the substantive requirements of section 3 with respect to the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against avoidable disruption of their usual markets.

The enactment of the bill would not require the expenditure of additional Federal funds.

GSA recommends Presidential approval of enrolled bill H.R. 5784.

Sincerely yours,

Lawson B. Knott Jr.

Lawson B. Knott, Jr.
Administrator

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON, D.C. 20504

OFFICE OF THE DIRECTOR

NOV 14 1967

Honorable Charles L. Schultze
Director
Bureau of the Budget
Washington, D. C. 20504

Dear Mr. Schultze:

Since the Director is attending a NATO Committee meeting in Brussels this week, I am taking the liberty of replying to your request for comments on H. R. 5784, H. R. 5787, and H. R. 5788, 90th Congress, enrolled bills, "To authorize the disposal of the following materials from the national and/or supplemental stockpiles:

H. R. 5784	Bismuth
H. R. 5787	Rare Earth Materials
H. R. 5788	Molybdenum

The Office of Emergency Planning recommends that the President approve the enrolled bills.

Sincerely,

SIGNED

Mordecai M. Marker
General Counsel

RECEIVED
NOV 21 10 [illegible] AM 1967
BUREAU OF THE BUDGET

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE
WASHINGTON, D.C. 20230

NOV 15 1967

Honorable Charles L. Schultze
Director, Bureau of the Budget
Washington, D. C. 20503

Dear Mr. Schultze:

This is in reply to your request for the views of this Department concerning H. R. 5784, an enrolled enactment

> "To authorize the disposal of molybdenum from the national stockpile."

H. R. 5784 would authorize the Administrator of General Services to dispose of approximately 15,000,000 pounds of molybdenum from the national stockpile. Such disposals may be made without regard to the usual six month waiting period, but with due regard to avoidance of loss to the United States and of disruption of the usual markets for molybdenum.

This Department recommends Presidential approval of H. R. 5784.

Enactment of this legislation will not require any increase in the budgetary requirements of this Department.

Sincerely,

Joseph W. Bartlett

Joseph W. Bartlett
General Counsel

DEPARTMENT OF STATE

Washington, D.C. 20520

NOV 16 1967

Honorable Charles L. Schultze
Director
Bureau of the Budget

Dear Mr. Schultze:

This is to acknowledge receipt of Mr. Rommel's request of November 13, 1967 for the Department's views and recommendations on H.R. 5784, a bill "To authorize disposal of molybdenum from the national stockpile".

This is to advise you that the Department of State would have no objection to the approval of this bill.

Sincerely yours,

William Macomber

William B. Macomber, Jr.
Assistant Secretary for
Congressional Relations

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

NOV 15 1967

Dear Mr. Schultze:

This responds to your request for the views of this Department on enrolled bill H. R. 5784 "To authorize the disposal of molybdenum from the national stockpile."

We have no objection to approval of the bill by the President.

Sincerely yours,

Assistant Secretary of the Interior

Hon. Charles L. Schultze
Director, Bureau of the Budget
Washington, D. C. 20503

90th Congress
1st Session

SENATE

Report
No. 738

DISPOSAL OF MOLYBDENUM

November 9, 1967.—Ordered to be printed

Mr. Symington, from the Committee on Armed Services, submitted the following

REPORT

[To accompany H.R. 5784]

The Committee on Armed Services, to which was referred the bill (H.R. 5784) to authorize the disposal of molybdenum from the national stockpile, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

Purpose of the Bill

This bill would grant congressional approval for the disposal of approximately 15 million pounds of molybdenum from the national stockpile and waive the 6-month waiting period ordinarily required before disposals from the national stockpile may be accomplished.

Explanation of the Bill

Why congressional action is required

Under existing law, congressional approval is required for the disposal of materials in the national stockpile except when the proposed disposal action is based on a determination that the material has become obsolescent for use in time of war.

The proposed disposal of molybdenum is based on a determination that the quantity of this material in the national stockpile is excess to requirements and not because the material is obsolescent for use in time of war. Consequently, express congressional approval for this disposal is required.

Moreover, the bill would authorize an immediate start on the disposal action by waiving the statutory requirement for a 6-month waiting period after notice of the proposed disposal is published in the Federal Register.

85-010

Why disposal is proposed

The quantity of molybdenum covered by this bill is excess to stockpile requirements. The total inventory of molybdenum held by General Services Administration is 56,493,524 pounds. The present stockpile objective is 40 million pounds, leaving an excess of 16,493,524 pounds. Of the total excess, 1,493,524 pounds has previously been authorized for disposal under Public Law 89–413 dated May 5, 1966. This bill would authorize the disposal of the balance of the excess material.

Production and consumption

The 1964–66 period was one of unprecedented growth in world demand and mine development for the molybdenum industry. In 1965, free world production of molybdenum in ores and concentrates reached a new high of 98.4 million pounds and in 1966 is estimated to reach the record level of 124 million pounds. The United States, the world's largest producer of molybdenum, produced approximately 65.6 million pounds in 1964 and approximately 77.4 million pounds in 1965. U.S. production in 1966 is estimated at 90.5 million pounds. In 1965, U.S. production represented about 79 percent of the free world's total.

In 1965 domestic consumption of molybdenum was 52.2 million pounds and exceeded the previous record year of 1964 by 9 percent. For 1966 U.S. consumption is estimated at 61.3 million pounds, an increase of 16 percent over 1965. This increase in consumption was made possible because the supply from current domestic mine production was augmented by release of approximately 23 million pounds from Government stockpiles since late 1964. Exports of molybdenum in concentrates in 1965 were 24.1 million pounds and are estimated at 30 million pounds in 1966.

Information on molybdenum

Molybdenum is a hard, silvery-white metal used as an alloying element principally in the manufacture of steel and is a desirable substitute for other ferroalloy metals. It imparts a high melting point, high-strength stiffness, and toughness to alloys. The toughness imparted by molybdenum makes steel suitable for armor plate and permits the manufacture of castings of military quality. The missile industry uses molybdenum in high-temperature applications such as nozzles, leading edges, and numerous structural parts. Electric furnace heating elements, electrical contacts, and electrodes are made of molybdenum metal or molybdenum base alloy.

As indicated above, the United States is the world's largest producer of molybdenum ores and concentrates. Other free world sources are Chile, Canada, Japan, Norway, Mexico, Republic of Korea, and the Philippines.

Fiscal Data

The approximate acquisition cost of the molybdenum inventory was $1 per pound (Mo content) as of September 30, 1966. Market quotations on January 2, 1967, were $1.55 per pound Mo contained in concentrates, f.o.b. Climax, Colo. (cost of container extra).

Departmental Recommendation

There is set forth below and made a part of this report a letter dated February 2, 1967, from the Acting Administrator of the General

Services Administration indicating that the executive branch recommends enactment of this bill.

GENERAL SERVICES ADMINISTRATION,
Washington, D.C., February 2, 1967.

Hon. HUBERT H. HUMPHREY,
President of the Senate,
Washington, D.C.

DEAR MR. PRESIDENT: There is forwarded herewith a draft bill to authorize the disposal of molybdenum from the national stockpile.

This proposal is a part of the legislative program of the General Services Administration for 1967.

The proposed bill would authorize the disposal of approximately 15 million pounds of molybdenum from the national stockpile. The Director of the Office of Emergency Planning has determined that this quantity is excess to stockpile needs.

In addition to providing the approval by the Congress of the proposed disposition, the bill would waive the procedural requirements of section 3 of the Strategic and Critical Materials Stock Piling Act, 50 U.S.C. 98b, with respect to publication and transmittal of notice and the 6-month waiting period. The bill would, however, preserve the substantive requirements of section 3 with respect to the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against avoidable disruption of their usual markets.

A copy of the disposal plan, which provides additional information concerning the proposed disposition, is enclosed.

GSA recommends prompt and favorable consideration of this draft bill.

The enactment of the bill would not require the expenditure of additional Federal funds.

The Bureau of the Budget has advised that there is no objection to the submission of the proposed bill to the Congress and that its enactment would be in accord with the program of the President.

Sincerely yours,

J. E. MOODY,
Acting Administrator.

EXISTING LAW

Although subsection 4 of rule XXIX of the Standing Rules of the Senate is not applicable, the provision of existing law that requires congressional approval for certain stockpile disposals is printed below for the information of the Senate.

50 U.S.C. 98b(e)

Section 3(e) of the act, 50 U.S.C. 98b(e), provides that the Director of the Office of Emergency Planning shall direct the Administrator of General Services to—

> * * * (e) dispose of any materials held pursuant to this Act which are no longer needed because of any revised determination made pursuant to section 2 of this Act, as hereinafter provided. No such disposition shall be made until six

months after the publication in the Federal Register and transmission of a notice of the proposed disposition to the Congress and to the Armed Services Committee of each House thereof. Such notice shall state the reasons for such revised determination, the amounts of the materials proposed to be released, the plan of disposition proposed to be followed, and the date upon which the material is to become available for sale or transfer. The plan and date of disposition shall be fixed with due regard to the protection of the United States against avoidable loss on the sale or transfer of the material to be released and the protection of producers, processors, and consumers against avoidable disruption of their usual markets: *Provided*, That no material constituting a part of the stockpiles may be disposed of without the express approval of the Congress except where the revised determination is by reason of obsolescence of that material for use in time of war. For the purposes of this paragraph a revised determination is by reason of obsolescence if such determination is on account of (1) deterioration, (2) development or discovery of a new better material or materials, or (3) no further usefulness for use in time of war.

90TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 524

AUTHORIZING THE DISPOSAL OF MOLYBDENUM FROM THE NATIONAL STOCKPILE

AUGUST 1, 1967.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. PHILBIN, from the Committee on Armed Services, submitted the following

REPORT

[To accompany H.R. 5784]

The Committee on Armed Services, to whom was referred the bill (H.R. 5784) to authorize the disposal of molybdenum from the national stockpile, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The legislation would provide congressional approval of the disposition of approximately 15 million pounds of molybdenum from the national stockpile. In additon, the bill would waive the procedural requirements of section 3 of the Stock Piling Act (50 U.S.C. 98b) with respect to publication and transmittal of notice and the 6-month waiting period. The bill would, however, preserve the substantive requirements of section 3 with respect to the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against avoidable disruption of their usual markets.

BASIC LAW

NATIONAL STOCKPILE

Under section 2 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98a) the Director of the Office of Emergency Planning is authorized and directed to determine which materials are strategic and critical under the provisions of the act and the quality and quantities of such materials which shall be stockpiled under the act.

