



## Repeal of the Rhodesian Chrome Amendment

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## Repeal of the Rhodesian Chrome Amendment

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|-----------------------------|--|
| Alternative title           | Repeal of the Rhodesian Chrome Amendment   |
| Author/Creator              | Subcommittee on Africa and Subcommittee on International Organizations and Movements; Committee on Foreign Affairs; House of Representatives   |
| Publisher                   | U.S. Government Printing Office  |
| Date                        | 1974   |
| Resource type               | Hearings   |
| Language                    | English  |
| Subject                     |  |
| Coverage (spatial)          | Zimbabwe, United States  |
| Source                      | Congressional Hearings and Mission Reports: U.S. Relations with Southern Africa  |
| Description                 | Hearings held on October 5 and 17, 1973, to consider repeal of the Byrd Amendment and barring the import of Rhodesian chrome. Includes testimony by industry witnesses, an administration official, and Edgar Lockwood of the Washington Office on Africa. Also includes additional statements and memorandums submitted for the record, and appendices. |
| Format extent (length/size) | 155 page(s)  |

<http://www.aluka.org/action/showMetadata?doi=10.5555/AL.SFF.DOCUMENT.uscg009>

# THE REPEAL OF THE RHODESIAN CHROME AMENDMENT

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## HEARINGS BEFORE THE SUBCOMMITTEE ON AFRICA AND THE SUBCOMMITTEE ON INTERNATIONAL ORGANIZATIONS AND MOVEMENTS OF THE COMMITTEE ON FOREIGN AFFAIRS HOUSE OF REPRESENTATIVES NINETY-THIRD CONGRESS FIRST SESSION

—————  
OCTOBER 5 AND 17, 1973  
—————

Printed for the use of the Committee on Foreign Affairs



U.S. GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1974

29-388

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# REPEAL OF THE RHODESIAN CHROME AMENDMENT

FRIDAY, OCTOBER 5, 1973

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FOREIGN AFFAIRS,  
SUBCOMMITTEES ON AFRICA AND ON  
INTERNATIONAL ORGANIZATIONS AND MOVEMENTS,  
*Washington, D.C.*

The subcommittees met at 10:15 a.m. in room 2172, Rayburn House Office Building, Hon. Donald M. Fraser (chairman of the Subcommittee on International Organizations and Movements) presiding.

Mr. FRASER. The subcommittees will come to order.

The Subcommittee on International Organizations and Movements and the Subcommittee on Africa are meeting jointly this morning to hear testimony on H.R. 8005 and 18 identical bills (H.R. 8006, 8007, 8124, 8202, 8272, 8366, 8396, 8482, 8559, 8569, 8636, 8768, 9043, 9076, 9152, 9284, 10030, 10358) to amend the United Nations Participation Act of 1945 to halt the importation of Rhodesian chrome and to restore the United States to its position as a law-abiding member of the international community.

These bills now have 110 sponsors and cosponsors. Without objection, the bill, H.R. 8005, and the list of sponsors and cosponsors will be printed in the record.

[The bill and list referred to follow:]

[H.R. 8005, 93d Cong., first sess.]

A BILL To amend the United Nations Participation Act of 1945 to halt the importation of Rhodesian chrome and to restore the United States to its position as a law-abiding member of the international community

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 5(a) of the United Nations Participation Act of 1945 (22 U.S.C. 287c(a)) is amended by adding at the end thereof the following new sentence: "Section 10 of the Strategic and Critical Materials Stock Piling Act (60 Stat. 596; 50 U.S.C. 98-98h) shall not apply to prohibitions or regulations established under the authority of this section."*

## Cosponsors of H.R. 8005 and identical bills

Donald Fraser, Minnesota  
Charles Diggs, Michigan  
Bella Abzug, New York  
Joseph Addabbo, New York  
Gleen Anderson, California  
John Anderson, Illinois  
Thomas Ashley, Ohio  
Les Aspin, Wisconsin  
Herman Badillo, New York  
Alphonzo Bell, California  
Bob Bergland, Minnesota

Edward Biester, Pennsylvania  
Edward Boland, Massachusetts  
Jonathan Bingham, New York  
John Brademas, Indiana  
Frank J. Brasco, New York  
George Brown, California  
James A. Burke, Massachusetts  
Yvonne Brathwaite Burke, California  
Phillip Burton, California  
Shirley Chisholm, New York  
William Clay, Missouri

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| Cardiss Collins, Illinois             | Patsy T. Mink, Hawaii                       |
| John Conyers, Michigan                | Joseph Minish, New Jersey                   |
| James C. Corman, California           | Parren J. Mitchell, Maryland                |
| John C. Culver, Iowa                  | Joe Moakley, Massachusetts                  |
| George E. Danielson, California       | Charles A. Mosher, Ohio                     |
| John Dellenback, Oregon               | John E. Moss, California                    |
| Ronald Dellums, California            | Robert N. C. Nix, Pennsylvania              |
| Ron de Lugo, Virgin Islands           | David Obey, Wisconsin                       |
| Harold Donohue, Massachusetts         | James G. O'Hara, Michigan                   |
| Robert Drinan, Massachusetts          | Edward J. Patten, New Jersey                |
| Thaddeus Dulski, New York             | Claude Pepper, Florida                      |
| Bob Eckhardt, Texas                   | Bertram Podell, New York                    |
| Don Edwards, California               | Richardson Preyer, North Carolina           |
| Joshua Eilberg, Pennsylvania          | Charles B. Rangel, New York                 |
| Dante Fascell, Florida                | Thomas Rees, California                     |
| Walter Fauntroy, District of Columbia | Ogden Reid, New York                        |
| Paul Findley, Illinois                | Henry S. Reuss, Wisconsin                   |
| Edwin Forsythe, New Jersey            | Donald Riegler, Jr., Michigan               |
| Bill Frenzel, Minnesota               | Howard Robison, New York                    |
| Peter H. B. Frelinghuysen, New Jersey | Peter W. Rodino, Jr., New Jersey            |
| Joseph Gaydos, Pennsylvania           | Charles E. Rose, North Carolina             |
| William Green, Pennsylvania           | Benjamin S. Rosenthal, New York             |
| Gilbert Gude, Maryland                | Edward R. Roybal, California                |
| Lee H. Hamilton, Indiana              | Leo J. Ryan, California                     |
| Julia Butler Hansen, Washington       | Paul Sarbanes, Maryland                     |
| Michael J. Harrington, Massachusetts  | Patricia Schroeder, Colorado                |
| Augustus F. Hawkins, California       | John F. Seiberling, Ohio                    |
| Elizabeth Holtzman, New York          | Fortney H. (Pete) Stark, California         |
| Henry Helstoski, New Jersey           | Louis Stokes, Ohio                          |
| Floyd V. Hicks, Washington            | Gerry E. Studds, Massachusetts              |
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| Torbert MacDonald, Massachusetts      | Antonio Borja Won Pat, Territory of<br>Guam |
| William S. Mailliard, California      | Sidney Yates, Illinois                      |
| Spark M. Matsunaga, Hawaii            | Andrew Young, Georgia                       |
| Lloyd Meeds, Washington               |   |
| Ralph H. Metcalfe, Illinois           |   |

Mr. FRASER. The Senate version, S. 1868, introduced by Senators Humphrey and McGee, has been reported favorably by the Senate Foreign Relations Committee and is awaiting floor action.

H.R. 8005 and companion bills were introduced as a result of the passage of section 503 of the Military Procurement Act of 1971, better known as the Byrd amendment or Rhodesian chrome amendment, which allowed the United States to import chrome, ferrochrome, and nickel from Rhodesia in violation of United Nations economic sanctions against the minority regime in power there. At that time and since then there has been widespread concern throughout the country over the harmful effects the Rhodesian chrome amendment has had on our national interests. It has placed the United States in open violation of international law. It has weakened the United Nations and strengthened the position of an oppressive and openly racist regime in Rhodesia. It has contributed to unemployment in the United States. It has eroded our credibility as a Nation which supports self-deter-

mination and majority rule. It can endanger the business and investment opportunities for the United States in black Africa, where we now have some \$3 billion in investments. On the other hand, some business and industrial interests assert that they need free access to Rhodesian imports.

#### ADMINISTRATION STATEMENTS

During recent months the administration has made a number of statements rejecting the notion that Rhodesian imports are essential, and pointing out the harmful effects of the chrome amendment.

In a letter, dated June 26, to Congressman Diggs and me, Mr. Peter Flanigan, the President's Assistant for International Economic Affairs, said:

Access to Rhodesian chrome and other minerals is not, however, an important element in U.S. security or in our overall foreign economic policy given: (1) the substantial excess of our stockpile resources and (2) the comparatively minor amounts we actually import from Rhodesia.

On June 7, Ambassador John Scali, our Representative at the United Nations, said in a speech in New York:

The evidence is mounting that this amendment not only damages America's image and reputation as a law-abiding nation, but it also has net economic disadvantages as well.

In a letter to Congressman Guy Vander Jagt, dated June 12, the Assistant Secretary of State for African Affairs, David D. Newsom, said:

In my four years as Assistant Secretary, the exemption of Rhodesian sanctions has been the most serious blow to the credibility of our African policy.

In a letter, dated July 20, to Congressman Diggs and me, the Acting Secretary of Defense, William P. Clements, Jr., said:

According to an estimate prepared in 1973 by OEP, the metallurgical grade chromite needed by industry to support the Defense Department's steel requirement during the first year of a war amounts to 128,300 short tons or 2.3 percent of the quantity held in the inventory as of December 31, 1972. Thus, it can be seen that the Defense requirement for metallurgical grade chromite is relatively small, and that the bulk of the stockpile inventory would be used by the non-defense industry in the event of an emergency.

The Assistant Secretary of State for Congressional Relations, Marshall Wright, replied as follows on August 2 to an inquiry from the Chairman of the House Committee on Foreign Affairs, the Honorable Thomas E. Morgan:

The Department of State therefore recommends that the Congress move expeditiously to adopt legislation to repeal Section 503 of the Military Procurement Act of 1971. It would greatly reaffirm the position of good faith the United States has long maintained in its international relations. It would undo the harm which imports of Rhodesian materials under the Byrd amendment have brought to our position in the United Nations, to our pursuit of the rule of law and to the credibility of our commitment to the self-determination and equality of all peoples.

#### KISSINGER STATEMENT

And on September 7, Dr. Henry Kissinger made the following statement before the Senate Foreign Relations Committee as it considered his nomination to be Secretary of State:

The administration will support the repeal of the Byrd amendment.

Without objection, all of the aforementioned documents and letters will be printed in the appendix of the record in their entirety.<sup>1</sup>

Our witnesses this morning are the Honorable Willis C. Armstrong, Assistant Secretary for Economic and Business Affairs, Department of State; Mr. E. F. Andrews, vice president, materials and services, Allegheny Ludlum Industries; Mr. Frederick B. O'Mara, executive vice president, Union Carbide Corp.; and Mr. Edgar Lockwood, director, Washington Office on Africa.

Secretary Armstrong will be unable to stay for the duration of the hearing, so he will be excused after questioning by the subcommittee's members. We ask that Mr. Andrews, Mr. O'Mara, and Mr. Lockwood read their statements consecutively so that questions may be addressed to them as a panel after all three have finished their prepared statements.

**STATEMENT OF HON. WILLIS C. ARMSTRONG, ASSISTANT SECRETARY FOR ECONOMIC AND BUSINESS AFFAIRS, DEPARTMENT OF STATE**

Mr. ARMSTRONG. Before I give you my formal statement, I would like to read a letter signed by Secretary of State Kissinger, which I think you have perhaps not yet received. I have a copy of the letter, dated the day before yesterday, signed late in the evening on October 3, and it is an identical letter to you and to Congressman Diggs as cochairman.

DEAR MR. CHAIRMAN: Thank you for your letter of October 1, also signed by Congressman Diggs, concerning H.R. 8005, a bill to restore the United States to full adherence to the United Nations' Rhodesian sanctions programs.

I am pleased with this occasion to reiterate the assurance I gave in my confirmation hearings before the Senate Foreign Relations Committee September 7, that the Administration supports efforts in Congress to repeal that portion of the Military Procurement Act of 1971, commonly known as the Byrd provision. Moreover, in a letter of August 2 to Chairman Morgan, Assistant Secretary of State for Congressional Relations Marshall Wright expressed the Administration's strong backing for the enactment of S. 1868/H.R. 8005. You may be interested to know that various agencies within the government were given the opportunity to review that letter prior to its dispatch, and that I had personally approved it as Assistant to the President for National Security Affairs. I am convinced now, as I was then, that the Byrd provision is not essential to our national security, brings us no real economic advantage, and is detrimental to the conduct of foreign relations.

You are, of course, familiar with the evidence that imports of Rhodesian chrome and nickel are no longer necessary for strategic reasons and that a request is currently before the Congress to eliminate our stockpile of nickel and to reduce greatly our stockpile of metallurgical grade chromite. It is also pertinent to note that contrary to the intention of the Byrd Provision, the percentage of imports of chrome from the USSR actually increased during the last two years.

On the other hand, the Byrd Provision has impaired our ability to obtain the understanding and support of many countries including such important African nations as Nigeria, a significant source of petroleum and a country where we have investments of nearly \$1 billion.

Thus, I believe the enactment of H.R. 8005 is in the interest of the nation, and accordingly I support your efforts to secure its passage. Thank you for this opportunity to restate my views. I am also sending a reply to Congressman Diggs.

Sincerely,

HENRY A. KISSINGER.

<sup>1</sup> See appendix, p. 99.

I thought you might like to have that in the record before I start my statement.

I am pleased to be asked to appear before your committee to speak on a matter of considerable importance to all of us. As you have indicated, Mr. Chairman, a number of my colleagues have appeared over recent years to argue for U.S. compliance with the U.N. Rhodesian sanctions program. They have pointed out that we have consistently supported efforts to bring about a peaceful and equitable solution to the problem created by the unilateral declaration of independence by a small governing minority in southern Rhodesia. It so happens that I served in the American Embassy in London from 1964-67 as Economic Minister and was fully engaged during the latter part of that period in dealing with the British on the economic measures they were using in their efforts to attempt to solve the Rhodesian problem. I was quite familiar with the background of the U.N. Security Council Resolutions and with the importance of the mandatory economic sanctions for which they call.

When the Congress proposed passing legislation which would exempt strategic and critical materials from the embargo, the Department of State opposed it on grounds that such an exemption was contrary to our international commitments and that it was unnecessary on economic and strategic grounds. When the legislation was passed, the Government implemented it and defended in our courts the right of the Congress to modify or supersede prior treaty obligations. We still believe, however, that the exemptions are unwarranted and contrary to our best interests, and we support the bill now proposed which will reinstitute full U.S. compliance with its obligations under the United Nations Charter.

#### ADVERSE IMPACT OF SECTION 503

Those who have preceded me in testifying before the Congress have stated that principle and obligation should take precedence over economic expediency. The argument is a meritable one and I associate myself with it. My purpose today, however, is not to discuss principle, nor the adverse impact of section 503 on the conduct of U.S. foreign policy, because others have already spoken to this point. What I intend is to assert on the basis of hard economic fact that the importation of Rhodesian minerals is not necessary to our economy.

I shall deal here with the economic and commercial aspects of the Rhodesian embargo. The costs to us of our compliance with U.N. sanctions, for which we voted and which are designed to achieve an agreed purpose, should not be our first consideration. Nevertheless, we should examine any costs involved and be able to arrive at an estimate of what we might be paying for sanctions.

Any businessman appreciates the necessity of living up to agreed commitments. Business cannot be effectively conducted in a framework in which some parties do not abide by the sanctity of contracts and agreements. What is true for business is at least as true for governments. If we are to hold the respect of other governments, we must honor our agreements and commitments.

It has been claimed that we are just doing openly and legally under the Byrd provision what others are doing illegally and surreptitiously. I cannot agree with that. In the first place, violations of international

law by others do not justify legislation making those same actions legal. Furthermore, it undercuts our practice of actively cooperating with other countries in order to achieve more effective compliance worldwide with sanctions. It is our policy to encourage individuals and organizations to report sanctions violations to us. The U.S. Government pursues vigorously all those cases coming to its attention which suggest that other countries are permitting their nationals to violate sanctions, especially in those instances where American firms are losing business because of their compliance with the sanctions. I would also add that other nations interested in curtailing violations of sanctions on the part of their nationals have told us that it would be easier for them to do so if we stopped importing strategic materials from Rhodesia.

I would now like to examine the hard economic realities. I am not convinced that we are losing or stand to lose in either the long run or in the short run by observing sanctions against Rhodesia. Prior to UDI in 1965 we had an annual favorable trade balance with Rhodesia of \$13 million. We sold some \$23 million worth of goods and bought only \$10 million worth.

After the imposition of sanctions, our trade virtually disappeared. Following the passage of the Byrd provision we bought \$13 million worth of minerals under the provision in 1972, and so far this year about \$14 million more, while selling to Rhodesia only some \$700,000 of materials under the humanitarian and other exceptions permitted under the U.N. sanctions. These figures, however, become almost insignificant when put into the scale of potential trade and investment in Rhodesia and current trade and investment in the rest of Africa.

There is an economic aspect to risking the good will of African states to the north of Rhodesia with which we currently have some \$2 billion worth of trade. Furthermore, we have investments of some \$3 billion in these same African states. We have important sources of supply in these African states for a whole range of strategic goods such as petroleum, uranium, manganese, tin, rubber, tungsten, diamonds as well as foodstuffs such as coffee and cocoa. Our open contraventions of sanctions often place American businessmen at a disadvantage in their negotiations with African leaders over resource exploitations, trade and investment.

Or, consider just Rhodesia. The current annual value of Rhodesia's imports is some \$400 million. There is also a great potential for investment. The sanctions program was never envisaged as a permanent measure, but as part of an effort to promote the return of Rhodesia to the international community where it could participate in normal trade and investment.

#### EFFECTIVENESS OF SANCTIONS

The effectiveness of the sanctions program is reflected in the Rhodesian regime's efforts to remove the pressure of international sanctions. By our not complying fully, we are encouraging the minority regime in Rhodesia to continue to hold out against accommodation with its majority black population, which Great Britain has declared an essential prerequisite to granting independence.

of the violations are exports to South Africa and to Portugal which are in open violation of the sanctions?

Mr. BUCHANAN. Yes, sir; I believe the gentleman is correct. I will put the figures in the record. But South Africa and Portugal would be the two largest violators, I believe.

Mr. BINGHAM. As to any others, they would be simply private trading concerns presumably doing business and it would not be in conformity with the policy of their parent government.

Mr. BUCHANAN. It is the official public policy thing that sets us apart, I think. The gentleman is precisely correct. There are some nations that were not parties to the agreement in the first place, where private concerns within these countries may have been in the unique position of having been parties to the original sanctions.

Mr. BINGHAM. Thank you very much.

Mr. FRASER. Mr. FASCELL.

Mr. FASCELL. Thank you, Mr. Chairman.

Our colleague is, as usual, very articulate. I am delighted to see him here and to have him pinpoint exactly the feelings that I have had on this matter. Although I never supported the Byrd amendment in the first place, I must confess that the only rationalization for the amendment, if there ever was one, had to be on the basis of national security.

Like you did, I came down finally on the side that it was not a question of national security that was involved here.

Were you ever troubled by the whole argument of short supply, and the price, and all that?

Mr. BUCHANAN. I must say to the gentleman I was at first persuaded, but I think that it would have been wiser on my part had I looked into it to the extent the gentleman did, at the time, because I really think there has never been the case on security grounds or on any grounds of our vital interest that appeared to be the case to many of us 2 years ago.

Mr. FASCELL. How do you assess the domestic political implication of all this? Why should there be any reluctance to repeal the amendment? Are you aware of any reason?

Mr. BUCHANAN. I am not aware of any. There is one industry which feels itself—at least some parties of which feel they would be adversely affected, and that is stainless steel. But it is hard for me to understand the distinction between becoming totally reliant on foreign sources for ferrochrome and becoming totally reliant on foreign sources for stainless steel.

To me, the same principle applies in both cases. If we say we must protect our domestic stainless steel interest, then we should also protect our domestic ferrochrome interests. If we are going to protect our domestic ferrochrome, we are better off imposing the sanctions and doing something to help it because this is one of the things destroying it, the Rhodesian switch from chrome to ferrochrome production and the increasing percentage of ferrochrome we are importing from them rather than chrome itself.

So I would say that one interest I can identify is stainless or some portion of the stainless steel industry. Beyond that, I do not know who has to have anything from Rhodesia that we cannot either get from our own stockpiles or from alternative foreign sources, and beyond those limited economic interests I don't know who in the United States has that vital an interest in this trade with Rhodesia.

## NO MORAL SUPPORT FOR RACIST REGIME

I will say politically the gentleman well knows that there are those who would support the Rhodesian regime precisely because of the nature of that regime. This would constitute a minority within our country, but that outlook is present in this country and in the world. I would say that we certainly do not want to honor that particular outlook at this point in our Nation's history. It would seem to me that, given our own experience in this area and the way we are headed in this area, that we would be very hesitant to maintain a policy which implied any kind of moral support to a racist- or ethnic-based minority regime.

Mr. FASCELL. I thank our colleague for those cogent observations. I would simply conclude my part of this, Mr. Chairman, by saying that I agree with your assessment of the politics of the situation domestically, but I must stand in admiration of whomever engineered the propaganda in support of the amendment.

Mr. FRASER. Thank you very much, Mr. Buchanan. This has been a very fine presentation.

Mr. ROSENTHAL. I have no questions but I do want to commend our colleague for an excellent, articulate, and thoughtful statement. I want to add a personal note. I frankly know of no Member of Congress who has a deeper understanding and perception of the genuine national interest than does John Buchanan.

I want to sincerely commend you for your leadership on this issue and on many, many other issues.

Mr. BUCHANAN. I deeply appreciate the gentleman's remarks.

Mr. FRASER. Thank you, Mr. Buchanan. I think all of us join in thanking you for coming today and for making such a fine statement responding to the questions so well.

Mr. BUCHANAN. Thank you, Mr. Chairman.

[Whereupon, at 4 p.m. the joint subcommittees adjourned and the Subcommittee on International Organizations and Movements proceeded in open markup session.]

## APPENDIX 1

### LETTER TO CONGRESSMEN DIGGS AND FRASER FROM SECRETARY OF STATE KISSINGER CONCERNING HOUSE RESOLUTION 8005 RELATING TO RHO- DESIAN CHROME

THE SECRETARY OF STATE,  
*Washington, October 3, 1973.*

Hon. CHARLES C. DIGGS, Jr.,  
*Chairman, Subcommittee on Africa,  
Committee on Foreign Affairs,  
House of Representatives,  
Washington, D.C.*

DEAR MR. CHAIRMAN: Thank you for your letter of October 1, also signed by Congressman Fraser, concerning H.R. 8005, a bill to restore the United States to full adherence to the United Nation's Rhodesian sanctions program.

I am pleased with this occasion to reiterate the assurance I gave in my confirmation hearings before the Senate Foreign Relations Committee September 7, that the Administration supports efforts in Congress to repeal that portion of the Military Procurement Act of 1971 commonly known as the Byrd Provision. Moreover, in a letter of August 2 to Chairman Morgan, Assistant Secretary of State for Congressional Relations Marshall Wright expressed the Administration's strong backing for the enactment of S. 1868/H.R. 8005. You may be interested to know that various agencies within the government were given the opportunity to review that letter prior to its dispatch, and that I had personally approved it as Assistant to the President for National Security Affairs. I am convinced now, as I was then, that the Byrd provision is not essential to our national security, brings us no real economic advantage, and is detrimental to the conduct of foreign relations.

You are, of course, familiar with the evidence that imports of Rhodesian chrome and nickel are no longer necessary for strategic reasons and that a request is currently before the Congress to eliminate our stockpile of nickel and to reduce greatly our stockpile of metallurgical grade chromite. It is also pertinent to note that contrary to the intention of the Byrd Provision, the percentage of imports of chrome from the USSR actually increased during the last two years.

On the other hand, the Byrd Provision has impaired our ability to obtain the understanding and support of many countries including such important African nations as Nigeria, a significant source of petroleum and a country where we have investments of nearly \$1 billion.

Thus, I believe the enactment of H.R. 8005 is in the interest of the nation, and accordingly I support your efforts to secure its passage. Thank you for this opportunity to restate my views. I am also sending a reply to Congressman Fraser.

Sincerely,

HENRY A. KISSINGER.

## APPENDIX 2

### LETTER TO CONGRESSMAN DIGGS FROM HAROLD E. STRINGER OF THE AMERICAN LEGION ENCLOSING A RESOLUTION OPPOSING THE REIM- POSITION OF A BOYCOTT ON RHODESIAN CHROME

AMERICAN LEGION  
*Washington, D.C., October 5, 1973.*

HON. CHARLES C. DIGGS, Jr.,  
*Chairman, Subcommittee on Africa, House Committee on Foreign Affairs, 2170  
Rayburn House Office Building, Washington, D.C.*

DEAR CHAIRMAN DIGGS: Enclosed is a copy of a resolution adopted by our National Convention in August opposing enactment of legislation to reimpose a boycott on Rhodesian chrome.

I would appreciate your including this resolution in the record of the hearings your Subcommittee is holding on H.R. 8005, a bill relating to this subject.

Sincerely yours,

HAROLD E. STRINGER,  
*Director, National Legislative Commission.*

FIFTY-FIFTH ANNUAL NATIONAL CONVENTION OF THE AMERICAN LEGION  
HONOLULU, HAWAII, AUG. 21-23, 1973

#### RESOLUTION NO. 26

Committee: Foreign Relations.  
Subject: Rhodesia

Whereas, Several members of the Congress have entered bills in the 93rd Congress, such as H.R. 8005, H.R. 8006, and H.R. 8007, the intent of which is to halt the importation by the United States of chrome from Rhodesia; and

Whereas, Such action would constitute undue interference in the domestic affairs of Rhodesia and deny the United States strategic chrome from a non-communist source; and

Whereas, Imports of chrome from Rhodesia also constitute an important economic benefit for American firms with assets in that country; now, therefore, be it

Resolved, By The American Legion in National Convention assembled in Honolulu, Hawaii, August 21, 22, 23, 1973 that the Legion oppose passage of Congressional bills designed to reimpose a boycott on Rhodesian chrome and urge individual Congressmen to support this position.

### APPENDIX 3

#### LETTER TO CONGRESSMAN FRASER FROM THE LEAGUE OF WOMEN VOTERS SUPPORTING THE REPEAL OF THE BYRD AMENDMENT

WASHINGTON, D.C., October 5, 1973.

HON. DONALD M. FRASER,  
*Chairman, House Foreign Affairs Subcommittee on International Organizations  
and Movements, 2170 Rayburn House Office Building, Washington, D.C.*

DEAR MR. FRASER: The League of Women Voters of the United States strongly supports repeal of the Byrd Amendment to the Military Procurement Act of 1971 and appreciates your leadership in introducing and seeking passage of HR 8005.

The League believes that this Amendment, allowing the United States to import certain "strategic materials" from Rhodesia contrary to the UN Security Council's comprehensive embargo on trade with Rhodesia, violates the international obligations of this country as a member of the United Nations.

Recent purchases of Rhodesian chrome and other materials permitted by the Byrd Amendment have been proven to be unnecessary, since the U.S. has abundant stockpiles of Rhodesia's major mineral exports. While these purchases of Rhodesian chrome have contributed little or nothing to the nation's security, they have done considerable damage to the national interest by undermining the credibility of oft-stated U.S. support for a system of international relations based on international law.

To reinstate U.S. compliance with the Security Council's sanctions on trade with Rhodesia and to reestablish U.S. adherence to the UN Charter and to efforts to strengthen and improve the UN system, the Byrd Amendment must be repealed by passage of HR 8005.

The League requests that this letter be made a part of the official hearing record on HR 8005, and urges the earliest possible action to secure passage of this important legislation.

Sincerely,

LUCY WILSON BENSON,  
*President.*

RUTH J. HINEFELD,  
*Chairman, International Relations.*

## APPENDIX 4

### CORRESPONDENCE BETWEEN CHAIRMAN DIGGS AND FRASER AND AMBASSADOR BERNDT VON STADEN OF THE FEDERAL REPUBLIC OF GERMANY

HOUSE OF REPRESENTATIVES,  
Washington, D.C., October 16, 1973.

His Excellency BERNDT VON STADEN,  
Ambassador of the Federal Republic of Germany,  
4645 Reservoir Road NW., Washington, D.C.

DEAR MR. AMBASSADOR: Currently our two subcommittees are holding joint hearings on bills which would halt the importation of Rhodesian chrome, ferrochrome and nickel and restore the United States to full compliance with United Nations sanctions against the minority regime controlling Rhodesia. In the course of testimony at the hearings there have been allegations that the sanctions have been violated by the citizens of several countries, including a rather large number of cases involving Germans from the Federal Republic.

We are highly gratified that your government adopted a policy of adhering to economic sanctions against Rhodesia long before the Federal Republic became legally bound to do so as a member of the United Nations. But there is evidence that some German citizens are ignoring their government's policy and undermining the effectiveness of U.N. sanctions by trading illegally with the Rhodesian regime.

Two years ago, at the initiative of Congress, our own country unwisely embarked upon a course of open disregard for international law by allowing the importation of minerals from Rhodesia in defiance of the sanctions whose original adoption the United States had strongly supported as the best means to induce non-violent political change toward majority rule in Rhodesia. The efforts now under way to return the United States to the side of international law are made more difficult when it is demonstrated that citizens of other member nations in the United Nations also are ignoring the sanctions. Unfortunately, many persons are left with the false impression that it is the national policy of the Federal Republic and others to violate the sanctions for profit. The violations and the impressions they create inflict serious injury on both the reputation of the Federal Republic of Germany and the ability of the United Nations to perform the tasks for which it was founded.

We believe that your country and ours—as great democracies—have a special responsibility to foster international cooperative action toward the achievement of majority rule in Rhodesia.

You have our best wishes for continued German-American friendship and cooperation. We would be grateful if you would forward our comments to your government in Bonn.

Sincerely yours,

CHARLES C. DIGGS, *Chairman,*  
*Subcommittee on Africa.*

DONALD M. FRASER, *Chairman,*  
*Subcommittee on International Organizations and Movements.*

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OCTOBER 31, 1973.

HON. DONALD M. FRASER,  
House of Representatives,  
Washington, D.C.

DEAR MR. FRASER: Thank you very much for your kind letter dated October 16, 1973 relating to the United Nations sanction against the importation of Rhodesian chrome, ferrochrome and nickel to third countries of which I have taken notice with great interest. Copy of your letter has been forwarded to appropriate authorities in Bonn.

I was very pleased to hear that your committees highly gratify the policy of my Government which always adhered to the economic sanctions against Rhodesia. As you also mentioned in your letter the Government of the Federal Republic of Germany followed this policy even before the Federal Republic became a member of the United Nations.

In order to reaffirm our policy of economic sanctions against Rhodesia the Federal Minister of Economics has again issued an official circular No. 39/73 of September 29 to all German importers to follow strictly the sanctions. For your information I am enclosing this circular (and a courtesy translation).

Sincerely yours,

BERNDT VON STADEN,  
*Ambassador, Federal Republic of Germany.*

COURTESY TRANSLATION

CIRCULAR FOREIGN ECONOMIC LETTER NO. 30, 1973 REGARDING ECONOMIC SANCTIONS  
AGAINST SOUTHERN RHODESIA, SEPT. 26, 1973

I. In view of the publication by the Foreign Office in today's issue of the Federal Register (Bundesanzeiger No. 187, Oct. 4, 1973), in German translation, of Resolution 333 (1973) of the Security Council of the United Nations, reference is made to the precepts for limiting economic traffic with Southern Rhodesia contained in the law regarding foreign activity (AWG) and in the foreign economic regulation (AWV). These precepts have as a goal a complete economic embargo; they extend therefore to all areas of foreign economic activity. Upon the occasion of the entry of the Federal Republic of Germany into the United Nations, I once more call attention to this embargo.

II. In detail, the following legal transactions and actions require permission:

1. The export of all goods if the buying or consuming country is Southern Rhodesia (excepted are only medical supplies, teaching supplies and equipment for schools and other educational institutions as well as published and information materials);
2. The importation of all goods, if the country of origin or the purchasing country is Southern Rhodesia; this is also true for storing in free ports and customs areas as well as for the import of goods for further processing whether for own or foreign account;
3. The transit shipment of all goods by land route if the country of origin or reception is Southern Rhodesia;
4. Legal transaction regarding the acquisition of Southern Rhodesian goods with aliens as well as cooperating in the conclusion or fulfillment of such legal business between aliens;
5. The disposal of all goods within the framework of a transit trade transaction, if the purchasing or country of consumption is Southern Rhodesia, as well as cooperating in the conclusion or fulfillment of legal business regarding the sale of Southern Rhodesian goods or goods destined for Southern Rhodesia, between aliens;
6. The chartering or leasing of vessels and airplanes to aliens resident in Southern Rhodesia;
7. The transport of Southern Rhodesian goods or goods destined for Southern Rhodesia on German as well as on chartered or leased foreign ships or airplanes;
8. Legal transactions regarding the remunerated acquisition of Southern Rhodesian Assets and the guaranteeing of credits or grace periods for payments to aliens resident in Southern Rhodesia;
9. The establishment or installation of business undertakings in Southern Rhodesia;
10. Payments to aliens resident in Southern Rhodesia to the extent that they are not simply for pension purposes or for completion of approved or permissible business. Permits will not be granted as a matter of principle.

III. The customs office will examine the permissibility of exports and imports. In case of doubt regarding the permissibility, they can demand additional supporting documents from exporters or importers and investigate the goods. In checking imports, special attention will be given to the investigation of the country of origin if what is involved are goods which are significant for Southern Rhodesian exports and come from countries which have not joined in the Southern Rhodesian embargo. For some of these goods in the import list (Attachment to the AWG) there is required the presentation of a certificate

of origin; furthermore, the customs officials can demand further proofs in case they do not consider the certificate of origin as adequate. In addition, it is for the country of origin to provide the customs offices on demand with other documents such as invoices, bills of lading, correspondence etc. or by furnishing proof of characteristics of the goods involved.

IV. Actions contrary to the limitations listed under paragraph II, if they concern the export of the goods in Part I, sections A to C of the export list (Attachment AL to AWV), can be punished with a prison sentence up to three years and with a fine up to fifty thousand DM; in the remaining cases, with fines up to fifty thousand marks. If the profit from the illegal action exceeds the sum of fifty thousand DM, a higher fine can and should be levied. Furthermore there exists the possibility of confiscating goods and other objects destined for trade with Southern Rhodesia without permission.

## APPENDIX 5

### STATEMENT OF REV. DR. W. STERLING CARY, PRESIDENT, NATIONAL COUNCIL OF CHURCHES OF CHRIST IN THE U.S.A., OCTOBER 5, 1973

My name is Sterling Cary; I am president of the National Council of the Churches of Christ in the U.S.A. I would like to testify, through the record, in support of the bill before you, H.R. 8005.

In the Gospel according to Luke we read:

The Spirit of the Lord is upon me,  
because he has anointed me to  
preach good news to the poor.  
He has sent me to proclaim release  
to the captives  
and recovering of sight to the blind,  
to set at liberty those who are  
oppressed . . .

For many, many decades, American churches have been involved with the people of Zimbabwe (Southern Rhodesia) through Christian mission. Today, I believe our churches better recognize their obligation to serve the needs of the "whole person." In Zimbabwe today, there is no more burning need than the freedom and self-determination of 95% of the people who suffer at the whim of a tiny white minority because they happen to have been born black.

I believe our churches must humbly, yet vigorously support and advocate the plight of the oppressed. This is why the National Council of Churches, and a number of its member communions stand today as unapologetic supporters of the African liberation struggle in Zimbabwe, both morally and financially.

Numerous Protestant denominations and the World Council of Churches have provided grants for the humanitarian work of Zimbabwean liberation movements and movements in the rest of southern Africa. To serve the needs of these oppressed persons we must listen carefully to their voices.

It would be hypocritical for these churches to support the oppressed peoples of Zimbabwe but ignore the involvement of our nation in that very oppression. This is one reason why agencies of the United Presbyterian, United Methodist and Episcopal churches, along with the United Church of Christ, and the American Committee on Africa have joined together to sponsor a Washington Office on Africa. They will express our position on the critical issues of Africa to our elected representatives.

The National Council of Churches and many of its member denominations firmly and vigorously support full compliance with United Nations economic sanctions against the illegal "Rhodesian" regime. I would like, if I may, to attach to my testimony, a list of twenty-eight religions, African interest, trade union, Black community, and public interest organizations which have endorsed the text of "A Call to Congress to Restore Sanctions Against Rhodesia." These add vigorous public support to the numerous Congressional sponsors of the legislation which is before you.

Black Americans, being of African descent, have a unique role to play in supporting the African liberation struggle on the southern end of that continent. There is a mushrooming awareness of the issues of southern Africa and U.S. involvement there which elected officials cannot dare to ignore. Widespread protest was made against U.S. violation of sanctions at the African Liberation Day celebrations in which tens of thousands of African-Americans participated. Black Americans have demonstrated at the dockside, the corporate headquarters, and the annual stockholder meetings against Union Carbide and Foote Mineral Company, companies which would place their private profit above the aspirations

of the African people. As the Hon. Parren Mitchell said in addressing the long-shoremen in Baltimore who, with the full support of their union and its president, Thomas Gleason, refused to off-load a shipment of contraband cargo from "Rhodesia :"

No black man in this small world can consider himself free while a black man is kept in chains simply because of the color of his skin. Whenever the United States Government willfully, and with a total absence of concern for the human suffering involved, enters into collusion with a racist government that oppresses people solely because their skin is black, then we in the Black community of America can never be safe.

African churches, no less than the African people, have suffered the far-reaching repression of the racist Smith "government." The African Affairs Act of 1972 places control over the admission of church missionaries in the hands of local "Rhodesian government" officials. The Education Act of 1972 requires government registration and control as a precondition if church schools are to admit African students. Church leaders have spoken out strongly against this Act.

These are but trappings of a "Rhodesian" police state as it moves more clearly toward a form of apartheid. The Roman Catholic Bishop of Umtali has recently been tried for no less an offense than publishing a newsletter which dared to speak about the racist provisions of the "Rhodesian Constitution," on the ground that such open discussion is subversive. Clearly, the white regime, which has usurped power for itself, fears that the church may once again speak the Word which will set men free. But I believe no legislation can suppress the human hunger for freedom, and no police can quench the fire of the word of truth.

We believe that the U.S. violation of "Rhodesian" sanctions helps support the forced labor system of that country, and is a direct threat to American jobs in the ferrochrome industry of this country. We are also deeply distressed at the disregard for our treaty obligations to the United Nations which occurred with passage of the so-called "Byrd amendment." Yet there are others who can speak more eloquently and with more qualification to these points. I would like to stress, however, several points that I believe are of special concern to the churches of this country on this issue.

Full support for sanctions concretely expresses U.S. support for democracy and self-determination in a free Zimbabwe. As the Methodist Bishop of Zimbabwe (President of the African National Council, which vigorously organized during the Pearce Commission hearings and speaks for the oppressed majority). Rev. Abel Muzorewa said in addressing the American people last year :

The action of your government to break sanctions and to begin to import chrome was a severe blow to our struggle for freedom . . . Economic sanctions provided us with the only tool we have in our non-violent Christian struggle for a free Rhodesia.

Ironically we find spokesman for Union Carbide conveniently suggesting that sanctions hurt Africans first and should be removed. The Bishop laid to rest the self-serving arguments of the corporations that Africans would be hurt most by sanctions in his address to the Security Council. He said :

The Africans accept sanctions as a price for their freedom and declare as our enemy any person who claims on our behalf that sanctions should be withdrawn to alleviate African suffering through lack of employment. In fact, sanctions were never designed to hit Africans—and indeed this has been the effect, because it is the farmers, miners, importers and exporters that have suffered as a result of sanctions. None of these are Africans.

Both ZAPU and ZANU have also condemned U.S. importation of chrome.

No, sanctions have not single-handedly toppled the Smith "government." But that doesn't mean they haven't been effective. Combined with the electrifying political consciousness that accompanied the arrival of the Pearce Commission in Zimbabwe, and the resumption of the armed struggle inside the borders of "Rhodesia," U.S. compliance with sanctions will add significant pressures for a just settlement.

It is also morally indefensible to argue that "other nations are breaking sanctions, so why shouldn't we join in?" Such an argument was once used in defense of slavery. A closer analogy today might be: "If I weren't pushing drugs, somebody else would." No country is justified in such law-breaking.

Sanctions have helped bring Ian Smith to the negotiating table: Smith admitted that the application of sanctions was one of the factors that forced him

Since UDI in 1965, no state has recognized Rhodesian independence and there is no sign any state will until there is legal recognition of independence by Great Britain. By restoring the full embargo in the United States, we encourage others to enforce sanctions. We also demonstrate to the Rhodesian regime that the United States shares the view that the path to peaceful resolution of the Rhodesian problem and restoration of legality lies in accommodation between whites and blacks within the country. Ian Smith, leader of the regime in Salisbury, admitted at a recent party Congress that he was in contact with African leaders in Rhodesia. The repeal of the Byrd provision could serve as another prod to make Ian Smith more forthcoming in negotiating a settlement. When there is a settlement and Rhodesia has joined its rightful place in the international community, American individuals and firms will be able to trade and invest freely with this rich country.

The remainder of my statement provides details of our imports from Rhodesia and their availability from domestic and other foreign sources. In the interests of brevity, with your permission I would like to give you a verbal summary of my written statement, copies of which have been provided the committee for its record.

U.S. imports from Rhodesia totaled \$13.3 million in 1972. In 1973 they rose to an estimated \$14.3 million as of August. Last year the major components of these imports were chrome ore valued at \$2.8 million; ferrochromes (\$6.0 million); and nickel (\$4.4 million), and totaled \$13.3 million. In 1973 imports of these minerals as of August were chrome ore (\$68,000); ferrochromes (\$7.7 million); and nickel (\$6.2 million) and totaled \$13.9 million.

#### U.S. INDUSTRY DOES NOT NEED RHODESIAN ORE

While the intent of the Byrd provision was to permit U.S. imports of allegedly needed Rhodesian chrome ore, U.S. industry apparently has shown that it can do without this ore. Our imports of Rhodesian chrome ore dropped from \$2.8 million in 1972 to an insignificant \$68,000 as of August 1973.

As I understand, supporters of the Byrd provision cited two main points in defense of their position: U.S. imports of Rhodesian chrome ore would lessen our dependence on Soviet supplies of this material, and would also deter the Soviets from arbitrarily raising chrome ore prices. What does the record of the past 2 years show with regard to these two points?

In 1973 the Soviet Union supplied 45 percent of U.S. metallurgical chrome ore imports, against 3.6 percent for Rhodesia. In 1972 the Soviets supplied 60.2 percent, against 9.3 percent for Rhodesia. So far this year 53.6 percent of our ore imports were from the Soviet Union, against 2 percent from Rhodesia.

As for prices the average value of all U.S. metallurgical chrome ore imports in 1971 was \$68.62 per content ton. Soviet ore (a generally higher grade ore) averaged \$76.93 per ton, and Rhodesian ore, \$71.14. In 1972 all U.S. metallurgical chrome ore imports averaged \$65.29 per content ton, with Soviet ore averaging \$73, and Rhodesian ore, \$67.86. With the virtual disappearance of Rhodesian metallurgical chrome ore from the U.S. market this year, Soviet prices should have

to talk to Britain. As you know, for the first time in the history of the illegal regime, "Prime Minister" Ian Smith is holding talks with Bishop Muzorewa, the recognized leader of the African majority inside Zimbabwe. The effects of sanctions on the economy played a real role in bringing about these discussions. Despite the fact that the "Rhodesian government" confiscated the Bishop's passport, placed him under surveillance and jailed a total of 33 ANC leaders in recent weeks, Ian Smith has been forced to deal with this courageous spokesman for the majority of his country.

If we are truly seeking a just solution to the crisis, Bishop Muzorewa must be able to pursue these discussions from a position of strength. The action of our government is overtly breaking sanctions, along with South Africa and Portugal, seriously weakens the African's position.

News that your committee is dealing with this bill is making the front-page in white "Rhodesia." Under a banner headline, the lead article in a recent issue of the Rhodesian Financial Gazette emphasized that "... government and mining industry officials are extremely concerned about the latest moves in Washington to block Rhodesian chrome imports." More important than the \$7.2 million in desperately desired foreign exchange brought to "Rhodesia" through sales of the chrome and other materials in 1972, the article stressed that "the American decision to defy United Nations sanctions opened the door for other countries to follow suit and was seen here as the first signs that sanctions would loosen their grip and eventually fade."

The white regime urgently desires good relations with the West. We are in a position to apply positive international pressures for a just resolution to the crisis in Zimbabwe.

Finally we find it strange logic for Union Carbide and Foote Mineral Company to refer to our national interest in purely economic terms as they describe the importance of "Rhodesian" chrome for our economy. Should we pursue a national interest defined in pure economic terms if the price is ignoring the sufferings and aspirations of five million Africans? This would be an immoral folly.

In pure self-interest terms such an action will only bring the condemnation of the rest of black Africa.

We, as Christians, cannot ignore the call of our brothers and sisters overseas who are asking us to struggle with them for human dignity and for their freedom. We believe that neither our economic self-interest nor our moral tradition can justify breaking United Nations sanctions, and urge passage of H.R. 8005.

#### NATIONAL ORGANIZATIONS JOIN DRIVE TO RESTORE U.S. COMPLIANCE WITH UNITED NATION SANCTIONS AGAINST RHODESIA

The Washington Office on Africa announced that 28 national organizations have now endorsed a statement calling on the Congress to restore United States compliance with United Nations sanctions against Rhodesia. They thus join a growing list of members of Congress who have sponsored legislation for that purpose which will be voted on in early fall.

The text of the statement is as follows :

##### A CALL ON CONGRESS TO RESTORE SANCTIONS AGAINST RHODESIA

We call on Congress to restore U.S. sanctions against Rhodesia to renew our country's adherence to international law and our United Nations treaty obligations.

We call for the restoration of sanctions because of our support for majority rule in Rhodesia. Since 1971 imports from Rhodesia in violation of sanctions have given economic and political aid to an illegal regime which is based on the disenfranchisement of the 95 percent African majority and discriminatory social and economic laws parallel to apartheid in South Africa.

Advocates of imports from Rhodesia have argued that these contribute to national defense by lessening imports of chrome ore from the Soviet Union. But these Soviet imports have actually remained at the same level. And the U.S. stockpile of chrome ore is so much in excess of projected needs that the Administration has submitted legislation to sell off the unneeded reserves.

The breaking of sanctions against Rhodesia is threatening U.S. jobs. The U.S. Ferroalloys Association announced in May that 19 ferrochrome plants in the U.S. are endangered by the surge in imports from Rhodesia and South Africa, where production costs are cut because of conditions of forced labor and special subsidies.

For these reasons we support the bi-partisan group of 31 Senators and 109 representatives co-sponsoring bills S. 1868 (Senate) and H.R. 8005 (House of Representatives) to amend the United Nations participation act of 1945 to restore sanctions against Rhodesia.

Endorsers of the call include: American Ethical Union; American Humanist Association; Episcopal Churchmen for South Africa; Friends Committee on National Legislation; The Sisters Network; Unitarian Universalist Association; United Methodist Church, Board of Church and Society, Women's Division, Board of Global Ministries; United Church of Christ, Council for Christian Social Action; United Presbyterian Church, Southern Africa Task Force; African Liberation Support Committee; American Committee on Africa; Committee for a Free Mozambique; Gulf Boycott Coalition; Pan African Congress, USA; Southern Africa Committee; Washington Area Task Force on African Affairs; Black Political Convention, International Policy Committee; Congress on Racial Equality; National Association for the Advancement of Colored People; Americans for Democratic Action; National Student Lobby; United World Federalists; United World Federalist Youth; Women's International League for Peace and Freedom; American Federation of Teachers, AFL-CIO; United Auto Workers; United Steelworkers of America.

In addition to those organizations which have specifically endorsed this statement, other organizations have adopted individual policy statements or resolutions which expressly call for United States compliance with the United Nations program of sanctions. A partial list of such organizations includes: AFL-CIO; United Methodist Church, Board of Global Ministries; United Church of Christ, General Synod of 1973; Young Women's Christian Association.

WASHINGTON OFFICE ON AFRICA,  
110 MARYLAND AVENUE NE.,  
*Washington, D.C.*

## APPENDIX 6

### STATEMENT OF MARTIN N. ORNITZ, PRESIDENT, STAINLESS STEEL DIVISION, CRUCIBLE MATERIALS GROUP, COLT INDUSTRIES, INC.

Mr. Chairman Diggs, Mr. Chairman Fraser and members of the Subcommittees. I am President of the Stainless Steel Division of the Crucible Materials Group of Colt Industries Inc. The specialty steel industries—stainless, alloy and tool steels—are the major consumers of chromium in the United States and overseas.

I thank you for the opportunity to submit this statement to your Committee. I want to take advantage of the opportunity by bringing two points to your attention.

One is the economic consequence for the American citizen of shutting off the United States from access to any source of metallurgical chrome, at a time when worldwide demand for chrome is rising and America must compete for it with a host of other countries.

The second point is that the Committee's consideration of chrome opens the way for you to help find a solution for the problem of the raw materials shortage that besets the United States. Instead of adding to the shortage, as the pending bill would, I urge that you begin the positive search for means to assure the continuing availability of raw materials, particularly chrome. I do not intend to address political aspects of the legislation, about which the Committee is in a position to know more than I, but it is obvious that the narrow and negative approach of the pending legislation will not long—if ever—help the people of Africa in whose interest the legislation was drafted. For Africa is not going to benefit from a "have-not" United States. Africa deserves better than that. The United States deserves better than that.

Regarding the economics, the legislation before you creates a serious immediate problem for the American public. If the legislation is enacted in present form, it will reduce the amount of chromium ore, i.e., chromite, and ferrochrome—a steel-making alloy made from metallurgical chromite—available to the United States. All usable chromite is mined overseas. This reduction of chrome will threaten the stainless steel industry with reduction in output. As a matter of law as well as a matter of consumer preference, stainless is used in many applications that are critical to our way of life and the public health. The dairy industry, for example, uses much stainless steel in the interest of public health, from the milking of the cow, to vats used in cheese-making, to tank trucks that haul milk to the dairy and the dairy equipment itself. Stainless is employed in the making of tractors and a variety of other agricultural machines. Our country needs and the world needs the American farm. Perhaps the relationship between the farm and chrome was overlooked in the advocacy of this legislation.

Furthermore, stainless is one of the specialty metals essential to national defense. It is important in the reduction of air pollution. There are many other uses, which I list later in this statement, including the manufacture of automobiles, airplanes, and railway equipment. I know that the legislation is not aimed by intent at dairymen, at the environmentalists or at national defense or American transportation. But they are the "innocent bystander" targets of the legislation. It takes chrome to make stainless. There is no escape from that reality.

In summary, the situation is:

The production and consumption of stainless steel and other chrome-bearing specialty steel has increased substantially since 1970 in the United States. Each individual type of market for stainless in the U.S. (except aircraft) has increased since 1970. (Exhibit No. 5) It has gone from a total domestic consumption of 802,000 metric tons in 1970 to 941,000 metric tons in 1972. The consumption for 1973 first six months is 29 percent greater than in first six months of 1972. (Exhibit No. 2)

The worldwide demand for the same steels and their production also has increased substantially since 1972. (Exhibit No. 2) The market for stainless

produced in all countries increased by 15 percent from 1971 to 1972, and is further increasing in 1973.

The result is rising demand and worldwide competition for available chromite and ferrochrome from sources outside the United States. (Exhibit No. 3, page 1) Hope for a domestic ore is dashed by the fact that ore identified in Montana is not economically practical in filling ferrochromium requirements. Ferrochrome production in the United States is down due to the problem of chromite availability, cost or compliance with environmental laws, and change in requirements for the type of ferrochrome used resulting from changes in melting techniques.

The change in type of ferrochrome needed results from increasing usage of the new AOD process to make stainless steel. This process greatly increases usage of charge chrome and reduces use of the more expensive low carbon ferrochrome. Crucible believes that the AOD process is a key element in keeping us competitive against foreign made stainless steel. In addition to lowering costs, the process also provides higher quality stainless. Crucible has put in operation a 100-ton AOD unit, which is the largest operating vessel in the world. My company bought practically all of its ferrochrome in the United States until it became almost impossible to do so. The United States is competing with many countries for the available ferrochrome—Japan, Great Britain, France, Sweden, Austria, Belgium, West Germany, Italy, Soviet Union, Peoples Republic of China, Spain, Brazil, Canada, Australia, Mexico, and Norway. Cost as well as availability is a fundamental consideration. If it happens that the only way the United States can obtain chrome is to pay a premium price, the national struggle against inflation is set back.

The specialty steel industry in the United States must have assurance of adequate supplies of ferrochrome. Given the worldwide demand situation, no country can afford the elimination of Rhodesia as a source of chromite for making ferrochrome unless Rhodesia is replaced by assured access to a substitute source. Geologists have not found new supplies in the earth that are being worked. Chromite is mined in several countries, but that fact can be misleading.

For example, it has been pointed out that the Philippines are a source of chromite. That means nothing to the stainless industry in the United States. The Philippine metallurgical chromite desirable for steel-production goes to Japan. The Philippine exports to the United States consist of ore for the refractories industry and is not suitable for steel-making purposes. Philippine chromite production increased from 1968 through 1971 (Metal Statistics 1973, a publication of Fairchild Publications, Inc.), along with increases in the production of South Africa, Turkey, U.S.S.R., Albania, India, Iran, Greece, and Rhodesia. As with the Philippines, not all those sources are available to the United States, because of established commercial relationships, long-term contracting, etc. And not all chromite mined goes into international trade; the U.S.S.R., a major steel-maker, consumes part of its own chromite production.

The world increase in chromite production 1968-71 was 27 percent. The world increase in stainless production 1968-1972 was 24 percent—nearly parallel. At present the ferrochrome supply is so tight that American producers of stainless are on allocation—rationed. Production of stainless cannot be sustained at required levels if one source of chrome is removed without another source of comparable quality and quantity being provided.

An additional problem of sourcing is that not all furnaces used in making ferrochrome can convert all types of ore. Some of the furnaces in South Africa can convert only Rhodesian ore. The character and quality of ores vary. Poor quality ores are included in the statistics of world production, but are not commercially suitable for use.

The National Materials Advisory Board in May 1970 published the report, Trends in Usage of Chromium (Exhibit No. 3), which states about chrome quality:

"For the largest application (61% of total consumption), ferroalloy additions to stainless and alloy steels, a high quality ore is desired.

"Quality considerations include the physical nature (hard lump), a high  $CR_2O_3$  content (48% or better), a CR/FE ratio of over 3/1, and are  $MGO/AL_2O_3$  ratio of 1.8 or below. These factors significantly affect the grade of ferroalloy produced, the conversion cost, and the output of the ferroalloy facility. In times of emergency lower quality ores could be utilized but at a significant sacrifice in facility output of both the ferroalloy and steel furnaces and a substantial increase in cost."

The report of the National Materials Advisory Board adds these words about quality: "Of the Free World's supply of high-grade ore, 70 percent of the reserves in this quality are found in Rhodesia."

This report is available from the Clearinghouse of Federal Scientific and Technical Information, Springfield, Virginia, 22151 and it contains many facts which clarify the importance of chrome to the future of our country.

Bearing further on the problem of cost and inflation, I would like to comment on recent correspondence between me and members of Congress, some of which was printed in the Congressional Record—Senate, July 16, 1973.

1. World deposits of chromium ore. As stated above it is true that there are deposits of chromium ores in countries other than Russia, Rhodesia, Turkey and South Africa. It is true that there are chromium ore bodies in the United States. I respectfully submit, however, that we must look at this on a practical basis. Ores from many sources cannot be economically or practically used.

2. When I say there is no effective substitute for chromium, I mean no practical substitute. We could, of course, substitute titanium for stainless steel in many applications—or gold or silver for that matter. But not on a practical cost basis.

It has been stated that Turkey might mine more chrome ore "if the United States, Japanese and European consumers were willing to assist them". But why should the Japanese and Europeans subsidize Turkish mines if they are to share the output with their American competitor?

It has been stated that the price of chrome has gone up, not just because of the embargo on Rhodesia but for other world economic reasons. Naturally, laws of supply and demand still govern. But a U.S. buyer of chrome ore cites the following prices he paid, F.O.B. shipping point:

|  | <i>Per ton</i>   |
|--|------------------|
| Russian ore—1966 (before sanctions)-----     | \$26. 24         |
| Russian ore—1971 (after embargo)-----        | 55.50            |
| Russian ore—1972 (after Byrd amendment)----- | 45. 72 to 47. 25 |
| Rhodesian ore—1972-----                      | 39.50            |

Gentlemen, the specialty steel industry in this country is having a hard enough time staying afloat, what with imports, high expenditures to comply with new laws governing pollution of air and water, rising costs of energy—without having to pay more for chromium than other nations with whom we compete, many of which also signed the U.N. agreement on Rhodesian.

The British Foreign Secretary told Parliament a year ago, "A lot of Rhodesian exports are going to countries which are members of the United Nations and which are supposed to be supporting sanctions."

This hearing is taking place at a time when the problem of supply of chrome is far more critical than it was when the embargo on Rhodesian chrome imports went into effect and in 1971 when the embargo was removed.

The U.S. Bureau of Mines' Mineral Industry Surveys report of August 7, 1973, on "Chromium in May, 1973," shows that consumption of chromite by the metallurgical industry increased by 46 percent in the first quarter of 1973 compared with the first quarter of 1972.

The comparative figures are 150,788 short tons in January–March 1972; 221,547 short tons in January–March 1973.

The chrome steels made in the United States are shipped to every State. They are indispensable to farming, to transportation, and to the safeguarding of health.

Alloy steels are used in the manufacture of farm equipment, trucks, buses, earth-moving equipment, mining machinery, oil country goods, hand tools, machine tools, power generation equipment, aircraft and space vehicles.

Stainless steels are used in dairy, hospital and restaurant equipment, food processing, oil refineries, power plants, home appliances, automobiles, airplanes, chemical plants, paper mills, and many other vital industries.

Tool steels are used to machine or form the alloy steels, stainless steels and all other materials of construction such as aluminum, copper, plastics and the like.

The catalytic converter which is scheduled to be included in the exhaust system of some 1975 model cars and all 1976 model cars will use approximately 30 to 60 pounds per car of steel containing about 12% chromium. We have been advised by the automotive industry that the requirements for the 1975 model will be around 150,000 to 175,000 tons of this stainless steel. For the 1976

model year this demand can be up to 250,000 tons of 12% chromium stainless steel which would mean the consumption of up to 50,000 tons of ferrochrome per year. An estimate of 20,000 tons made for the Carnegie Endowment for International Peace does not fit the requirement.

As for the dairy industry, the General Specifications for Dairy Plants Approved for USDA Inspection and Grading Service, effective May 16, 1967, as published by the Dairy Division, Consumer and Marketing Service, U.S. Department of Agriculture states (page 27) :

"The product contact surfaces of all utensils and equipment such as hold tanks, pasteurizers, coolers, vats, agitators, pumps, sanitary piping and fittings shall be constructed of *stainless steel* or other equally corrosion resistant material."

The General Specifications are replete with other references to stainless steel requiring that a wide range of equipment including tank trucks meet the 3-A sanitary standards. These standards are set by the International Association of Milk, Food and Environmental Sanitarians, United States Public Health Service and the Dairy Industry Committee.

The 3-A standards for homogenizers are :

"All product surfaces shall be of stainless steel of the AISI 300 series or corresponding ACI types . . . or stainless steel that is non-toxic and non-absorbent and which under conditions of intended use is equal in corrosion resistance to stainless steel of the AISI 300 series or corresponding ACI types."

The only exceptions are for valve parts, valve seats, impact rings and parts used in similar applications, and gaskets and seals.

The regulatory literature in this area has a wide embracing extent, and includes practices in all the great dairy states. States notable in the manufacture of dairy equipment are Minnesota, Wisconsin, California, Missouri, Pennsylvania, New York, Iowa, Illinois, and Indiana. (Exhibit No. 4).

Regarding poultry, standards are under consideration for adoption for the handling of liquid or dry egg product.

Pending E-3-A Standards have been formulated by the International Association of Milk, Food and Environmental Sanitarians, United States Public Health Service, United States Department of Agriculture, Institute of American Poultry Industries, and the Dairy and Food Industries Association. Under the heading "materials," the proposed standard states :

"All product contact surfaces shall be of stainless steel of the AISI 300 series or corresponding ACI types or equally corrosion resistant metal that is non-toxic and non-absorbent." Exceptions listed permit use of rubber, plastic or glass for certain parts of the equipment.

The foregoing examples of use of stainless in American society make it obvious that the Congress would be recklessly disruptive if it diminished the ability of the United States to produce stainless in required quantities. Jobs are at stake. The specialty steel industry is an important employer of skilled workers. Investments are at stake, on the farm and in stainless-using industries.

To cut down the availability of chrome would make it impossible for the United States to halt its decline in the share of the world production of metals. The Second Annual Report of the Secretary of the Interior Under the Mining and Minerals Act of 1970, dated June, 1973, points out that the U.S., which produced 47 percent of steel in 1950, now produces 19 percent. (Exhibit No. I) The report notes the problem of the U.S. in obtaining raw materials abroad :

The American "relative role as a world consumer of mineral raw materials . . . has shrunk.

"Consequently, the United States is encountering steadily increasing competition in the acquisition of non-domestic mineral raw materials as other industrialized countries also seek reliable sources of reasonably priced mineral raw materials."

The report contains a chart showing that all of the chromium used in the U.S. comes from foreign sources. For those sources we are in competition with all the countries producing stainless and alloy and tool steels.

Mr. Chairman, S. 1868 will intensify the problem noted in the report of the Secretary of the Interior. The majority population in Rhodesia cannot benefit from a weakened America. The sacrifice which the enactment of S. 1868 would require of America will only benefit our country's industrial competitors abroad. If our stainless production goes down from lack of chrome, foreign production can continue to rise. Chrome is to stainless what feedgrains are to livestock and

poultry. The feedgrain requirement is rising. The chrome requirement is rising. Stainless needs chrome as a hog needs corn.

As long as no replacement source is clearly available to the United States for Rhodesian chrome and for ferrochrome made from Rhodesian chromite, I urge the Committee to reconsider its interest in the pending bill.

I am not urging any particular source of supply of chrome ore or ferrochrome. The point is that the sources must be adequate to meet the need, and they must be continually available as the need grows.

Distinguished men have said that an embargo on chrome from Rhodesia could be offset by use of the chrome in the American stockpile. But that stockpile is not accessible in adequate quantity. Legislation is required to release from the stockpile sufficient quantities to satisfy the increasing requirements. Enactment of a law cutting off Rhodesian chrome without concurrent existence of a law releasing chrome in large quantities from the stockpile would result in shortages that are bound to harm the interest of the many Americans who rely on stainless steel in their daily life and work. The stockpile promises only short-term relief, since its stock of metallurgically useful ore and of ferrochrome is limited. Resort to the stockpile could intensify the problem of the United States when the stockpile is exhausted. Lines of trade from ore-producing and ferrochrome-producing countries to stainless-producing countries can become so fixed for fulfillment of needs of other countries that it will be difficult for the United States to find sources after the stockpile days.

So the stockpile solution is a solution that leads in time to the aggravation of the American raw materials problem.

But if the Committee is morally determined that it will prohibit American access to Rhodesian chrome, it would be shortsighted to do so before Congress legislates full access to the stockpile.

The law removing the embargo which the Congress passed in 1971 is not designed to benefit the Government of Rhodesia but to lend economic support to the United States in the era of the race for raw materials which the Secretary of the Interior incisively describes. We need materials. Don't shut the door on Rhodesia until you have opened another one of equal utility.

I attach various exhibits to the statement, as follows :

EXHIBIT I (Page 1)

THE ROLE OF MINERALS

MINERALS AND ENERGY ARE THE LIFEBLOOD OF OUR ECONOMY

FIRST, THE U.S. EXTRACTIVE INDUSTRIES  
CONVERT

"MINERAL RESOURCES"

INTO

"MINERAL RAW MATERIALS"

VALUED AT \$32 BILLION

THEN, THE U.S. MINERAL PROCESSING INDUSTRIES  
CONVERT

"MINERAL RAW MATERIALS"

INTO

"ENERGY AND PROCESSED MATERIALS OF  
MINERAL ORIGIN"

VALUED AT OVER \$150 BILLION

MINING AND MINERALS POLICY - 1973

Second Annual Report of the Secretary of the Interior Under the  
Mining and Minerals Policy Act of 1970

EXHIBIT I (Page 2)

GLOBAL PERSPECTIVE

U.S. production and usage of minerals must be considered in the light of the total world situation.

Over the past two decades world production of major processed materials of mineral origin has increased sharply, as shown by Fig. 3. While U.S. production has increased in quantitative terms, its relative role as a world consumer of mineral raw materials and as a world manufacturer of products of mineral origin has shrunk. The United States now produces only about one-fifth of the world's steel, one-fourth of its refined petroleum, and one-third of its aluminum metal. Many other minerals are used in proportion to steel, petroleum, and aluminum, and the same situation holds for them. Item 6 in each mineral profile in Appendix I gives details.

Consequently, the United States is encountering steadily increasing competition in the acquisition of non-domestic mineral raw materials as other industrialized countries also seek reliable sources of reasonably-priced mineral raw materials.

In addition, the United States is losing its competitive position in traditional products with large world markets and other industrialized nations are increasingly engaged in selling therein. Thus, our ability to pay for foreign mineral raw materials is diminished and our balance of trade and balance of payments problems are made worse.

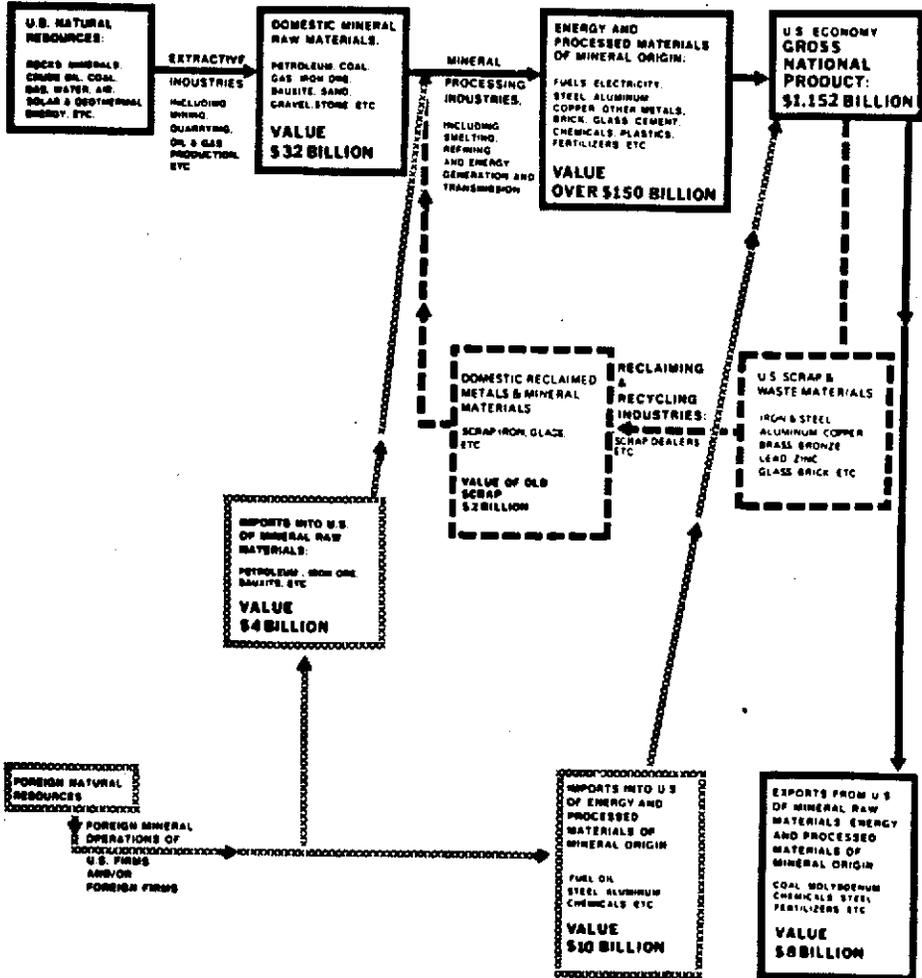
MINING AND MINERALS POLICY - 1973

Second Annual Report of the Secretary of the Interior Under the Mining and Minerals Policy Act of 1970

EXHIBIT I (Page 3)

## THE ROLE OF MINERALS IN THE U.S. ECONOMY

(ESTIMATED VALUES FOR 1972)



MINING AND MINERALS POLICY - 1973

Second Annual Report of the Secretary of the Interior Under the Mining and Minerals Policy Act of 1970

risen, according to the pro-Rhodesian ore advocates. However, the average value of Soviet metallurgical chrome ore imports fell from \$73 per content ton in 1972 to \$56.92 during the first half of 1973. This would indicate that supply and demand, rather than the absence or presence of Rhodesian ore, are the determining price factors.