Section 3(e) authorizes General Services Administration, at the direction of the Director of the Office of Emergency Planning, to dispose of any materials held pursuant to the act which are no longer needed because of any revised determination made pursuant to section 2. Notice of any disposition must be published in the Federal Register and transmitted to the Congress and to the Armed Services Committee of each House thereof. The plan and date of disposition must be fixed with due regard to the protection of the United States against avoidable loss on the sale or transfer of material to be released, and the protection of producers, processors, and consumers against disruption of their usual markets. The express approval of the Congress of any proposed disposition is required unless the revised determination, referred to above, is by reason of obolescence of the material to be disposed of. Disposition may not begin until 6 months after the date of publication and transmission of the notice of the proposed disposition as outlined above.

Dispositions From the National Stockpile

As indicated in the statutes cited above, congressional approval is required for the disposal of materials in the national stockpile except in those instances where the proposed disposal action is based on a determination that the material has become obsolescent for use during time of war.

Since the proposed disposal of molybdenum is not based on obsolescence but is solely based upon a determination that the amount of molybdenum is excess to stockpile requirements, the proposed disposal requires the express approval of the Congress.

In addition, the bill would waive the procedural requirements of section 3 of the Stock Piling Act (50 U.S.C. 98b) with respect to publication and transmittal of notice and the 6-month waiting period. The bill would, however, preserve the substantive requirements of section 3 with respect to the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against avoidable disruption of their usual markets. Thus, the waiver will permit the immediate disposal of molybdenum upon enactment of H.R. 5784.

Molybdenum Stockpile

Subcommittee No. 1 met on April 19, 1967, and heard representatives of the Government speak in fovor of the disposal.

The stockpile objective for molybdenum was reduced from 55 million pounds to 40 million pounds on January 5, 1967. Because of this reduction, the subcommittee during the hearings delved into this matter in depth and assured itself that the reduction would not impair national defense. Primarily, the reason for the reduction in the stockpile objective was the increased expansion as a result of vigorous promotion of programs by domestic and Canadian producers. These production programs not only promised further increases in the availability of molybdenum but are dispersed over widely separate locations which have substantially reduced the concentration hazard.

The subcommittee met again on May 24, 1967, and again reviewed the matter of stockpile objectives in view of increased tensions in the Middle East. Representatives of the Government assured the subcommittee that the release of the molybdenum would not in any way impair our national security.

MOLYBDENUM

Molybdenum is a hard, silvery-white metal used as an alloying element principally in the manufacture of steel and is a desirable substitute for other ferroalloy metals. It imparts a high melting point, high-strength stiffness, and toughness to alloys. The toughness imparted by molybdenum makes steel suitable for armor plate and permits the manufacture of castings of military quality. The missile industry uses molybdenum in high-temperature applications such as nozzles, leading edges, and numerous structural parts. Electric furnace heating elements, electrical contacts, and electrodes are made of molybdenum metal or molybdenum base alloy.

The United States is the world's largest producer of molybdenum ores and concentrates. Other free world sources are Chile, Canada, Japan, Norway, Mexico, Republic of Korea, and the Philippines.

Committee Position

The Armed Services Committee on August 1, 1967, approved the bill, H.R. 5784, without amendment.

Fiscal Data

Enactment of this legislation will result in no additional cost to the Federal Government but will result in substantial returns to the Federal Treasury as a consequence of the proceeds of the sale of the molybdenum now held in the national stockpile.

Departmental Data

The measure is part of the legislative program of the General Services Administration for 1967 as evidenced by a letter dated February 2, 1967, from the Acting Administrator, General Services Administration, which is set out below and made part of the record.

General Services Administration,
Washington, D.C., February 2, 1967.

Hon. John W. McCormack,
Speaker of the House of Representatives,
Washington, D.C.

Dear Mr. Speaker: There is forwarded herewith a draft bill to authorize the disposal of molybdenum from the national stockpile.

This proposal is a part of the legislative program of the General Services Administration for 1967.

The proposed bill would authorize the disposal of approximately 15 million pounds of molybdenum from the national stockpile. The Director of the Office of Emergency Planning has determined that this quantity is excess to stockpile needs.

In addition to providing the approval by the Congress of the proposed disposition, the bill would waive the procedural requirements of section 3 of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98b) with respect to publication and transmittal of notice and the 6-month waiting period. The bill would, however, preserve the substantive requirements of section 3 with respect to the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against avoidable disruption of their usual markets.

A copy of the disposal plan, which provides additional information concerning the proposed disposition, is encolosed.

GSA recommends prompt and favorable consideration of this draft bill.

The enactment of the bill would not require the expenditure of additional Federal funds.

The Bureau of the Budget has advised that there is no objection to the submission of the proposed bill to the Congress and that its enactment would be in accord with the program of the President.

Sincerely yours,

J. E. Moody, *Acting Administrator*.

Changes in Existing Law

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, there is herewith printed in parallel columns the text of provisions of existing law which would be repealed or amended by the various provisions of the bill as reported:

EXISTING LAW	THE BILL AS REPORTED
50 U.S.C. 98b(e)	
Section 3(e) of the Act, 50 U.S.C. 98b(e), provides that the Director of the Office of Emergency Planning shall direct the Administrator of General Services to— "* * * (e) dispose of any materials held pursuant to this Act which are no longer needed because of any revised determination made pursuant to section 2 of this Act, as hereinafter provided. No such disposition shall be made until six months after the publication in the Federal Register and transmission of a notice of the proposed disposition to the Congress and to the Armed Services Committee of each House thereof. Such notice shall state the reasons for such revised determination, the amounts of the materials proposed to be released, the plan of disposition proposed to be followed, and the date upon which the material is to become available for sale or transfer. The plan and date of disposition shall be fixed with due regard to the protection of the United States	*Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled,* That the Administrator of General Services is hereby authorized to dispose of, by negotiation or otherwise, approximately fifteen million pounds of molybdenum now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98–98h). Such disposition may be made without regard to the provisions of section 3 of the Strategic and Critical Materials Stock Piling Act: *Provided,* That the time and method of disposition shall be fixed with due regard to the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against avoidable disruption of their usual markets.

EXISTING LAW | THE BILL AS REPORTED

against avoidable loss on the sale or transfer of the material to be released and the protection of producers, processors, and consumers against avoidable disruption of their usual markets: *Provided*, That no material constituting a part of the stockpiles may be disposed of without the express approval of the Congress except where the revised determination is by reason of obsolescence of that material for use in time of war. For the purposes of this paragraph a revised determination is by reason of obsolescence if such determination is on account of (1) deterioration, (2) development or discovery of a new better material or materials, or (3) no further usefulness for use in time of war."

H. R. 5784

Ninetieth Congress of the United States of America

AT THE FIRST SESSION

Begun and held at the City of Washington on Tuesday, the tenth day of January, one thousand nine hundred and sixty-seven

An Act

To authorize the disposal of molybdenum from the national stockpile.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Administrator of General Services is hereby authorized to dispose of, by negotiation or otherwise, approximately fifteen million pounds of molybdenum now held in the national stockpile established pursuant to the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98–98h). Such disposition may be made without regard to the provisions of section 3 of the Strategic and Critical Materials Stock Piling Act: *Provided,* That the time and method of disposition shall be fixed with due regard to the protection of the United States against avoidable loss and the protection of producers, processors, and consumers against avoidable disruption of their usual markets.

Speaker of the House of Representatives.

Vice President of the United States and President of the Senate.

gal/

EXECUTIVE

ND 4-3
FG 11-6
FG 240
Business Week

METALS WEEK
November 20, 1967

On page 2 the following article appears:

"OEP TO UPDATE STOCKPILE GOALS

The Office of Emergency Planning will come out with new stockpile goals in April or May, to cover the three-year period 1969-71.

While there are no early indications as to which, if any, metals will have their objectives changed, there is considerable speculation in Washington that the copper goal will be increased.

OEP Stockpile Div. chief William N. Lawrence said that before any final decisions are made, his staff will consult closely with industry.

The latest stockpile objectives for a conventional war were set in 1964. The Vietnam war has undoubtedly given the stockpile planners plenty of new information to include in their reappraisal. Nuclear warfare goals were established in 1966.

At present, 78 of the 123 materials in the stockpile are in excess. Sales of surplus stockpile materials in the first six months of 1967 totaled $262-million, compared with $204.7-million in the previous six months of 1966, a record $582-million of material was sold. Since the disposal program began, about $2-billion worth of surplus materials has been sold, according to GSA stockpile chief John C. Harlan, Jr. But the surplus still stands at $3.3-billion."

GENERAL SERVICES ADMINISTRATION

FROM
THE DEPUTY ADMINISTRATOR

TO Mr. E. Ernest Goldstein

As per our telecon, please see attached articles.

J. E. Moody
11/22/67

cc: Mr. Glenn Gibson
Mr. Stanford Ross

BUSINESS WEEK
November 18, 1967

On page 54 the following article appears:

"New study may hike goals for stockpile

Higher goals for materials in the defense stockpile seem likely as the result of a study of strategic needs in the 1969-71 period. The study is being made by the Office of Emergency Planning. It probably will be completed next spring, and could reverse the recent trend toward smaller stockpiles.

The last stockpile study based on conventional war needs was in 1964; a study based on nuclear war was made in 1966. The forthcoming study will be for a conventional war only."

EF

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11/22/67 --

Let Norma Arata know when the President takes action on --

H. R. 5784
H. R. 5787
H. R. 5788

Stockpile

11/24/67

signed this morning at Ranch

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(THE Morning KANSAS CITY S

The Kansas City

KANSAS CITY, MONDAY, NOVEMBER 13, 1967—50 PAGES

EXECUTIVE (3)
ND 4-3
CM/Rubber
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FRONT PAGE

DIPLOMAT ASKS U. S. TO BE FIRM

Malaysian Ambassador Refers to Attitude About Viet War

RECALLS PAST CRISES

He Points Out Our Resolve in Dealing With Them

By Rosalie Jenkins
(A Member of The Star's Staff)

The outcome of the 1962 Cuban missile crisis and the earlier Berlin crisis should be very good lessons for the U. S. to recall when considering its progress in the Vietnam war, the Malaysian ambassador to the United States believes.

Tan Sri Ong Yoke Lin, the ambassador, arrived here yesterday. He will speak on "Modern Malaysia—Its Problems and Prospects," before two classes today at Central Missouri State college in Warrensburg, Mo.

"I can understand that this war in Vietnam, with its limited objectives and limited action is rather frustrating to the American people, Ong, who has been ambassador to the U. S. since 1962, said. But they should remember the firm resolve which the Americans displayed over the Berlin crisis and the 1962 Cuban missile crisis.