Reimposition of the U.S. ban on imports of Rhodesian chrome ore and other minerals would not deprive the United States of any needed raw materials. Adequate domestic and other foreign supplies are available. The U.S. GSA stockpile currently includes an excess of approximately 4.6 million short tons of all grades of chrome ore, including almost 3 million tons of metallurgical ore (the highest and most important grade). Based on an estimated U.S. consumption of 1.2 million tons of chrome ores in 1972, current GSA stockpiles would provide an estimated 4-year coverage of U.S. needs. As for other foreign suppliers, apart from the Soviet Union—Turkey, Pakistan, the Philippines, Iran, South Africa and others are capable of supplying chrome ores to the United States.

A second major group of imports from Rhodesia are ferrochromes, which have risen in value from almost \$6 million in 1972 to almost \$7.7 million as of August 1973. Here again adequate domestic and other foreign supplies are available. The GSA stockpile contains over 390,000 short tons of excess high carbon ferrochrome, and almost 319,000 short tons of excess low carbon ferrochrome. Moreover, foreign supplies of ferrochrome, generally competitive in price and quality with Rhodesian ferrochromes, are available, from South Africa, Finland, Brazil, Norway, Sweden and others. I understand there is also unused ferrochrome production capacity available in the United States.

#### NICKEL IMPORTS

One-third major import from Rhodesia is nickel, valued at \$4.4 million in 1972, and \$6.2 million so far this year until August. Our imports of Rhodesian nickel last year represented about 1 percent of total U.S. nickel imports and consumption. Availability of Rhodesian nickel thus has an insignificant impact on U.S. supplies or prices.

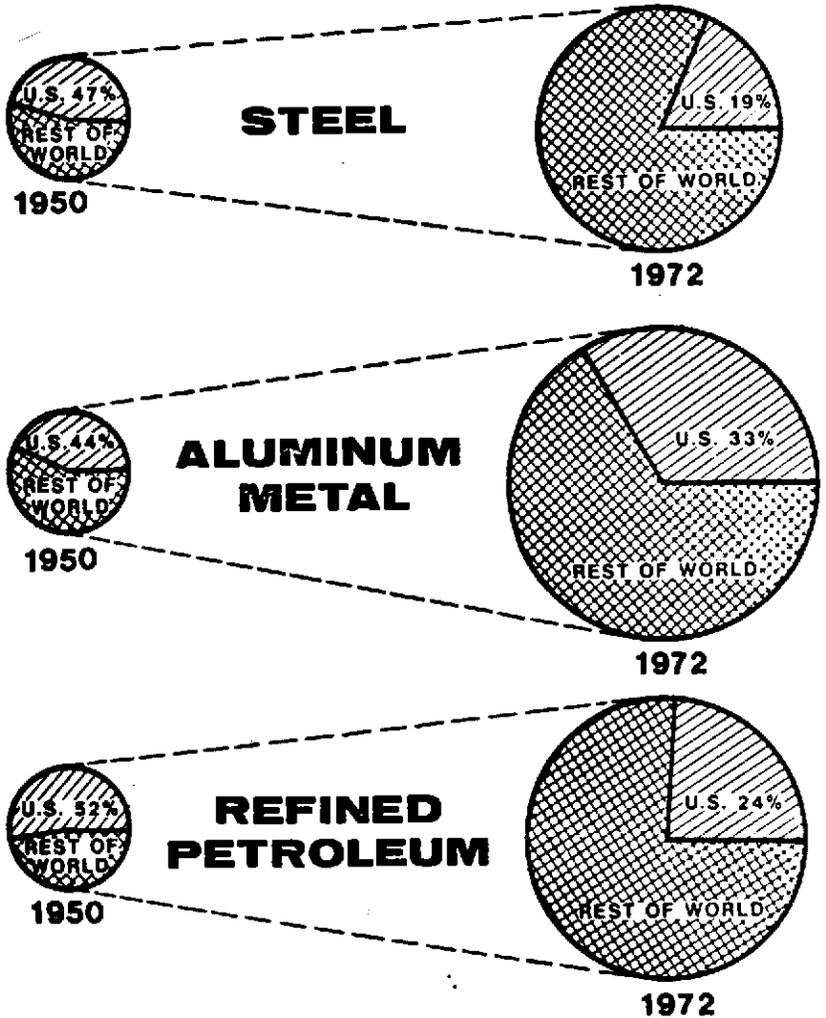
As for other mineral imports from Rhodesia—*asbestos, copper and beryllium ore*—the amounts involved are truly minor (the largest being \$433,000 worth of *asbestos*), and we have many domestic and other sources of supply for these raw materials (including the GSA stockpiles).

I think I have demonstrated that our breaking of sanctions has not benefited us in the economic and commercial fields while it has been a distinct embarrassment to us in our international relations. To maintain our standing in the international community as a law-abiding nation, faithful to its undertakings, we must repeal those elements of the Byrd provision which put us in violation of our commitments under the United Nations Participation Act and which at the same time will contribute to a peaceful resolution of a problem which can well lead to violence and disruption in an area rich in human and material resources.

This concludes my prepared presentation. I would be pleased at this time to try and answer any questions committee members might have.

Thank you.

**U.S. PRODUCTION IS FALLING BEHIND IN RELATION TO THE REST OF THE WORLD**



NOTE: THE LARGER 1972 CIRCLES SHOW THE GROWTH OF WORLD PRODUCTION.

MINERAL IMPORTS

Some minerals have not been found in the United States in economically workable concentrations. Some others are found in more readily workable deposits in other nations. Consequently, as shown by Fig. 2, imports supplied significant percentages of total United States demand for several mineral commodities in 1972.

Many of the minerals covered by Fig. 2 are among those that have been stockpiled by the Government. (Item 14 in each Mineral Profile in Appendix I gives details). Quantities of many stockpiled materials are now considered excess to stockpile objectives. Some of these excesses are being sold currently, thus reducing the need for imports of these materials at this time.

In disposing of excesses, the Government complies with the law in avoiding disruption of markets. But the existence of excesses not yet scheduled for disposal causes uncertainty in planning by industry for possible domestic mineral development.

In recent years U.S. imports of several major commodities, including petroleum, iron and steel, and bauxite and alumina, have been increasing. U.S. mineral imports come from a number of diverse nations, as illustrated by Fig. 2.

Meanwhile, many other industrialized nations are increasing their mineral imports also.

## EXHIBIT II

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**Free World Production of Stainless Steel Ingots in thousands of metric tons**

|              | <u>1968</u>  | <u>1969</u>  | <u>1970</u>  | <u>1971</u>  | <u>1972</u>  |
|--------------|--------------|--------------|--------------|--------------|--------------|
| U.S.         | 1297         | 1422         | 1158         | 1141         | 1413         |
| *Japan       | 958          | 1238         | 1643         | 1404         | 1409         |
| West Germany | 416          | 485          | 504          | 370          | 518          |
| France       | 362          | 416          | 460          | 394          | 480          |
| Sweden       | 352          | 366          | 394          | 340          | 382          |
| Italy        | 226          | 214          | 238          | 216          | 260          |
| U.K.         | 226          | 233          | 258          | 166          | 196          |
| All Others   | 213          | 256          | 295          | 289          | 352          |
| <b>TOTAL</b> | <b>4,050</b> | <b>4,630</b> | <b>4,950</b> | <b>4,320</b> | <b>5,010</b> |

\* Estimated from hot rolled production converted on 75% basis  
 Information supplied by the American Iron & Steel Institute

#### U. S. CONSUMPTION OF STAINLESS STEEL

(According to American Iron and Steel Institute)

6 mos. 1972 = 469,000 Tons

6 mos. 1973 = 605,000 Tons      A 29% increase

#### U. S. INGOT PRODUCTION - 7 Mos.

1,083,274 T 1972

895,021 T 1971

A 21% increase

EXHIBIT III

**TRENDS IN USAGE  
OF  
CHROMIUM**

**REPORT OF  
THE PANEL ON CHROMIUM  
of the**

**COMMITTEE ON TECHNICAL ASPECTS OF  
CRITICAL AND STRATEGIC MATERIALS**

**NATIONAL MATERIALS ADVISORY BOARD  
~~Division of Engineering~~ - National Research Council**

**Publication NMAB-256**

**National Research Council**

**National Academy of Sciences - National Academy of Engineering**

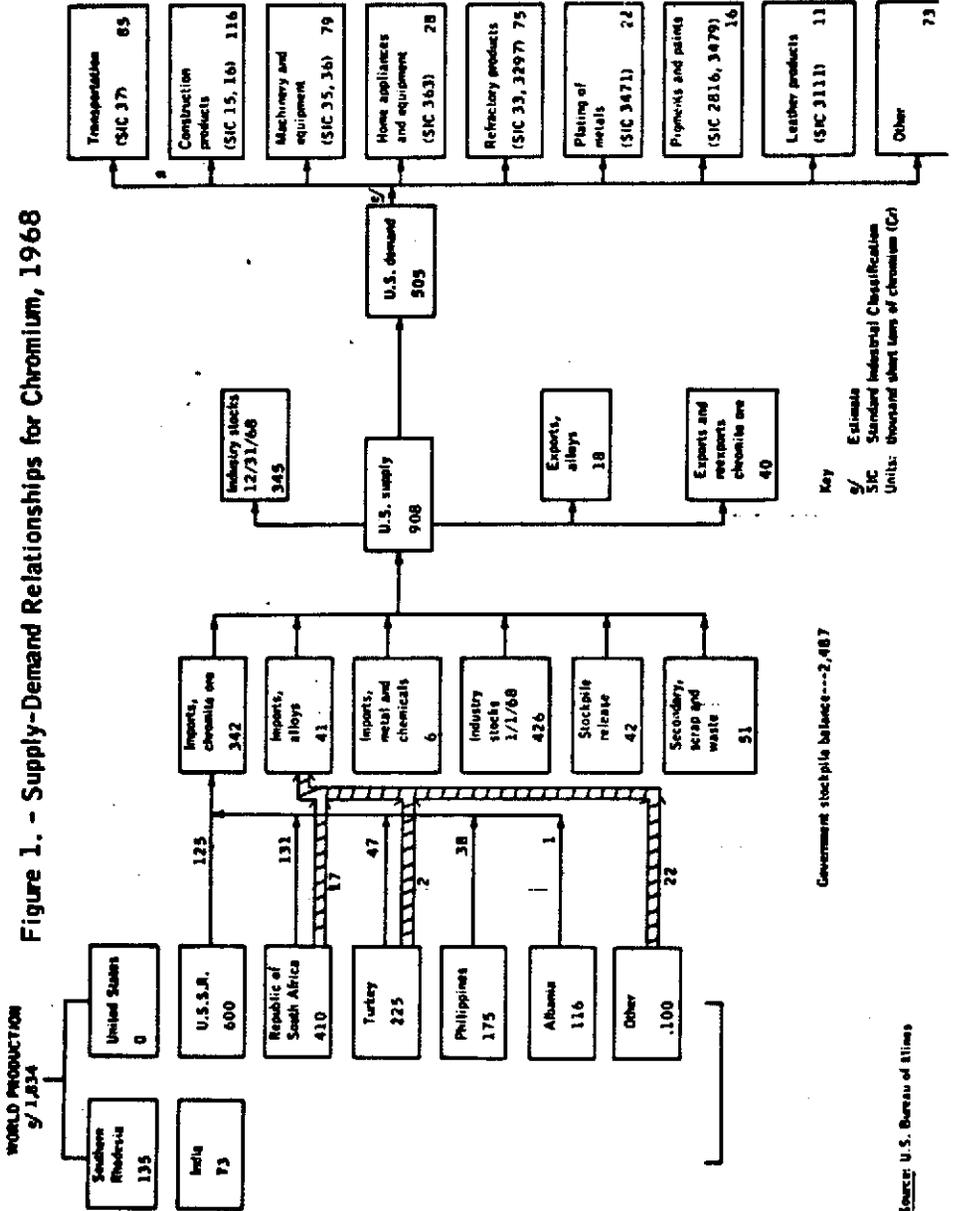
**Washington, D. C.**

**May 1970**

EXHIBIT III (Page 1)

Preliminary

Figure 1. - Supply-Demand Relationships for Chromium, 1968



Key  
 S/ Estimate  
 SIC Standard Industrial Classification  
 Units: thousand short tons of chromium (Cr)

Government stockpile balance ---2,487

Source: U.S. Bureau of Mines

**TABLE 1**  
**Principal Sources and Applications of Chromite in U. S., 1967, by Grade of Ore** <sup>(1)</sup>

| Grade of Ore                                | Average % Cr <sub>2</sub> O <sub>3</sub> in Ore   | Ore Usage in 1000 short tons | Principal Reserves of Ore | Principal Applications  | Growth %/yr <sup>(5)</sup> |
|---|---|------------------------------|---------------------------|---|----------------------------|
| Metallurgical; for ferroalloys and Cr metal | 50.3%<br>{ 77% of net ore; Cr/Fe > 3/1 - Rhodesia, Russia, Turkey<br>14% of net ore; Cr/Fe = 2/1 to 3/1 - Rhodesia, Russia<br>Turkey, So. Africa<br>9% of net ore; Cr/Fe < 2/1 - So. Africa | 818 <sup>(2)</sup>           |                           | Stainless & alloy steels, jet engine alloys, castings, tool steel | +5%                        |
| Chemical                                    | 45.2%   | 234 <sup>(3)</sup>           | So. Africa<br>Rhodesia    | Pigments, plating, leather, foundry facings                       | +2.5%                      |
| Refractory                                  | 34.0%   | 340 <sup>(4)</sup>           | Philippines               | Furnace linings   | -4%                        |

<sup>(1)</sup> Source: "Chromium" by John L. Morning, Bureau of Mines Minerals Yearbook, 1967 (supplemented by additional data from the Panel).

<sup>(2)</sup> Actual usage of 50.3% ore. Ferroalloys also used 42,000 tons of chemical grade and 30,000 tons of refractory grade. Direct melting additions used 13,000 tons of chemical grade. These make totals of all ores for metallurgical usage: 818 + 42 + 30 + 13 = 903,000 tons.

<sup>(3)</sup> Actual usage of 45.2% ore. Of this, 55,000 tons went to metallurgical uses, including 42,000 tons to ferroalloys, and 13,000 tons to direct melt additions.

<sup>(4)</sup> Actual usage of 34.0% ore. Of this, 30,000 tons went into ferroalloys for metallurgical uses.

<sup>(5)</sup> See text for discussion and qualification of data in column.

## EXHIBIT III (Page 4)

**TABLE 5****Future Chromium Usage Trends by Major Product**

|   | <u>Estimated Chromium Usage,</u><br><u>1968 (in tons)</u> | <u>Usage Trend</u><br><u>1968 - 1973</u> | <u>Potential Substitutions</u>   |
|---|---|--|--|
| <b>Stainless Steel</b>                                    | 263,000   | Increasing                               | No major substitutes obvious for chemical process equipment or high temperature applications requiring corrosion or oxidation resistance. In small quantities (5% of total stainless capacity), copper-nickel or titanium-base alloys could be substituted at higher cost. |
| <b>Alloy Steel</b>  | 46,000  | Increasing                               | Main markets are in the construction and automotive industries. Substitutions usually feasible.  |
| <b>Refractories</b>                                       | 74,000  | Decreasing                               | Due to rapid decline in use of open hearth furnace for steel manufacture. Magnesite can be substituted in some applications.   |
| <b>Chemicals</b>  | 70,000  | Increasing                               | Segments including pigments, plating, metal treatment, catalysis will increase. Use in leather tanning will decrease. Substitution in major uses is usually feasible at cost or performance penalty.   |
| <b>Foundry Applications<br/>Iron &amp; Steel Castings</b> | 31,000  | Increasing                               | Production of steel castings and increasing use of chromite as a facing sand is responsible for most of the increase. Zircon sand could be substituted at higher cost.   |

EXHIBIT III (Page 5)

## I. SUMMARY AND RECOMMENDATIONS

As summarized in Table 1, U. S. consumption of chromite falls into three principal categories, each requiring a different grade of ore: (1) metallurgical, about 50%  $\text{Cr}_2\text{O}_3$ , (2) chemical, about 45%  $\text{Cr}_2\text{O}_3$ , and (3) refractory, about 34%  $\text{Cr}_2\text{O}_3$  with high alumina. All ore is imported; domestic supplies would cost three to four times as much, are of much lower quality, and would last only three to four years.<sup>(1)</sup> The metallurgical application is growing at an estimated 5% per year. Chemicals are expected to grow at 2.4% annually while the refractory use is decreasing 4% per year as open hearth furnaces are replaced by basic oxygen melting.

For the largest application (61% of total consumption), ferroalloy additions to stainless and alloy steels, a high quality ore is desired. Quality considerations include the physical nature (hard lump), a high  $\text{Cr}_2\text{O}_3$  content (48% or better), a Cr/Fe ratio of over 3/1, and an  $\text{MgO}/\text{Al}_2\text{O}_3$  ratio of 1.8 or below. These factors significantly affect the grade of ferroalloy produced, the conversion cost, and the output of the ferroalloy facility. In times of emergency, lower quality ores could be utilized but at a significant sacrifice in facility output of both the ferroalloy and steel furnaces and a substantial increase in cost. Of the Free World's supply of high-grade ore, 70% of the reserves in this quality are found in Rhodesia and it was a principal source until recent sanctions stopped all shipments. Currently, essentially all requirements for this grade are being obtained from Russia (over 50%), which has large high-quality reserves, from Turkey and from U.S. stock-pile releases.

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(1) F. E. Brantley, Chromium Chapter, 1970 Mineral Facts and Problems, Bureau of Mines, U.S. Department of the Interior (Draft).

## EXHIBIT III (Page 6)

Figure 1 illustrates the supply/demand relationships for all three grades of chromite ore. The South African and Philippines ores are used primarily for chemical and refractory purposes, and are economically unsuitable for most metallurgical purposes.

The historical consumption of chromite and its contained chromium are reviewed for the three industries in Table 2.

Table 3 summarizes data from the body of the report for 1968 and projected 1973 chromium use in principal applications, with estimated allowances for chromium recovery in recycled scrap, and resultant net new chromium requirements. Foundry facing sands which use the chemical grade of ore may experience rapid growth.

Table 4 translates the data from Table 3 into chromite ore requirements in 1968 and 1973, with growth rates indicated for each application. As described in the footnotes, an estimate was incorporated for recycled scrap, beneficiation losses, etc.

Table 5 summarizes chromium usage trends by major product, and Table 6 provides a similar summary by industry. The comments cover potential major substitutions and reasons for usage trends.

A technological development that could significantly affect chromium consumption is emission control devices for automobiles. These may employ ten pounds of additional stainless steel per car or 50,000 tons additional stainless product, equivalent to up to 25,000 tons additional chromite, required per year.

Recent developments in the technology of producing stainless steel which reduce the partial pressure of CO in the bath (by means of vacuum or inert gas purging) enable the use of cheaper high carbon ferrochrome and raise the recovery of chromium (to about 97%). These developments are projected to increase the consumption of high-carbon ferrochrome at the expense of low-carbon ferrochrome and ferrochrome-silicon. A licensor of one such process

## EXHIBIT III (Page 7)

(oxygen-argon) estimates that 20% of U. S. stainless steel will be made by this process in 1971 and 40% in 1972. Another process (ASEA-SKF) involves electric arc melting followed by vacuum treatment and induction stirring. Because of this change in stainless practice, it is estimated that during the next five years high-carbon ferrochrome consumption will increase by 50%, while ferrochrome-silicon and low-carbon ferrochrome usage will be relatively static. This change in product mix will increase the demand for hard lump, low  $MgO/Al_2O_3$  ratio ores as these two quality features are of considerable importance in producing the high-carbon grade of ferrochrome. This increase in requirement for high-carbon ferrochrome will exist despite higher chromium recoveries by the new methods. Some development work has been done on the blast furnace melting of chemical-grade (fine) ore into a high-chromium pig iron for subsequent refining into steel, but this work has been discontinued because of the need for major capital investment, and it is not expected to be a commercial process within the next five years.

In the manufacture of stainless steels, the steel industry draws on a variety of chromium-bearing materials, various types of ferrochromium, chromium-bearing scrap steel and chrome ores. The amounts of the available materials for a heat are selected to give the least cost of production based on the unit prices of chromium and important physical and quality factors that influence operating costs. Thus, the amounts used in a heat of a given grade of steel will vary with the costs and availability of these materials. It is generally desirable to have the ratio of chromium to iron in the ferroalloys as high as possible and, in turn, the manufacturers of the ferrochromium alloys prefer to use ores whose Cr/Fe ratio is greater than 3. In the absence of such high-quality ores, both the producers and users of the ferrochromium incur some penalties in the cost of their products and in the loss of chromium.

The metallurgical grade chromite and ferroalloy specifications are generally satisfactory. While the standard grade of low-carbon ferrochrome now

[Mr. Armstrong's prepared statement follows:]

PREPARED STATEMENT OF HON. WILLIS C. ARMSTRONG

I would like now to review in some detail with you actual U.S. import trade with Rhodesia since passage of the so-called Byrd provision late in 1971 and issuance on January 24, 1972 of the necessary Treasury regulation allowing certain imports from Rhodesia.

The intent of this legislation was to permit only chrome ore imports from Rhodesia—I believe the record will bear me out on this. However, as finally passed and interpreted, the general wording of the so-called Byrd provision permitted imports from Rhodesia not only of chrome ore, but also of all other materials on the Strategic and Critical Materials List. The list contains 72 items, of which an estimated 15 are produced in Rhodesia.

During the almost two years since passage of this legislation, we have imported chrome ore, ferrochrome, nickel, asbestos, copper, and beryllium ore from Rhodesia. All of these commodities are on the so-called strategic materials lists. It should be noted here that except for these strategic list commodities virtually all other Rhodesian products continue to be barred from the U.S., in compliance with the mandatory United Nations sanctions. In terms of dollar value, chrome ore, ferrochrome, and nickel have been by far the most important of our imports from Rhodesia, imports of other commodities being relatively minor in amounts and value.

SOVIET ORE

As I said, the principal aim of the supporters of the Byrd provision was to reduce U.S. reliance on the Soviet Union for needed supplies of chrome ore. Using metallurgical grade chrome ore (the highest grade ore and the most important in terms of total value of U.S. chrome ore imports) as an illustration, in 1971, the Soviet Union supplied 134,442 content tons on 45% of total U.S. imports of 299,059 content tons of this ore. Imports from Rhodesia that year totaled 10,700 content tons or 3.6% of all U.S. imports of this ore. In 1972, the first year the Byrd provision went into effect, the Soviet Union supplied 180,080 content tons or 60.2% of total imports of 299,192 content tons of metallurgical grade chrome ore, while Rhodesia supplied 27,955 content tons or 9.3%. During the first half of CY 1973 the Soviet Union supplied 28,560 content tons or 53.6% of the total 53,264 content tons imported against Rhodesia's 1,082 content tons or 2.0%.

This data hardly indicates that imports of Rhodesian metallurgical grade chrome ore are lessening our reliance on the Soviet Union for this commodity.

The other argument used by those favoring the Byrd provision was that supplies of Rhodesian chrome ore would have a stabilizing influence on prices and also help prevent the Soviet Union from increasing its prices for this commodity. What does the record show here? In 1971, the average value per content ton of all metallurgical grade chrome ore imported into the U.S. was \$68.62, with Soviet ore averaging \$76.93 per content ton and Rhodesian ore \$71.74. In 1972, the average value of all imports of this ore was \$65.29 per content ton, with Soviet ore averaging \$73.00 and Rhodesian ore \$67.86. With the virtual disappearance of Rhodesia as a U.S. chrome ore supplier in 1973, those accepting the price stabilization argument in support of continued ore imports from Rhodesia could reasonably have expected prices to increase dramatically. However, while the total average value of all metallurgical grade chrome ore imported into the United States during the first 6 months of CY 1973 rose to \$68.14 per content ton (from an average \$65.29 in 1972), the average value of Soviet ore fell from \$73.00 in 1972 to \$56.92 per content ton during January-June 1973. Again, the price stabilization argument appears to be hardly a convincing one. Instead, it appears here that the familiar economic law of supply and demand has had more of an effect on prices than has had the presence or absence of Rhodesian ore.

Given the virtual cessation of chrome ore imports from Rhodesia, there would appear to be little point in discussing the effects of our reimposing the ban on Rhodesian chrome ore imports. American chrome ore users apparently have decided that they *can* get along without such imports. The import data I have cited bears this out. However, I would like to note that apart from the Soviet Union, foreign nations capable of supplying chrome ore to the U.S. include Turkey, Pakistan, the Philippines, Iran, and South Africa.

## EXHIBIT III (Page 8)

being used by the industry is .05% maximum carbon compared to the stockpile inventory specification of .10% maximum carbon, the material in the stockpile is satisfactory for general or emergency use. With the current oxygen blowing practice, the stainless steel melter is capable of obtaining carbon levels well below specification. Further, with the reduced pressure practices for decarburization, the low-carbon ferrochrome additions will be less than in the present practice; therefore, the .10% carbon alloy can be used without difficulty. However, to provide maximum flexibility, it is recommended that any future purchases for the stockpile be specified as .05% or .02% maximum carbon.

The refractory grade specifications should be brought into line with current ores by reducing the silica content from 6.0% maximum to 3.0% maximum and raising the iron allowable to 20.0% maximum. If purchased to the existing specification, it is further suggested that much of the present refractory grade ore in the stockpile be sold and replaced with smaller stockpiles of current Philippine and Transvaal concentrates.

~~With regard~~ to the stockpile specifications, the chemical grade chromite should have the  $\text{Cr}_2\text{O}_3$  content raised to 44-46%, the  $\text{SiO}_2$  content lowered from 5.0 to 2.5%, and vanadium to 0.25% maximum, with no specific recommendations on its disposition. Although chemical grade ores are currently available on the market, reserves in the stockpile should be maintained at a level to supply the industry's needs for two and a half years.

## EXHIBIT IV

## Selected Users of Stainless Steel in Dairy Equipment Industry

California

|             |                 |
|-------------|-----------------|
| Gustine     | Dairy Equipment |
| Los Angeles | Tubing          |

Illinois

|           |                   |
|-----------|-------------------|
| Chicago   | Milk Trailers     |
| E. Moline | Dairy Equipment   |
| Oakbrook  | Milking Equipment |

Iowa

|              |                 |
|--------------|-----------------|
| Cedar Rapids | Dairy Equipment |
|--------------|-----------------|

Indiana

|           |               |
|-----------|---------------|
| Ft. Wayne | Milk Trailers |
|-----------|---------------|

Minnesota

|            |                        |
|------------|------------------------|
| Albert Lea | Milk Equipment         |
| Calidonia  | Dairy Equipment Tubing |
| St. Cloud  | Dairy Equipment        |
| St. Paul   | Milk Tanks             |
| St. Paul   | Milk Trailers          |

Missouri

|             |                        |
|-------------|------------------------|
| Kansas City | Milk Trailers          |
| Springfield | Dairy Equipment        |
| Springfield | Dairy Equipment        |
| Washington  | Dairy Equipment Tubing |

New York

|           |                |
|-----------|----------------|
| Jamestown | Dairy Cabinets |
|-----------|----------------|

Pennsylvania

|          |                        |
|----------|------------------------|
| Bradford | Dairy Equipment Tubing |
| Erie     | Sterilizers            |

Wisconsin

|               |                        |
|---------------|------------------------|
| Delavan       | Dairy Equipment Tubing |
| Fond Du Lac   | Milk Cheese Vats       |
| Fond Du Lac   | Milk Trailers          |
| Janesville    | Dairy Equipment Tubing |
| Kenosha       | Dairy Equipment Tubing |
| Kenosha       | Dairy Equipment Tubing |
| Madison       | Dairy Equipment        |
| Marshfield    | Milk Tanks             |
| Milwaukee     | Bottle Washers         |
| Milwaukee     | Milk Trailers          |
| Morrisonville | Dairy Equipment Tubing |
| Racine        | Dairy Equipment Tubing |
| River Falls   | Separators             |
| Waukesha      | Milk Tanks             |

EXHIBIT No. 5

A TEN-YEAR SUMMARY: STAINLESS STEEL MARKETS AND MARKETING, THE INTERNATIONAL NICKEL CO., INC.

Domestic Stainless Steel Consumption Shows Upward Trend Over Ten-Year Period

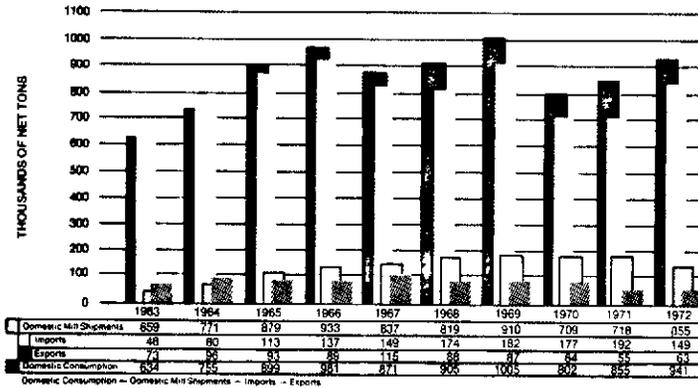
Domestic consumption of stainless steel in 1972 reached 941,000 tons — surpassed only by the peak years of 1966 and 1969. Domestic stainless steel consumption reflects the true usage or demand for stainless steel in the U.S., and is derived by adding imports to domestic mill shipments and subtracting exports. Domestic stainless steel consumption in 1973 is expected to exceed the high level of 1972.

The 1972 imports of 149,000 tons are the lowest recorded since 1967 — partially the result of the agreement by Japan and the EEC/UK to limit shipments of stainless steel to the U.S. Part of

the increase in shipments from U.S. mills has resulted from this lower import level.

1972 exports increased slightly over 1971. However, with the exception of 1971, U.S. exports in 1972 were lower than any other year during the previous ten-year period. The recent dollar devaluation may enhance the export potential for U.S. steel mills and service centers.

A ten-year review of domestic stainless steel consumption, domestic mill shipment, imports and exports, in thousands of tons, is shown in the table below.



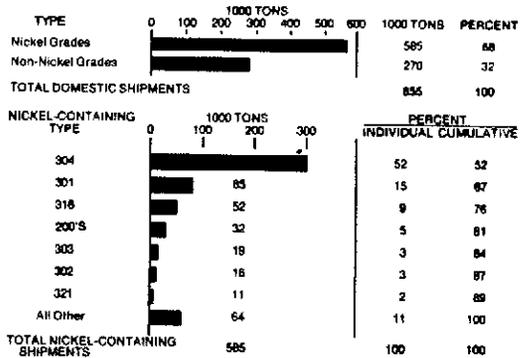
Nickel Required in Over Two-Thirds of Domestic Stainless Steel — 304 and 301 Are Leading Types

Nickel was required in 68% of domestically produced stainless steel in the U.S. in 1972. Nickel provides better corrosion resistance and improved formability — hence the nickel containing types continue to dominate the stainless steels required by American industry.

Types 304, 301, 303 and 302 account for nearly 4/5ths of the nickel containing grades specified. Ready availability in all forms as well as stock inventories held by service centers contributed to the large usage of these types.

Where special corrosion resistant or other properties of stainless steels are required, Types 316, 321, 305 and 347 are specified. Where higher strengths are required, the 200 series are specified.

The 1972 domestic mill shipments in thousands of tons by AISI type are shown in the table.

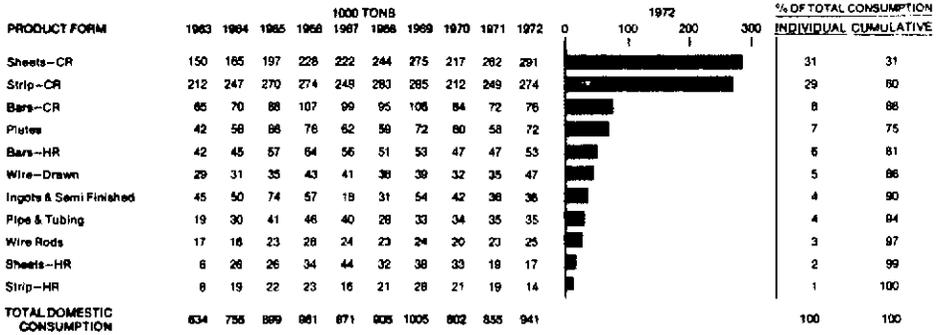


### Cold-Rolled Sheet and Strip Account for 60 Percent of Domestic Consumption

Cold-rolled sheet and strip account for 60% of total stainless steel domestic consumption. In 1972, 291,000 tons (31% of the stainless steel consumed in the United States) was in the form of cold-rolled sheet. Cold-rolled strip accounted for 274,000 tons (29% of the total market).

During the past decade, the pattern of consumption by product form has remained relatively constant. A ten-year review of the consumption by product form of stainless steel, in thousands of tons, is shown in the table.