"In the same way in which Khrushchev backed off, Ho Chi Minh and his cohorts may do likewise. There are very good lessons in Berlin and Cuba . . . .

"When the Americans show greater resolve and greater unity of purpose in prosecuting the war, the sooner the end will come."

From the beginning, the ambassador commented, Malaysia has given unqualified support to South Vietnam and the efforts of the U. S. and the allies to help South Vietnam.

"The North Vietnamese invaders and the Viet Cong terrorists continue their bombing against the South Vietnamese and its allies," he remarked, "although, the bombs are not thrown from airplanes.

"If the aggressors from the North would call off their attacks against South Vietnam — then the war is over, because South Vietnam is not attacking North Vietnam and not trying to take over North Vietnam."

Ong added that the majority of

(Continued on Page 2A)

DIPLOMAT ASKS U. S. TO BE FIRM

(Continued From Page 1A.)

the non-Communist nations in Southeast Asia felt that they would not be able to withstand direct and indirect pressure from Red China without the U. S. presence in Vietnam.

He said that a U. S. withdrawal from Vietnam would not be in the U. S. national interest.

"The majority of Americans realize that they are in Vietnam, difficult as it may be, in order to prevent a bigger and much more hazardous war," he said.

In discussing his own country's security against Communist subversion, Ong said Malaysia had defeated Communist terrorists in 1960, after 12 years of war, with the aid of Britain, Australia and New Zealand.

Still Face Threat

"But we're still facing subversive activities from the Peking-backed guerrilla action on our borders," he said. "There are about 500 guerrillas on the Thailand border and about 1,000 on the Indonesian border.

"Right now the country is successfully controlling them, but we have to maintain our vigilance against such alien elements."

Ong added that his country believed that democracy and a reasonable prosperity were the best weapons against such Communist subversion.

Ong said that Malaysian prosperity faced a problem with the fall in world rubber prices. Rubber production is one of the country's main commodities.

He said that half the country's rubber came from small farms and that such small farmers would earn hardly enough for one meal a day.

"We would rather have fair terms of trade than aid," he explained. "We have no aid programs with the U. S. aside from the Peace corps . . . Whe have been self-reliant, we work hard, we produce more yet we're earning less.

"So we are now seeking co-operation of the synthetic rubber-producing countries and rubber-consuming countries to stabilize the price of rubber.

"We are confident that there is room for both natural and synthetic rubber-producing countries to get a fair price for their product with the expanding uses and consumption of both types of rubber.

In October, Malaysia unsuccessfully had tried to purchase the entire U. S. rubber stockpile as an aid for stabilizing prices.

Ambassador Ong

Nov. 16
cys went to:
Moody
Rostow
Marshall Wright

(THE *Morning* KANSAS CITY STAR)

The Kansas City Times

KANSAS CITY, MONDAY, NOVEMBER 13, 1967—50 PAGES

FRONT PAGE

DIPLOMAT ASKS U. S. TO BE FIRM

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Ambassador Ong

Nov. 16

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EXECUTIVE (3)
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THE WHITE HOUSE
WASHINGTON

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11/16/67

FOR JOE CALIFANO

FROM: Stan Ross

For your information.

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THE WHITE HOUSE
WASHINGTON

November 9, 1967

MEMORANDUM FOR

STANFORD ROSS

The President has asked why we have not been pressing forward and upward with this obvious means of reducing the rubber stockpile while achieving a worthy social purpose.

Hm
Harry C. McPherson, Jr.

Attachment

Straits Times Nov 3, 1967

Why?

DR. TAN

A question by Dr. Tan for Minister about The Pill—and natural rubber

KUALA LUMPUR, Wed. — Why is a Government minister encouraging Malaysian women to use The Pill instead of getting the men to use condoms made of natural rubber?

This is one of the questions which Dr. Tan Chee Khoon (Lab-Batu) will ask in the Dewan Ra'ayat, which meets on Nov. 13.

Dr. Tan introduces his question about The Pill by asking Inche Khir Johari, the Education Minister and chairman of the Family Planning Board if he is aware that with the fall in the rubber price, the Government should encourage the use of natural rubber.

A factory?

"If so," he adds, "why should the Minister encourage Malaysian females to use The Pill instead of asking the males to use condoms made of natural rubber?

INCHE KHIR
....Family Planning Board chairman

"Will the Minister consider encouraging the setting up of a factory to manufacture condoms from natural rubber not only for local consumption but for export as well?"

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MEMORANDUM

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EXECUTIVE

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THE WHITE HOUSE

WASHINGTON

November 11, 1967
Saturday, 5:00 p.m.

FOR THE PRESIDENT

FROM Joe Califano

Bill Mulligan, the Editor of Rubber World, sent you the attached letter. While I have not sent the magazine along, the article to which he refers exonerates the stockpile disposal program for any responsibility for the deteriorating world rubber problem.

I am passing the article along to Ernie Goldstein. In accord with our conversation yesterday to give Ernie Goldstein more to do, I intended to phase the whole stockpile situation into his hands. He can start with the rubber problem which is one of the trickier ones and I will turn this over to him.

Attachment

EXECUTIVE

ND 14-3
CM/Rubber
PU 2-2/M *

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

November 11, 1967
Saturday, 5:00 p.m.

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Attachment

RUBBER WORLD

630 THIRD AVENUE, NEW YORK, NEW YORK 10017, AREA CODE 212 YUKON 6-4800, CABLE ADDRESS: BILLBROPUB, NEW YORK

(3)

November 6, 1967

H

The President
The White House
Washington, D.C. 20027

Dear Mr. President:

I am enclosing with this letter a copy of the October 1967 issue of RUBBER WORLD Magazine. The cover story (beginning on page 53) is devoted to a study of the U.S. Government's stockpile program, with emphasis on its effect on the natural rubber market. I think it likely that you and some of your economic advisers will find it interesting.

Our story had its beginnings in the supposition, voiced both here and abroad, that the decline in natural rubber prices is due in part to the sales of surplus rubber from the U.S. stockpile. Our editors in Malaysia, Washington and New York collaborated on getting the facts of the case. The final analysis, as it appears here, exonerates the stockpile disposal program from blame for market conditions.

The study also goes on to offer some concrete suggestions for better use of the rubber stockpile and for industry steps to shore up the rubber market.

It is with the hope of possibly assisting you with this detailed information that I am forwarding this copy of RUBBER WORLD.

Sincerely,

Bill Mulligan

Bill Mulligan
Editor

encl.

WHITE HOUSE
MAIL ROOM

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GENERAL SERVICES ADMINISTRATION

Washington, D.C. 20405

November 17, 1967

(2)

EXECUTIVE

ND 4-3

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MEMORANDUM FOR: Honorable Ernest Goldstein
Special Assistant to the President

SUBJECT : Economic Studies on Stockpile Materials

During our stockpile discussion of November 15, I failed to mention that one of the several steps we have taken in the past two years to strengthen our disposal planning was the establishment of an Advisory Panel consisting of some of the most distinguished economists in the country. This Panel is chaired by Dr. Carl Kaysen, Director of the Institute for Advanced Studies at Princeton.

Largely as a result of the recommendations of the Panel, we have engaged the services of expert commercial firms to supplement our limited in-house staff in carrying out comprehensive economic analyses of affected markets and industries to serve as one of the tools we use in making our disposal decisions.

I am sending you copies of nine of these reports which I am sure will be of interest, as well as of future use to you since they reflect rather complete data on the composition and operation of the industries and markets involved.

J. E. Moody
Deputy Administrator

Enclosures

EXECUTIVE
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FE rec'd 11-13-67
10:15am

Joe Calif

THE WHITE HOUSE
WASHINGTON

November 9, 1967

For the President

When I saw the enclosed article in a Malaysian paper, I immediately thought of our rubber stockpile.

I have sent a copy of it to the appropriate agencies.

John P. Roche

Straits Times
Nov 3, 1967

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A question by Dr. Tan for Minister about The Pill—and natural rubber

KUALA LUMPUR, Wed. — Why is a Government minister encouraging Malaysian women to use The Pill instead of getting the men to use condoms made of natural rubber?

This is one of the questions which Dr. Tan Chee Khoon (Lab-Batu) will ask in the Dewan Ra'ayat, which meets on Nov. 13.

Dr. Tan introduces his question about The Pill by asking Inche Khir Johari, the Education Minister and chairman of the Family Planning Board if he is aware that with the fall in the rubber price, the Government should encourage the use of natural rubber.

A factory?

"If so," he adds, "why should the Minister encourage Malaysian females to use The Pill instead of asking the males to use condoms made of natural rubber?

INCHE KHIR
. . . .Family Planning Board chairman

"Will the Minister consider encouraging the setting up of a factory to manufacture condoms from natural rubber not only for local consumption but for export as well?"

EXECUTIVE

ND 4-3
CM/Rubber

(5)

ET

THE AMBASSADOR

FO 6-3
TR 100
CO 333

KEDUTAAN BESAR MALAYSIA
EMBASSY OF MALAYSIA
2401 MASSACHUSETTS AVENUE, N.W.
WASHINGTON, D.C. 20008

October 19, 1967

The Honorable E. Ernest Goldstein
Special Assistant to the President
The White House
Washington, D.C.

My dear Ernie,

I thought you might like to see the enclosed clippings from the Malaysian Straits Times in connection with Finance Minister Tun Tan Siew Sin's visit to Washington and his discussions with you and others on rubber.

You might wish to show to the President the report entitled "Kampong LBJ to celebrate first anniversary of Johnson's visit."

With warmest regards,

Yours ever,

Yoke Lin

(Ong Yoke Lin)

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The Straits Times

The National Newspaper

MALAYSIAN EDITION

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Johnson-Siew Sin talks on falling rubber prices hailed

TUN TAN

Heartening: Razak

By BOB NG: Kuala Lumpur, Wed.

TUN TAN DUE BACK

"The Minister express-

By BOB NG: Kuala Lumpur, Wed.

PRESIDENT Johnson's talks with Tun Tan Siew Sin in Washington yesterday clearly show American readiness to co-operate in efforts to stabilise the rubber price, Tun Abdul Razak said today.

The Deputy Prime Minister told the Press after the weekly Cabinet meeting, that it was heartening that President Johnson had shown willingness to work with Malaysia.

As one of the largest consumers of rubber, America's help and co-operation were imperative in any effort to maintain the price at an equitable level.

Secret plan

Tun Razak said that Tun Tan had presented to President Johnson Malaysia's secret plan to boost the price of rubber. It was being studied by American officials.

Details of the plan could not be disclosed until discussions with the U.S. and other countries concerned had been completed.

The Finance Minister had also told President Johnson of the need of an international commodity arrangement between natural and synthetic rubber producers and consumers.

Personal interest

Tengku Abdul Rahman, who was present at the Press conference, expressed his thanks to the American Government for setting aside protocol to allow Tun Tan to meet the President.

Tun Razak then read out a statement

President Johnson

TUN TAN DUE BACK ON FRIDAY

★ From Page One

statement said: "The President and the Minister agreed that in the recent past there had been welcome advances made by countries of South-East Asia in regional co-operation.

"They agreed that the multilateral approach offered promise of accelerating orderly growth within the economies of these countries.

"The Minister expressed great satisfaction that the U.S was giving support to the Asian Development Bank and that the President had requested Congress to authorise vitally needed resources for the bank's special funds."

Tun Tan left Washington today. He is scheduled to return here on Friday.

A Reuter message from WASHINGTON said President Johnson and Tun Tan did not reach agreement on ways to stabilise falling rubber prices.

They ended a 30-minute meeting at the White House with an understanding that their two Governments would hold further consultations on the problem.

Tun Tan arrived in the U.S. on Sept. 30 with an appeal to cut sales from its rubber stockpile and prevent the dumping of synthetics on the market.

Washington yesterday clearly show American readiness to co-operate in efforts to stabilise the rubber price, Tun Abdul Razak said today.

The Deputy Prime Minister told the Press after the weekly Cabinet meeting, that it was heartening that President Johnson had shown willingness to work with Malaysia.

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The Finance Minister had also told President Johnson of the need of an international commodity arrangement between natural and synthetic rubber producers and consumers.

Personal interest

Tengku Abdul Rahman, who was present at the Press conference, expressed his thanks to the American Government for setting aside protocol to allow Tun Tan to meet the President.

Tun Razak then read out a statement issued by the White House after yesterday's meeting between Tun Tan and President Johnson.

According to the statement, Tun Tan expressed appreciation for the personal interest shown by President Johnson in world rubber prices and for two U.S. decisions on stockpile disposals during the past year to help stabilise rubber prices.

The Malaysian Government understood fully that the basic problems relating to rubber prices were complex and involved many factors.

Problems

"The President and Tun Tan were gratified that the Minister and his colleagues had explained to US Government officials the problems with which rubber producers are faced, had outlined some possibilities of alleviating these problems, and had obtained the views of US officials on them," the statement said.

"They looked forward to further consultations of this nature."

On general problems in South-East Asia, the

★ See Back Page—Col. 3

President Johnson

been welcome advances made by countries of South-East Asia in regional co-operation.

"They agreed that the multilateral approach offered promise of accelerating orderly growth within the economies of

9-28-68

EXECUTIVE

THE AMBASSADOR

KEDUTAAN BESAR MALAYSIA

EMBASSY OF MALAYSIA
2401 MASSACHUSETTS AVENUE, N.W.
WASHINGTON, D.C. 20008

My dear Ernie,

Reference our telephone conversation a moment ago, I enclose a press clipping from our leading English language newspaper the Straits Times of Sept. 17.

Warmest regards,

Yrs,

[illegible]

9/28.

DEPARTMENT OF STATE **REFERENCE SLIP**	DATE 9/27/67

TO: Name or Title	Organ. Symbol	Room No.	Bldg.	Initials	Date
1. Mr. Goldstein		205	WH		
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4.					
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E/ISM - Edmund E. Getzin	3421 NS	4853

FORM DS-10
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☆ GPO : 1966 O - 202-216 (130)

Position for the United States Delegation

to the 19th Assembly

of the International Rubber Study Group

October 16-21, 1967

Sao Paulo, Brazil

The previous Assembly of the Group was held in Lagos, Nigeria in November 1966. In May 1967 the 81st Meeting of the Group was held in The Hague, Netherlands, from which Meeting much of the agenda for the Sao Paulo Assembly is immediately derived. The U.S. Delegate to the Sao Paulo Assembly should be guided on the substantive items of the agenda by the comments which follow.

Statistics (Agenda item 5)

The U.S. Delegate should participate fully in the review and estimate of the supply/demand position for 1967 and 1968. Estimates for the United States were submitted to the IRSG late in August and can be used for this review. They show a decline of about 5% in total consumption as compared with 1966. The IRSG Statistical Committee has already noted informally that the estimates show a decline in the consumption of natural rubber of 11.3% but a decline of only 2.3% for synthetic. This trend is confirmed by the figures for percentage of synthetic rubber in total rubber consumption. For the year 1966 the figure was 75.0%; for the first seven months of 1967 it was 76.7, in June 1967 it was 77.7 and in July 1967 it was 77.9%.

If queried on this at Sao Paulo, the U.S. Delegate may say that the figures evidently reflect a judgment by U.S. consumers that, if consumption must be curtailed, it is more economical for them to cut back on natural rubber than on synthetic rubber, substantial productive capacity for which they own in whole or in part.

Price Stabilization (Agenda item 6)

The possibility of international action designed to bring more stability to natural rubber prices.

A. Background

The market price of rubber is generally acknowledged to be on a long-term decline. In 1960, the annual average price N.Y. was 38.16¢ per pound; in 1965, 25.69¢; and in 1966, 23.62¢. The slide has continued during 1967, and by September 12 was 18 1/2¢ - an 18-year low. The severe decline of the past few months is regarded as a cyclical decline below the long term trend. There seems to be a consensus that the basic cause is a general economic slow-down during late 1966 and the first part of 1967 in some industrial countries and the long strike at the major tire manufacturing plants in the U.S. coupled with what appears to be an increase in production of NR in 1967 over 1966.

In response to producer concern, the U.S. Government has twice during the past year announced a reduction in the rate of its disposal of surplus rubber. On neither occasion was the downward price trend subsequently halted much less reversed. It was clear that stockpile sales were only a nominal and not a major cause of the cyclical price decline which was experienced in 1966 and 1967.

Recently to cope with the declining prices, the Malaysian Government announced on September 13 that it was taking a number of steps including open market purchases of rubber. In response to this announcement and possible purchases, the market price has risen (as of September 19) slightly more than 1¢ per pound.

In contrast to the reduction in stockpile sales and the hastily conceived purchase program of the Malaysian Government to arrest the cyclical decline in rubber prices, the NR industry has long recognized the basic long-term decline in prices and has initiated long-term measures to deal with this decline. The chief defense of natural rubber for this eventually, is to replant existing acreage with scientifically bred, high yield trees. Yields per acre can thus be tripled or quadrupled with major implications for lower costs. Malaysia is far ahead of the other producers in systematically carrying out such an effective replanting program.

Potential competition from synthetic rubber, especially from the stereo regular types which have been commercially available since 1960, has stimulated this drive for increased productivity and lower costs.

Only recently have some of the concepts on which this long-term program is based been questioned. On one hand, a more efficient and low cost NR does appear to have the ability to compete with SR for certain applications over the foreseeable period. On the other hand, replanting present acreage with high yielding stock may well raise production more rapidly than it can be absorbed competitively within the more or less restricted market for NR. Consequently, replanting may have to be coupled with sharply reduced acreage under cultivation and lands now planted with rubber may have to be converted to other uses.

B. Discussion and Position

Rubber is a very important source of foreign exchange earnings and of government revenues in producing countries. Rubber exports account for 45-50% of Malaysia's total foreign exchange earnings and lesser, but very important, percentages of the foreign exchange earnings of other countries. It can be calculated that for every cent of price decline (extended over one year) producer countries lose approximately $54 million; in such a drop somewhat over $22 million is lost to Malaysia alone.

Therefore, the present price situation in NR clearly presents serious problems for the major producers, and the U.S. Government should be prepared to consider proposals designed to improve the price situation. On the other hand, if proposals are put forward to curtail our rate of stockpile disposals, the U.S. delegate should point to the meager results of the two previous reductions in the disposal rate and make it clear that the presently existing rate of disposal is only equivalent to the amount of rubber used in government programs. He should point out that the present price problem is rooted in more basic economic conditions and, therefore, if specific suggestions are made to deal with or alleviate the consequences for the rubber industry arising out of these conditions, the U.S. delegate may consider such suggestions, discuss them fully and in detail and even join in any multilateral efforts at this Assembly to develop such proposals further for consideration by governments.

The U.S. delegate can commend the recent initiative of the Government of Malaysia to support the market price for NR. He can observe that this action by only one producing country could lead to a financial hardship if not supported by the other NR producers. In general, the U.S. delegate may discuss and should not object to this or any other action which might be taken by the exporting countries, or private producers of these countries which would have the effect of improving the present cyclical postion in which the rubber industry finds itself.

It has been suggested that the NR exporters organize marketing boards to control the rate of exports and export prices. Without judging the merits of such suggestions, the U.S. delegate should not object to the formation of such a board or boards by the exporting countries. He should, however, make it clear that any measures which might require subsequent U.S. Government implementation will have to be referred to the U.S. Government for further review and consideration before they can be considered as having been approved by the U.S. Government.

If it is demanded by a sufficient number of delegations, the U.S. delegate can agree to participate in special session of Study Group to consider other measures designed to deal with the current extended price decline.

With respect to the longer term aspects of price stability, the Secretariat, at the request of the last Study Group meeting, has prepared a brief paper (Appendix A/19/1) entitled "The Possibility of International Action to Bring More Stability to Natural Rubber Prices". The U.S. delegate may freely enter into a general discussion of the implications in this paper. In doing so, he should make it clear that in the U.S. view any long-term approach to the problem of stabilization will require considerable preparatory work on the subject before a formal stabilization agreement can even be considered. If the Study Group wishes to embark on such a program, he should raise no objection except to possibly caution other delegations on the difficulties which would appear to lie ahead. These difficulties are well known and include the possibility of production cutbacks with all their implications for the economies of the producing countries, buffer stocks and the problems of financing them, and mixing regulations and the like - all of which in the case of rubber present more than the usual formidable obstacles to realization.

Progress Made in Implementing the Program of Action Approved at the 81st Meeting (Agenda item 7)

The Secretariat will prepare for consideration progress reports covering, (1) ocean transport of natural rubber, (2) measures to reduce the spread of South American leaf blight among rubber trees. Possibly reports on other topics will be available for consideration.

Present and Prospective Rubber Production and Consumption in Latin America (Agenda item 8)

The Economic Commission for Latin America is preparing a paper (not yet available) on this subject.