**EXHIBIT No. 5**



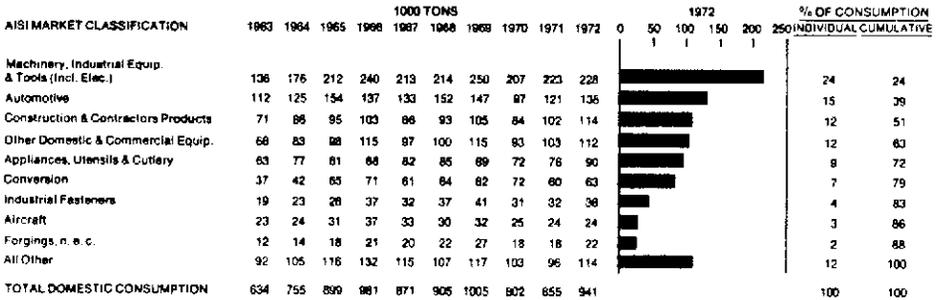
### Nine AISI Market Classifications Account for 90 Percent of Domestic Stainless Steel Consumption

Nine AISI market classifications accounted for 90% of total domestic stainless steel consumption in 1972. The five major categories accounting for 73% are:

1. Machinery, Industrial Equipment and Tools (Incl. electrical)
2. Automotive
3. Construction and Contractors' Products

4. Other Domestic and Commercial Equipment
5. Appliances, Utensils and Cutlery

Detailed data are given showing estimated consumption of stainless steel by AISI Market Class in thousands of tons. It was necessary to prorate certain statistics since actual survey data were not available for every year. The accompanying table provides the ten-year summary.



## APPENDIX 7

### STATEMENT OF ANTHONY MAZZOCCHI, CITIZENSHIP-LEGISLATIVE DIRECTOR, OIL, CHEMICAL AND ATOMIC WORKERS INTERNATIONAL UNION

On August 8, 1973 the Oil, Chemical and Atomic Workers International Union (OCAW) passed a resolution in support of the present Congressional attempt to restore economic sanctions against Rhodesia. I would like to submit the resolution to the record. It is our belief that the Byrd Amendment was a dangerous breach of an international trust vital to a responsible, interdependent world, as well as a callous blow to the struggle of the Black Rhodesians to control their own lives. We are concerned that 750 workers in the ferrochrome industry have already suffered the loss of their livelihoods due to this legislation, as may many more; furthermore, as the union representing many of Union Carbide's industries, including its domestic ferrochrome, we are particularly concerned about its hypocritical stance and dissemination of misleading information on this issue.

When Ian Smith's Rhodesian Front Party proclaimed Rhodesia's unilateral Declaration of Independence (UDI) in November 1965, rather than resorting to the all too usual military means of dealing with insurgents, Britain opted to bring the problem to the United Nations for international jurisdiction. Determining that the situation was a threat to the peace (the number of blacks killed by whites, and whites killed by blacks in southern Africa in recent years should be proof of this threat) the Security Council, of which the U.S. is a prominent member, agreed to invoke an economic embargo against Rhodesia. Under the U.N. Participation Act of 1945, the U.S. committed itself to abide by the Charter of the U.N. If there were any doubts about the embargo's effectiveness or it seriously jeopardizing our own national security, we should have exercised our veto then. But even if these doubts did not arise until after the enactment of sanctions, the unilateral decision by the U.S. to simply selectively ignore the boycott, was a shockingly irresponsible way for a world leader to act. Doubts about an international decision should have been discussed within the international organization in which the decision was first made, with the intent of exploring every possible alternative action. As John Sheehan of the United Steelworkers points out in a letter to Congressman Fraser on August 8, 1972:

"If the embargo on chrome ore is to be questioned, then also the whole embargo technique should be questioned, and not just that aspect which affects the properties of two American companies holding mining deposits in Rhodesia."

Closer scrutiny of the factors underlying the Byrd proponents' arguments reveal more than just mining deposits at stake in Rhodesia. As we now know, Union Carbide also owns a rather sizable and ever expanding ferrochrome processing facility in Rhodesia on which much attention has been focused in these recent Congressional hearings. It is no surprise then that Union Carbide stressed their fears about dependence on the Soviet Union for chrome ore. One wonders if the company were to own chrome mines and ferrochrome plants in Russia, whether the subject of dependence would be less of a threat and more of a profitable assurance as dependence on Rhodesia now is.

In fact, from the perspective of Union Carbide, the National Security argument was nothing less than specious. While Carbide was decrying the dangers of our dependence on the Communists for the strategically critical chromium ore, especially in time of war (although it must be noted that our 10 year involvement in S.E. Asia was conspicuously overlooked in their evaluations of "hypothetical" war needs), the company was also eagerly jumping the band wagon of détente with the Soviet Union and other Communist countries. In the June 17, 1973 Wall Street Journal, it was reported that Union Carbide has signed a three year, \$15 million contract with the Soviet Union for the purchase of naphtha,

an important petrochemical feedstock. It was also reported that Union Carbide's previous sales to the Soviet Union of such products as agricultural chemicals, processed chemicals and plastics have amounted to almost \$9 million. In December 1970, the sale of more than \$2 million worth of organic chemicals and other industrial materials was the result of the Corporation's exhibit, reportedly the largest American one, at Moscovs' Chemistry-70 Fair. Last year, Union Carbide in Canada, 75% affiliated with Union Carbide in the United States, participated in a Canadian trade exposition in Peking, and this year sold some of its technology to Poland.

It is clear to us that Union Carbide has been manipulating foreign policy to its own benefit. Done at the expense of other companies in the ferrochrome industry, such action is a travesty of the concept of free trade expounded so often from the other side of the Corporation's mouth.

It is necessary, however, to understand the difficulties the ferrochrome industry has been in for the past decade. On page 23 of the report by Ms. Diane Polan at the Carnegie Endowment for International Peace, it is pointed out that:

"This industry, which recently consisted of four major and two minor producers, has been in decline since the early 1960's—before UDI and before U.N. sanctions against Southern Rhodesia. It has been hard hit by imports and rising labor and power costs, as well as requirements to install costly pollution control devices to meet stiff new Federal air quality standards."

The report goes on to cite that by 1965, again before UDI, the number of companies in the U.S. producing ferrochrome dropped to six, from eleven in 1961. This, it says, was paralleled by a conspicuous increase in ferrochrome imports, including South Africa as a major contributor.

This analysis of the problems besetting the industry can be supported by a look at any of Union Carbide's Annual Reports during the latter half of the sixties. Under the sections concerning domestic ferroalloys, the constant variable of blame for difficulties in this industry went to heavy foreign imports, with a variety of other reasons contributing to the problems throughout the years, including "reduced steel operating rates, reduction of inventories by customers, and strikes at several plants." Not until 1969 was inaccessibility to chrome from their Rhodesian mines mentioned as a source of difficulty. By 1971 there was again no mention of Rhodesian chrome, only of the steel industry slowdown and an all time high in ferroalloy and steel imports.

Yet we were advised that the way to save jobs was by lifting the embargo. The irony of dealing with the problem of ferroalloy imports by adding more imports has become too painfully clear for the 750 workers at the Stubenville and Brilliant, Ohio ferrochrome plants.

In May 1973 the Ferroalloys Association petitioned the U.S. Tariff Commission for relief from imports, stating that:

"Unless aid is forthcoming soon it will only be a matter of time until almost all domestic production of ferrochrome and chromium metal will cease and the bulk of our country's requirements will be supplied from and dependent on foreign production."

Mr. F. Perry Wilson, Union Carbide's Chairman of the Board, seemed to concur with this prediction when he stated in an April 4, 1973 interview with the Wall Street Transcript:

"... obviously as time goes on and competition from other parts of the world gets keener . . . we will have to go where the ore is found and electrical cost is competitive . . . this suggest overseas expansion."

Moving to where the ore and "electrical cost is competitive," i.e. Rhodesia, would clearly be less of a hardship for Union Carbide than implied. For those members of OCAW whose livelihood depends on the vitality of the ferroalloys industry in the U.S., such a move could be disastrous.

The key question for our workers, of course, is if sanctions are reimposed, and Union Carbide is cut off from its Rhodesian supplies of chrome and ferrochrome, how would this affect chrome and ferrochromium related operations at the Corporation's plants in Alloy, West Virginia and Marietta, Ohio? The answer at this time can only be speculative, but we feel that the greater chance of job security lies in the reimposition of economic sanctions against Rhodesia.

According to our information, a breakdown of Union Carbide's sources of chromium ore for domestic use is 69% from Russia, 20% from Rhodesia, with the remaining 11% from other places such as Turkey. At Alloy, where 50 of

our 1,200 members are included in ferrochrome products, the two chrome furnaces are relatively new and have all the required air pollution equipment. The company put considerable amounts of money into building these furnaces so as to meet the necessary pollution requirements, and it would seem foolishly wasteful to close down these operations if only 20% of its chromium source was discontinued.

At the Marietta plant where this issue concerns 300 of our 1,000 members, the Simplex chrome and Electrolytic chrome operations rely on the ferrochrome produced from the two furnaces at the same plant. While Carbide is then, apparently still depending on the Soviet Union for its chromium ore, its Rhodesian ferrochrome imports are not being used for its own ferrochromium related operations at Marietta and Alloy, but are instead directly contributing to the influx of low-cost, foreign imports with which other domestic ferrochrome and ferroalloy producers must compete. It would seem that lack of access to Rhodesian ferrochrome would only pinch the profits gained rather unfairly at other ferroalloy companies' expense.

We fear that if it is cheaper for Union Carbide to move its operations to southern Africa, as it most certainly would be, in the not too distant future the Corporation might just decide to move all of its ferrochromium related operations there also. This kind of possibility not only prophesizes the loss of scores of American workers' jobs, and the doom of the domestic ferroalloys industry, already in serious trouble, it adds a new twist to the national security argument, for then America would truly be dependent on others for another of its vital and strategic materials.

For those who might question whether or not it is really cheaper for company operations in Rhodesia, allow me to elaborate on a few facts mentioned in our resolution. Although Union Carbide claims its presence in Rhodesia provides some golden opportunities for a better life for the Blacks in Rhodesia, no amount of photographs in its Annual Reports of smiling natives standing next to an Ever-Ready Battery truck can hide the fact that the mining of chrome in Rhodesia is largely accomplished with forced labor. Almost all of the workers in these operations are black migrants. They must sign individual long term (often 12 months) work contracts. During the contract the worker cannot leave his job, he is confined to company property and company barracks. He may not leave to visit his family, and breaking this agreement constitutes a criminal act.

Mr. Ted Lockwood of the Washington Office on Africa, presented some grim African wage statistics to the Senate Subcommittee on Africa on September 12:

"In 1973 wages paid to Africans in Rhodesia were 1/11th of wages paid to Europeans . . . Gross disparities in wages based on race appear in the statistics of Union Carbide's operations in Rhodesia. In 1970 it paid its African workers \$46 to \$130 a month while it paid \$122.50 to \$750 a month to European workers. According to statistics compiled by the Rhodesian 'government,' 1971 wages for African workers in the mining industry were R \$353 per year (U.S. \$565 per year or \$47 per month). The average for Europeans, Coloureds and Aslans in the mining industry was R \$4,310 per year or U.S. \$7,696 per year or \$641 per month. Thus in mining wages a racial disparity of 1:13 existed."

Trade unionism is practically non-existent in Rhodesia. Mr. Lockwood points out that the Industrial Conciliation Act of 1959 with subsequent amendments imposes severe conditions on the right to strike and prohibits assistance from any international trade union movement. Gatherings of 12 or more Africans require official permission and are often closely supervised or taped by the Smith regime when meetings occur. Collective bargaining is virtually impossible, while the vast majority of Africans are simply barred access to trade unions. As Mr. Lockwood logically concluded, "It is not surprising that labor costs in the Rhodesian ferrochrome industry are only 10% of the cost of production."

The chrome and ferrochrome industry is also highly subsidized by the Rhodesian government: subsidies are given in the form of cheap electricity and transportation. This kind of subsidy and the fact that there are no environmental controls in Rhodesia is more than likely what Mr. Wilson was thinking about when he talked about moving operations to where "the electrical costs are competitive."

Competition for Union Carbide and the proponents of the Byrd Amendment reeks with the most insidious aspects of the profit motive. The price of employ-

ment for American workers should not be their health and safety in a clean environment, just as the price of freedom for the Black Rhodesians should not be valued in terms of cost of chrome and ferrochrome in the U.S. market. Yet Black Rhodesians and American workers have been pitted against each other in a manner not only insulting to their integrity, but to the basic and universal values of human dignity.

The Oil, Chemical and Atomic Workers Union is not so presumptuous as to contend that H.R. 8005 will be the panacea S. 503 was claimed to be. The U.S. ferroalloys industry has for a long time been, and still is in danger for its very life; reinstatement of sanctions may not be the boost it needs, but we know that without sanctions, Rhodesian imports are certainly not the boost this industry needs. Nor can H.R. 8005 promise Rhodesian Blacks their long overdue independence, but we are sure that our compliance once again with sanctions would certainly be a more honest and effective affirmation of our support for their struggle. As H.R. 8005 would also stand as a reaffirmation of our respect for international agreements, our hope is that its passage would inspire us to vigorously search within the U.N. for all possible ways to help the Black Rhodesians break their chains of oppression.

## APPENDIX 8

### STATEMENT OF MOST REV. JOSEPH L. BERNARDIN, ARCHBISHOP OF CINCINNATI, OCTOBER 17, 1973

#### STATEMENT ABOUT U.S. COMPLIANCE WITH U.N. SANCTIONS AGAINST RHODESIA

I am Joseph L. Bernardin, Archbishop of Cincinnati. I am testifying on behalf of the United States Catholic Conference on a matter in which issues of justice and peace are paramount.

The current reexamination by the U.S. Congress of the U.N. sanctions of Rhodesia and relevant U.S. legislation involves two political issues which have serious moral implications. The first concerns human rights, and the second, international order. The purpose of this statement is to underscore the moral dimensions of these two issues raised by the Rhodesian question and to exhort the U.S. Government to fulfill its moral obligations in this situation. The dominant moral theme that forms the basis of consideration here is that the "international order is rooted in the inalienable rights and dignity of the human being."<sup>1</sup>

In our time, the human development of peoples has become a major consideration for many sectors of the world community. This phenomenon has received impetus from historic breakthroughs in global communications and human consciousness. "Now for the first time in human history, all people are convinced that the benefits of culture ought to be and actually can be extended to everyone. . . . Persons and societies thirst for a full and free life worthy of man, one in which they can subject to their own welfare all that the modern world can offer them so abundantly."<sup>2</sup>

This eagerness for a fuller life is especially evident in the political sphere and more specifically among the peoples who, until recent years, were subject to colonial status. Ten years ago, Pope John XXIII, in his encyclical, *Pacem in Terris*, cited what he called one of the major characteristics of our age: "No one wants to feel subject to political power located outside his own country or ethnic group." The Pope suggested that this feeling for political independence was so strong that "there will soon no longer exist a world divided into peoples who rule others and peoples who are subject to others."<sup>3</sup>

The present domestic situation in Rhodesia, however, reveals how complex the process of self-determination can be when an entrenched powerful minority within a society assumes an intransigent position, protecting the status quo and resisting the emergence of the social and political consciousness of the majority of the indigenous people. The condition is further worsened by the presence of one of the most despicable legacies of the colonial era: racism.

This terrible blight frequently flared up between colonists and indigenous populations, and it continues to plague emerging nations and peoples with "heavy losses for justice and the risk of civil war." Attitudes of white supremacy cannot fail to be the "cause of division and hatred within countries whenever individuals and families see the inviolable rights of the human person held in scorn, as they are unjustly subjected to a regime of discrimination because of their race or their color."<sup>4</sup> Such is the lamentable condition of the vast majority of the inhabitants of Rhodesia.

The events in the past ten years in Rhodesia document the efforts of several hundred thousand whites to deny human rights to the five million blacks in Rhodesia by severely restricting their political, cultural, social and economic life. The vast majority of black Africans are virtually disenfranchised by the Rho-

<sup>1</sup> Roman Synod, "Justice in the World," 1971.

<sup>2</sup> Second Vatican Council, "Church in the Modern World" (n. 9), 1965.

<sup>3</sup> Pope John XXIII, "*Pacem in Terris*" (n. 43), 1963.

<sup>4</sup> Pope Paul VI, "On the Development of Peoples" (n. 63), 1967.

desian constitution which specifically prohibits the African majority from ever gaining a significant political role in their own country.

Bishop Donal Lamont, president of the Rhodesian Catholic Bishops Conference, summed up the network of oppression and domination which surrounds the black Rhodesians: "It is simply breeding discontent and courting disaster to expect a whole people who outnumber those who govern by 20 to 1, to be happy with a condition of affairs which accords to them merely a marginal existence in the social, economic, political and cultural life of their country, and which because of their race, denies them the chance of integral development."

The rationale of white supremacy which marks the rule of the white authorities in Rhodesia is morally reprehensible since it violates the principle that all men and women are equal by reason of their shared humanity and inherent dignity.<sup>5</sup> The Rhodesian Catholic Bishops Conference has repeatedly stated their "conscientious objection to laws which segregate people merely on the basis of race." Continued intransigence by the ruling class has provoked the bishops to say: "It will be extremely difficult for us to effectively counsel moderation to a people who have been so patient for so long under discriminatory laws."

It is therefore essential that efforts to support structural systems which promote civil strife and even place in jeopardy world peace must be consistently condemned. In addition, efforts to create a society in which all persons are treated as equal under the law should be commended and actively supported.

The second political issue with serious moral implications is that of the development of international community. The process of developing relationships among nations for the purpose of achieving world peace has reached an acute stage. Since World War II, the destructiveness of modern war-making capabilities has become so enormous that the notion that armed conflict is a valid option to resolve national differences is being questioned.<sup>6</sup> Military force is not the only conventional source of power that has come under scrutiny: the sovereignty of individual nations has also been challenged. The consequences of these developments has prompted the search for new structures to promote and maintain world peace.

As Pope John XXIII observed: nations, acting as individual sovereignties, "are no longer able to face the task of finding an adequate solution to the problems of [promoting the universal common good and world peace.]"<sup>7</sup> He added: "The moral order itself, therefore, demands that a form of public authority be established . . . with powers, structure and means . . . and in a position to act in an effective manner on a worldwide basis."<sup>8</sup>

The current Rhodesian situation, and in particular, the U.S. response to that situation, highlights both the need for worldwide authority and the ways in which individual nations, in an abuse of their sovereignty, can presently undermine the effectiveness of such a worldwide organization. It provides a focal point from which the interplay between resolving internal disputes and international order is evident.

When Rhodesia's white ruling group unilaterally seceded from the United Kingdom in 1965, Britain condemned the action as an "illegal assumption of independence," suspended the Smith government and brought the issue to the U.N. Security Council. The Security Council upheld that judgment when it called upon the U.N. member nations "not to recognize this illegal racist minority regime in Southern Rhodesia." Since that time, no nation has granted recognition to Rhodesia as an independent sovereign nation.

Further, in 1966, following unsuccessful attempts by United Kingdom and Rhodesian officials to negotiate their differences, the U.N. Security Council voted unanimously to impose mandatory sanctions on certain imports from Rhodesia. The United States voted in favor of the sanctions, although it had the legal right to veto the resolution. When the scope of the U.N. sanctions was broadened in 1968 to include all Rhodesian imports, again the resolution was approved by unanimous vote of the Security Council.

Economic sanctions are a legal means of bringing pressure on those countries and territories which the wider community of nations deem have violated the international legal order, jeopardizing the common good and therefore world peace. Such sanctions can adversely affect the domestic economy of the

<sup>5</sup> Pope John XXIII, *op. cit.*, (n. 44).

<sup>6</sup> Second Vatican Council, *op. cit.*, (n. 80).

<sup>7</sup> Pope John XXIII, *op. cit.*, (nn. 132-135).

<sup>8</sup> *Ibid.*, (n. 137).

## GSA STOCKPILE

In addition, our Government currently has in its GSA stockpile of strategic and critical materials approximately 4.6 million short tons of refractory, chemical and metallurgical grade chrome ores that are in excess of current stockpile objectives, including almost 3 million short tons of metallurgical grade chrome ore. Congressional authorization exists for the disposal of just over 2 million short tons of these excess ores, including 930,000 short tons of the metallurgical grade ore. Administration-proposed legislation authorizing the disposal of the remaining excess inventories is pending in the Congress. Based on U.S. consumption of an estimated 1.2 million short tons of chrome ores of all grades (two-thirds of which were used by the metallurgical industry) in 1972, current GSA stockpile inventories of chrome ores would provide an estimated four year coverage of total U.S. needs for these raw materials. The Defense Department is on record as saying that industry chrome needs for defense purposes amount to 2.3% of existing chrome stockpiles.

As I noted earlier, imports of Rhodesian chrome ore totaled under \$68,000 thus far this year. The value of all U.S. imports from Rhodesia during the first 8 months of CY 1973, however, totaled \$14.3 million, over the \$13.3 million value of imports from Rhodesia during all of CY 1972. Much of this increase may be attributed to U.S. imports of ferrochrome, which have risen as imports of chrome ore have dropped. These increased imports have also had a dramatic effect on the U.S. ferrochrome industry.

## DECLINE OF U.S. FERROALLOY INDUSTRY

As witnesses may have noted, chrome ore cannot be successfully or economically used as such by the steel industry or other industrial users. It must first be converted into one of several types of ferrochrome—a process done by the ferroalloy industry. The number of companies in the U.S. ferroalloy industry has declined in recent years as the result of a number of factors, including increased imports of foreign ferrochrome. While the United States has imported ferrochrome from a number of countries (mainly industrialized countries) in recent years, ferrochrome imports from Rhodesia prior to the imposition of the United Nations economic sanctions were small or negligible. All this has changed, however, over the past year.

In 1971, the United States imported approximately 108 million content pounds of low and high carbon ferrochrome. None of this came from Rhodesia (I might also note here that we have not imported any ferrochrome from the Soviet Union in recent years). This picture began to change in 1972, when U.S. imports of Rhodesian ferrochrome totaled approximately 18 million content pounds, or 10% of total U.S. imports of 181 million content pounds. During the first half of 1973, however, U.S. imports of Rhodesian ferrochrome totaled 32.5 million content tons, or 35.6% of total imports of 91 million content pounds. Rhodesia is now the leading foreign supplier of ferrochrome to the United States market.

However, while Rhodesia currently is our leading foreign supplier of ferrochrome, there are alternative sources of supply—both domestic and foreign. Termination of our import trade with Rhodesia would not, therefore, deprive U.S. industry of any critically needed materials.

Our Government has in its GSA strategic materials stockpile over 402,000 short tons of high carbon ferrochrome and over 318,000 short tons of low carbon ferrochrome. In a major revision of U.S. stockpile objectives of 11,500 short tons for high carbon ferrochrome, and zero for low carbon ferrochrome. There is existing Congressional authorization for the disposal of 41,800 short tons of high carbon ferrochrome and 84,300 short tons of low carbon ferrochrome. In addition to this existing disposal authorization, there is now pending in the Congress Administration-proposed legislation authorizing the disposal of all ferrochrome and other GSA stockpile commodities in excess of current stockpile objectives.

## FOREIGN SOURCES OF FERROCHROME

Plentiful foreign sources of ferrochrome other than Rhodesia are also available. These include South Africa, Finland, Brazil, Norway and Sweden. Ferrochrome from these countries generally is competitive in price and quality with that from Rhodesia. I note here that in the case of Finland, currently our third leading foreign supplier of ferrochrome, the average value of high carbon ferro-

sanctioned country or territory, and their consequences can be damaging to the living standard of the people affected.

In Rhodesia, because the society is so markedly two-tiered: the white ruling minority affluent, the black majority with a "marginal existence," the detrimental effect of the sanctions tends to have impact precisely on that sector of society which is responsible for provoking the sanctions in the first place: the white ruling class, with a standard of living similar to Europeans and very vulnerable to economic sanctions.

In 1971, the U.S. Congress passed legislation, specifically the Byrd Amendment, which had the effect of allowing importation of Rhodesian chrome ore, in violation of the U.N. sanction. Each of the Security Council resolutions on the Rhodesian sanctions (which the U.S. had supported) explicitly stated that failure or refusal by any nation to implement the sanctions "shall constitute a violation of Article 25 of the U.N. Charter," which provides that: "The members of the United Nations agree to accept and carry out the decisions of the Security Council in accordance with the present Charter." In a recent opinion rendered by the International Court of Justice regarding Article 25, the Court stated: "when the Security Council adopts a decision under Article 25 in accordance with the Charter, it is for Member States to comply with the decision. . . . To hold otherwise would be to deprive this principal organ of its essential functions and powers under the Charter." The U.S. government obligated itself to adhere to this international treaty when the Senate initially ratified the U.N. charter, and consistent with its obligation enacted Federal legislation imposing penalties upon American violators of the U.N. sanctions.

In recognition of its legal obligation to enforce the sanctions, and uphold its own laws in this regard, the United States had indicted and convicted several U.S. firms and their officers for violating the sanctions during the period from 1968 to 1971. For the Congress then to negate the U.N. sanctions, as it did in 1971, would seem to require an extremely important and persuasive justification. National security has been offered by some as that justification, but the evidence presented by respected authorities suggests that this reason is less than convincing.

Activities of private corporations during the U.S. legislative deliberations in 1971 suggest that Pope Paul's recent expression of concern about the possibility of a "new and abusive form of economic domination" was warranted.<sup>9</sup> Private business interests in expanding their markets and increasing their profits seem to be taking precedence over more fundamental concerns such as human rights and international law.

It was on the very issue of enforcement of sanctions that the League of Nations faltered, since the determination for enforcement of approved sanctions was left to each member nation. In drafting the U.N. Charter, efforts were made to strengthen the delicate network of relationships between sovereign nations so as to develop greater justice in international affairs. Pope John XXIII recalled St. Augustine's observation about the dire results of the absence of justice in international relationships: "What are kingdoms without justice but bands of robbers?"<sup>10</sup> The lack of support by the United States for the U.N. sanctions therefore challenges not only some of the basic articles of the U.N. Charter but ultimately the viability of the United Nations itself. The crucial moral and legal issue, then, is the failure of the United States to meet its international obligations.

We urge the Congress to repeal the Byrd Amendment and enforce the U.N. sanction of all Rhodesian imports, including chrome ore. The U.S. violation of these sanctions since 1971 has strengthened the position of the white ruling class in Rhodesia, has caused a serious loss in both the prestige and credibility of the United Nations, and has damaged the efforts of all member nations to build a United Nations' structure that may, as Pope John XXIII earnestly prayed, "become ever more equal to the magnitude and nobility of its task."<sup>11</sup>

<sup>9</sup> Pope Paul VI, "A Call to Action" (n. 44), 1971.

<sup>10</sup> Pope John XXIII, *op. cit.*, (n. 92).

<sup>11</sup> *Ibid.*, (n. 145).

## APPENDIX 9

### EXCERPT FROM U.N. ECONOMIC AND SOCIAL COUNCIL DOCUMENT E/5245, FEBRUARY 23, 1970, SECTION ENTITLED "THE SYSTEM OF RECRUITMENT OF AFRICAN WORKERS AND RELATED MATTERS IN SOUTHERN RHODESIA"

#### A. BACKGROUND INFORMATION AND SUMMARY OF RELEVANT LAWS

##### 1. BACKGROUND INFORMATION

69. As regards the process whereby the rebel régime in Southern Rhodesia has illegally proclaimed the independence of the Territory and adopted, in 1965, a so-called "Constitution", reference is made to document E/CN.4/AC.22/13 and to the relevant reports of the Special Committee on the Situation with regard to the Implementation of the Declaration of the Granting of Independence to Colonial Countries and Peoples, notably A/6700/Rev. 1, chapter III, A/7200/Add.1 and A/7623/Add.1, annex I.

70. The 1971 report of the Ad Hoc Working Group of Experts (E/4953) described the Declaration of Rights included in this illegal "Constitution", which purported to protect the right to protection from slavery and forced labour (paragraph 3(i)): the right to protection from inhuman treatment (paragraph 6(ii)); and the declaration on freedom of assembly and association contained in paragraph 9(i)(b), which is of particular interest to the inquiry on trade union rights. The Working Group indicated (E/4953, paragraphs 103-104) how the application of this declaration is rendered largely ineffective by saving clauses which subordinate it in the interests of "defence, public safety, and public order" and which similarly invalidate "protection from discrimination on the grounds of race, tribe, political opinion, colour or creed" (paragraph 10(i) of the "Constitution") by a saving clause, which states that "a law shall not be construed to discriminate unjustly to the extent that it permits different treatment of persons or communities if such treatment is fair and will promote harmonious relations between such persons or communities by making due allowance for economic, social or cultural differences between them".

71. In the intervening period since the Working Group issued its 1971 report, a further attempt has been made to find a solution to the long-standing constitutional dispute between Britain and Rhodesia following the latter's unilateral declaration of independence in November 1965. Following a series of discussions between the representatives of the two sides an agreement was reached on a set of proposals which would have formed the basis for a settlement provided that these proposals were acceptable to the people of Rhodesia as a whole. The workers were not consulted during the negotiations and it would appear that their interests were not taken into account. The proposed terms for a settlement made no reference to the large body of harsh and discriminatory laws which affect the African workers. On the contrary the proposed terms for a settlement protected all the existing laws to the extent that "no court shall declare any provision of an Act enacted or statutory instrument made before the fixed date as defined in paragraph 14 of the Declaration of Rights to be ultra vires on the grounds that that provision is inconsistent with the Declaration of Rights."<sup>1</sup> The "fixed date" was defined as "the date of commencement of the Constitution Amendment Act 1972". In effect that date meant the day on which it was hoped Britain would grant independence to Rhodesia on the basis of the proposals for a settlement. The people of Rhodesia, as the Pearce Commission reported, rejected the proposed constitution as a basis for independence.<sup>2</sup>

<sup>1</sup> *Rhodesia: Proposals for a Settlement*, London, HMSO, Cmnd 4835, November 1971, p. 22.

<sup>2</sup> *Pearce Commission*, p. 112.

## 2. THE SYSTEM OF RECRUITMENT OF AFRICAN WORKERS

72. Information on the system of recruitment of African workers in Southern Rhodesia is rather scanty. Available information seems to suggest that the workers enter the labour market via three possible gateways, namely: (i) direct entry; (ii) employment exchanges and (iii) labour recruitment agencies.

73. *Direct entry.*—The worker presents himself for hire on the premises of the employer either on his own initiative or on the advice of a friend or relative who may be in the employ of the employing employer. There is no statistical information to help determine the extent of this means of access to employment, but it is generally thought that the large body of industrial workers secure their employment through this channel.

74. *Employment exchanges.*—These are government agencies run by the Ministry of Labour in the major towns. The work seeker registers with the exchange and some employers notify the exchange of vacancies which occur in their establishments. The exchange refers the work seeker to the prospective employers. In 1969 a total of 79,249 work seekers registered with the exchanges, of which 66,158 were Africans and 13,091 were Europeans, Asians and Coloured. In the same period 55,951 vacancies were notified. 45,484 of these were for Africans and 10,467 were for Europeans, Asians and Coloured.<sup>3</sup>

75. *Labour recruitment agency.*—The labour recruitment agency is a body called the "Rhodesia African Labour Supply Commission" set up under an "Act of Parliament" and engaged principally in recruiting foreign African labour for the mining and farming sectors. The recruiting ground (source of supply) is Malawi and the Portuguese colony of Mozambique. In 1970 the Commission recruited 2,520 migrant workers in Malawi.<sup>4</sup> The figures for 1969 and 1968 were 3,868 and 3,706 respectively.<sup>5</sup> Nearly all these, the report says, were recruited for two-year contracts on farms and plantations.<sup>6</sup>

## 3. RECENT LEGISLATIVE DEVELOPMENTS

76. The principal legal framework which provides for the establishment of trade unions and for their recognition is the Industrial Conciliation Act of 1959 and its subsequent amendments. A comprehensive analysis of the Act may be found in the Working Group's previous reports (E/4646 and E/4791), and a brief summary may be found in paragraph 105 of the Group's latest report (E/4953). Its main provisions may be summarized as follows. Although the Act purports to give trade union rights to workers, it does not apply to farm workers, domestic servants, and to a large number of government employees. It permits the establishment of trade union branches on a racial basis; it restricts the growth of strong unions by the prohibition of horizontal membership; it imposes conditions under which strike action may lawfully be taken. It also compels trade union officials to answer any questions, however incriminating, which may be put to them by the registrar of trade unions or any authorized officer. Section 11 of the law prohibits trade unions in Rhodesia from accepting assistance from the international trade union movement.

77. The most recent amendment to the Act was enacted in January 1971 ("Industrial Conciliation Amendment Act No. 79 of 1971") and its provisions relevant to this inquiry are examined in detail below. The Act makes provision for the registration and regulation of trade unions and employers' organizations; and for the regulation by agreement and by arbitration of conditions of employment and other matters of mutual interest to employers and employees. Were it not for the constraints discussed below, the main objects of the Act as set out in the preamble would appear to be the creation of rather standard machinery for the appointment of industrial boards, and the prescription of the powers and duties of these boards; and provision for the making of employment regulations in industry. The industrial boards and their role in industrial relations are examined in the section below on the right to collective bargaining. There are, however, several legal and political obstacles by the force of several general and security laws<sup>7</sup> as well as by the imposed statutory requirements imposed by the Industrial

<sup>3</sup> *Report of the Secretary for Labour and Social Welfare, 1969*, p. 2, tables 3 and 4.

<sup>4</sup> *Ibid.*, 1970, para. 23.

<sup>5</sup> *Ibid.*, 1969, para. 5.

<sup>6</sup> *Ibid.*, 1970.

<sup>7</sup> See E/4953, paras. 106-110, for a summary of security legislation such as the "Law and Order (Maintenance) Act", the "Emergency Powers (Maintenance of Law and Order) Regulations of 1968" and the "Emergency Power (Industrial Relations) Regulations of 1968", as well as the "Land Tenure Act" enacted in 1969, which contains provisions which seriously limit trade unions.

Conciliation Act, which hinder the full and free exercise of trade union rights. Among these legal constraints are the prohibition of meetings in certain circumstances; restrictions on trade union leadership as to who can and who cannot be a leader or officer of a trade union; and restrictions on the scope of permitted trade union functions.

#### 4. INDUSTRIAL CONCILIATION AMENDMENT ACT NO. 79 OF 1971

78. Section 11 of the new "Act" adds a further dimension to the restrictions on those eligible to leadership of trade unions by extending the prohibition to persons who have been convicted of political offences or offences arising from trade union action, which in Rhodesia may be secured with considerable ease under the "Law and Order (Maintenance) Act" or under the "Unlawful Organisations Act." The relevant clause reads:

"44(3) No person upon whom, on or after the date of commencement of Part I of the Industrial Conciliation Amendment Act, 1971, a sentence of imprisonment for a term of three months or more has been imposed, whether or not the sentence has been suspended, on conviction of any offence under the Law and Order (Maintenance) Act (chapter 39) or the Unlawful Organisations Act (Chapter 81), shall be an official or an office-bearer of, or be employed in an administrative or clerical capacity or any other capacity prescribed by regulation, by a registered trade union or employers' organisation, within the period of ten years from the time of conviction."

79. Section 14 of the new "Act" adds further encroachment upon the unions' independence and freedom of action. It requires that "the secretary of every registered trade union shall within three months after the end of each financial year, forward to an auditor the books of account of the union concerned and shall within thirty days after receipt by him of the auditor's report "forward to the registrar a true copy of such report and of the statement of income and expenditure and of the balance sheet to which such report relates." The intention of this provision, it would appear, is to strengthen the 1967 amendment which prohibits trade unions from accepting assistance of any kind from any organization specified by the Minister who shall refuse such approval if in his opinion the purpose or intended use of such assistance is not in the public interest. Another encroachment upon the affairs of the unions by the Government which the new Act introduces is the requirement that "(e) where the union organisation concerned has conducted a ballot on any proposal to declare or take part in or in the continuation of a strike or lock out; shall forthwith after the completion of the ballot, forward by registered post to the registrar a copy of the proposal and a statement of the number of ballot papers issued, ballot papers returned, votes cast for the proposal, votes cast against the proposal and spoiled ballot papers." This appears to be an unwarranted interference in the unions' internal affairs. Here again the intention of this provision becomes clear when account is taken of section 122(2)(9)(ii), which requires that any proposal to take strike action must be supported by not less than 51 per cent of the membership who are in good standing and "have indicated by ballot that they support the proposal to declare a strike."

80. Section 45 of the 1971 Act places the right of the workers to strike in doubt. It not only lays down an elaborate procedure to be followed as a condition to engage in a lawful strike in support of a dispute but above all it gives the "President" power to declare that the award of the arbitrator is binding on the parties to the dispute even when they have declared their intention not to be bound by the said award as provided by the procedure laid down in the Industrial Conciliation Act. Once the President has so declared, it becomes unlawful for any party to the dispute to engage in a strike. The following is a compressed summary of the new law on the mechanism for calling a legal strike. The dispute giving occasion for the strike must be referred to an arbitrator or arbitrators who will make an award. The award does not become operative until 42 days following the day of its publication. If the award is acceptable to the parties concerned, the award is implemented and the dispute is thus settled. But if one party, say the union is not satisfied with the award, the law provides that it shall within 28 days of the publication of the award notify the "Minister of Labour" of its intention not to be bound by the award. This serves as a notice that at the end of the 42 days the union would be legally entitled to take a ballot of its membership to determine their opinion on taking strike action. If the proposal to call a strike is supported by more than 51 per cent of the membership in full standing, the union could then lawfully call a strike. The "President" may, however, intervene before the

end of the 42 days and declare that the award of the arbitrator shall become binding. Once the "President" has made such a declaration, it shall be unlawful for any employee or trade union concerned to declare or take part in a strike.

## B. ANALYSIS OF EVIDENCE RECEIVED BY THE AD HOC WORKING GROUP OF EXPERTS EXPERTS

### 1. THE SYSTEM OF RECRUITMENT OF AFRICAN WORKERS

81. The two witnesses who testified on this question made references to labour exchanges or transit camps (RT. 138, pages 7 and 13 and RT. 139, pages 116-117). According to this testimony, the "Government" is said to have created holding camps where the workers are held pending distribution to points where (undefined) employment may be available. The witnesses could not give details of the size and numbers of the inmates in these camps or the legal status of the camps. It is also not clear under what conditions the workers go into the camps or take the employment to which they are assigned. Mr. Bokwe (RT. 138, page 7) said the inmates "were forced to work." These camps, according to Mr. Malianga (RT. 139, page 116) are characterized by very poor conditions. Structurally, they are built of "galvanized iron or asbestos roofing sheet. There is no furniture whatsoever, there is no provision for blankets, there is no food and each person comes there with his own food."

### 2. THE RIGHT TO FORM TRADE UNIONS

82. Since 1970 the legal position with respect to the right of African workers in Rhodesia to form trade unions has slightly changed, not to the advantage of the workers, but rather so as to tighten further the loopholes which might hitherto have existed.<sup>8</sup> The worsening position of the trade union organization may be seen in the following development. During the year 1970, four unions were deregistered on account of what the registrar termed "their failure to maintain their representative character"<sup>9</sup> and only two were registered. Of the two registered, only one was a registration in real terms in that it came on to the register for the first time. The other registration was merely an extension of the representative character of an already registered union. The union concerned, the Posts and Telecommunication Association, obtained registration for a wide range of interests arising from the transfer of functions from the Ministry of Posts to the Posts and Telecommunications Corporation.<sup>10</sup> As the number of deregistrations exceeded that of registrations, the number of registered unions fell from 54 in 1969 to 52 in 1970. In the same period the number of unregistered unions increased from 24 in 1969<sup>11</sup> to 30 in 1970.<sup>12</sup>

### 3. THE RIGHT OF TRADE UNIONS TO FUNCTION FREELY AND BARGAIN COLLECTIVELY

83. This right consists, among other things, of the freedom to hold meetings and to communicate freely with members and to bargain collectively with employers. The requirement that unions should be registered to enable them to function freely and the most rigorous conditions which a union must satisfy before it can be registered all hinder the exercise of the right to function freely and to bargain collectively. Deregistration creates even greater problems. The Transport Workers Union, following its deregistration, for instance, lost its right to hold meetings of its membership and the right to bargain with the management on behalf of its members and as a result, a dispute over pay which might have been solved amicably ended in a long drawn-out strike.

84. The "Rhodesian Government" contends that the object of imposing severe restrictions on unregistered unions was to encourage trade unions to apply for registration. Commenting on this contention, the ILO observed:

"While it was legitimate for registration in certain circumstances to involve advantages in regard to certain matters in the field of industrial relations, it should not in normal circumstances involve discrimination of such a character as to render non-registered organisations subject to special measures of police supervision which might restrict the exercise of freedom of association."<sup>13</sup>

<sup>8</sup> See the summary of laws at the beginning of this report.

<sup>9</sup> *Report of the Secretary for Labour and Social Welfare, 1970*, para. 39.

<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*, 1969.

<sup>12</sup> *Ibid.*, 1970.

<sup>13</sup> *ILO, Official Bulletin*, vol. XLIX, No. 2, April 1966, para. 31 (b).

85. Since collective bargaining in terms of Rhodesian law can only be conducted through the industrial councils comprising the representatives of the trade unions registered for the given industry and the employers' associations, the workers who belong to unregistered unions are thus deprived of the right to collective bargaining because there is no machinery for collective bargaining in industries where there are no registered trade unions. The conditions of work in these industries are determined by industrial boards whose members are appointed by the "Minister of Labour" in his own discretion. At the end of 1970 there were 60 industrial boards covering 122,092 employees in 60 industries.<sup>14</sup> There were another 398,900 employees in the agricultural and private domestic sectors who fall completely outside any form of statutory regulation.<sup>15</sup> Thus there were a total of 521,000 workmen outside the legally established machinery of collective bargaining. In the same period there were only 26 industrial councils covering 140,304 employees in 26 industries.

#### 4. THE RIGHT TO STRIKE

86. The right to strike is virtually non-existent in view of the legal and political constraints referred to in paragraph 8 of this chapter, and in particular the power of the "President" to declare a strike unlawful even when the strike has been called in accordance with the requirements of the Industrial Conciliation Act. Additionally, there is the practice of the branding of any industrial action by African workers as political or politically motivated, this arising from the special circumstances of Rhodesia in which the white colonizing minority constitutes the employers of labour and the African majority makes up the bulk of the workers, whose trade union action is thus invariably dealt with under the security laws for the preservation of "law and order". Two recent strikes—one by the mine workers at Shabani and the other by the bus drivers in Salisbury and Bulawayo—serve as clear examples of industrial disputes branded as political and thus subjected to harsh repressive measures under the guise of maintaining law and order while disregarding altogether the procedures processing industrial disputes.

87. The mine workers at Shabani went on strike as a means to put pressure on management over a long-standing industrial grievance. Incidentally, the strike took place a day after the arrival of the Pearce Commission to test Rhodesian opinion on the constitutional proposals. The Rhodesian security forces swooped swiftly on the strikers, opened gun-fire and left behind one worker killed, several others injured and many more arrested.<sup>16</sup>

88. The bus strike arose largely because of faulty industrial relations in the undertaking which in turn was occasioned by the deregistration of the Transport Workers Union. The industrial council for the transport industry collapsed when the deregistration of the union left the industry without any machinery for adjusting grievances. When the drivers put in a claim for an increase of \$1 for operating the one-man crew buses, there was no machinery for processing the dispute and as a result the impasse dragged on and eventually culminated in a strike involving over 500 drivers. The Government declared the strike unlawful and swiftly invoked the security laws to prosecute the drivers and above all used the armed forces to break the strike.<sup>17</sup>

89. Despite these instances of the régime crushing strikes there is evidence that the workers do to some, although limited, extent express their grievances through strike action. In 1970 there were 29 stoppages involving 2,337 workers and resulting in the loss of 1,769 man days. The largest number of these was in the agricultural sector where there were 15 stoppages involving 1,349 men and a loss of 1,257 man days.<sup>18</sup>

#### 5. THE RIGHT TO EQUALITY OF OPPORTUNITY AND TREATMENT AS REGARDS HIS EMPLOYMENT AND OCCUPATION

90. Mr. Musikavanu said in evidence (RT.129, p. 106) that segregation in employment was administratively enforced as a result of the policy of the reservation of jobs for white workers. This arose from the policy of the régime to keep

<sup>14</sup> *Report of the Secretary for Labour and Social Welfare, 1970*, p. 14, table 13.

<sup>15</sup> *Monthly Digest of Statistics for September 1972*, Central Statistical Office, Salisbury, table 14.

<sup>16</sup> *Times*, London, 14 January 1972.

<sup>17</sup> *Guardian*, London, 27 June 1972.

<sup>18</sup> *Report of the Secretary for Labour and Social Welfare, 1970*, p. 10, table 8.

the voter in employment, and the voter meant the white worker. Artisans were imported at great cost to the country to increase the white population and to narrow the gap between the black and white populations, this instead of training African artisans. Many school leavers were unemployed because of the policy of job reservation for the white man. The available information points to racial discrimination as the source of the variations in employment opportunities and wage earnings between European and African workers in the country.

#### *Employment opportunities*

91. Certain spheres of employment are reserved for white workers to the exclusion of black workers. This is not merely a question of custom and practice observable at points of work; it is official government policy enforced by government agencies. At the employment bureaux, for example, vacancies for white workers are recorded and filed separately from those open to black workers. In 1970, for instance, there were 902 unfilled vacancies for white workers and 1,338 for black workers but there were in the same period 4,622 black workers remaining on the live register of the unemployed while only 724 white workers remained on the live register.<sup>19</sup> The crude conclusion emerging from these figures is that there was unemployment among the black workers and more than enough employment for the white workers.

92. Another manifestation of racial discrimination in employment is seen in the composition of the civil service. The Minister of Public Service told Parliament on 28 July 1972 that the racial distribution of workers in the established position in the service was as follows: <sup>20</sup>

|                 |         |
|-----------------|---------|
| Europeans ----- | 10, 842 |
| Africans -----  | 829     |
| Coloureds ----- | 254     |
| Asians -----    | 131     |

There were 533 unfilled positions.

#### *Training*

93. The opportunities for Africans to train for skilled trades are negligible. It will be recalled from our previous analysis that over the period of four years from 1966 to 1969, there were only 19 Africans who had been apprenticed in the whole country compared with 1,690 Europeans.<sup>21</sup> "Government" policy on this matter is expressed in the words of the "Deputy Secretary for Internal Affairs", who said:

"The majority of Africans needed only basic education in the three Rs and how to use farm accounts because his (African) ability was limited to pick and shovel work."<sup>22</sup>

#### *Earnings*

94. The differentiated levels of earnings for Africans and Europeans are set out in tables 1 and 2 below.

95. It will be seen from the tables that there is a wide gap in earnings between African and European workers. Further evidence of racialism in earnings is demonstrated in the salary scales for teachers which came in force in July 1971. These are differentiated on the basis of race and sex. Hitherto they were differentiated on the basis of sex and qualifications alone. The information set out below summarizes the present position.<sup>23</sup>

<sup>19</sup> *Ibid.*, p. 7, table 4.

<sup>20</sup> *Hansard*, 28 July 1972, col. 1692.

<sup>21</sup> See E/4953, para. 125.

<sup>22</sup> K. Maxey, *From Rhodesia to Zimbabwe*, Fabian Research Series 301, London, April 1972, p. 11.

<sup>23</sup> *Times Educational Supplement*, London, 16 July 1971.

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Table 1  
ANNUAL AVERAGE EARNINGS OF AFRICAN EMPLOYEES<sup>a/</sup>  
Average Earnings per Employee (Rhodesian dollars)

| Period | Agriculture and Forestry | Mining and Quarrying | Manufacturing | Electricity and Water | Construction | Finance, Insurance and real estate | Distribution, restaurants and Hotels | Transport and Communications | Services              |           |        |                  | Total |       |
|--------|--------------------------|----------------------|---------------|-----------------------|--------------|------------------------------------|--------------------------------------|------------------------------|-----------------------|-----------|--------|------------------|-------|-------|
|        |                          |                      |               |                       |              |                                    |                                      |                              | Public administration | Education | Health | Private Domestic |       | Other |
| 1958   | 104                      | 212                  | 215           | 192                   | 222          | 244                                | 195                                  | 273                          | 232                   | 258       | 220    | 176              | 246   | 169   |
| 1959   | 104                      | 222                  | 228           | 226                   | 221          | 258                                | 208                                  | 306                          | 240                   | 292       | 212    | 182              | 267   | 175   |
| 1960   | 105                      | 230                  | 250           | 250                   | 215          | 278                                | 217                                  | 322                          | 248                   | 294       | 220    | 188              | 272   | 179   |
| 1961   | 106                      | 244                  | 285           | 280                   | 240          | 304                                | 235                                  | 377                          | 274                   | 394       | 248    | 196              | 323   | 195   |
| 1962   | 111                      | 248                  | 325           | 298                   | 251          | 368                                | 287                                  | 420                          | 312                   | 424       | 300    | 204              | 327   | 210   |
| 1963   | 122                      | 264                  | 363           | 324                   | 306          | 430                                | 292                                  | 517                          | 324                   | 438       | 352    | 212              | 345   | 224   |
| 1964   | 123                      | 288                  | 396           | 324                   | 332          | 486                                | 320                                  | 575                          | 338                   | 462       | 362    | 220              | 329   | 235   |
| 1965   | 123                      | 298                  | 416           | 378                   | 359          | 524                                | 342                                  | 623                          | 344                   | 468       | 438    | 224              | 327   | 246   |
| 1966   | 124                      | 300                  | 424           | 368                   | 352          | 580                                | 347                                  | 632                          | 364                   | 502       | 486    | 226              | 333   | 255   |
| 1967   | 122                      | 308                  | 431           | 395                   | 352          | 590                                | 374                                  | 649                          | 360                   | 516       | 496    | 234              | 373   | 262   |
| 1968   | 122                      | 322                  | 443           | 390                   | 384          | 620                                | 387                                  | 626                          | 376                   | 542       | 532    | 242              | 405   | 272   |
| 1969   | 122                      | 334                  | 474           | 400                   | 376          | 656                                | 396                                  | 652                          | 408                   | 544       | 564    | 244              | 467   | 280   |
| 1970   | 126                      | 343                  | 478           | 448                   | 428          | 714                                | 454                                  | 626                          | 409                   | 590       | 579    | 256              | 430   | 298   |
| 1971   | 124                      | 353                  | 485           | 486                   | 478          | 744                                | 480                                  | 717                          | 476                   | 659       | 619    | 260              | 452   | 313   |

<sup>a/</sup> Employees of Africans in African rural areas are excluded.

Table 2  
ANNUAL AVERAGE EARNINGS OF EUROPEAN, ASIAN AND COLOURED EMPLOYEES  
Average Earnings per Employee (Rhodesian dollars)

| Period | Agriculture and Forestry | Mining and Quarrying | Manufacturing | Electricity | Construction | Finance, Insurance and real estate | Distribution, Restaurants and Hotels | Transport and Communications | Services              |           |        |       |
|--------|--------------------------|----------------------|---------------|-------------|--------------|------------------------------------|--------------------------------------|------------------------------|-----------------------|-----------|--------|-------|
|        |                          |                      |               |             |              |                                    |                                      |                              | Public administration | Education | Health | Other |
| 1958   | 1,919                    | 2,822                | 2,329         | 2,431       | 2,662        | 2,224                              | 1,786                                | 2,296                        | 2,130                 | 1,578     | 2,070  | 2,182 |
| 1959   | 2,228                    | 2,988                | 2,336         | 2,453       | 2,571        | 2,278                              | 1,827                                | 2,378                        | 2,102                 | 1,544     | 2,071  | 2,206 |
| 1960   | 2,300                    | 3,052                | 2,409         | 2,635       | 2,684        | 2,338                              | 1,847                                | 2,382                        | 2,204                 | 1,624     | 2,123  | 2,268 |
| 1961   | 2,295                    | 3,106                | 2,505         | 2,789       | 2,594        | 2,342                              | 1,941                                | 2,444                        | 2,226                 | 1,640     | 2,140  | 2,308 |
| 1962   | 2,294                    | 3,194                | 2,577         | 2,846       | 2,555        | 2,430                              | 2,016                                | 2,633                        | 2,274                 | 1,650     | 2,156  | 2,372 |
| 1963   | 2,500                    | 3,254                | 2,699         | 3,058       | 2,669        | 2,452                              | 1,983                                | 2,754                        | 2,292                 | 1,908     | 2,216  | 2,438 |
| 1964   | 2,260                    | 3,324                | 2,771         | 3,250       | 2,694        | 2,544                              | 2,060                                | 2,888                        | 2,210                 | 1,862     | 2,186  | 2,488 |
| 1965   | 2,729                    | 3,438                | 2,859         | 3,361       | 2,826        | 2,584                              | 2,155                                | 2,956                        | 2,258                 | 1,904     | 2,190  | 2,576 |
| 1966   | 2,540                    | 3,486                | 2,937         | 3,413       | 2,900        | 2,654                              | 2,247                                | 3,211                        | 2,314                 | 2,048     | 2,180  | 2,664 |
| 1967   | 2,592                    | 3,490                | 3,016         | 3,435       | 2,826        | 2,790                              | 2,313                                | 3,276                        | 2,384                 | 2,038     | 2,188  | 2,722 |
| 1968   | 2,562                    | 3,640                | 3,146         | 3,696       | 2,951        | 2,958                              | 2,421                                | 3,238                        | 2,546                 | 2,166     | 2,350  | 2,836 |
| 1969   | 2,643                    | 4,224                | 3,320         | 3,830       | 3,155        | 3,110                              | 2,472                                | 3,442                        | 2,700                 | 2,314     | 2,435  | 2,971 |
| 1970   | 2,437                    | 4,456                | 3,606         | 3,840       | 3,273        | 3,280                              | 2,654                                | 3,600                        | 2,709                 | 2,388     | 2,518  | 3,104 |
| 1971   | 2,806                    | 4,810                | 3,780         | 4,368       | 3,720        | 3,326                              | 2,955                                | 3,886                        | 3,114                 | 2,660     | 2,650  | 3,377 |

Source for tables 1 and 2: Monthly Digest of Statistics for September 1972, Central Statistics Office, Salisbury.

|                             | Old scale, all<br>teachers | 1971 scale    |               |
|-----------------------------|----------------------------|---------------|---------------|
|                             |                            | Africans      | Europeans     |
| <b>Men:</b>                 |                            |               |               |
| Nongraduate.....            | \$2,160-4,608              | \$2,268-4,836 | \$3,000-5,700 |
| Graduate.....               | 2,664-4,608                | 2,797-4,836   | 3,540-6,660   |
| <b>Women:</b>               |                            |               |               |
| Nongraduate (starting)..... | 1,680                      | 1,764         | 1,956         |
| Graduate.....               | 2,016-4,608                | 2,116-4,836   | 2,460-5,048   |

96. It will be seen that a European graduate man could be teaching in the same school as an African graduate man and an African graduate woman with both of whom he was at university the previous year. Their annual salaries in their first year of teaching would be \$3,540, \$2,797, and \$2,116 respectively, and worse still a newly qualified African graduate could teach alongside a newly qualified European non-graduate and yet receive \$203 less than the less qualified European teacher, whose salary would be \$3,000 compared to \$2,707 for the African.

chrome imported during the first half of CY 1973 amounted to 9.83 U.S. cents per content pound, compared with an average value of 12.05 cents per content pound for Rhodesian high carbon ferrochrome.

In addition to the stockpile and foreign sources available to the American stainless steel industry for its ferrochrome supplies, I understand that there is unused ferrochrome manufacturing capacity available in the United States. Thus, I am convinced that the stainless steel industry in this country would not be deprived of its ferrochrome supplies if the Rhodesian embargo was re-established.

It has been stated that South African ferrochrome plants necessarily utilized high-quality Rhodesian chrome ore. When sanctions were in effect, the U.S. Government tested South African ferrochrome and was able to establish that in fact the ferrochrome we were importing from South Africa did not contain Rhodesian ore. We are confident that we can maintain that testing with the re-imposition of the embargo.

The third major import from Rhodesia during these past two years has been nickel. Our imports of Rhodesian nickel totaled 1,735 short tons valued at \$4.4 million during CY 1972, and 2,219 short tons valued at \$6.2 million thus far this year. In 1972, imports of Rhodesian nickel represented about 1% of total U.S. nickel imports and also about 1% of nickel consumption. The availability of Rhodesian nickel thus adds little to U.S. supplies of this material; nor does it materially effect raw material prices.

Canada supplies 97% of U.S. nickel imports, shipping 89% directly to the U.S. and refining 8% in Norway before shipment to the U.S. The GSA stockpile objective for nickel is zero, as is the GSA inventory. In 1970, the Office of Emergency Preparedness reduced the nickel objective to zero, and in 1972 Congress authorized transfer of the entire GSA nickel inventory to the U.S. Mint for coinage purposes. Nickel still remains on the strategic and critical materials list, and imports of this commodity are thus eligible under the Byrd provision. However, the world nickel supply exceeds demand, and the U.S. Bureau of Mines estimates that the U.S. should be able to obtain all the nickel it needs at little change from 1972 price levels. I believe the forgoing shows that there is little strategic or economic need for Rhodesian nickel.

#### OTHER IMPORTS FROM RHODESIA

This concludes my review of our major imports from Rhodesia. I noted earlier that we have also imported small amounts of asbestos, copper, and beryllium ore from Rhodesia under the Byrd provision, and I would like now to touch briefly on these commodities:

**Asbestos**—In 1972, the U.S. imported 200 short tons of chrysotile asbestos valued at approximately \$100 thousand from Rhodesia. This represented a minute fraction of 1% of overall U.S. chrysotile asbestos imports that year totaling 715,000 short tons (of which 711,000 short tons came from Canada). During the first half of CY 1973 we imported 335 short tons of chrysotile asbestos valued at \$165 thousand from Rhodesia. Again, this represented less than one-tenth of 1% of this type of asbestos imported into the U.S., with Canada again supplying virtually all our imports.

The GSA stockpile inventory of chrysotile asbestos totals almost 11,800 short tons, against a stockpile objective of 1,100 short tons. Congressional authorization exists for the disposal of 800 short tons of the 10,700 short tons in excess of the objective, and legislation authorizing the disposal of the remaining 9,900 short ton excess is now pending in the Congress.

**Copper**—The U.S. did not import any Rhodesian copper in 1972. During the first half of CY 1973 we imported 42 short tons of copper valued at \$66,000 from Rhodesia. This represents a minute fraction of total U.S. primary copper imports of 400,000 short tons in 1972.

The GSA stockpile inventory of copper is 251,000 short tons, against a recently revised zero objective. Authorization to dispose of this excess inventory is now pending in the Congress.

**Beryllium Ore**—In 1972, the U.S. imported approximately 22 short tons of beryllium ore valued at \$8 thousand from Rhodesia. This represented less than 1% both of total U.S. imports and of U.S. consumption of this ore. There have been no imports of Rhodesian beryllium ore thus far in 1973. The effects of beryllium ore imports from Rhodesia thus are negligible as regards U.S. supplies and raw material prices.

## APPENDIX 10

### LETTER TO CONGRESSMEN FRASER AND DIGGS FROM PETER FLANIGAN, ASSISTANT TO THE PRESIDENT FOR INTERNATIONAL ECONOMIC AFFAIRS, REGARDING ECONOMIC IMPORTANCE TO THE UNITED STATES OF CHROME IMPORTS FROM RHODESIA

THE WHITE HOUSE,  
Washington, June 26, 1973.

HON. DONALD M. FRASER,  
*House of Representatives,*  
*Washington, D.C.*

DEAR CONGRESSMAN FRASER: This is in response to your letter of June 8 in which you joined with Congressman Diggs in posing several questions regarding the economic importance to the United States of chrome imports from Rhodesia.

Economic sanctions and embargoes of any sort, by their very nature, conflict with free market forces and entail economic costs to importers and consumers as well as to the country on which sanctions are imposed. U.S. access to Rhodesian minerals, notably chrome ore, ferro chrome and nickle, has provided certain benefits to our economy by increasing the supply availabilities and in the particular case of metallurgical grade chrome ore, by exerting downward pressure on import prices.

Access to Rhodesian chrome and other minerals is not, however, an important element in U.S. security or in our overall foreign economic policy given: 1) the substantial excess of our stockpile resources and 2) the comparatively minor amounts we actually import from Rhodesia.

During the twelve months following enactment of the legislation allowing access to Rhodesian resources, U.S. imports of Rhodesian chrome ore amounted to less than \$3 million or 15% of the total from all sources. As an alternate source, these imports appear to have directly influenced the Soviet Union's decision to reduce its chrome ore prices. Because of the price reduction, however, access to Rhodesian chrome has not resulted in any major shift in supply from the Soviet Union. In fact, since Rhodesian ore has been available to U.S. industry, the Soviet Union's share of our total chrome ore imports has substantially increased.

During the same period, U.S. imports of ferro chrome and nickle from Rhodesia amounted to \$6 million and \$4.5 million respectively. In both cases, we not only have substantial excess inventories in stockpile, but can purchase from a number of sources of supply.

The wide availability of ferro chrome has in itself made enforcement of sanctions difficult and has facilitated their circumvention by competing industries in other countries whose governments have accepted the U.N. Security Council sanctions policy. In contrast, enforcement procedures of the United States are made to work with maximum effectiveness.

Sincerely yours,

PETER M. FLANIGAN,  
*Assistant to the President for International Economic Affairs.*

## APPENDIX 11

### ADDRESS BY AMBASSADOR JOHN SCALI, U.S. PERMANENT REPRESENTATIVE TO THE UNITED NATIONS, NEW YORK CITY, JUNE 7, 1973

It is a very special satisfaction for me to address so large an audience of distinguished representatives of American business and labor. You are men and women whose concrete achievements in the real world of the American economy have helped make it the most productive economy on earth. In a real sense, you are people whose achievements move America.

At the same time I am aware that your being here tonight demonstrates that you are also profoundly attached to ideals—to those cherished fundamental American goals and dreams enshrined in our own Constitution, which, in turn, have helped inspire the Charter of the United Nations.

It is this blend of realism and idealism that makes us proud of our national heritage as we approach our 200th birthday. President Nixon, in naming me United States Permanent Representative to the United Nations, has charged me with the responsibility of promoting concrete results within the family of the United Nations—132 Member countries, each proud of its identity, its cultural background and its right to share the riches, both spiritual and material, of our planet.

Those of us who were young when the United Nations was born, back in 1945, in the aftermath of a terrible war, hoped that man would be wise, creative and inspired enough to create a magnificent structure of international peace. We dreamed of one that would guard the safety of all nations large and small, and create a new world order. The lofty goal was proudly proclaimed in the Charter in these words:

To practice tolerance and live together in peace with one another as good neighbors and to unite our strengths to maintain international peace and security.

This was and is a noble goal.

But, as we look back now, 28 years later, we recognize that perhaps our dream of a universal justice exceeded the strength of the structure we created to fulfill our yearnings. We can see now clearly that we did not create an instant world government. Instead, what we put in place was an international forum where the separate, often conflicting foreign policies of Member Governments collided, at a time when the tidal wave of nationalism became a dominant force in relations between governments. And collide they did, with resulting arguments, tension, and deadlock—but occasional visible agreement and progress. In other words, the United Nations has turned out to be a mirror of the real world.

As a newsman back in 1945, I watched as the United Nations structure was put together word by word. But perhaps I and others failed at that time to recognize that the final structure laboriously pieced together after millions of words of discussion and debate and reconciling of diverging views was a compromise, albeit the best a war-weary mankind could devise at that time.

In those days, as a newly returned, young war correspondent, I firmly believed in the need for a United Nations. Almost 28 turbulent years later as a man who prides himself in being a pragmatist, one who seeks to specialize in what works, I can still tell you I believe profoundly in the United Nations. I am honored that our President has offered me the opportunity to support his effort to make faith in the United Nations. I am honored that our President has offered me the opportunity to support his effort to make faith in the United Nations a realistic faith.

I am committed, and I can assure you the President is committed, to bringing this about. In his most recent Report to the Congress, President Nixon puts it like this:

"Unable to retreat into isolation in a world made small by technology and shared aspirations, man has no choice but to reach out to his fellowman. Together we must build a world order in which we can work together to resolve our common problems."

I have observed before that this is what the United Nations is all about. It is a truism to say that the world community, and particularly the American people have been disappointed in the achievements of the United Nations thus far. If at times we appear to be criticizing rather than praising the UN, it is because we need it and because we want to make it a more dynamic instrument for promoting a lasting peace in a world where nuclear weapons can incinerate a hemisphere. Yes, nearly 28 years have gone by. But 28 years, ladies and gentlemen, represent a speck in the march of civilization.

At the very moment that you have convened in New York, the Security Council of the United Nations is once again grappling with an issue that has resisted ultimate solution for 25 years—the Middle East question. In the days ahead we will be solemnly reviewing the agonizing history of this conflict and searching for a solution that has defied the wisdom and the best efforts of many distinguished statesmen.

Critics can rightfully claim that during this quarter of a century the United Nations has achieved only limited success in moderating the fear and suffering of the people of the Middle East. Yet, even as we sit around the United Nations Conference Table and examine this problem anew, we do so with the assurance that the guns are silent while the statesmen talk of a new beginning. A cease-fire, promoted by the Government of the United States, has stopped most of the killing for 33 months and eased the grave danger that this conflict can engulf other nations in a larger and bloodier war.

The fact that eight foreign ministers have come to New York to join the members of the Security Council in this new search for peace within the Security Council Chamber is testimony to mankind's continuing hope that this great international organization can move toward its most important goal as the guarantor of peace. I cannot predict for you tonight that this newest review of the melancholy history of this war will succeed. But I can assure you that I and the members of my delegation and, I am sure, others of goodwill will do their best to bring about the kind of negotiations between the parties that one day will bring real peace to this region which has known more than its share of sorrow.

I mentioned earlier that an American initiative in the United Nations framework, cease-fire proposed and accepted by all parties, has at least provided an atmosphere where statesmen can seek to convert this fragile cease-fire into a permanent peace.

## APPENDIX 12

### LETTER TO CONGRESSMAN VANDER JAGT FROM ASSISTANT SECRETARY OF STATE DAVID D. NEWSOM CONCERNING RESTORING SANCTIONS AGAINST RHODESIA

JUNE 12, 1973.

HON. GUY VANDER JAGT,  
*House of Representatives,*  
*Washington, D.C.*

DEAR GUY: Following our conversation the other evening at the British Embassy, I felt that some further comments on the Rhodesian chrome issue might be helpful to you. The standard arguments in favor of an exemption from the sanctions for strategic minerals and my comments on them are as follows:

1. *We need the minerals for national defense purposes.* If this argument had validity at any time it would seem to be negated by the fact that we are currently requesting the Congress to release chrome from our stockpile. The other major mineral imported from Rhodesia, nickel, is being reduced to zero in the stockpile. It is also pertinent to point out that of our total chrome imports only 10% goes for direct defense purposes.

2. *Rhodesian sanctions have increased our dependence on the Soviet Union.* We purchased approximately 30% of our metallurgical grade chrome from the Soviet Union before sanctions because Soviet chrome ore is the richest in the world. The exemptions under Rhodesian sanctions did not decrease the dependence on Soviet chrome, the imports of which have even increased. Chrome is also available from South Africa, Turkey and Iran.

3. *The Soviet Union raised the price of chrome because of Rhodesian sanctions.* The price of chrome actually went up because of a general rise in the price of minerals world-wide related only marginally to Rhodesian sanctions. Iran was the first actually to increase its price. We have always paid something of a premium for Soviet ore because it is of the highest grade.

4. *Our exemptions represent only a small portion of Rhodesian trade since others are not obeying the sanctions.* Imports of strategic minerals from Rhodesia in 1972 amounted to approximately \$13 million, in 1973 so far more than \$8 million, representing nearly 5% of Rhodesia's trade. While the percentage is small, the psychological impact is great and the foreign exchange helps Rhodesia in the area where sanctions have hurt the most. In our relations with the Africans, unfortunately it is the fact that we are legally breaking sanctions which is high-lighted. The Africans have been slow to put the spotlight on other sanctions violations although they are now moving to do this more effectively.