Review of the Present Position and Prospects for the Newer Rubbers (Agenda item 9)

This will be a summary and report on the papers and discussion at the Symposium on this subject to be held at the start of the meetings. The subject is highly relevant to the current problems, including the price decline, in rubber and should provide common ground for the consideration of more immediate and pressing problems on the agenda.

Consideration of Certain Administrative and Financial Issues Concerning the Group (Agenda item 11)

At the previous meeting the U.S. asked that the basis for members assessments for the budget be reviewed with a view to making them more equitable for the U.S. and other large contributors. Illustrative revisions of suchan assessment formula were submitted by the U.S.

The Administrative and Finance Committee has considered the matter in the interim and will recommend for Group approval that 70% of the net budget total be divided equally among all members. The balance of 30% would be pro rated among member governments based on their production or consumption. The U.S. delegate may approve this arrangement which is consistent with the earlier suggestions of the U.S.Government.

The USSR, which recently became a member of the IRSG has stated that it could not accept as the basis for assessing the pro rated portion of the assessment, the member's total consumption of rubber since this is not published in the USSR. If this matter comes up for consideration at this meeting the U.S. delegate may approve any basis which seems equitable provided that it applies uniformly to all members.

The Administrative and Finance Committee will also recommend Group approval of an increase in salaries for the three senior secretariat personnel. The Secretary-General would be increased from £4400 to 4600; the Senior Statistician from £2900 to 3025; the Administrative Assistant from £1755 to 1830. The added cost (£400) is to be absorbed in the budget already approved for 1967-1968. The U.S. delegate may approve this recommendation or any variation which is essentially similar.

Other Subjects (Agenda item 12)

The U.S. surplus rubber dispo sal program is not scheduled for discussion or consultation. If the U.S. delegate deems it desirable, he may describe the features of the present program as publicly announced in GSA press releases 3645, June 9, 1967, 3653, June 21, 1967, 3727, September 11, 1967 (copies attached). If asked whether surplus rubber is being released under the 50% obligation clause in Department of Defense contracts, the U.S. delegate may state that although this clause is no longer incorporated in new contracts, to **the extent that**
surplus rubber available for disposal within the limits of the present disposal program is not required for other government use programs, it is used to reduce this backlog. The U.S. delegate may state that no commercial sales have been made under the revised program which became effective July 1.

TUN TAN SIEW SIN
"I have every hope..... of fruitful results....."

ON RUBBER, OIL PALM, REGIONAL PROJECTS:

Tun Tan back with good news

By BOB NG: Kuala Lumpur, Friday

THE Minister of Finance, Tun Tan Siew Sin, flew home this evening from his 27-day overseas trip, fully confident that the continuing dialogue between the United States and Malaysia on rubber would produce "fruitful results."

He told an airport Press conference that, besides the question of rubber, he had good news for the Cabinet on:

THE "significant agreement" he reached with the U.S. Presidential adviser on Far Eastern Affairs, Mr. Eugene Black, on regional projects for South-East Asia; and

Problems

HIS talks with the British Chancellor of the Exchequer, Mr. James Callaghan, on British tariff affecting the oil palm industry.

Tun Tan attended meetings of the World Bank and the International Monetary Fund in Rio De Janeiro, held talks with U.S. officials, including President Johnson in Washington and had discussions with British officials in London.

Of his talks with the U.S. Government on rubber, he said: "For the first time in history, the U.S. seriously concerned itself with the problems of natural rubber producing countries.

"During my meeting with President Johnson, we looked at the problem fully, constructively and frankly.

Satisfied

"I came away from those discussions satisfied that the U.S. was genuinely concerned with the welfare of developing countries like Malaysia.

"I have every hope that the continuing dialogue between the U.S. and us should in the long run produce fruitful results."

Tun Tan stressed that the problem confronting the rubber industry was a "complex matter." It had no magic solution and did not lend itself to easy answers.

Three factors contributed to the present market weakness of rubber, he said:

The mild but general recession in the West,

★ See Back Page—Col. 1

Tan: Good news on British oil palm tariff

★ From Page One

the closure of the Suez Canal and the strikes in rubber - consuming factories in the U.S.

"Until these factors are removed, very little can be done now to improve the outlook of rubber," he said.

On his meeting with Mr. Black, he said they reached a significant agreement on regional projects which would benefit the whole of South-East Asia.

"I have good news for the Cabinet as a result of my talks with Mr. Black," he said.

"In fact, I also have good news to report to the Cabinet on the oil palm industry resulting from my talks with Mr. Callaghan.

"All I can say about it now is that it involves British tariff."

He described the Rio meeting as the most interesting he had attended since 1959.

"For the first time, the IMF and the World Bank have undertaken to study the question of commodity prices," he said.

"I have advocated this since 1958. It is of vital interest to the developing countries as they depend so much on the export earnings of their primary commodities.

"This is indeed a very big step forward, and in the right direction."

The Straits Times
Thursday, October 12, 1967.

Reason For Hope

What exactly the Malaysian Finance Minister, Tun Tan Siew Sin, has achieved in Washington, there is no way yet of telling. The proposals for improving and stabilising natural rubber prices, which he put to officials of the American Government, have still to be disclosed. And if the Americans have had time to form an opinion, they have not said anything in public to indicate their attitude. The joint communique issued at the end of Tun Tan's half-hour meeting with President Johnson obviously was framed with some care. It contains no reference to the one definite request Tun Tan is known to have made. This is the request—decided upon at the Kuala Lumpur meeting of nine natural rubber producing countries last week—that the U.S. Government should reduce releases from the G.S.A. stockpile "to the minimum" and not sell at all at less than U.S. 20 cents a pound ex-depot. As for the rest of what Tun Tan had to propose, the communique simply records that he explained the problems facing natural rubber producers, outlined some possibilities of alleviating these problems, and obtained the views of U.S. officials.

Of course, it was not to be expected that the U.S. Government would offer firm commitments straightaway. The blandness of the communique need not mean that Tun Tan received no encouragement. The Americans may well have displayed in private a good deal of sympathy. The hope that this is so is strengthened by yesterday's statement by Tun Razak (who, of course, knows much more about what has been going on in Washington than the public has been told). The Deputy Prime Minister emphasised that President had set aside protocol to receive Tun Tan, and spoke of American "readiness to help in stabilising the price of rubber." There is a positive optimism in Tun Razak's remarks which he must surely have reason for feeling.

There have been two other encouraging recent developments. Producers of synthetic rubber, whose co-operation is essential if there is to be the long-term stabilisation of rubber prices Malaysia is seeking, have reacted favourable to the idea of arrangements to regulate the competition within and between the synthetic and natural rubber industries. The British Association of Synthetic Rubber Manufacturers has officially declared its support. While producers in other countries have not yet spoken out, the idea is so clearly in everyone's long term interest that there is reason to hope that support will grow. The second encouraging development is the emergence of a more sympathetic attitude towards schemes for stabilising the prices of primary commodities in general. Thus, it was decided at the meeting of the International Monetary Fund and the World Bank in Rio de Janeiro last month that the staff of the I.M.F. and the bank should "prepare a study of the problem, its possible solutions, and their economic feasibility." The developed countries have not by any means relinquished all their reservations, but the Rio resolution is a definite advance.

Even after all the hopeful factors have been taken into account, however, it is clear that a price stabilisation plan for rubber is still a fair way off. There will have to be further meetings among the natural rubber producers to harmonise their positions; there will have to be formal negotiations with synthetic producers (who themselves will need to come to an internal understanding); finally, there will have to be talks between rubber producers of both kinds and their consumers. Obviously, no startling achievements can be expected at the Sao Paulo conference of the International Rubber Study Group. But the conference promises to break with the tradition of platitudinous talk, and to give a real impetus to the quest for stable and fair prices.

The Sunday Times, September 17, 1967.

Secret plan to solve the rubber setback

"We must be realistic, reasonable and constructive in our approach to the American Government"

Govt. buys 'to cut excessive speculation in paper rubber'

By PREM KUMAR

KUALA LUMPUR, Sat.—The Minister of Finance, Tun Tan Siew Sin, left Subang Airport this morning armed with a "realistic, reasonable and constructive" secret plan he will present to President Johnson to solve the present rubber crisis.

Before taking off, Tun Tan announced that the Cabinet had appointed a permanent "tripartite" Standing Committee, headed by him, to "look after the country's long-term rubber marketing policy." He also disclosed that:

THE main justification for the Government's intervention in the rubber market, was to "cut down the excessive speculation in paper rubber."

Best way

THE Government was of the opinion that the best way of "fighting synthetic" was to encourage the conversion "from convention rubber to technically specified rubber like the SMR (Standard Malaysian Rubber)."

The Standing Committee was set up on Wednesday and included the Minister of Commerce and Industry, Dr. Lim Swee Aun, and representatives of the rubber trade and industry sectors.

"The primary aim of this Committee is to look after the long-term policies of the marketing of our rubber," he said.

★ FROM PAGE ONE

On the secret plan to solve the present crisis, Tun Tan said he had the blessings of the Cabinet. He would not elaborate.

"We have to be realistic, constructive and reasonable in our approach with the United States Government," he said.

Factors

Informed sources said the plan, while calling on the United States to restrain itself in its stockpile releases, offered certain proposals "of benefit to us and the U.S."

The fall in the price of rubber, according to Tun Tan, was "no laughing matter. It's very serious and a matter of life and death to us."

It was also "definitely true" — as pointed out by Dr. Lim yesterday — that about 500,000 smallholder rubber tappers had been "badly hit" by the price-drop.

For example, a picul of natural rubber could previously buy a picul of Thai rice. But now a picul of rubber could buy "very much less" than a picul of Thai rice, he said.

"The combination of two factors — the fall in the rubber price and the high price of rice — has made the situation worse for smallholder-tappers," Tun Tan said.

Tun Tan, who will be away for about three weeks, said: "Our primary purpose in intervening in the rubber market was to cut the excessive speculation in paper rubber."

(In rubber circles, paper rubber is the buying and selling of the commodity without actually possessing it.)

Different

"The market of natural rubber has been artificially distorted. This is the main justification for the Government's action," Tun Tan said.

Though the Government could only hazard a guess who these "paper rubber" speculators were, it was too early to say what action would be planned against them.

Dr. Lim, who was at the airport to see Tun Tan off, later told newsmen the Government felt that the best step to "fight synthetic" was to sell its rubber "directly from producer to consumer."

At present, there was a loss of money between of the different channels the commodity went through — from the brokers to the market, then through London to the manufacturers. Only 40 per cent of Malaysia's rubber was at present being sold directly to the consumers.