5. *Sanctions are not effective.* It is true that sanctions are not totally effective, but they are the one element pushing the Rhodesians to negotiate and to make a settlement. Moderate Africans within Rhodesia urge that sanctions be continued even though they may themselves be hurt by them.

In my four years as Assistant Secretary the exemption on Rhodesian sanctions has been the most serious blow to the credibility of our African policy. While you and I in our travels may not encounter strong expressions on this subject, our Ambassadors in certain key countries emphasize the importance of this issue in the basic attitudes of these countries toward us. The fact that we have in African eyes chosen to go counter to a mandatory Security Council resolution and have for our own purposes weakened sanctions suggests to the Africans that we do not attach importance to the institutions and issue of significance to them. The impact is greatest in countries where we have very specific interests, such as Nigeria and Kenya, and is greatest among the youth who are the coming generation in Africa.

I hope the foregoing will be helpful to you as you contemplate the issue now once more put before the Congress.

Sincerely,

DAVID D. NEWSOM,  
*Assistant Secretary for African Affairs.*

## APPENDIX 13

### LETTER TO CONGRESSMEN FRASER AND DIGGS FROM ACTING SECRETARY OF DEFENSE WILLIAM P. CLEMENTS, JR., REGARDING CHROME FROM RHODESIA AND ITS RELATION TO OUR NATIONAL SECURITY REQUIREMENTS FOR METALLURGICAL GRADE CHROMITE

THE DEPUTY SECRETARY OF DEFENSE,  
*Washington, D.C., July 20, 1973.*

HON. DONALD M. FRASER,  
*Chairman, Subcommittee on International Organizations and Movements, Committee on Foreign Affairs, House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in response to your letter of June 8, 1973, regarding chrome ore imports from Southern Rhodesia and its relation to our national security requirements for metallurgical grade chromite.

While the Department of Defense is one of the beneficiaries of the stockpile of strategic materials, we do not control stockpile. The stockpile is operated by the General Services Administration (GSA) (this function was formerly under the Office of Emergency Preparedness but was recently transferred to GSA) and is designed to protect not only the industrial needs of the Department of Defense during an emergency, but those of the nation, as well.

Metallurgical grade chromite is consumed by industry in the production of alloy and stainless steels after it is first refined into alloying additives, such as high carbon ferrochromium. The quantities of these additives consumed are controlled by specifications for the steel mill products. The DoD does not directly consume chrome ore or the alloying materials. Instead, we look to the steel-making industry to obtain the raw materials needed to produce our steel requirements.

When requested, in connection with stockpiling activities, we provide information regarding our estimated emergency requirements for materials. Because it is so difficult to determine the ferroalloy content of such a broad variety of steel mill products, we provide our estimate of the alloy and stainless steel tonnages which we expect to use during an emergency. GSA obtains the total national ferroalloy usage from industry and through a factoring process arrives at the approximate military demand.

There are some uses of chromium metals, however, that we are able to estimate, for example, special heat resistant components of aircraft engines. These comparatively small direct DoD requirements are reported and are included in the total requirement calculation for stockpile planning purposes. The following direct DoD requirement for chromium based on an assumed three year war were reported during the periods shown:

1963: 1,535 short tons.

1968: 1,350 short tons.

1973: 1,696 short tons.

According to an estimate prepared in 1973 by OEP, the metallurgical grade chromite needed by industry to support the Defense Department's steel requirement during the first year of a war amounts to 128,300 short tons, or 2.3% of the quantity held in the inventory as of 31 December 1972. Thus, it can be seen that the Defense requirement for metallurgical grade chromite is relatively small, and that the bulk of the stockpile inventory would be used by the non-defense industry in the event of an emergency.

I hope the above will assist you in your review of the chrome ore import situation.

Sincerely,

W. P. CLEMENTS, Jr.

## APPENDIX 14

LETTER TO COMMITTEE ON FOREIGN AFFAIRS CHAIRMAN THOMAS E. MORGAN, FROM ASSISTANT SECRETARY OF STATE MARSHALL WRIGHT SUPPORTING ENACTMENT OF H.R. 8005

DEPARTMENT OF STATE,  
Washington, August 2, 1973.

HON. THOMAS E. MORGAN,  
Chairman, Committee on Foreign Affairs,  
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: The Secretary has asked me to reply to your letter of July 31, 1973, enclosing for comment copies of H.R. 8005, 8006, 8007, 8124, 8202, 8235, 8272, 8366, 8396, 8482, 8559, 8568, 8636, 8768, 9043, 9076, 9152, and 9284, bills to amend the United Nations Participation Act of 1945 to halt the importation of Rhodesian chrome and to restore the United States to its position as a law-abiding member of the international community.

The Department of State fully supports the enactment of this legislation. The Department opposed the enactment of Section 503 of the Military Procurement Act of 1971 (commonly known as the Byrd Amendment) and supported an attempt to repeal it in 1972. The amendment has not been justified either on legal or practical grounds. It is inconsistent with U.S. international obligations, a serious step not in our view warranted by the circumstances. The original strategic rationale on which it was based has not been borne out by events. Our imports of Soviet chrome ore have actually increased since passage. Our strategic needs are more than satisfied, so much so that we are currently requesting authority from the Congress to release from the stockpile large quantities of chrome ore and ferrochrome, the leading Rhodesian exports to the United States. All our strategic stockpile holdings of nickel, another of our major imports from Rhodesia, are now being released.

Trends in the United Nations accentuate the need for passage of such legislation. The United States has long supported efforts in the UN to make sanctions more effective. At the same time, we have repeatedly deplored the double standard which makes our imports the subject of unfair attention while other nations continue large-scale trade with Rhodesia in violation of or indifference to the requirements of the sanctions efforts.

This situation is changing. In recent meetings, members of the Security Council have shown a new willingness to consider practical measures to make the sanctions program more effective. While we consider this an entirely laudable development, we must also recognize that our imports can only become more of a subject of attention and more of an international embarrassment if others are seen to be making efforts to improve the level of their adherence to the program.

The Department of State therefore recommends that the Congress move expeditiously to adopt legislation to repeal Section 503 of the Military Procurement Act of 1971. It would greatly reaffirm the position of good faith the United States has long maintained in its international relations. It would undo the harm which imports of Rhodesian materials under the Byrd Amendment have brought to our position in the United Nations, to our pursuit of the rule of law and to the credibility of our commitment to the self-determination and equality of all peoples.

The Office of Management and Budget advised that from the standpoint of the Administration's program there is no objection to the submission of this report.

Sincerely,

MARSHALL WRIGHT,  
Assistant Secretary for Congressional Relations.

The GSA stockpile inventory of beryllium ore is 18,000 short tons, against a recently revised zero objective. Authorization for disposal of this excess beryllium ore is now pending before the Congress.

I apologize for this rather lengthy presentation, but this is a complex problem with ramifications into many fields where few have familiarity with all its aspects. I think that I have demonstrated fully that our breaking of sanctions has not benefited us in the economic and commercial fields while it has been a distant embarrassment to us in our international relations. To maintain our standing in the international community as a law abiding nation, faithful to its undertakings, we must repeal those elements of the Byrd provision which puts us in violation of our commitments under the United Nations Participation Act. At the same time we will be contributing to a peaceful resolution of a problem which can well lead to violence and disruption in an area rich in human and material resources.

Mr. FRASER. Thank you very much, Mr. Secretary, for a very helpful statement. Are you familiar with the arguments that are being made by those who want to maintain access to the chrome and ferrochrome?

Mr. ARMSTRONG. Well, I haven't particularly read them. I can imagine perfectly well what they are. There is a fair demand for materials from all sources; and naturally, people like to have as many sources as they can. It is a natural inclination if you are in the resource business.

Mr. FRASER. It appears that Rhodesia isn't exporting very much raw chrome ore but is shipping an increasing amount of it for processing into ferrochrome either in Rhodesia or in South Africa. Do we have detailed information in the Department as to when this construction of the large ferrochrome facilities took place, how it was financed, and the extent that private interests in the United States were implicitly or directly involved?

Mr. ARMSTRONG. I understand that it was planned before UDI, but was not constructed and put in operation until after UDI, and I understand that there is a good deal of Rhodesian Government intervention in the operation of it, that it is not entirely a free choice of the owner of the property. I would think it a perfectly logical move on the part of the Rhodesian Government because it is obviously easier to ship ferrochrome than it is chrome ore. You can ship it in barrels, with much easier handling, and you also get a higher content value because you get a profit on the processing.

Mr. FRASER. I also understand that once it is converted into ferrochrome, the ability to detect the source of the chrome ore itself is considerably more difficult. As I recall testimony earlier, we were told that you can tell where chrome ore comes from through various analyses, but once it becomes ferrochrome, the ability to subject it to the same analysis is lost making it more marketable.

Mr. ARMSTRONG. I am certainly no technician, but I have heard the same thing.

Mr. FRASER. Do you have within the Department resources to do extensive investigation on developments there in Rhodesia and the chrome market here in the United States?

Mr. ARMSTRONG. We have some pretty fair sources of information, and we have quite a good deal of detailed information which I think we can make available to you. I don't have it with me, but we can give you a paper which would give sort of the history of the matter as we understand it, based on the sources we have.

Mr. FRASER. I want to say that I very much appreciate your reading into the record a copy of the letter from the Secretary of State. We heard the letter was on its way, but we hadn't received it so it is good to have it in the record.

Your basic position is that wholly apart from the question of principle or being a law-abiding nation, there is no significant economic advantage to the United States in breaking international law and importing the chrome?

Mr. ARMSTRONG. No. There may be conceivable advantage to individuals and corporations in the United States, but in terms of whether the economy is going short of any important material, the answer is "no." In terms of whether there is any significant loss, say, in terms of export trade, we have answered that, we have shut off the export trade. There is no change on that. Obviously we did a small piece of business there that was useful to us before UDI, but it is not important enough in terms of the cost to make it a major factor in considering whether one should move ahead in supporting the sanctions or not.

#### FERROCHROME FACILITIES

Mr. FRASER. Is it your impression that the production facilities for ferrochrome must have been under construction over the last several years?

Mr. ARMSTRONG. I don't know enough about the technical side of it to know how long it takes to build a plant, but we do have some information here.

I can put this in. My assistant informs me that there was one low-carbon ferrochrome smelter and one high-carbon ferrochrome smelter in Rhodesia as of 1970. I think we can probably find out when those were built and put in operation. I do not think they were in operation—I may be wrong—but as of 1965, because I was, as I said, in London at the time and I have forgotten a lot of the detail of what we were dealing with with regard to Rhodesia, but I do not recall any significant importance being attached to ferrochrome.

I do recall importance being attached to chrome ore and to other products, but not to ferrochrome in our discussions at that time. I am quite sure that since it is a fairly easily shipped article, I would have heard about this from my friends in the British Foreign Office because we were in constant touch with each other. We were more engaged in trying to find means of relieving the economic pressures on Zambia than we were worrying about the actual impact of the Rhodesian shipments themselves.

#### CANADIAN NICKEL IMPORTS

Mr. FRASER. My understanding is that Canada is our principal nickel supplier. Is that correct?

Mr. ARMSTRONG. Yes; it is.

Mr. FRASER. To the extent that we import nickel, are our Canadian neighbors feeling any loss?

Mr. ARMSTRONG. Well, there is also nickel produced in New Caledonia under French management. This is a relatively new source in postwar times. We had a supply of nickel available to us from Cuba at one time, which is no longer available to us. We get a little from

Norway. There is a refinery in Norway. But our stockpile objective on nickel is zero and we don't have inventory to stockpile, but I don't notice any reluctance on the part of the Canadians to sell nickel.

Mr. FRASER. Thank you.

Chairman Diggs?

Mr. DIGGS. Thank you, Mr. Chairman.

First, Mr. Secretary, we certainly appreciate your summary statement which expedites the proceedings of the subcommittees. However, there is one statement in your full statement that was not touched in your summary and it is of such import that I wonder whether or not you would elaborate on it or at least assure us that it wasn't left out because it wasn't considered that important. That is on page 13 of your statement. You say I am convinced that the stainless steel industry in this country would not be deprived of its ferrochrome supplies if the Rhodesian embargo was reestablished.

Mr. ARMSTRONG. I didn't mean to deemphasize that. I just was saving the committee's time, I thought. I think the record shows that there are supplies of ferrochrome available that could be used. We have excess supplies in the stockpile of ferrochrome that could be put on the market, and commercial supplies are not all that short. I have a certain amount of contact with the steel industry over various problems and I haven't heard about any significant difficulty in getting ferrochrome.

Mr. DIGGS. Mr. Secretary, beyond the letter that you presented here from Dr. Kissinger, what other steps is the administration taking in connection with the various bills on this subject?

Mr. ARMSTRONG. Well, we have not hesitated to make our views known both to Members of the Congress and to members of the public on this matter and we are hopeful that the legislation will be enacted.

#### DEPARTMENT OF STATE EFFORTS

Mr. DIGGS. Well, I mean I am trying to understand the extent of the administration's lobbying efforts on this matter. You know, this runs the whole gamut. You can send out a letter over the signature of the Secretary of State and drop it, or you can really become involved in a full-scale effort, as I am sure you are in connection with the foreign aid bill.

Where would you be on the scale from 1 to 5, assuming that your maximum effort is being made, in connection with, say, the foreign aid bill? That would be one on the scale. Three would be maybe a letter from the Secretary.

Mr. ARMSTRONG. Well, I would say, Mr. Chairman, that the Secretary having signed the letter the day before yesterday, we haven't really assessed how much effort to put into this, but this is a matter in part for my colleagues, the Assistant Secretary for African Affairs and the Assistant Secretary for Congressional Affairs. I came primarily to say that from an economic standpoint I thought this action was perfectly reasonable and I personally also feel very strongly about it on the basis of my own knowledge of the case.

I would personally put it at a high level because I think this is a very important moral and legal question which reflects upon the integrity of the United States' word in international affairs. I therefore

would put it very high, but exactly where it stands I don't know. I would have to explore it with other people.

Mr. DIGGS. The Deputy Secretary of State, Mr. Kenneth Rush, at his confirmation before the Foreign Relations Committee of the other body, said, "Any position I take with respect to chrome ore would be suspect." He added that he would "remain neutral" on all questions involving Rhodesian chrome and have "very scrupulously refrained from discussing either formally or informally the subject of chrome with anyone since leaving Union Carbide."

I would like to note for the record here what implementation has there been to that particular pledge, because if the Department is that committed, to have the No. 2 man in a neutral position actually is a minus rather than a plus.

Mr. ARMSTRONG. Well, Mr. Chairman. I can't speak for Mr. Rush, but I understand the purport of it simply was that people might have perceived a possible conflict of interest problem on his part and he wanted, therefore, to declare himself out of it, so that there could be no suspicion of any conflict of interest. I have never discussed the subject with Mr. Rush. I have discussed a lot of subjects with him. I have discussed many, many issues in many fields, but I have never discussed this with him. To the best of my knowledge he simply says nothing about it to anybody, but that obviously does not impede us in taking a position or moving forward on it.

#### DEPARTMENT OF STATE—INDUSTRY RELATIONS

Mr. DIGGS. Mr. Secretary, on page 3 of your statement you said it is your policy to encourage individuals and organizations to report sanction violations to you, and I wonder specifically what has been your relationship with Union Carbide and Allegheny Ludlum in that connection. Obviously they would have knowledge of this matter and I am just curious as to whether or not you have directly encouraged them to cooperate with the Department in connection with these revelations.

Mr. ARMSTRONG. Mr. Chairman, I personally have not had contacts with people on this subject. I did some years ago when I was in the embassy in London have a good deal of contact on the question of who was evading the embargo and who wasn't, and I was engaged in passing information back and forth then between British and American sources.

I am not now informed on the extent to which we have talked to those companies. I would be glad to provide a statement for the record on it, but I assume that neither of them has done anything that is contrary to the law of the land. I am sure that when the embargo was on, they did not obtain the goods, so when the embargo was lifted for certain goods, they did obtain them, but beyond that I haven't had any contact with them on this subject. I have had contact with Union Carbide on other matters, but not on this subject.

Mr. DIGGS. Would the administration consider taking nickel off the strategic and critical materials list since you state on page 14 there is little strategic or economic need for this nickel?

Mr. ARMSTRONG. Well, I think there is a difference between saying something is strategic and important qualitatively, and deciding

whether you need a stockpile of it or not. The whole concept of stockpile over time has been one of stockpiling things to which you would not have ready access in the event of an extreme emergency. There have been many things on the strategic and critical materials list which have not necessarily required any stockpiling, so that your list of articles defined qualitatively is a guide to what you are interested in, whereas your decision as to whether you should stockpile it depends on where it is and where it comes from. You might regard coal as a strategic material in time of crisis because it is a major source of energy, but we have the largest supply of coal in the world.

So the first is a qualitative judgment. The second is expediency depending on where the material is. I think nickel is important as a strategic material, but that doesn't necessarily mean that you have to stockpile it.

Mr. Diggs. Finally, I assume that you have been provided a copy of Mr. Andrews' statement. I have several questions relating to that that I would like to submit to you—14 questions to be exact—which would in effect request that you respond to the points in Mr. Andrews' paper. I am prepared to hand these questions in to you in the hope that we could get an answer back by the end of next week.

Mr. ARMSTRONG. No trouble at all. I have just been handed a copy. I have not read it, but we would be glad to try to answer these questions; certainly.

Mr. Diggs. All right. I have a copy of the written questions.

Thank you, Mr. Chairman.

Mr. FRASER. Without objection, then, we will insert the questions and the answers in the record at this point.

[The questions and replies of the Department of State follow:]

*Question 1. The estimate on page 2 that "Demand for ferrochrome could grow from 309,000 tons to over 750,000 tons by the end of the decade."*

Answer. The Bureau of Mines calculates that an increase from 309,000 tons to 750,000 tons for ferrochrome demand by 1980 means an 11.7 percent annual growth in demand. This percentage far exceeds that of the Bureau of Mines estimate of 4.8 percent annual growth for uses of all chromium metal, including ferrochrome. (Bureau of Mines "Mineral Facts and Problems, 1970") About 90 percent of all chrome ferroalloys usage is by the steel industry, and about 70 percent of all chrome ferroalloys go into the production of stainless steel. Bureau of Mines statistics show 239,000 net tons chromium content consumed in the United States in 1972. This 239,000 figure covers all consumption. For stainless steel and heat-resisting steel production, a total of 272,000 gross weight short tons were consumed in 1972 (with a net chromium content of about 61 percent). Thus, the 309,000 figure used by Mr. Andrews appears to be high.

*Question 2. The figures used on page 3 as to the cost of raw materials, and in particular the statement that ferrochrome accounts for approximately 29 percent of this.*

Answer. The calculation used by Mr. Andrews appears reasonable. Stainless steel chrome content ranges between 12 and 28 percent, with the high volume types of stainless steel averaging 18 percent chromium. 400 pounds of chromium into a 2,240 pounds gross ton of steel gives about an 18 per cent chromium content.

*Question 3. The statement that the ferrochrome industry is highly capital-intensive, and that labor representing less than 10 per cent of the costs, as applied to (A) Southern Rhodesia (including the mining operation), (B) South Africa and (C) the United States and any other countries.*

Answer. It is true that the ferrochrome industry is a high capital intensive one and labor costs are relatively small when compared to total costs, but we are unable to confirm or deny that labor costs represent 10 percent of total costs. However, since Rhodesian and South African labor costs are generally lower than U.S. labor costs, it would seem likely that labor costs for ferrochrome pro-

duction in these countries, as a percentage of total costs, are lower than the U.S. percentage.

*Question 4. The figures on page 4 as to rises and falls in the costs of the chrome and ferrochrome, and your estimate of the various factors involved in these price changes. In particular, can you calculate from official statistics, and taking all factors into account, that the cost impact of Rhodesian sanctions alone on the stainless steel industry was "\$96 million annualized"? If so, please explain the calculation in detail.*

Answer. It is true that a 1 cent per pound increase would result in a \$4 additional cost per ton if 400 lbs. were used. However to say that a 50 percent yield would result in an overall increase of \$8 per ton is incorrect, since the 50 percent "lost" (i.e., that part that does not go out as "finished" steel) is not discarded but is scrap that goes back into the melting pot. This 50 percent "lost" keeps circulating in the system, except for a small wastage factor, and thus the cost of a finished ton shipped would only increase by \$4 (plus not more than 50 cents to account for wastage in the portion of the "melt" not shipped as finished steel). The 50 percent finished steel yield factors appears to be an accurate one when applied to stainless steel.

*Question 5. Do you agree with the claim that the problems facing the U.S. ferrochrome industry are attributable to sanctions?*

Answer. The problems facing the U.S. ferrochrome industry are only partly due to the sanctions against Rhodesia. Probably the major factor has been the costs to the industry in remedying some of its environmental problems and in meeting environmental standards established by the Environmental Protection Agency.

*Question 6. Can you independently document the claim that the price of stainless steel products would rise by \$80 to \$200 million as a result of the reimposition of sanctions?*

Answer. No, we cannot. As illustrated in the answer to question 4, a rise of 1 cent per pound in the price of chrome does not result in an \$8 rise per ton of stainless steel.

*Question 7. Do you agree that the American ferrochrome industry cannot be considered an adequate source of supply either now or in the foreseeable future as stated on page 5 of Mr. Andrew's statement? Please document your reply, taking into account the administration's decision to release chromite from the stockpile.*

Answer. In general, we agree with Mr. Andrews that the U.S. ferrochrome industry cannot be considered an adequate source of supply at present. However, if GSA pursued an aggressive sales policy for the excess stockpile chromite, this action could help reduce the imports of chromite and encourage U.S. production of ferrochrome.

Similarly if the ferrochromes in the stockpile were released, this action would lessen U.S. dependence on imported material.

The following tables cover the inventory of chromite and ferrochrome in the stockpile and U.S. production, consumption and imports.

4

## CHROMITE, METALLURGICAL

|                       | Quantity<br>(short dry<br>tons) |         |           |
|-----------------------|---------------------------------|---------|-----------|
| <hr/>                 |                                 |         |           |
| GAS inventory:        |                                 |         |           |
| Total.....            |                                 |         | 3,438,832 |
| SCM/supplemental..... |                                 |         | 2,538,882 |
| DPA.....              |                                 |         | 899,950   |
| Objective.....        |                                 |         | 444,710   |
| Excess.....           |                                 |         | 2,994,122 |
|                       |                                 |         | <hr/>     |
|                       | 1970                            | 1971    | 1972      |
| Supply-demand data:   |                                 |         |           |
| U.S. production.....  | 0                               | 0       | 0         |
| U.S. consumption..... | 911,697                         | 719,779 | 727,140   |
| U.S. imports.....     | 703,135                         | 666,788 | 632,610   |

## CHROMITE, FERRO HIGH CARBON

|                                    | Quantity<br>(short tons) |         |         |
|------------------------------------|--------------------------|---------|---------|
| <b>GSA inventory:</b>              |                          |         |         |
| Total .....                        | 402,705                  |         |         |
| SCM .....                          | 126,208                  |         |         |
| Supplemental .....                 | 276,497                  |         |         |
| Objective .....                    | 11,476                   |         |         |
| Excess .....                       | 391,229                  |         |         |
|                                    | 1970                     | 1971    | 1972    |
| <b>Supply-demand data:</b>         |                          |         |         |
| U.S. production .....              | 172,302                  | 133,279 | 168,424 |
| U.S. consumption .....             | 117,746                  | 124,506 | 188,621 |
| U.S. imports for consumption ..... | 12,333                   | 44,589  | 73,077  |

## CHROMITE, FERRO LOW CARBON

|                                    | Quantity<br>(short tons) |         |         |
|------------------------------------|--------------------------|---------|---------|
| <b>GSA inventory:</b>              |                          |         |         |
| Total .....                        | 318,894                  |         |         |
| SCM .....                          | 127,739                  |         |         |
| Supplemental .....                 | 191,155                  |         |         |
| Objective .....                    | 0                        |         |         |
| Excess .....                       | 318,894                  |         |         |
|                                    | 1970                     | 1971    | 1972    |
| <b>Supply-demand data (ST):</b>    |                          |         |         |
| U.S. production .....              | 104,071                  | 109,905 | 68,372  |
| U.S. consumption .....             | 152,737                  | 124,835 | 121,193 |
| U.S. imports for consumption ..... | 28,972                   | 40,598  | 68,194  |

*Question 8. Do you agree with Mr. Andrew's statement on page 9 that the United States must rely upon the two remaining suppliers of ferrochrome in the foreseeable future: Rhodesia and South Africa? If not, please give your reasons in detail, including the national security considerations of allowing Southern Rhodesia and South Africa to acquire a virtual monopoly of ferrochrome supplies for the U.S. stainless steel industry.*

**Answer.** There are other suppliers of ferrochrome, but with few exceptions these countries have little or no chromite deposits of their own but buy chromite from other countries and then convert it to ferrochrome.

In 1972, South Africa supplied the United States with 45 percent of our high carbon ferrochrome, Rhodesia 14 percent, Finland 9 percent, Brazil 6 percent, and Japan 5 percent. The Republic of South Africa supplied the United States with 34 percent of its low carbon ferrochrome imports, Japan 21 percent, Sweden 14 percent, Turkey 10 percent, Norway 9 percent, Rhodesia 4 percent, and West Germany 4 percent.

Rather than relying exclusively on imports of ferrochrome from Rhodesia and South Africa, the United States could import more ferrochrome from other exporting countries, for example, Brazil, Finland, and Yugoslavia, which have their own chromite deposits.

Domestic production of chromite ore ceased in 1961 when the last USG contract under the Defense Production Act was concluded. Presumably in time of a national emergency, as was the case during World War II and the Korean war, domestic production could again come on stream. According to the U.S. Geological Service in its Geological Survey Paper 820, domestic resources are of low grade, but they could represent a 4- to 5-year supply.

*Question 9. Do you agree with Mr. Andrews that low-carbon ferrochrome is virtually obsolete?*

**Answer.** While consumption of high carbon ferrochrome now exceeds that of low carbon (which is higher priced) as a result of new technology, the argon-

oxygen decarburization process there will still remain a need for low-carbon ferrochromes for the production of certain low-carbon specialty steels.

*Question 10. Can you confirm or deny the accuracy of the figures on page 7, relating to the national stockpile of ferrochrome and chrome?*

Answer. The figures are approximately correct. The actual figures are 402,705 tons of high-carbon ferrochrome and 318,894 tons of low-carbon ferrochrome. The low-carbon ferrochrome has not been declared obsolete, but its stockpile objective has gone to zero.

*Question 11. Please comment on the difficulties which the administration is experiencing in its attempt to reduce the stockpile, and in particular the influence of industry lobbyists opposed to this for reasons unrelated to national security.*

Answer. In recent years industry spokesmen have opposed legislation authorizing the disposal of certain commodities from the stockpile because the industry concerned believed that there was an oversupply of that commodity already in the market or that prices were extremely low, and sales of stockpile material would keep prices down. In 1973, because of a shortage of many of the materials in the stockpile, industry spokesmen have urged larger releases of stockpile commodities. In the case of abaca and sisal, industry spokesmen have testified before the House Armed Services Subcommittee in favor of releasing all of the stockpiled material, and several Congressmen have introduced bills on the disposal of copper, zinc, and aluminum.

*Question 12. Do you consider Mr. Andrew's criticism of the wisdom of reducing the stockpile as requested by the administration to be valid?*

Answer. In his message to Congress on April 16 announcing the new stockpile policy, the President said: "After a careful and searching review of the current stockpile, I have approved new guidelines that would tailor the kind and quantity of materials in the stockpile to the national security needs of the 1970's. The new stockpile would be substantially reduced, but it would contain the critical materials that we need in quantities fully adequate for our national security needs."

Both the Defense Department and the Joint Chiefs of Staff have agreed to the new stockpile objectives, and the Department of State has concurred in seeking legislation to dispose of the commodities in the stockpile.

*Question 13. Do you consider that the technology developed in Finland for using low-grade chromite to produce high-carbon ferrochrome is applicable to the U.S. reserves of chrome, including that released from the stockpile?*

Answer. The United States has no reserves as such. (Bureau of Mines defines reserves as those minerals which can be mined at a profit under current economic conditions.) We do have resources, however, which are not minable economically at today's prices.

Not only Finnish technology exists for using low-grade chromite to produce high-carbon ferrochrome but also technology developed by the Bureau of Mines and U.S. industry. To apply this technology to U.S. resources and nonstockpile grade material in the stockpile is apparently uneconomical at present. GSA has about 900,000 tons of nonstockpile grade chromite in Montana, which is available for disposal but unsalable.

*Question 14. Given the statement by Dr. Kissinger that the administration will support the repeal of the Byrd amendment, is there any further information or comment that you wish to make with regard to the accuracy of the claims made by lobbyists for the Byrd amendment, or any other issue?*

Answer. The foregoing demonstrates more than anything else that general market and economic conditions govern chrome prices rather than the Rhodesian embargo. Whatever may be the disruptions following from the reimposition of the embargo by the United States, we believe they can be accommodated. The fact that the United States would then be once again in compliance with its international obligations should be welcomed by all.

Mr. ARMSTRONG. Could I go back, Mr. Chairman, to a previous question about Mr. Rush that Chairman Diggs raised? Mr. Rush did say at the time, as I understand it, that he would fully support any decision reached by the administration. He did say that at the time. I thought I should add that for the record.

Mr. FRASER. Thank you.

Mr. Biester.

Mr. BIESTER. Thank you, Mr. Chairman. I will be brief.

With respect to ferrochrome production capacity I note that in your statement you advise us that there is domestic capacity for ferrochrome production in the United States, is that correct?

Mr. ARMSTRONG. So I have been informed.

Mr. BIESTER. Do you know what the impact of the Byrd provision may have been with respect to either the strength or existence of that capacity?

Mr. ARMSTRONG. I don't really know. I would assume that perhaps the facility in Rhodesia was a little more modern than some of the older facilities, and I would assume that changes in technology had therefore made it more expedient to buy the imported product, which sometimes happens. I am not personally informed. I do know that there are facilities which in the past produced ferrochrome, which are not now producing ferrochrome. Just exactly why, I am not sure. There may have been a number of factors.

Mr. BIESTER. At least that capacity was not encouraged to strengthen itself as a result of the Byrd provision. Would you agree with that?

Mr. ARMSTRONG. Yes.

#### ADMINISTRATION URGED TO ACT

Mr. BIESTER. And I would join my colleague from Michigan in urging that the administration—and I say this as one who shares the same party affiliation—to move on this proposition with as much strength as it can bring to it. I also have recently traveled in Africa and I am aware of the enormous embarrassment that this position is to American officers, and on the economic side it tends to jeopardize our much larger general economic position with respect to a great many things in Africa at the expense of something which is really very small.

Mr. FRASER. Mr. Secretary, would the Department have access to information as to wage rates being paid to workers in ferrochrome plants in Rhodesia?

Mr. ARMSTRONG. I don't know that we would. As you know, we don't have any representation there. Whether this is published or not, I don't know. The British might have it. We will try to get it.

Mr. FRASER. Would you see if you can get it for us?

Mr. ARMSTRONG. Oh, yes. Of course.

Mr. DIGGS. Well, at least the gentleman could request such information if it is unavailable elsewhere from the U.S. companies that are operated there. Would you anticipate any problem in getting such information from Mr. Andrews' company or from any other company that is operated in that area?

Mr. ARMSTRONG. I would certainly hope not.

[The following letter was subsequently submitted by the Department of State for inclusion in the record at this point:]

UNION CARBIDE CORP.,  
Washington, D.C., October 25, 1973.

HON. WILLIS ARMSTRONG,  
Assistant Secretary of State,  
Department of State, Washington, D.C.

DEAR MR. ARMSTRONG: This will respond to your request for information as to the wage rate of African employees in ferrochrome plants in Rhodesia. I am sure you are aware of the fact that, as a result of Rhodesian government directives, Union Carbide Corporation does not have control over any of the prop-

erties which it owns in Rhodesia and that wage rates in Rhodesia are controlled by government regulation.

In addition, the Rhodesian government sharply restricts the availability and distribution of economic information having any relationship to the UN sanctions.

Under these circumstances, it is not possible for us to provide a definitive answer to your inquiry. However, it is our understanding that wage rates paid factory workers in the ferrochrome industry in Rhodesia earlier this year ranged from a starting wage of \$35 per month for unskilled labor to \$188 per month in the higher skilled labor categories. These figures are expressed in U.S. dollars calculated at an exchange rate of one Rhodesian dollar equaling \$1.70 U.S. Both the wage rates and the exchange rates may have changed in the six months since we obtained this information. It should also be noted that these are base wage ratios and do not take into account overtime or production bonuses nor such items as the free medical aid, paid vacation and sick leave, housing subsidies, pension plan benefits, and other fringe benefits which are provided employees in Rhodesia.

Sincerely,

JEREMIAH J. KENNEY, Jr.,

*Director of Federal Government Relations.*

Mr. FRASER. Well, thank you very much. We certainly appreciate your testimony and the work of the Department. I join with my two colleagues in expressing the hope that the Department will put much of its resources to work in providing this information. We need very vigorous support from the executive branch, and I am hopeful we can get it. Your appearance here today is very helpful as a part of that effort.

Mr. ARMSTRONG. We will do our best.

Mr. FRASER. Thank you.

Mr. ARMSTRONG. Thank you very much, Mr. Chairman.

Mr. FRASER. Our next witnesses perhaps should all come to the table.

Mr. Andrews, we seem to have you first on the list. If it is agreeable, you may proceed.

#### **STATEMENT OF E. F. ANDREWS, VICE PRESIDENT, MATERIALS AND SERVICES, ALLEGHENY LUDLUM INDUSTRIES**

Mr. ANDREWS. My name is E. F. Andrews. I am vice president, materials and services, Allegheny Ludlum Industries, Inc., and I am a member of the Critical Materials Committee of the American Iron and Steel Institute. Today I am also speaking for the Tool and Stainless Steel Industry Committee. Mr. Thomas F. Shannon, with the law firm Collier, Shannon, Rill & Edwards, is with me this morning.

Mr. FRASER. We are delighted to welcome Mr. Shannon here. I assume he is also available to respond to questions?

Mr. ANDREWS. Yes, particularly in an area or two of the line of questions that may come up.

We are confident that the committee is well aware of the world market for chrome. I would like to emphasize this metal's essentiality to the specialty steel industry and to my company in particular.

#### **STAINLESS STEEL PRODUCTS**

Unlike such metals as nickel or tungsten, chromium is indispensable in the production of stainless steel. By definition, steel can be officially classified as stainless only if it contains more than 10.5 percent chromium; in practice, almost all stainless steel contains at least 15 percent

chromium, and a majority contains above 18 percent. On an industry-wide basis, over 66 percent of ferrochrome consumption in the United States is for production of stainless steel products.

Stainless steel—which most people associate with tableware and cooking utensils—is vital to a wide range of critical applications ranging from pollution control devices to boxcars. In fact, less than 6 percent of all stainless steel produced in this country is ultimately used for home equipment and tableware. The vast majority of stainless steel is used in industry and defense where its corrosion-resistant qualities are essential and critical.

It is critical to the machinery and equipment industry, the largest market for stainless. This includes food processing, chemical refining, and hospital implements.

It is critical to the environmental control systems which demand an increasing amount of our output. Due to the highly corrosive nature of most pollutants, stainless steel is ideal for such applications as filters, transmission lines, valves, and other machinery parts.

In other words, we cannot prosecute our clean air program without this vital material.

It is critical to our energy supply. Power generation uses thousands of tons of stainless and related alloys every year. Without exception, nuclear generating facilities incorporate stainless steel components for critical applications. Conventional plants also demand stainless for boilers, controls, and related equipment.

It is critical to our mass transit program. Transportation consumes much of the industry's output. Uses range from stainless steel tank cars to jet engine blades.

It is critical to our security, as has been mentioned here before. Defense applications are also an important end use for stainless and other specialty steels. Products as diverse as rocket engines and steel insoles for combat boots use stainless and other specialty steels in large quantities.

In the future, demand for stainless is likely to accelerate at a geometric rate. The rate of growth will be dependent upon a number of factors, not the least of which is further ecological requirements. Just as a simple example, the catalytic conversion system for automotive emission control would require an additional 10 pounds of stainless steel per car; over 50,000 extra tons of stainless would have to be produced annually merely to meet this single demand. It is estimated that the demand for ferrochrome could grow from 309,000 tons in 1972 to over 750,000 tons by 1980.

#### STAINLESS STEEL ESSENTIAL

As stainless is critical to a modern technological society and chromium is essential to stainless, so the specialty steel industry is dependent upon ferrochrome.

I would like to emphasize that no American specialty steelmaker owns or operates any ferrochrome refining facilities in the United States. We are customers of Union Carbide, Foote Mineral, and other producers—not competitors, and I might say to the chairman that we do not own or operate any facilities in Rhodesia whatsoever. We do not have any investments there or anything.

Let me illustrate just how dependent the specialty steel industry is upon an adequate supply of ferrochrome at reasonable prices. For every gross ton of plain old "garden variety" stainless steel we need 400 pounds of chromium, 200 pounds of nickel, and 1,640 pounds of iron. The iron, which if scrap is used also contains some chromium, costs us about 2 cents per pound or \$32.80 for the amount we use to make a ton of stainless. The nickel will range between \$1.30 and \$1.40 per pound or about \$260 for this melt. The chrome costs about 23 cents to 38 cents per pound, depending upon whether low carbon ferrochrome or high carbon ferrochrome is used, or approximately \$120 for this melt. In this case, these are the three basic raw materials that make up stainless steel and which you cannot make it without, and in this case you can see the ferrochrome alone accounts for approximately 29 percent of the raw materials costs. It should be noted that wide claims have been made that low-cost ferrochrome is imported due to low-cost labor. The truth of the matter is that this is a highly capital-intensive industry, with power and raw materials representing the major segments of their costs and labor representing less than 10 percent.

As I mentioned previously, without chrome, stainless steel cannot be made. Thus if our source of ferrochrome is restricted, the conclusion is obvious. Assuming, however, that we can get ferrochrome—but at inflated prices—that effect is almost as serious. Rather than speculate, I can give you concrete examples of the economics involved.

We have just said that there is approximately 400 pounds of chrome in a ton of stainless steel; thus a 1 cent per pound increase in chrome would increase the cost of an ingot ton by \$4. With an average 50 percent yield factor, it would increase the cost of a finished ton by \$8.

#### SANCTIONS BROUGHT COST INCREASE

During the Rhodesian sanctions, the cost of low carbon ferrochrome rose 14 cents a pound—now that is a 60-percent increase—and the cost of high carbon ferrochrome rose 10 cents, 70 percent. For illustrative purposes, let's say that the cost of chrome went up an average of 12 cents. Thus the cost of a finished ton went up \$96. It is interesting to note that this would have been from 1969 to 1971, which were recession years, and in years which my industry was operated somewhere in the neighborhood of 50 percent of capacity as imports were encroaching rapidly upon our markets. Yet the price went up 70 percent during that recession.

Since there is approximately 1 million tons of stainless steel produced annually, the cost impact on the industry was \$96 million annualized. Shortly after the sanctions were lifted, the price on both products went down 7 cents per pound. It should be noted that this was in 1972 and 1973—boom years. This restored nearly \$56 million to the stainless producers during 1972. During the inflationary rise, these prices have edged back up approximately 4 cents per pound. It is probable that this \$32 million increase would have been on top of the \$96 million had the sanctions remained in effect. While there is no way to predict accurately, it has been conservatively estimated that the price of these products could rise from 10 cents to 25 cents, or an \$80 to \$200 million increase in cost, if the sanctions are reimposed.

That is assuming of course that we are able to get the material.

Where are we to get the necessary supplies of ferrochrome at reasonable prices?

There are three basic sources of ferrochrome for the American steel industry: American ferroalloy producers, the national stockpile, and imports. These alternatives, however, are more apparent than real.

#### UNITED STATES CANNOT PRODUCE ENOUGH ORE

The American ferrochrome industry cannot be considered an adequate source of supply either now or in the foreseeable future. There are at least two compelling reasons for this conclusion.

First, the American ferrochrome industry currently relies exclusively upon imported chromite ore for its raw materials requirements. As there are no reserves of economically feasible metallurgical grade chromite ore in the United States, the American industry's dependence upon foreign ore is likely to continue. As those countries with indigenous chromite ore reserves develop their own ferrochrome industries, they will become increasingly reluctant to ship raw material—and profits—abroad. This trend is already very apparent. The Rhodesian ferrochrome industry is already almost twice as large as the American industry and is growing at an increasing rate. Rhodesian—or South African ore—will inevitably become less available to American and third country ferrochrome producers as these countries develop the means of refining it themselves.

Second, the American ferrochrome industry was badly hurt by the initial sanctions, and has a diminished ability to meet the specialty steel industry's requirements.

In other words, contrary to reports it is my opinion that it was the putting on of the sanctions that set in motion the forces that hurt the ferrochrome industry, not the taking off.

Between 1967 and 1971, the American ferrochromium industry was faced with increasing environmental demands at the same time its source of high quality, low-cost ore was restricted and its energy costs rose substantially due to lack of long-term contracts. These combined factors rendered investment, and even maintenance, I might add, in existing facilities speculative at best. Further, the demands of the specialty steel industry were shifting away from low carbon ferrochrome to high carbon. Conversion of existing ferrochrome producing facilities would have necessitated huge capital investments.

Ferrochrome producers were thus placed in a vice of rapidly escalating costs on the one hand and depleted supply of low-cost material on the other. The result was inevitable. Production has almost consistently declined since 1967, with more plants scheduled to close.

When the sanctions were put on, the United States was approximately 95 percent self-sufficient in ferrochrome capacity. This has steadily declined to somewhere in the neighborhood of 70 percent and is estimated to drop to the neighborhood of 50 percent or less. The American industry, exercising what can only be viewed as sound business judgment, refused to invest millions of dollars in facilities without having some assurance they could recoup their investment. It is somewhat ironic that the profits generated by the chrome mining

industry in Rhodesia were blocked by the sanctions from flowing to the United States as usual. In fact, even the decision as to where those funds would be spent was transferred by the sanctions from New York to Salisbury. Thus our own funds helped build the competitive foreign facilities which you now see.

The implications for the specialty steel industry are also obvious: In the future we must increasingly rely on the other two sources of supply I mentioned previously—the national stockpile and imports.

#### NATIONAL STOCKPILE NOT ADEQUATE

Many commentators have suggested the national stockpile of ferrochrome is a reasonable alternative to both domestic ferrochrome producers and foreign suppliers. This thesis, however, will not stand critical examination.

The national stockpile of ferrochrome is approximately 721,000 short tons. At the present rate of consumption, this amount would apparently be sufficient to supply American specialty steel producers for almost 2 years. Remember, we used 390,000 tons in 1972 and we are at the rate of 480,000 tons this year. We should keep this in mind.

Unfortunately, this apparent availability is complicated by a number of factors. Of the 721,000 tons in the stockpile, 319,000 tons are low carbon ferrochrome which has been marked obsolete. The remaining 402,000 tons of high carbon ferrochrome could supply our requirements for about 18 months—if it were available. Currently, none of the national stockpile of high carbon ferrochrome is available for disposal. Legislation is now pending to release 390,000 tons of this material, but has not yet been reported out of committee, and that is another thing that is a little bit ludicrous. Why do we keep 11,000 tons I can't understand.

While it is not my purpose today to debate the wisdom of liquidation of the national stockpile, the issue is moot in any event. It does indeed bother me to reduce our national safety stock to 3 weeks' supply of high-carbon ferrochrome and 3 months' supply of chromite, the very first item defined as strategic and critical by this country in 1939, to see ourselves, and we now point to this stockpile with pride. What would we do if it didn't exist, which is what the bill now pending has eliminated.

This leaves foreign producers as the only reasonable source of ferrochromium for both long- and short-term requirements.

Of the major ferrochrome producing countries, only five have significant indigenous supplies of metallurgical grade chromite: The Soviet Union, Turkey, South Africa, Brazil, and Rhodesia. Other countries from which we currently import significant quantities of ferrochrome include Japan, West Germany, France, Finland, Norway, and Turkey.

I have heard it argued that should the United States reimpose the embargo on Rhodesia, American specialty steel companies could merely shift their orders to these other countries. This theory caused inestimable injury to the U.S. specialty steel industry during the sanctions, and could be devastating should the embargo be reimposed. The fallacy of this theory stems from at least three sources.

First: Those countries lacking indigenous supplies of ferrochromium are in approximately the same position as U.S. ferroalloy producers. Their suppliers, Rhodesia, South Africa, and the Soviet Union, are increasingly reluctant to sell raw materials when they are developing ferrochromium industries of their own.

#### JAPANESE INDUSTRY

As I mentioned previously, the Rhodesian ferrochrome industry is already double the size of U.S. capacity, and South African production currently exceeds half a million tons annually. Japanese ferrochromium producers, recognizing this availability crunch, have succeeded in gaining firm commitments from Turkey for 2.6 million tons of chromite over the next 10 years, effectively locking out third countries. As the August Metal Bulletin says, they are trying to line up a good share of the Brazilian ore.

Even the Japanese, however, are feeling the pinch, and will be 50,000 tons below domestic requirements this year. Stringent export controls on chrome-bearing scrap have already been imposed on the Japanese industry, and export regulation of ferrochrome is expected in the near future.

And I might add that the United States is still exporting its chrome scrap to anybody that will buy it and we are the only industrial nation in the world that will do that.

The Soviet Union currently mines more chromite than it can refine into ferrochromium, but the construction of new ferrochromium facilities will soon change that. In fact, this trend is already apparent. Imports of Soviet metallurgical grade chromite were 87 percent less during the first 5 months of this year compared to the equivalent period in 1972. Further, the Soviet Union has never been a major supplier of ferrochromium to the United States, retaining almost all their production for domestic consumption.

And incidentally as their ores were imported during the peak of the import period the percent of finds were decreasing every month which shows a loss of quality in ore.

It is apparent, then, that the United States must rely upon the two remaining major suppliers of ferrochrome in the foreseeable future: Rhodesia and South Africa. This leads to the second major fallacy in the theory I previously mentioned.

Almost without exception, South African ferrochrome needs some Rhodesian chrome. The Rhodesian ore is used to upgrade the low-quality South African fines in producing high carbon ferrochrome. Some South African ferrochrome is produced exclusively from Rhodesian ore. If the embargo were reimposed, much of the South African ferrochrome would be necessarily banned for U.S. consumption. In other words, if you are really going to shut out Rhodesia you would have to shut out South Africa.

Even if South African ferrochrome were to use only indigenous ore, however, South Africa would be unable to meet even the demands of the U.S. producers, disregarding third country consumers.

Incidentally, I noticed in the discussion of the testimony of Secretary Armstrong from the State Department there was no known way of determining this, but he said also in testimony there was no test, so I am not sure which of these statements is correct.

Mr. FRASER. Which do you believe to be true?

Mr. ANDREWS. There is no test that I know of.

#### PRICE ASTRONOMICAL

This brings us to the third major fault in the theory.

Even assuming that third country ferrochromium producers could somehow acquire raw materials and were even able to export ferrochrome, the price would be astronomical. We can already see this factor in today's market.

In 1972, for example, Japanese charge grade ferrochrome cost over 30 percent more than the Rhodesian product. German and Norwegian suppliers could not come within \$100 per ton of the Rhodesian price.

Foreign steelmakers, who openly evaded the embargo, were able to procure their raw materials at considerably less cost than their American competitors, until it took up to 50 percent of our markets away from us and they were taking advantage of these low-cost supplies.

Faced with a declining number of ferrochrome suppliers, and forbidden to trade with the leading producer—the steel industry could expect to pay stratospheric prices for such ferrochrome as it could get. The competitive effect could only be disastrous. Imports already have captured up to 50 percent of the market for several specialty steel products, and we could expect that trend to accelerate. Thus American jobs and the American specialty steel industry would become the victims of a policy directed against a government which has prospered under the embargo. The mine and mill output during the sanctions from 1967–71 increased by close to 95 percent in Rhodesia.

The irony will not be humorous to a black or white steelworker in Pittsburgh who loses his job if the sanctions are reimposed.

I appreciate your attention, and I would be happy to answer any questions you may have.

Mr. FRASER. Thank you very much. We will hold our questions until we have had the other witnesses.

The second witness is Mr. O'Mara, executive vice president of Union Carbide Corp.

#### STATEMENT OF FREDERICK B. O'MARA, EXECUTIVE VICE PRESIDENT, UNION CARBIDE CORP.

Mr. O'MARA. Thank you, Mr. Chairman. I have with me this morning Mr. Patrick Morgan from the law department of Union Carbide.

Mr. FRASER. We are pleased to have you here, Mr. Morgan.

Mr. O'MARA. I am pleased to have this opportunity to discuss some of the issues involved in the importation of Rhodesian chrome as it would be affected by the Humphrey-Fraser bill, H.R. 8005.

Union Carbide's involvement in this issue stems from the fact that since 1923 it has owned chrome ore properties in Rhodesia and has for more than 50 years operated plants which convert chrome and other ores into more useful and valuable forms. The ore is converted in high-temperature electric furnaces into ferroalloys which are then employed by the steel industry in the production of stainless steel, alloy steels, and a wide variety of other general and special purpose steels. The

operations of the chrome mines and a ferrochrome plant in Rhodesia are currently controlled by the Rhodesian Government.

The issues under consideration by this committee—the United Nations sanctions against Rhodesia, the U.S. relationship to those sanctions, the Byrd amendment, and the Humphrey-Fraser bill—all go under the general label of Rhodesian chrome, and for good reason. Chrome is the focal point of the matter. An understanding of metallurgical chrome is essential if this committee and the Congress are to make the decisions which will best serve the national interests of the United States, long term and short term.

#### CHROMIUM, FERROCHROME, AND CHROMITE : ORE CONTENT

Because there are several types of chromium-containing ores, and a variety of different products and uses for these ores, it is important at the outset to clarify what we mean when we discuss chrome.

Chromium is a metallic element first identified in 1797, and it occurs naturally in the form of an ore. Chrome ore is called chromite and has been traditionally classified, depending largely on the chromium content and the impurities, into three general types:

1. Metallurgical grade, which covers chromite ore suitable for use in the production of commercial ferrochromium and special chromium alloys. This is the most important grade and accounts for about 70 percent of the total use of chromite.

2. Refractory grade, which covers chromite which is satisfactory for production of standard refractory brick and foundry molds. It has very limited applicability in the production of alloying materials. It accounts for about 18 percent of the use of all types of chromite.

3. Chemical grade, which covers chromite satisfactory for use in the manufacture of chromium chemicals, including those used for chromium plating and for pigments. About 10 percent of the chromium used in this country is chemical grade.

The chromium ore, or chromite, found in Rhodesia is metallurgical grade. Since Rhodesia is the focus of the subcommittee's interest, and since metallurgical grade is by far the most important type from a standpoint of both economics and national security, my comments hereafter relate only to metallurgical chromite.

Metallurgical chromite in the form of ore as it comes from the mine cannot be successfully or economically employed by the steel industry or by other industrial users. It must first be converted into one of several types of ferrochromium by a high-temperature smelting and reduction process. This process is carried out by the ferroalloys industry, which also converts manganese ore and silicon ore into various types of ferromanganese and ferrosilicon for use by steel producers and the aluminum industry.

#### METALLURGICAL CHROME IS ESSENTIAL TO THE NATIONAL SECURITY

Chromium is one of the most important and indispensable industrial metals. Current U.S. consumption of metallurgical chrome ore totals about 700,000 tons per year. None is mined in the United States or in North America. The U.S. Bureau of Mines in 1970 estimated that recoverable domestic chromite reserves amount to 1.8 million tons of contained chromium, all in low-grade ore and mostly in small deposits.

The ore is chemical grade, rather than metallurgical chrome. To put it simply, these small amounts of recoverable reserves of chromite in the United States are not likely to be mined on a basis that is economical or profitable any time in this century.

Ferrocromium is irreplaceable for the production of stainless steel and other types of high-performance steels and superalloys, where the chromium imparts vital resistance to heat and corrosion. About 10 percent of domestic production of these steels goes directly to military and defense applications. Modern jet airplanes, nuclear submarines and warships, for instance, cannot be built without metallurgical chrome. Eighty-five percent of stainless steel is devoted to other essential uses, such as oil refineries, hospital equipment, food processing machinery, and chemical plants. Only about 5 percent of U.S. chrome usage goes to household appliances and kitchen tools.

#### STRATEGIC MATERIALS STOCKPILING

When the United States began to designate strategic materials for stockpiling and defense purposes in 1939, chromium was one of the first four commodities to be listed. The stockpile consist of metallurgical grade chromite and of several types of ferrocromium. Amounts in the stockpile are expressed by Federal agencies in terms of metallurgical chromite or equivalent by converting the amount of ferrocromium into the tonnages of metallurgical ore which would be required for their production.

#### THE STOCKPILE AND NATIONAL EMERGENCY NEEDS

It is appropriate to review the stockpile supply situation, especially in view of the contention of critics of the Byrd amendment that the supply is large enough to satisfy the needs of the ferrochrome industry for the foreseeable future and last the defense industries for 24 years in the event of a conventional war. This conclusion is based upon the following erroneous assumptions:

1. That defense needs in an emergency would require only 10 percent of the ferrochrome produced annually in the United States.
2. That all of the chrome in the stockpile is suitable for industrial use.
3. That Congress will approve the release of the stockpiled material.

As we all know, hearings have not even been held on this subject. The 10 percent figure represents, at best, the direct needs of the Department of Defense for weapons and weapons-support systems. It does not include indirect usage which the Office of Emergency Preparedness informed your committee earlier constitutes "the largest proportion of chrome used for military purposes." It is the indirect usage requirement—chrome needed for transportation systems, electrical power generating equipment, petroleum refinery and chemical processing equipment and the like—which principally dictates stockpile objectives.

In testimony to the House Armed Services Committee in June 1972, officials of the Office of Emergency Preparedness declared that the U.S. requirements for metallurgical chrome for a 3-year wartime national emergency would total 4,315,000 tons—or 1,438,000 tons per year.

This is more than the current peacetime usage. This estimate of U.S. emergency requirements was set in 1970 by the Office of Emergency Preparedness with the assistance of the Departments of State, Defense, Commerce, and Interior. They analyzed the expected supply and requirements during a projected future emergency. Estimates of supply for the projected mobilization period are based upon readily available capacity and normal resources in the United States and upon other countries which are considered accessible by the National Security Council.

To meet these national emergency needs, the current inventory of chrome in the national and supplemental stockpiles is about 5,300,000 tons. This amount includes more than 900,000 tons of excess chrome, the disposal of which has been authorized by Congress. This 900,000 tons, however, is very low-grade, low-quality domestic ore. And the bulk of it is stored in Montana, 50 miles from the nearest railroad. It has no economic value today.

In March 1970, the Office of Emergency Preparedness reduced the stockpile objective for metallurgical chrome to 3,100,000 tons and in 1971 requested legislation, S. 773, authorizing the disposal of 1,313,600 tons of metallurgical chrome and ferrochrome. In trying to explain how the United States could meet its wartime needs for 4,315,000 tons of chrome from a stockpile of only 3,100,000 tons, the OEP witness told the House Armed Services Committee, "We estimate we can obtain from sources such as Rhodesia and the Republic of South Africa 923,000 tons during the 3 years."

Members of the committee were unable to get satisfactory answers to their questions as to what would happen if Rhodesian ore were fully committed to customers elsewhere in the world or unavailable because of the UN sanctions, and the committee did not approve the bill.

#### PRESIDENT NIXON'S STOCKPILING PROPOSAL

In April 1973, President Nixon proposed new stockpile disposal legislation based on stockpiling essential needs for a 1-year period. In the case of chrome, the stockpile objective would be reduced to 445,000 tons. The legislation is pending before the Armed Services Committee, but no hearings have been held and none are in prospect.

We regard the material in the stockpile—even the 900,000 tons of Montana ore—as a good strategic reserve. It would be invaluable in the event of a serious wartime emergency which cut our Nation off from its normal sources of supply, all of which are halfway around the world in the Eastern Hemisphere.

However, this is not the same thing as saying the stockpile is a readily available reserve of competitively priced chrome and ferrochrome. Two factors must come into consideration at this point. One is the strategic reserve concept. If we use up the stockpiled material today for reasons of economic, political, or social policy, it will be gone and will not be available to meet the needs of national security should a real emergency occur. This, obviously, is a decision for the Congress and the President. On the basis of the record to date, the Congress apparently has decided to retain the stockpile reserves. It did not approve the legislation authorizing disposal of 1.3 million tons of chrome in the last Congress, and it has not yet even begun to consider the present proposals for an even more drastic reduction in the strategic stockpile.

The second factor involves economics. Much of the material in the stockpile was acquired during the Korean war at heavily subsidized prices. The average acquisition cost of metallurgical grade chromite in the national and supplemental stockpiles was \$46.66 per short dry ton, or \$52.25 per long ton. Much of the ore in the stockpile is worth far less than that today because it is low-grade, poor-quality material. It could be economically and competitively used by the domestic ferroalloy and stainless steel industries only if the price were to be cut sharply.

#### GOVERNMENT WILL LOSE MONEY

We have attempted to appraise the economic value of the material which the General Services Administration plans to declare excess if the Congress approves the new, lower stockpile objectives. Our estimate is that the Government would suffer an average loss of \$22 per ton on the chrome ore it plans to release. In the case of ferrochrome in the stockpile, the loss could exceed \$100 per ton.

Obviously, there is no economic advantage to the Federal Treasury in such transactions. We are not sure that the Congress and the Government are willing to accept losses of this magnitude—especially when they would be coupled with the risks involved in using the emergency supplies when there is no emergency. Furthermore, if the Government releases the ferrochrome as well as ore from the stockpile, the ferrochrome could have an immediate impact on the domestic producers of ferrochromium. Unless the sales were carefully timed and priced, they could adversely affect the domestic production of ferrochromium and the employment levels in the industry.

#### *Sources of supply*

Because chrome is indispensable to the functioning of a modern economy and vital to a sustained war effort, we believe it is appropriate for the Congress to give some consideration to the national security implications of various sources of supply.

In terms of estimated world resources of metallurgical chrome, Rhodesia possesses 67 percent of the total. Here are the estimates from the U.S. Bureau of Mines:

| Country            | Estimated resources (net tons) | Per cent of total |
|--------------------|--------------------------------|-------------------|
| Rhodesia.....      | 300,000,000                    | 67                |
| South Africa.....  | 100,000,000                    | 22                |
| Russia.....        | 26,500,000                     | 6                 |
| Turkey.....        | 9,000,000                      | 2                 |
| Philippines.....   | 1,500,000                      | 1                 |
| United States..... | 400,000                        |                   |
| Other.....         | 8,175,000                      | 2                 |
| <b>Total.....</b>  | <b>445,575,000</b>             |                   |

It should be noted that these amounts are resources, as opposed to reserves, where resources essentially means the estimated total amount present without regard to any economic considerations. The Bureau of Mines also indicated a belief that the Russian resources are substantially larger than the amount shown in this estimate, but better estimates are not available.

## SOURCES OF CHROME

Prior to the imposition of sanctions against Rhodesia, about 40 percent of U.S. imports of metallurgical chrome came from Rhodesia, about 40 percent from the Soviet Union, and the remainder from South Africa, Turkey, Iran, and other countries. With the imposition of sanctions against Rhodesia, imports of chrome from there ceased, and imports from Russia increased significantly. In 1968, Russia accounted for 69 percent of U.S. imports. Russia's share of the U.S. market from chrome imports was 57 percent in 1969, 1970, and 1972. It dropped to 41 percent in 1971 because of an unusually large increase in shipments from Turkey. Turkish shipments to the United States increased sharply in 1971 and 1972 because the high price of Russian chromite led many purchasers to place orders in Turkey. But in many cases, ore ordered in 1969 or 1970 was not delivered until 1971 or 1972. Union Carbide's purchases of Turkish ore accounted for more than 25 percent of the 1971 Turkish shipments to the United States.

## EFFECTS OF ENACTMENT OF THE BYRD AMENDMENT

A little more than 18 months have elapsed since the Byrd amendment became effective. By examining the situation that existed when the U.N. sanctions were fully complied with and then comparing it in the light of developments since January 1972, it is possible to assess the effects which adoption of the Humphrey-Fraser bill might produce.

## EFFECTS ON THE PRICES OF METALLURGICAL CHROME

The prohibition against importation of chrome from Rhodesia in the 1967-71 period produced a marked increase in the price of Russian chrome. The U.S. Bureau of Mines Mineral Yearbook for 1970 states,

Metallurgical grade chromite prices rose for the fourth successive year, continuing the trend initiated in 1967, primarily as a result of continued United Nations economic sanctions against Southern Rhodesia.

The price of Russian chrome dropped sharply in 1972 after the enactment of the Byrd amendment permitting imports of Rhodesian chrome. The following table shows the prices, f.o.b. shipping point, paid by or quoted to Union Carbide for metallurgical chrome ore:

| Rate      | Price per long<br>dry ton | Source             | Status          |
|-----------|---------------------------|--------------------|-----------------|
| 1966..... | \$26.66                   | Russian ore.....   | Presanction.    |
| 1971..... | 56.39                     | do.....            | Sanction.       |
| 1972..... | \$46.45-48.01             | do.....            | Byrd amendment. |
| 1972..... | 40.13                     | Rhodesian ore..... | Do.             |
| 1973..... | 37.59-39.62               | Russian ore.....   | Do.             |
| 1973..... | 38.79                     | Rhodesian ore..... | Do.             |

Adoption of the Byrd amendment resulted in a substantial drop in the price of Russian chrome. Secretary Armstrong this morning alluded to the price of chrome ore and made some comparisons, and you will find the table on page 10 of my testimony. And you will find that the prices quoted in that table are somewhat different from the prices

Mr. Armstrong quotes, the difference being that we are quoting our prices f.o.b. the shipping point, while Secretary Armstrong's prices are delivered prices, and there has been a vast increase in the cost of shipping over the period of time involved. So we try to relate those and that is the apparent difference. Those increases in shipping costs have practically doubled in this period of time. And this also has an impact, as we will discuss later on, on the advantage which the overseas producer has compared to the domestic producer.

Repeal of the Byrd amendment is likely to result in a substantial increase in the price of chrome. When repeal of the Byrd amendment was under consideration in 1972, suppliers of chrome forecast an immediate 20-percent price increase if imports from Rhodesia were banned again. If history repeats itself, and we expect it will, repeal of the Byrd amendment in 1973 would also result in a 20-percent increase in the price of Russian and Turkish chrome ore.

Now let's talk about the effects of the Byrd amendment on the ferrochrome industry here in the United States. Much has been said and written of a conflicting nature about the effects of the Byrd amendment on the domestic ferrochrome industry. It is essential that the confusion be cleared away and the facts exposed. And the facts are these. By producing a reduction in the price of metallurgical chrome ore, the adoption of the Byrd amendment has directly and usefully benefited the domestic producers of ferrochrome. It has reduced the cost of their essential raw material—whether obtained from Russia, Rhodesia, Turkey or elsewhere—and made them more world competitive. Even if there had been no price reductions, the availability of alternate sources of ore is beneficial.

#### RHODESIAN ORE HIGHEST QUALITY

Furthermore, adoption of the Byrd amendment has made higher quality chrome ore available to the U.S. ferrochrome producers. Despite assertions to the contrary by the U.S. State Department, our manufacturing experience with Russian, Rhodesian, and Turkish ore has strengthened our conviction that Rhodesian ore has a consistently higher quality in its metallurgical composition and in its physical form, both of which are important factors in ferrochrome production.

However, I want to make it clear that these benefits for the domestic ferrochrome industry from the Byrd amendment are largely obscured by other factors which are of much greater long term significance to the industry.

The U.S. ferroalloy industry has faced severe competition from imports of ferrochrome and ferromanganese for more than 15 years. Lower-cost imports from foreign countries have put, and are continuing to put, increasing pressure on the domestic industry. There are a number of causes for this import competition. Among them:

(1) The natural desire in many mineral-rich countries of the world to upgrade their products as much as possible. The ore-producing countries, including those who produce both chrome and manganese ore seek to upgrade their products to ferroalloys and retain for themselves the economic benefits of such upgrading. This is what Rhodesia and South Africa are doing. Russia, too, must also be thinking of such

moves because it can take advantage of low-cost electric energy and the transportation savings to produce and ship ferrochrome instead of chrome ore. It may be further encouraged to do so if the Congress agrees to "most favored nation" tariff treatment for Russian goods. Such a move would reduce the duty on Russian ferrochrome by 75 percent.

(2) Forward integration efforts such as these by mineral-rich countries are spurred by specific savings that can be realized in transportation costs which may, in the case of chrome, account for 25 percent or more of total costs. It takes about 2½ tons of chrome ore to produce one ton of ferrochrome. The transportation rate per ton, however, is the same for the ferroalloy as it is for the ore. Thus the ferroalloy producer who is located where the ore is found has a 50 percent or greater saving on his ocean freight costs.

(3) Electric power costs account for somewhere between 10 and 20 percent of the production costs for ferroalloys. The energy crisis in the United States is an important fact of life to the entire domestic ferroalloy industry which is power intensive and requires large quantities of electric energy. Rising costs of fossil fuels, the imposition of air pollution requirements on electric generating stations, and other factors are producing strong upward pressures on the costs of electric energy in the United States. In many of the producing countries today, the cost of electric power is significantly less than that in the United States.

#### LABOR COSTS

Labor costs are, in contrast, not a very significant factor. For ferrochrome, labor costs account for only about 10 percent of the production costs. While U.S. wage rates are much higher than those elsewhere in the world, U.S. productivity is much higher. Therefore, foreign ferroalloy producers do not have a significant labor cost advantage.

Imports of ferroalloys have accounted for somewhere between 20 and 40 percent of the domestic consumption of ferrochrome and ferromanganese over the past decade. Lower-priced ferroalloy imports put a severe squeeze on the earnings of the domestic producers and denies them the funds needed for modernization and expansion. This reality has made it all the more difficult for the domestic industry to respond to the current requirements for air pollution control and to meet the rising levels of electric energy costs.

These problems existed for some years before the Rhodesian sanctions were imposed but the imposition of sanctions in 1967 significantly aggravated the situation for the domestic producers of ferrochrome. The sanctions deprived them of the best source of lower cost chrome ore and made them depend instead on higher cost Russian or Turkish ore. Their competitive position and economic health suffered correspondingly.

None of this is particularly new and the fact that imports of ferrochrome are a serious problem for domestic producers can hardly come as a surprise to anyone familiar with the industry or to those in the Government with responsibilities in this area. As early as 1963, the domestic ferroalloys industry petitioned for governmental relief and assistance under the national security provisions of the Trade Expansion Act. This petition and a subsequent one both were denied.

Another major factor which has affected the domestic ferrochrome industry was the increase in imports of stainless steel from Japan and elsewhere which produced a significant and serious drop in the domestic production of stainless steel during the 1967-71 period and, of course, a corresponding drop in ferrochrome demand.

Caught between increasing imports and a declining market, profits of the U.S. ferrochrome industry were seriously eroded to the point where, in some cases, production is no longer economically feasible.

While it is probable that imports will continue to make further inroads in the domestic market, there are a number of ferrochrome alloys which, for a variety of reasons, are and will continue to be made by domestic alloy producers including Union Carbide Corp. These alloys will require a continued supply of high-grade metallurgical ore. Continued domestic production of these products can be best assured by the lowest costs of ore to the producers. The Byrd amendment resulted in a significant drop in ore prices. Its repeal would jeopardize the domestic production of some of these other products.