Another long-term policy of the Government, Dr. Lim said, was to encourage the conversion from convention rubber to technically specified rubber, like the Standard Malaysian Rubber.

He said under the Incentives Investment Act—which Tun Tan announced yesterday—incentives would be given by the Government to those people with capital who wish to set up factories to help the smallholders.

These incentives could include export credit, insurance schemes and the possibility of a Government rubber marketing agency.

Tun Tan is first scheduled to attend the Commonwealth Finance Ministers' Conference at the Port of Spain (Trinidad) and Tobago on Wednesday and Thursday.

Proposal

He will then head Malaysia's delegation to the World Bank and International Monetary Fund meetings in Rio de Janeiro from Sept. 25.

Tun Tan will then fly to New York to attend the conference of the Far East-America Council on Commerce and Industry where he will "put across some new ideas." He did not elaborate.

In **LONDON**, the Financial Times points out, in its review of the Malaysian Government's support for rubber this week, that the most publicised proposal for stopping the slump in prices had been the call for talks among the four major producing countries.

It said: "Now Malaysia has decided to take its own action initially apparently in the hope that it will receive support from other countries.

"Apparently Malaysia has no intention of setting up another rubber stockpile, but plans to dispose of her purchases when the opportunity occurs and prices are above the 55 Malaysian cents levels.

"Although it is planned to be a short term operation the big question is how long Malaysia can keep support buying up if genuine consumer demands remains at its present sluggish levels."

BROUGHT FORWARD

EXECUTIVE

ND 4-3 — 10-11-67
Previously filed — Date

NAME Memo to President fm Joe Califano

ORGANIZATION Re: Rubber disposal

Same — 10-24-67
New File Symbol — Date

FINAL ACTION Memo for Mr. Califano fm J.E. Moody (GSA)

EXECUTIVE
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FG11-8-1/Goldstein, Ernest
CO333
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THE AMBASSADOR

KEDUTAAN BESAR MALAYSIA
EMBASSY OF MALAYSIA
2401 MASSACHUSETTS AVENUE, N.W.
WASHINGTON, D.C. 20008

September 26, 1967.

By Special Delivery

The Honorable E. Ernest Goldstein
Special Assistant to the President
The White House
Washington, D.C.

My dear Ernie,

Thank you for the appointment for the Permanent Secretary of our Foreign Ministry, Tan Sri Ghazali Shafie, to meet you at the White House on Thursday at 10 a.m. I shall be coming along with him.

I enclose the text of one of the many speeches made by Ghazali Shafie on Vietnam, on the Overseas Service of Radio Malaysia, on October 6, 1966, as I think his views will be of interest to you.

I look forward very much to seeing you.

With warmest regards.

Yours ever,

Yoke

(Ong Yoke Lin)

PHONE: AD 4-7600

Malaysia Information Service

NO: NB.35
October 1966.

* MALAYSIAN BULLETIN *

IN THIS ISSUE .... Page

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E M B A S S Y O F M A L A Y S I A
2401 Massachusetts Avenue, N.W., Washington, D. C.

TUN ABDUL RAZAK MEETS WITH PRESIDENT JOHNSON

The Deputy Prime Minister, Tun Abdul Razak, who headed the Malaysian delegation to the United Nations General Assembly paid a 3-day visit to Washington D.C. prior to returning home via London.

The Deputy Prime Minister met with President Johnson at the White House on October 5 and discussed with him the Southeast Asian situation, with particular reference to the ending of confrontation between Indonesia and Malaysia and the security situation in East Malaysia. At his meeting with the President, Tun Razak was accompanied by the Malaysian Ambassador to the United States, Tan Sri Ong Yoke Lin, and Inche Abdullah Ahmad, Political Secretary to the Deputy Prime Minister. Tun Razak expressed grave concern over the depressed prices of natural rubber which, he said, were mainly caused by the excessive release by the United States of its stockpile rubber.

Tun Razak had earlier met with U.S. Secretary of Defence, Mr. Robert S. McNamara, and later in the afternoon was guest of honour at a luncheon by U.S. Asst. Secretary of State for Far Eastern Affairs, Mr. William Bundy, at the Jefferson Room of the Department of State.

The same evening the Malaysian Ambassador to U.S., Tan Sri Ong Yoke Lin and Puan Sri Ong held a largely attended buffet reception in honour of the Deputy Prime Minister. Ambassacors, Senators, Congressmen and top U.S. Government Officials were among those present.

At a press conference on Friday, October 7, prior to his departure for London, Tun Razak said that President Johnson had reacted sympathetically to his appeal to consider the interests of Malaysia and other rubber producing countries in carrying out the U.S. rubber stockpile disposal programme. Tun Razak told newsmen that the President had said that he really valued Malaysia's friendship for the United States and that he would do everything possible, in his own words, "to make life for us peaceful and comfortable".

(On October 18, the General Services Administration announced a modification of its rubber disposal programme. It said that "from January 1, 1967, disposals of excess natural rubber from the stockpile will be made at the rate of 120,000 long tons annually and at a quarterly rate of approximately 30,000 tons". Further details of the programme will be announced before the end of the year. Following past practice, the disposal programme will remain subject to continuing review.)

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COMMONWEALTH PRIME MINISTERS' CONFERENCE

Prime Minister's Views on World Situation - Southeast Asia.

Malaysian Prime Minister Tunku Abdul Rahman participating in the discussions on the situation in Asia at the Commonwealth Prime Ministers' Conference in London September 14, 1966, stated that Southeast Asia is one of the most troubled areas in the world which continues to pose a threat to world peace and security. The threat from the North - Communist China - remained a constant danger which gave rise to hosts of other problems such as the Vietnam question which continued to defy solution and the persistent threat of Communist subversion on the Northern border of Thailand and Laos, in Central Philippines and on the border of Malaysia. The Prime Minister also pointed out that Indonesian confrontation was engineered by the Partai Komunis Indonesia and inspired by Communist China.

The Prime Minister explained that Communist China's objective was to carve up large parts of Asia, particularly Southeast Asia, and draw the fragmented parts into the Communist sphere of influence. Communist China had made material progress in her efforts to achieve this objective because of the existence of a large number of Chinese people in these territories. A certain proportion was ever loyal to China since they had been thoroughly indoctrinated in Chinese schools which were not properly supervised by the colonial masters, or intentionally permitted to perpetuate the 'divide and rule' policy. These were the people who were on the spot and who constituted a continuous threat to Southeast Asia and who were ever willing to carry out any orders from Communist China.

When Malaya became independent, one of the first things that the government did was to bring all Chinese schools under one national education policy and with it, it was hoped that new generations could be expected to be won over to the government's side. It was at first very strongly resisted by these schools and the chauvinists, but through gentle persuasion most of them had accepted this policy.

The Prime Minister further explained that the most wellknown method used by the Communists was to cause chaos and unhappiness among the masses in order to create such tension as would bring about a revolt. They would then give help to the rebels with promises of better prospects of life under Communism. This was the required incentive. In the case of Indonesia, with a quickly deteriorating economic situation in Indonesia, the Communists obtained a strong foothold in the country. It had been said that Indonesia was the third strongest Communist-dominated country in the world, and the PKI was the most highly organised political party in the country with a membership of nearly 3,000,000 and a pattern of Communism that followed that of China - aggressive and belligerent.

With such strength at their command they thought the time was ripe to take over the whole of Indonesia by a coup which was planned for the month of October but brought forward to 30th September 1965, a coup in which many anti-Communist generals were slaughtered. This episode took an unfortunate turn in the PKI's plan of a take-over.

Indonesia being the biggest country in Southeast Asia, with a population of more than one hundred million people, was the key to Southeast Asia's future destiny. If it were to fall to the Communists then it would only be a question of time before the Communists would take over the whole of Southeast Asia.

When confrontation ended, the joy with which Malaysia greeted the end and celebrated the occasion was not so much because of the end of it or because it brought peace between Indonesia and Malaysia, but because it was felt that here at last was a victory of free Asia against the force that was out to destroy it.

The Prime Minister referred to the assistance given by Canada, Australia, New Zealand and, particularly, Britain, to Malaysia to face Indonesian confrontation.

The Prime Minister told his colleagues that Indonesia had shaken off the shackles of Communism and it was now the duty of the free world to do all it could to help her to recover her bearings so that she could embark on honest planning for the reconstruction of the country. Her present leaders were aware of the mistakes committed by the previous regime in the past. They appeared to be honest in their determination to give priority to domestic problems. They were now checking the steady corrosion of Indonesia's economy and more determined to create the necessary conditions for stability and progress in the country. Above all, they were more anxious to work closely with other friendly countries, especially with her neighbours, in order to better themselves. They had expressed their desire to do so. They had sent to Malaysia 20 men to talk on trade and commerce, on culture and other subjects which would enable her to recover from her present predicament with help from her neighbours.

Malaysia had a team of officials in Jakarta made up of military people whose immediate objective was to try and prevent the marauding guerillas from carrying out their nefarious activities, because it must be appreciated that when confrontation started a large number of Chinese Communists went over to the Indonesian side and with the end of confrontation they had been placed in a quandary as to what to do. Malaysia had offered them surrender terms; many had taken advantage of the offer, but there was still a large number lurking in the border areas of Eastern Malaysia.

The Prime Minister asserted that Malaysia was confident of the sincerity and good intentions of the present Indonesian leaders and that so long as the present leaders remained, the peace achieved between the two countries would remain permanent.

One thing however, the present Indonesian leaders must prove is that they could give the people of Indonesia hope of better conditions of life. Lack of money, lack of organised initiative, lack of good administrators and lack of experts, all these added to their many difficulties. The Prime Minister then emphasized why the free world must come to Indonesia's assistance in order to avert serious consequences. A country of over 100 million people and with aid given by the Chinese Communists would pose a serious problem to the world if trouble were to break out. It would inevitably bring two great powers, Communist China and America, into combat.

The Prime Minister stated that General Suharto and his colleagues needed assistance quickly from all the developed countries of the world. All countries had a stake in the success of the present government of Indonesia and serious thought must be given as to how Indonesia could help herself. With this objective in mind, the Prime Minister felt that some interested countries should get together and do some serious thinking. Some means must be found to help Indonesia help herself.

Reviewing the threat posed by Chinese Communist expansionism to the region of Southeast Asia, Tunku Abdul Rahman said the situation in Vietnam should be looked at within the framework of this threat. Wherever the Chinese Communists have their agents at work - in Laos, Korea, Vietnam, Malaysia, Indonesia, Thailand and the Philippines - the same pattern of troubles has occurred.

In the particular case of Vietnam, without the help and encouragement given by Communist China, North Vietnam would not have been able to carry the war into the territory of South Vietnam. Had the Americans not gone to the assistance of South Vietnam, North Vietnam which had sent in its armed forces into the South could occupy the country through military means. If this kind of Communist aggression were allowed to succeed, then it would be a matter of time before they marched through and militarily occupied the whole of Southeast Asia.

He said that those who criticised the Americans for their assistance to South Vietnam should not be blind to the intervention of Communist powers in the war in Vietnam. Communist China and the Soviet Union seemed to be competing for leadership of the Communist world and projecting their image in Asia through their intervention in Vietnam. The Americans had come in only after the Chinese and Russians had intervened in supporting the aggression committed by North Vietnam against the South in contravention of the Geneva Agreement.

Pointing out that the Americans had indicated that they were prepared to agree to phased withdrawal from South Vietnam, Tunku Abdul Rahman suggested the war could be ended if the North Vietnamese would also withdraw their forces from the territory.

He expressed doubts as to the willingness of North Vietnam to come to the conference table at this stage. He reminded his colleagues in the meeting that he had opposed the decision taken at last year's Commonwealth Prime Ministers' Conference to send a Commonwealth mission to Vietnam as he then felt that such an effort would have been futile since the Communists would never come to the conference table until they felt they had to do so in order to salvage their position.

The Malaysian Prime Minister said that something must be done for peace and a proper climate of opinion in the world must be created, showing the actual role played by North Vietnam as supported by China and Russia in the Vietnam conflict. World opinion must be educated that the intervention and aggression of North Vietnam are the main causes for the present difficulties. These must be condemned, not condoned.

This trouble which had been caused by the flouting of the Geneva Agreement - which some people have been trying to invoke - must be prevented from escalating to the gravity of a world war, the Tunku said.

He suggested that the International Commission for Indo-China established under the Geneva Agreement - two of whose three members, India and Canada, are members of the Commonwealth, the third being Poland, should be reactivated and expanded in the strength of its personnel in order to make its work more effective. This Commission had done sterling service before the intensification of Communist efforts at the take-over of the whole of Vietnam. It was this Commission that had reported on the flouting of the Geneva Agreement by North Vietnam. This Commission is now hampered by financial difficulties.

He said it would also be useful to listen to the Prime Minister of Canada and the Foreign Minister of India if they had anything to say regarding the Commission, of which their countries are members, particularly with regard to the difficulties which the Commission had to face, and what they considered would be the appropriate steps which the Commonwealth as a whole could do to assist. The Tunku said it would cost money to make the Commission function effectively and in considering the financial implications the Commonwealth leaders could also consider what contribution they could each make towards this effort of maintaining peace in Southeast Asia.

Tunku Abdul Rahman said the Communists would not come to the conference table unless they felt they were losing the fight or that the weight of world opinion is against them. In a war of this nature which is a protracted struggle, it is difficult to make them feel that they are losing in a very short time.

He said the world had a right to know the real situation as to who are really the aggressors and it was here that the International Commission in Indo-China had an important role to play.

This Commission could do much by way of being a watchdog so that the position could be under control and not escalated into a major conflagration.

Describing Communist China as the one country in Asia that aims to dominate the rest of the continent, Tunku Abdul Rahman said that China is a country with a 700-million ever-expanding population. The brand of Communism which she is now upholding and the population explosion which continually embarrasses her domestic programmes dictate a policy of adventurism and expansionism aimed at fulfilling her ideological crusade and in order to find fertile ground in potentially rich Asian countries so as to make China the most powerful nation in Asia.

Tunku Abdul Rahman emphasized however that Southeast Asian countries are not against China as such but are against any efforts or designs aimed indirectly to colonise them. Malaysia, for instance, is not against China. Malaysia trades with China and in so doing it was hoped that the mutual benefits would in some way alleviate the internal economic difficulties of China so that she might be less prone to foreign adventures and interfering in the affairs of other countries. But, said the Tunku, Malaysia would not hesitate to condemn Communist China's aggressive and adventurous policy.

Talking of the Association of Southeast Asia and regional co-operation, the Malaysian Prime Minister said that the most effective and sure method of meeting the threat to Southeast Asia from the North is to stabilise and strengthen the economy of every country in the area. It was for this reason that Malaysia together with Thailand and the Philippines had reactivated the Association of Southeast Asia (ASA) and had agreed on various joint economic and social projects. He expressed the hope that after these three countries had proved to themselves and the world that such co-operation is not only possible but profitable for their mutual benefits, ASA would develop into a wider organisation for economic and social co-operation in the region even on a larger scale to include Indonesia and other countries. Such an economic and social co-operation he said would serve as a bulwark against any efforts of Communist China, in its expansionist designs.

In the final analysis, our ability to face whatever threat from whatever direction rests on our ability to get together to advance the region to a prosperous and stable era, Tunku said. For this reason Malaysia had participated actively in other regional co-operation efforts such as the Colombo Plan and the Asian and Pacific Council (ASPAC).

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VIETNAM: THE SPIRIT OF THE 17TH PARALLEL

The following is the text of a talk by Tan Sri Muhammad Ghazali bin Shafie, Permanent Secretary for Foreign Affairs, over Suara Malaysia, Overseas Service of Radio Malaysia, on October 6, 1966:

"There has been much talk recently about peace in Southeast Asia. Hardly a day goes by without reports of a new peace initiative towards ending the fighting in Vietnam. The governments and peoples of the world are becoming increasingly aware of the necessity to end the war before it escalates into a major conflict.

"Malaysia's interest in Vietnamese events is not a recent development.

"Malaysia has always been deeply concerned over the Vietnam conflict. Whatever happens in Vietnam is vital to Malaysia's security, if not to her very existence as an independent Southeast Asian State. After all, Saigon is closer to Kuala Lumpur than Bangkok or Djakarta, Manila or Phnom Penh. That fact alone dispenses with the need to look for academic arguments to sustain Malaysia's policy towards the Republic of Vietnam.

"Malaysia's policy is to support the Republic of Vietnam, to support the Republic of Vietnam's right to defend herself against proven, continuing aggression from North Vietnam, which is not only sending North Vietnamese troops into the Republic of Vietnam but also organizing, directing and supplying the terrorist campaign in the South.

"The Communist movement in the South is known as the Vietcong. It is important to remember that "Vietcong" is a contraction of the name "Viet Nam Cong-San", which simply means "Vietnamese Communists".

"What are the Vietnamese Communists doing in the Republic of Vietnam? How did they get there in the first place? When Vietnam was divided into two states, North and South, the 17th Parallel had a special significance. The spirit of the 17th Parallel was simply this: all Vietnamese Communists should withdraw to North Vietnam, while all Vietnamese who did not subscribe to the Communist ideology should withdraw to South Vietnam.

"The 17th Parallel, therefore, was - and still is - an ideological line of division. Some 900,000 Vietnamese living in the North fled to the South; they were anti-Communists. The Communists withdrew a very much smaller number of their comrades from the South to the North. However, they were careful to leave behind in the South a large number of Communist cadres together with a large number of secret arms dumps.

"These Vietnamese Communists left behind in South Vietnam have no right to be there.

They are not South Vietnamese, according to the spirit of the 17th Parallel. They are not South Vietnamese nationalists, as claimed by Communist propaganda. They are, in fact, North Vietnamese Communists linked organizationally with the Communist leaders in Hanoi.

"This fact is basic to an understanding of the Vietnam problem. The Vietcong Communist terrorists are not South Vietnamese. It is also important to remember that North Vietnamese infiltrators, terrorists and subversives have been entering South Vietnam and merging into the Vietcong movement in the South. These North Vietnamese automatically call themselves Vietcong and pretend to be South Vietnamese "nationalists". They are, of course, nothing of the sort.

"Through relentless, sustained propaganda over many years, Hanoi has succeeded to a large extent in deceiving the outside world about the true nature of the Vietcong. By default and through ignorance of the facts, many otherwise intelligent people accept the Vietcong and its political arm, the South Vietnam National Liberation Front, as bona fide South Vietnamese nationalist groups. Hanoi, it seems, has succeeded in bamboozling people into the mistaken belief that to suppress the Vietcong is to suppress Vietnamese nationalism.

"Malaysia's policy, as I have said, is that the independence and territorial integrity of the Republic of Vietnam must be defended, indeed strengthened, at all costs.

"It follows that any peace initiative, any peace formula, from whatever quarter, must scrupulously respect the independence and territorial integrity of the Republic of Vietnam. Any peace initiative, any peace formula that fails in this regard is a mere pipe-dream or, worse, a propaganda weapon in the hands of those who would seek to crush or who are prepared to sacrifice the Republic of Vietnam.

"In this connection, would-be peace-makers will fail in their mission if they unwittingly undermine, or appear to undermine, the Republic of Vietnam's right to obtain military assistance from friendly Powers in her own self-defence. The Republic of Vietnam's right to self-defence includes, of course, the right to determine the degree of military power to be employed in response to the renewed onslaughts by the external aggressor and its agents in the South.

"I would like to remind the critics that the real cause of the United States' presence in Vietnam is the self-confessed, repeatedly affirmed and uncontradicted aggression of North Vietnam against South Vietnam. These acts of aggression have also become fully reported and documented by India and Canada in 1961 as members of the International Control Commission. That is a fact, not to be wished away on moral or ethical grounds.

The United States came in at the invitation of the legal government of the Republic of South Vietnam after North Vietnamese aggression had commenced and had been confirmed by the report of the two members of the International Control Commission.

"At the last Commonwealth Conference of Heads of Government held in London, our Prime Minister, realising the importance of correct information as to who the real aggressors are in this Vietnam conflict, suggested most earnestly that the International Control Commission should be re-vitalised, so that a full report of the situation by objective observers could be made available to the rest of the world. It would appear to us that one of the difficulties we face in the Vietnam problem is that the world has been fed with information mostly by the contestants themselves and therefore information which is highly suspect in the eyes of those who are not involved and who do not see the real underlying causes of the conflict.

"Hence, the International Control Commission could perform a useful function in this regard. If, as a result of misconceptions, people believe that the Americans are the aggressors in Vietnam, then the North Vietnamese would feel that they have captured the sympathy of the world and that, therefore, they are bound to win eventually. This will never encourage North Vietnam to come to the conference table.

"Outside powers, that is powers that do not belong geographically to Southeast Asia as well as powers that are not directly involved in the Vietnam conflict, do not serve the cause of peace by condoning, or appearing to condone, North Vietnam's aggression, which is backed by China. I wonder if these powers realise that their silence on the aggression committed by North Vietnam under the guise of Vietcong contributes greatly towards the stubborn refusal of North Vietnam to come to a conference in search of peace.

"We in Malaysia are specially qualified to talk about Communist aggression since we defeated Communist terrorism in a 12-year struggle commencing in 1948. In 1948 the Malayan Communist Party received a secret directive from Stalin's Cominform agent, Zhadanov, to launch an "armed struggle" in Asia. The directive was given at the Calcutta Youth Conference in February 1948. So-called "National Liberation Wars" were launched that same year in India and throughout Southeast Asia. After the Stalinist era, the Southeast Asian Communist Parties came under direct Chinese Communist influence.

"Malaysia has all along been convinced that China's policies are central to the problem of world peace. The Vietnam conflict should not be assessed in isolation. The Vietnam conflict is, in fact, the main testing-ground for the theories of China's present leaders; just as in 1939 Czechoslovakia was the first big testing-ground for Adolf Hitler's "One Thousand Year Reich".

We can just about remember what followed the spinelessness of the French and British Governments at the time who saved their fragile "peace" for only a few months.

"Today we hear the same voices of appeasement again who make solemn pronouncement about a Vietnam, united under Communism, becoming Titoist and living at peace with its neighbours. The inevitability of Titoism they claim, justifies the sacrifice of South Vietnam. These modern appeasers do not seem to have examined the policy and practice of Vietnamese Communism. They have overlooked North Vietnamese military involvement in Laos. They have ignored North Vietnam's subversive efforts in Northeast Thailand. They have forgotten that Ho Chi-Minh is second-to-none as an experienced practitioner of Communist revolutionary violence.

"The North Vietnamese leaders share the revolutionary vision of Mao Tse-tung and Marshal Lin Piao. The North Vietnamese leaders, like the Peking leaders are wedded to the theory that the so-called "National Liberation Wars" will sweep in a chain-reaction throughout Asia, Africa and Latin America. They agree with Lin Piao that the Vietnam conflict is the testing-ground for so-called "people's war". As Lin Piao has put it: "The people in other parts of the world will see .... that what the Vietnamese people can do, they can do too".

"Malaysia believes that the immediate problem is to get North Vietnam to the conference table. It is not for us to supply a formula for peace in Vietnam, but all our energies should be directed towards getting the parties together.

"In 1965, our Prime Minister Tunku Abdul Rahman Putra, had opposed a decision by the Commonwealth Prime Ministers to send a Commonwealth Mission to Vietnam. He opposed the decision not because he is not a man of peace but because he is convinced the Communists will never come to the conference table until they realise that they have no alternative to peace talks; until they realise they must do so in order to salvage their position.

"Speaking with the authority of a personal experience of dealing with aggressive Communism over a 20-year period, the Tunku said recently that the Communists will not come to the conference table until they are convinced either that they cannot hope to win a military victory or that the weight of world opinion is against their aggressive policies.

"Responsible statesmen throughout the world have a clear duty to educate world opinion in the realities of the Vietnam war, its real causes and its wide-ranging implications.

"They have a clear duty to bring the pressure of world opinion to bear upon the leaders of North Vietnam in order to convince them that a peaceful settlement is the only possible form of settlement.

"If the 17th Parallel is to have any meaning at all, then all Vietnamese Communists should return to the North of the 17th Parallel where they rightly belong."

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CM/Rubber
PQ1
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THE WHITE HOUSE

WASHINGTON

September 20, 1967

FOR ERNIE GOLDSTEIN

FROM: Stan Ross SR 5072

Stockpile sales of natural rubber were cut back in June from 120,000 tons to 70,000 tons. The price of natural rubber continued for two to three weeks thereafter an upward trend which had begun in May. Then, the price dropped steadily from a little over 22 cents a pound at the end of June to slightly under 18 cents a pound about a week ago. The Malaysian government has now begun buying as a price support measure, and the price is currently back up to about 20 cents a pound.

The same pattern of short-run price fluctuation--although at a higher beginning level--occurred last October when stockpile sales were cut back from 170,000 tons to 120,000 tons.

The recent price decline for natural rubber basically reflects an unrelenting competitive pressure from synthetic rubber and depressed current market conditions for natural rubber. Natural rubber has been giving way to synthetic rubber for a long time now, and the market shares of the two have not yet stabilized. More importantly from the standpoint of interpreting the recent price fluctuations, the figures for the first five months of this year show that consumption of natural rubber is down (reflecting the slowdown in the economies of western Europe and the United States), production is up, and inventory stocks are way up. Thus, all the conditions are there for a current price decline.

Given these underlying conditions, it is not clear that the June stockpile cutback had any significant lasting effect on price. If it has affected the price, it has only been to keep it 1/4 to 1 cent a pound higher than it might otherwise have been. Further, it is not clear that even a suspension of stockpile sales would do more than cause a short-run gyration. Consumption of rubber should, however, begin to pick up as industrial production increases in the United States, and this should help the price more than anything else that could be done.

THE WHITE HOUSE
WASHINGTON

Ross ~~103~~ 504 CEA
Duesenberg ~~GSA~~
Salomon State
Joe Moody GSA
Ed Fried

The Malaysian Minister of Finance, Tun Tan Siew Sin, called on President Johnson today as a special emissary of Prime Minister Tunku Abdul Rahman to discuss matters of commom interest.

The President and Tun Tan agreed that in the recent past there had been welcome advances made by countries of Southeast Asia in regional cooperation. They agreed that the multilateral approach offered promise of accelerating orderly economic growth within the economies of these countries and increasing the effectiveness of efforts of aid giving nations and institutions.

The Malaysian Minister of Finance expressed appreciation for the personal interest shown by President Johnson in world rubber prices, noted two decisions as to levels of stockpile disposals within the past year which had had the effect of helping to stabilize temporarily rubber prices, and stated that the GOM understood fully that the basic problems involved in fluctuating rubber prices were complex, and went far beyond marketing of rubber from the U.S. stockpile.

The President and Tun Tan agreed that although Malaysia was the foremost producer of natural rubber and the U.S. was the nation consuming the largest amount of natural and synthetic rubber, neither could singly nor could both together guarantee stability in the world rubber market. [They agreed that the interests of many nations would be involved in efforts to promote relations between producers and consumers fair to both.] The President applauded the initiative of Tun Tan and the Malaysian Government to explore possibilities of a multi-national approach to solution of the basic and long-term problems facing the world rubber market.

~~The two governments agreed to consult about appropriate means to avoid undesirable price fluctuations in the rubber market.~~

DRAFT PRESS RELEASE

The Malaysian Minister of Finance, Tun Tan Siew Sin, called on President Johnson today as a special emissary of Prime Minister Tunku Abdul Rahman to discuss a wide range of common interests.

In discussing the outlook for world rubber prices, the President and Tun Tan agreed that stabilization of the world rubber market is essential both to promote orderly growth within the economies of Malaysia and other rubber-producing nations, and to buttress the efforts of industrialized nations, including the United States, to assist in growth processes of economically developing countries.

They agreed that the interests of many nations are involved as efforts are made to establish prices fair to both producer and consumer. The President strongly supported the initiatives of Tun Tan and the Malaysian Government to explore possibilities for a multi-national program to stabilize the world rubber market. The President expressed hope that the International Rubber Study Group would give a sympathetic hearing to any economically feasible proposals advanced by the Malaysian Government, or other rubber-producing nations.

Multilateral Rubber Producers
Meeting –
statistics show M 40% prod
U.S. 25% import
Int Rubber Group next month
Sao Paulo

MW

BB/Bw

MEMORANDUM

EXECUTIVE

ND 4-3
FG 115
CM/Aluminum
CM/Lead + Zinc
CM/Tin
CM/Rubber
CM/Fiber
CM/Copper

THE WHITE HOUSE

WASHINGTON

August 28, 1967
Monday, 9:00 p.m.

FOR THE PRESIDENT

FROM Joe Califano

I talked with Bob McNamara this morning about the stockpile situation. He has reviewed the whole program carefully and has begun to move out on various parts of the problem. Paul Ignatius has responsibility to follow through personally on various of the actions to maximize sales this year.

-- A September 14 meeting has been set with the aluminum industry to get them to purchase more aluminum this year. The industry is living up to the letter of the contracts entered into in 1965, but we believe they can purchase substantially greater amounts this year than the contracts require.

-- A September 7 meeting has been scheduled with the lead and zinc industry to work out a disposal plan. They are the only major industry which has not entered into a disposal agreement with the Government.

-- McNamara talked with Dean Rusk and sent him a letter to request that State go along with increased disposals of commodities which have been held back for foreign policy reasons (tin, rubber, and abaca cordage fiber). You might mention the importance you attach to this effort at the Tuesday luncheon.

-- McNamara is going to contact Ramsey Clark to get cooperation on industrial diamonds and foreign sales. There have been legal obstacles (anti-trust mostly) to moving out on these matters.

-- Copper is one of the few items which can produce major revenue. McNamara believes that we will need to do a Section 5 release later this year of most of the remaining stockpile. He is reviewing the political implications and timing of this action.

If all these actions are pulled off successfully and the economy recovers as predicted, the Defense estimate is that $695 million can be collected during fiscal year 1968.

~~LBJ~~

Joe:

Ask McNamara to tell me how he's coming along on that stockpile thing.

LBJ/mf
8-26-67
8:00p

8-28-67
TOLD JOE C.

(E)

R 8/25

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EXECUTIVE (3)
BE5-2
FG11-3
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FG115

August 25, 1967

MEMORANDUM FOR THE PRESIDENT

Subject: Weekly Price Report

Price Review

1. There was not much change in farm product prices during the week.

- Wheat and corn were about steady, but soybeans rose another 4¢ following last week's increase of 5¢.

- Choice steers edged slightly higher, but hogs fell about 3/4¢.

- Potatoes have dropped quite sharply, and were about 30% lower than two weeks ago.

- Butter is beginning to move up seasonally.

- The average wholesale price level for farm products dropped over 3% in August; this was the first decline since April.

2. There were a few changes in industrial raw materials.

- Dealer prices for copper continued to move higher, and there was a small further increase for mercury.

- Moderate further declines were recorded for tin and rubber.

3. There were widespread increases for a broad range of industrial products. The BLS wholesale index for industrial commodities rose 0.3% in August; this was the first increase since February.

- The steel plate increase of $4 a ton initiated by Bethlehem was followed by other major producers, with prices for some specialty items raised as much as $8 a ton.

- Plywood and lumber prices again rose quite sharply.