#### AIR POLLUTION CONTROLS

Air pollution controls are also an important direct factor in the cost and competitiveness of domestic ferroalloys production. The uncontrolled production of ferrochrome and all ferroalloys results in the emission of very large quantities of particulate matter into the atmosphere and air pollution abatement in the industry is difficult and costly. As evidence of how difficult and costly, in the 5-year period, 1972-77, alone, Union Carbide will have invested more than \$50 million in air pollution abatement equipment to bring its ferroalloys plants up to the level of pollution control dictated by present-day standards. Actually, the bulk of this money will have been spent by the end of 1975. This \$50 million investment is on top of a base, in-place air pollution investment by our ferroalloys division of some \$30 million. The air pollution cleanup costs for just one of the division's plants is expected to exceed \$28 million in the time frame 1970-75. This is not said to complain about the stringency of today's air pollution control requirements or to boast about what we are doing to control pollution at our ferroalloys facilities. It is simply a statement of fact that has important bearing on the entire domestic ferroalloys industry.

The cost of air pollution control is an especially important factor with respect to older, smaller, and less efficient production facilities in the industry where the capital cost of air pollution abatement equipment and the high operating cost of such equipment can be enough to push a marginal facility into the red.

It is a combination of these factors which apparently has led to the decision by several domestic ferroalloys producers to announce plans to shut down some of their production facilities.

Based on what we read in the general and trade press, prospective closing announcements have been made with respect to five domestic ferroalloys plants by three different companies. All of these plants are small and old. All face the necessity for heavy investments for air pollution control. According to what we hear and read, all are scheduled to be shut down by the end of this year or next year. However,

the facts are that none has been shut down as yet and there are indications that the decisions, in some cases, may be changed or deferred because of changing market conditions or the issuance of waivers with respect to air pollution requirements. Only one of these plants produces ferrochrome and its principal product is low-carbon ferrochrome, which is also a product under heavy pressure from imports, and I might say, a product of decreasing popularity. Incidentally, we have put together a compilation of information from the public record relating to these plant closure announcements which we will be glad to supply to the committee should it desire to go into this matter in greater detail.

Mr. FRASER. We would be grateful to have it if you would supply it.

Mr. O'MARA. Very well. We will do that.

[The information follows:]

#### DOMESTIC FERROALLOY PLANTS TO BE CLOSED 1973-74

##### FOOTE MINERAL

###### *Wenatchee (Washington) plant. Employees, 188*

Furnaces: 3—6000 KW (S.A.). 1—6000 KW (S.A.).

Production: 12000 NT yr. silicon metal. 4000 NT yr. 75% FeSi.

*Operating Status.*—Originally this plant was scheduled to be shut down at the end of 1973 for air pollution reasons. A tentative extension has been arranged to operate thru 1974 based on a partial compliance schedule and a possible arrangement for Alcoa to take the 1974 output.

###### *Stuebenville (Vancoram) Ohio Plant. Employees, 360*

Furnaces: 4—9000 KW (S.A.). 2—9000 KW Filters.

Production: 35000 NT yr. LCFeCr (including 22000 NT chrome silicon intermediate production). 11000 NT yr. shipping grade FeCrS. 21000 NT yr. High carbon chrome.

*Operating Status.*—Foote management states this plant will be closed by the end of 1973. Decision is irrevocable. Reason—air pollution costs and depressed chromium products pricing structure at the time of the announcement. Recent articles in the press indicate that this plant is in the process of being sold to Satra Corporation.

##### OHIO FERROALLOYS CORP.

###### *Tacoma (Washington) Plant. Employees, 120.*

Furnaces: 2—9000 KW (S.A.).

Production: 6000 NT yr. Silicon metal 8500 NT yr. 75% FeSi.

*Operating Status.*—This plant was closed in late 1972 because of inadequate air pollution facilities. At time of closing, company announced "insufficient markets on the West Coast" as being the reason.

###### *Brilliant (Ohio) Plant*

Furnaces: 1—11000 KW (S.A.). 1—17000 KW (S.A.). 1—9000 KW (S.A.) not operating. 1—18000 KW (S.A.).

Production: 7200 NT yr. Silicon metal. 11000 NT yr. Silicon metal. 15000 NT yr. 75% FeSi.

*Operating Status.*—Late in 1972, OFA announced the closing of this plant at the end of 1973 due to high air pollution costs. With present favorable market demand, company has applied for a variance thru 1974, with no specific dates for compliance. It should be noted that at the time of the 1972 shut-down announcement, the Brilliant plant was operating only one furnace (18000 KW) on charge chrome with the remaining furnaces idle. The company's intention was to shut down completely after the chrome ore inventory had been eliminated.

###### *Woodward Iron (Birmingham, Ala.) Employees, 70*

Furnace: 1—8500 KW (S.A.).

Production: 11000 NT yr. 50% FeSi.

*Operating Status.*—A high cost small furnace originally scheduled to be shut down at the end of 1973. With present strong market, the company has applied

for a variance thru 1974 without a definite compliance schedule. They have appealed to the pollution board to provide employment thru 1974. This case will come up for a hearing sometime in September and other southern producers are watching closely.

Mr. O'MARA. I should note that air pollution controls could have something of a silver lining for the ferrochrome and stainless steel industries. If the automobile industry employs catalytic converters made of stainless steel to meet the current auto emission standards, demand for stainless steel and ferrochrome will increase about 25 percent. But a production expansion of this magnitude may not be possible without Rhodesian chrome.

#### THE EFFECTS ON THE STAINLESS STEEL AND SPECIALTY STEEL INDUSTRIES

The price and competitive availability of chrome—specifically, ferrochrome—are of critical importance to the stainless and specialty steel industry of the United States. Stainless steel has a chrome content of 18 percent. Some special steels contain much higher amounts than that. Obviously, then, the cost of chrome is a significant factor in production of these steels.

Witnesses from the stainless steel industry are also scheduled to testify before the committee and will present their own views. However, the basic problem is starkly simple: lower cost Rhodesian chrome and ferrochrome will either reach the U.S. market directly if the Byrd amendment is retained or, if it is repealed, indirectly as lower cost stainless steel imports. The choice in terms of our overall national interest seems apparent.

#### THE EFFECTS ON RHODESIA

Prior to the imposition of the U.N. sanctions, chrome exports accounted for only 2 percent of Rhodesia's total exports and less than 1 percent of its gross national product. Chrome is still not a major factor in the Rhodesian economy today. In a statement to the press on May 22, 1973, U.N. Ambassador Scali stated that the importation of strategic materials from Rhodesia into the United States in 1972 amounted to less than 5 percent of the projected total of Rhodesian export earnings for 1972.

#### UNIVEX COMPANY

Since the imposition of sanctions, control over the marketing of Rhodesian chrome has been taken over by a Rhodesia State trading company, Univex. Under Government mandate, Rhodesian chrome operations produce ore and alloys as directed by Univex to meet its marketing requirements. Univex has successfully sold in world markets all of the chrome produced in Rhodesia. It has significantly increased the output of chrome ore, and vastly increased the production of ferrochrome in Rhodesia.

Repeal of the Byrd amendment would not reduce the amount of Rhodesian chrome available to world markets. It would only deny it to the U.S. market. Adoption of the Byrd amendment did not result in a large volume of Rhodesian chrome shipments to the United States

because most of the output was already committed to customers elsewhere in the world—customers who ignore the U.N. sanctions with apparent impunity. The British Foreign Secretary told Parliament last year: “A lot of (Rhodesian) exports are going to countries which are members of the United Nations and which are supposed to be supporting sanctions. This is beyond dispute.”

As indicated earlier in my statement, we anticipate that repeal of the Byrd amendment would lead to an increase of about 20 percent in the Russian and the world price for chrome ore, given present levels of steel production throughout the world. Such a price increase also would enable the Rhodesians to increase prices for their chrome ore and, subsequently, their prices for ferrochrome. Thus, repeal of the Byrd amendment is likely to produce a significant increase in revenues to Rhodesia. It would actually strengthen the Rhodesian economy, rather than weaken it.

#### FAILURE OF THE U.N. SANCTIONS

The failure of the Rhodesian sanctions widely recognized. This was true before the Byrd amendment. It continues to be so. Press reports published in this country indicate that the Rhodesian economy is expected to grow from 6 to 7 percent this year. Exports in 1972 amounted to \$345 million Rhodesian dollars and exceeded presanction levels. The presence of a wide variety of foreign cars on the busy streets of Salisbury offers striking physical evidence that the sanctions are not being observed.

It is recognized that to make the sanctions effective the flow of Rhodesian goods through South Africa, Mozambique, and Angola must be stopped. U.N. Draft Resolution S/10928, dated May 18, 1973, failed of adoption because of the vetoes of the United States and United Kingdom. This draft resolution stated that “effective action must be taken to end open and persistent refusal of South Africa and Portugal to implement sanctions against the illegal regime in Southern Rhodesia which has undermined the effectiveness of the measures adopted by the Security Council.” It required all states to limit the purchase of certain products from South Africa, Mozambique, and Angola to their quantitative levels prevailing in 1965 and extended the Beira blockade to cover all commodities and products from or destined to Southern Rhodesia to Laurence Marques.

#### AMBASSADOR SCALI OPPOSITION

Ambassador Scali's stated reason for opposing the draft resolution was that the broader sanctions were “clearly unenforceable.” If the United States through its U.N. Ambassador refuses to approve a measure recognized as essential to the success of sanctions against Rhodesia because they are “clearly unenforceable,” why make the pyrrhic gesture of repealing the Byrd amendment which would help rather than hurt Rhodesia.

I find it inconsistent that our U.N. Ambassador should come to Congress to urge repeal of the Byrd amendment which, he concedes, affects a minute portion of the Rhodesian exports, and at the same time vetoes a Security Council measure which would have made the sanctions fully effective.

## CONCLUSIONS

Mr. Chairman, in conclusion, I should like to recap what I feel are, or should be, the key considerations in these deliberations:

One, chrome is indispensable to a modern economy and society such as ours.

Two, the United States does not have viable reserves of chromium. Our present stockpile would meet our essential needs for 3 or 4 years at best, providing that costs are no object. If we use up our stockpile now it would not be available to us in time of national emergency.

Three, repeal of the Byrd amendment would deprive the American ferroalloys and stainless steel industries of Rhodesian chrome, but it would not reduce the number of new automobiles on the streets of Salisbury. In fact, there is clear evidence that repeal of the Byrd amendment would help, rather than hinder the Rhodesian economy.

Four, we should face up to the fact that the U.N. sanctions against Rhodesia simply have not worked. And the repeal of the Byrd amendment won't alter this fact. I see no evidence—either from here in the United States or from my visits to Rhodesia—that more than 6½ years of mandatory U.N. sanctions have moved the situation any closer to a satisfactory resolution we all so earnestly desire.

Five, my own belief is that the U.N. sanction will drive Rhodesia closer to a South African kind of apartheid rather than produce a just solution. In addition, the U.N. economic sanctions are essentially based on a starve-them-into-submission philosophy, which raises as many moral questions as it does practical ones. Surely there must be better ways.

Sir, since our domestic resources of chrome are so limited and uneconomic, we have no realistic national choice but to secure chromium from those areas of the world where it is found in more abundant quantities. We should not be—and in fact cannot afford to be—subject to artificial restraints.

The world's important sources of metallurgical chrome are located in countries with which people of the United States may have moral, political, religious, or social differences. As Americans, we do not, of course, endorse the policies of South Africa or Rhodesia toward blacks. Neither do we support the treatment the Soviet Union accords Jews or Lithuanians nor the attitude that Turkey has sometimes displayed toward its Greek minority.

We do not condone these policies, practices, or attitudes any more than we condone many of the events that have transpired in the long-standing Arab-Israeli dispute. Our nation's purchase of essential and critical raw materials, whether chrome or oil, in no way indicates the support of the American people or the U.S. Government for these policies, practices, or attitudes, nor should it be so interpreted.

The world's social, political, and other problems cry out for solution. But the solution clearly does not lie in isolating ourselves economically or otherwise from problem areas.

I believe our Government would do a disservice to the American people were it to artificially limit our access essential materials.

For these reasons, we do not favor the enactment of H.R. 8005.

Thank you, Mr. Chairman.

Mr. FRASER. Thank you very much, Mr. O'Mara.

Now our third and final witness, Mr. Lockwood.

**STATEMENT OF EDGAR LOCKWOOD, DIRECTOR, WASHINGTON  
OFFICE OF AFRICA**

Mr. Lockwood. I would like to compress this testimony which I think you have before you in written form.

Today, as Congress prepares to consider legislation to restore compliance with the sanctions program, the prior arguments stand revealed as deceptive and misleading. We now know that no national defense requirements compelled us to this break with our international obligations. Our stockpile of chrome and ferrochrome contains vast quantities of excess material which the President seeks authority to dispose of. We continue to depend on Soviet chrome ore, even while we are breaking sanctions. Rhodesian ore has been imported in relatively small amounts. Instead, ferrochrome and processed nickel are being imported in quantities which dwarf the value of chrome ore imports. These low-priced ferrochrome imports, made with forced labor paid wages below the poverty datum line, are threatening to wipe out the American ferrochrome industry.

Those who now argue that sanctions should not be restored are prepared once again to use fear as a tactic. They argue that unless ferrochrome is allowed to be brought into the country from Rhodesia and from South Africa, the stainless steel industry cannot survive. These hyperbolic, exaggerated claims are just as misleading as were the arguments made in 1971. They obscure the actual cost of sanctions so far, create hobgoblins of future disaster and fail to deal with the real political price which we are paying and will pay for sanctions breaking.

**I. THE IMPACT OF SANCTIONS ON THE COST AND PROFITS OF THE STAINLESS  
STEEL INDUSTRY HAS BEEN GROSSLY INFLATED**

Mr. E. F. Andrews of Allegheny Ludlum Industries today argued before this committee:

During the Rhodesian sanctions, the cost of low-carbon ferrochrome rose \$0.14 and the cost of high-carbon ferrochrome rose \$0.10. For illustrative purposes, let's say the cost of chrome went up an average of \$0.12. Thus the cost of a finished ton went up \$96. Since there is approximately 1 million tons of stainless steel produced annually, the cost impact on the industry was \$96 million annualized.

This argument suggests and is the logical fallacy called *post hoc, propter hoc*: Because event B happened during or after event A, it does not necessarily follow that event A is the cause of event B. Indeed Mr. Andrews does not say that price rise of 12 cents in the cost of ferrochrome was caused solely by sanctions. Nevertheless, he leaves the clear implication that sanctions were to blame and indeed that if it had not been for the sanctions program, the U.S. ferrochrome industry would not be threatened with extinction. For this extraordinary proposition he offers not a scintilla of evidence. Indeed he cannot do so.

The assumptions behind Mr. Andrews' implication need proper examination. Is he saying that sanctions cost the United States \$96 million in each year they were in existence—is that what he means by annualized—because we could have purchased all our ferrochrome from Rhodesia during the years 1966-71? He admitted that until 1969 Rhodesian ferrochrome capacity was extremely limited and that its

300,000-ton capacity had only come into existence in the last 3 years.

Furthermore, when ferrochrome did become available in 1972 from Rhodesia, the decline in the price of high-carbon imported material was 2.7 cents per pound for the year; low-carbon imports averaged 1.4 cents per pound less. See charts D and E attached to Senator McGee's statements submitted to the hearings before the Subcommittee on Africa of the Committee on Foreign Relations of the Senate on September 6, 1973. Mr. Andrews' statement that the price of low-carbon and high-carbon ferrochrome went down 7 cents for the year 1972 would appear to be contradicted by the figures of the U.S. Department of Commerce publication, "Imports: Commodity by Country."

The "savings" affected by this change in imported prices amounted to approximately \$3.5 million. If we assume that the price of domestic ferrochrome declined in the same fashion as imported ferrochrome prices and that the domestic industry retained 55 percent of the market, as against 45 percent for imports, the total "savings" would have been on the order of \$7.8 million. It is curious to call driving an American industry to the wall a "saving."

It should be remembered, however, that the most relevant and fair way to state the impact of sanctions on costs to the stainless steel makers is to state it as a percentage of the total cost of production, and not in absolute figures.

Mr. Howard O. Beaver, president of Carpenter Technology Corp., in his statement of September 6, 1973, which was submitted to the Senate Subcommittee on Africa, asserts that ferrochromium represents 13.4 percent of raw material costs, not 29 percent as Mr. Andrews alleges, and that raw material costs amount to 35 percent of the total costs of production. Thus the cost of ferrochrome as a component in the production of stainless steel turns out to be only 4.7 percent of total production costs. Even if we make the assumption that Carpenter Technology was importing and using only high-carbon Rhodesian material at an average saving of 2.7 cents per pound, such a saving would represent a decline in the cost of ferrochrome of 17 percent. However, stated in terms of total production costs, the decline would mean a saving of only 0.79 percent, by that I mean less than 1 percent.

#### INDUSTRY EXAGGERATIONS

Not only has the stainless steel industry exaggerated the cost benefits derived from breaking sanctions, its representatives fail to mention the very considerable protection already afforded to it to preserve its position. As Mr. John Sheehan, legislative director of the United Steelworkers of America, ably pointed out in his testimony, the stainless steel industry has since 1969 enjoyed the benefits of voluntary restraint agreements between United States, Japanese, and European steel producers which limit imports to a given percentage of the market. Indeed we must assume that it was concern for overseas sales, not concern for American consumers, which prompted the stainless steel industry to its present stance. The "Ten-Year Summary of Stainless Steel," submitted as exhibit 5 of Mr. Ornitz' statement on behalf of Colt Industries, which was also submitted to the Senate committee, states:

The 1972 imports of 149,000 tons are the lowest recorded since 1967—partially the result of the agreement by Japan and the ECC/UK to limit shipments of stainless steel to the U.S. The recent dollar devaluation may enhance the export potential for U.S. steel mills and service centers.

The latter point is worth stressing. As we have pointed out, breaking sanctions saved the stainless steel industry less than 1 percent of the total cost of production. But the devaluation of the dollar amounted to a benefit to the U.S. stainless steel industry of more than 10 percent in this year alone. Since April 1971, according to the Department of the Treasury, the yen has increased 36 percent and the German mark 48 percent in value in comparison with the dollar.

These revaluations mean that Japanese and German buyers are finding American stainless steel cheaper than their own countries' products. In fact, stainless steel is experiencing a boom. These benefits are not the result of greater technological skill or managerial prowess. They are the product of historical events, just as are sanctions. Industry, however, seems unwilling to acknowledge the compensating benefits it has received at the same time that costs were imposed by sanctions. These benefits turn out to be far greater in amount and significance.

We do not argue that sanctions have cost the stainless steel industry nothing. But Congress should ask the proponents of violating sanctions to state costs as they are, in a proper perspective, and to refrain from logical fallacies and speculative projections.

## II. RESTORATION OF SANCTIONS WILL NOT LEAD TO DISASTROUS CONSEQUENCES FOR THE STAINLESS STEEL INDUSTRY SINCE ALTERNATE SOURCES OF CHROME ORE AND FERROCHROME ARE AVAILABLE

Spokesmen for the stainless steel industry argue that neither our stockpile nor domestic supplies can be counted on to meet our needs for chrome ore and ferrochrome. Indeed, Mr. Andrews says that we have no choice but to rely on Rhodesian ferrochrome and South African ferrochrome made with Rhodesian chrome ore, because all other foreign producers are not able to offer a competitively priced product or are giving preferential sales consideration to their own domestic stainless steel producers.

First, chrome ore and ferrochrome can be made available from the national stockpile. According to President Nixon's April 16 statement, the stockpile contains amounts of all chrome products in excess of our national defense needs: 4,716,000 tons of high-grade chrome ore, 318,900 tons of low-carbon ferrochrome, and 354,200 tons of high-carbon ferrochrome. The proposed releases follow from carefully arrived at new estimates of our defense requirements. The Office of Emergency Preparedness states:

Because our economy and technology are dynamic, our capability to find substitutes for scarce materials is far greater today than in the past. We are now able to meet defense needs for materials during possible major conflicts without imposing an excessive burden on the economy or relying on an enormous stockpile, as was once necessary. After a careful and searching review of the current stockpile, the President approved new guidelines that would tailor the kind and quantity of materials in the stockpile to the national security needs of the 1970's.<sup>2</sup>

<sup>2</sup> See hearings entitled "Future Direction of U.S. Policy Toward Southern Rhodesia," held before the Subcommittees on Africa and on International Organizations and Movements of the Committee on Foreign Affairs, February 21, 22; March 15, 1973, at p. 110.

## STOCKPILE RELEASE

Mr. O'Mara of Union Carbide warns that "If we use up the stockpiled materials today for reasons of economic, political, or social policy, it will be gone. It will not be available to meet the needs of national security should a real emergency occur."

No one is advocating that the entire reserve be released now. If the carefully considered stockpile release is authorized, reserves of 444,700 tons of high-grade chrome ore, a slightly larger amount of all grades, and 11,500 tons of low-carbon ferrochrome will remain in the stockpile. Clearly, the proposed release of chromium products will not threaten our national security.

Mr. Andrews contends that the chrome products in the stockpile are not of sufficiently high quality for use in the stainless steel industry. This is contradicted by the findings of the National Materials Advisory Board of the National Research Council which states that "the [chromium products] in the stockpile are satisfactory for general or emergency use."<sup>3</sup> I may say that statement was attached to Mr. Ornitz' statement which was submitted to the Senate.

It has been argued that low-carbon ferrochrome reserves from the stockpile have become obsolete. Actually, the National Research Council report indicates that use of the low-carbon ferroalloy is not even declining:

It is estimated that during the next five years high-carbon ferrochrome consumption will increase by 50 percent, while ferrochrome-silicon and low-carbon ferrochrome usage will be relatively static.

Recent statistics on consumption bear this out.

According to the Bureau of Mines, 81,034 short tons of low-carbon ferrochrome have been consumed in the first six months of 1973, as compared with 63,853 short tons in the comparable period of 1972. The use of high-carbon ferrochrome is increasing at a greater rate, but low-carbon ferrochrome still fills one-third of the domestic industry's needs, and probably will continue to do so. The stainless steel industry would be able to use the low-carbon ferrochrome released from the stockpile.

Second, the domestic ferrochrome industry continues to be a viable source of ferrochrome: Stainless steel spokesmen also contend that industry cannot depend on the domestic ferrochrome industry as a viable source. It is true that ferrochrome produced in the United States is more expensive than ferrochrome imported from Rhodesia. But, as we shall document later, Rhodesian and South African ferrochrome is produced more cheaply in large part because of the use of cheap forced labor. In comparison, workers in the domestic industry are organized in trade unions and receive adequate wages. We in the United States can be proud of our strong trade unions. The ferrochrome industry should not be penalized for bargaining with unions to assure equitable wages and working conditions for its employees.

It has been pointed out that the days of the U.S. ferrochrome industry are numbered because countries with chrome ore deposits are

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<sup>3</sup> See Report of the Panel on Chromium of the Committee on Technical Aspects of Critical and Strategic Materials, National Materials Advisory Board, National Research Council, May 1970, attached as exhibit 3 of the Sept. 6, 1973, statement of Martin Ornitz of Colt Industries, Inc.

moving toward processing their ore domestically rather than exporting raw materials at a smaller profit to them. However, it can be argued that we should be willing to pay the price to maintain the domestic ferrochrome industry because of its strategic importance. William Lawrence of the Office of Emergency Preparedness pointed this out in February in answer to questions submitted by Congressman Diggs after the hearings in that month :

I agree that from the point of view of emergency preparedness, it is important to the security of this country in an emergency not to allow U.S. ferrochrome production capacity to run down.<sup>4</sup>

Given the strategic importance of the industry, it is possible that the U.S. Government could subsidize domestic ferrochrome production. This is the pattern in other countries, including Finland and Rhodesia, and it may be a pattern we should follow.

Furthermore, it should be noted that while Mr. Andrews claimed that making capital investments in the U.S. ferrochrome industry and negotiating for cheaper ore on the basis of longer-term contracts would have been speculative, at best in recent years, Japan has done precisely this. Japan, like the United States, mines no chrome ore, yet Japan's Showa Denko K. K. started up a new 60,000 ton per year ferrochrome plant in 1971. Also in that year, the Government of Japan reached an agreement with the Turkish Government providing that Turkey supply 1 million tons of chrome ore to Japan over an 11-year period. The United States could have entered into a similar agreement, to insure that our ferrochrome industry would have an adequate supply of competitively priced chrome ore. We probably still could do this if we are committed to maintaining a ferrochrome industry in the United States. I may say, incidentally, that I have received information from the American Metals Market, an article here dated September 21, announced that Foote Mineral Co., which we had believed to be closing, has sold its Steubenville, Ohio, plant to Satra Corp., which is involved in trading in chrome ore with the Soviet Union; so apparently there is a possibility that they may start ferrochrome production there using Russian materials.

Third, recovered stainless steel has tremendous potential as a source of supply for the stainless steel industry.

#### SCRAP STAINLESS STEEL

Industry spokesmen have given little attention to another domestic source of chromium provided by scrap stainless steel. I was interested in Mr. Andrews' remark that we are shipping scrap overseas and seem to have no control over it for some reason. We could be putting an export control on this if that is a problem.

Over the years, the United States has imported immense quantities of chromium for use in the production of stainless steel. These materials have not disappeared; a geological survey to locate chromium would find that much of the world's supply would be in the junkyards of the United States. Industry has begun to use recovered stainless steel, but this source is just beginning to be exploited. Research into

<sup>4</sup> See hearings entitled "Future Direction of U.S. Policy Toward Southern Rhodesia," held before the Subcommittees on Africa and on International Organizations and Movements of the Committee on Foreign Affairs, at p. 106.

the recycling of chrome-bearing industrial wastes by the Bureau of Mines which is now underway should be accelerated.

Chromium is an irreplaceable raw material for which there is an increasing demand. While the stainless steel industry seeks to obtain chromium at the lowest price now, it cannot afford to discard or ignore the large amounts of chrome ore and ferrochrome in this country in the ground, in the stockpile, and in scrap stainless steel. All of these sources can only be exploited at a price, but it is a price that will eventually have to be paid. We argue that now might be a good time to invest in exploiting these important sources, in order to abide by sanctions at this critical time and strengthen the possibility of achieving transition to majority rule in Rhodesia.

Fourth, foreign sources of ferrochrome outside of Rhodesia and South Africa can supply our needs. It has been argued that the U.S. stainless steel industry cannot afford to be denied access to ferrochrome from Rhodesia and South Africa even for a limited period of time. However, there are other foreign as well as domestic sources of ferrochrome.

There is a myth that Rhodesian ferrochrome is the cheapest available in the world. In fact, the United States has been importing ferrochrome more cheaply from Finland. The United States imported 11,542,995 pounds of Finnish high-carbon ferrochrome at a price of 9.9 cents per pound in 1971 and 7,224,752 pounds in 1972 at 9.4 cents per pound. In 1972, we were paying 11.4 cents per pound for Rhodesian high-carbon ferrochrome.

Like the United States, Finland has deposits of relatively low grade chrome ore. However, the Finnish Government decided in 1965 to subsidize the Outokompu Oy Co. to make the investment necessary to process their ore into ferrochrome of a competitive quality. Finland does import a small amount of chrome ore from the Soviet Union, but the vast majority of their ferrochrome is processed from their domestic reserves. And the Finnish ferrochrome industry has developed the technological capacity to make high-carbon ferrochrome using low-grade Finnish chrome ore exclusively. The United States can look to Finland not only as a source of cheap processed ferrochrome, but also as a model for how we could exploit our own chrome ore deposits which are dismissed as uneconomical.

#### SOVIET UNION RESERVES

The Soviet Union has also been largely overlooked in the discussion of available chrome ore and ferrochrome. The Soviet Union has the third largest chrome reserves in the world, after South Africa and Rhodesia. The Bureau of Mines estimates that the U.S.S.R. and other Communist countries probably have resources in excess of 75 million tons. Even Mr. O'Mara points out that the Bureau of Mines also indicates a belief that the Russian resources are substantially larger than the amounts shown in this estimate.

The Soviet Union has been a dependable source of chrome ore for the U.S. ferrochrome industry. I do not find Airco complaining about it. They are the principal users of the Russian ore.

It is likely that the Soviet Union will increasingly want to process its own ore domestically before exporting it, as Rhodesia, South Af-

rica, and Turkey are also doing. Representatives of the stainless steel industry suggested that the Soviet Union would then give preferential treatment to its domestic stainless steel industry and that, consequently, the U.S.S.R. cannot be looked to as a viable source of ferrochrome. No evidence was given to support the statement that the Soviets would not produce ferrochrome beyond domestic requirements. The fact that no ferrochrome has been exported so far does not mean it could not be, as the Soviet ferrochrome industry is expanded. Both Japan and West Germany export ferrochrome notwithstanding the fact that they produce stainless steel even though neither has access to chrome ore as the Soviets do.

Fifth, exclusive dependence on South Africa and Rhodesia as sources of ferrochrome will cause long-term damage to the stainless steel industry in America.

Concentration of monopolistic power in the hands of these producers will result in higher prices for ferrochrome in the long run. In May 1973, the Ferroalloys Association warned, "Ultimately [the Republic of South Africa and Rhodesia] could dominate and control the world supply of chromium products."<sup>5</sup> In spite of this warning, spokesmen for the stainless steel industry appear to be advocating the abandonment of domestic ferrochrome production and espousing the concentration of all ferrochrome production in South Africa and Rhodesia.

I may say, incidentally, that while Mr. Andrews stated that his company had no interest in Rhodesia, it is not true that the stainless steel people in this country have no interest in South African ferrochrome plants. The United States Steel Co. has an interest in the plant east of Witbank. There may well be other stainless companies which have an interest in ferrochrome facilities in South Africa.

This position poses the threat of all monopolistic control situations. Since South African ferrochrome reflects Rhodesian chrome ore prices and a common Rhodesian-South Africa political approach, we can expect that once monopolistic conditions have been attained, these countries will exact all that the traffic can bear. Indeed; this is the typical effect of cutthroat competition: to drive out producers whose costs of production are higher and to achieve greater profits and stability thereafter by charging a uniformly higher rate.

We need to remember that before the entry of Russian chrome ore into the U.S. market, Rhodesian chrome ore commanded a price in the United States of \$87 a ton in 1953, \$120 per ton in 1968 dollars.<sup>6</sup> "High quality chrome-ore from Russia at low cost a few years ago, circa 1963, disturbed some of the traditional ore suppliers, but it probably benefited the American stainless steel industry."<sup>7</sup> The stainless steel industry has a short memory.

Indeed, it seems strange to hear arguments that it is dangerous to rely on a limited number of countries such as the Soviet Union and Turkey for supplies of chrome ore but to find the arguer ignoring the greater danger implicit in allowing South Africa and Rhodesia to monopolize the ferrochrome industry. Domestic ferrochrome pro-

<sup>5</sup> See Ferroalloys Association of the United States, *Petition for Relief From Excessive Imports*, May 1973, at p. 8.

<sup>6</sup> See U.S. Department of Interior, Bureau of Mines, "Chromium," a chapter from "Mineral Facts and Problems," 1970 edition, at p. 255.

<sup>7</sup> See American Metals Market, May 23, 1973, Chromium Profile.

ducers have not been slow to point out the danger in such a course. For example, Mr. Norris MacFarlane of Airco, Inc., points out in a recent article in *American Metals Market* :

Consider what would happen, if say, foreign steel-producing interests contracted to buy South Africa's total ferrochrome output. For one thing, U.S. stainless steel producers would have to reduce their production rates drastically (for lack of ferrochrome) and stainless steel imports would soar. It would certainly take too long to forestall permanent dislocations in the stainless steel business.<sup>5</sup>

#### SHORTSIGHTED POLICY

The stainless steel industry's insistence on maintaining U.S. access to chromium products from Rhodesia in violation of sanctions is shortsighted because when majority rule comes, the black government will not want to do business with firms which supported the white minority view. It is inevitable that there will be majority rule in Rhodesia in the not-too-distant future.

Since 1950, 38 independent African nations have been granted independence or have overthrown colonial rule and become independent. Only in the Portuguese colonies of Angola, Mozambique, and Guinea-Bissau, and in South Africa and Rhodesia are white minority governments still in power. Armed struggles have been going on in the Portuguese colonies for a decade, and significant gains have been made. Resistance to the Government is increasing in South Africa and Rhodesia also. The liberation of southern Africa is a major theme in the United Nations. Independent African states call for a free southern Africa with their votes and a united voice, independently and collectively, at the United Nations.

When change comes in Rhodesia, U.S. industry will have to negotiate for access to chromium and nickel with a new majority Government. The African people of Rhodesia have made clear to us the importance they attach to the United Nations sanctions. When the Byrd amendment was adopted in 1971, Abel Muzorewa of the African National Council said :

The action of (the United States) Government to break sanctions and to begin to import chrome was a severe blow to our struggle for freedom.

The Rhodesians are not a vengeful people, but they will not forget the actions of the United States which gave political and economic support to the white minority regime when they were struggling to gain majority rule. It is in the long-term interest of the United States to abide by sanctions now and work to strengthen them in the United Nations, so that we will have access to the important raw materials of Rhodesia on an equitable basis when a majority Government does come into power in Rhodesia. The human, moral, and social costs breaking sanctions are of more importance than the small financial cost :

Witnesses before this committee have argued that concentration of all ferrochrome production in Rhodesia and South Africa makes economic sense, and we have tried to say that the economic cost of abiding by sanctions is not as serious as they make it out to be, but they fail to state the human, social, and moral costs of breaking sanctions, which are more important.

<sup>5</sup> See *American Metals Market*, May 23, 1973, article by Norris MacFarlane, "Things Look Better—But for How Long?"

A. Sanctions-breaking supports a system of forced and cheap labor. Goods made under these conditions can be sold at prices below costs of production in countries that practice fair labor standards.

#### AFRICAN WAGES

In 1973 wages paid to Africans in Rhodesia were one-eleventh of wages paid to Europeans. Most Rhodesian Africans are living below the poverty datum line. (See Johannesburg Star, airmail edition, August 11, 1973, page 13.) Gross disparities in wages based on race appear in the statistics of Union Carbide's operations in Rhodesia. In 1970 it paid its African workers \$46 to \$130 a month while it paid \$122.50 to \$750 a month to European workers.

According to statistics compiled by the Rhodesian "Government," 1971 wages for African workers in the mining industry were 353 Rhodesian dollars per year (565 United States per year or \$47 per month). The average for Europeans, Coloureds and Asians in the mining industry was 4,810 Rhodesian dollars per year or \$7,696 United States per year or \$641 per month.<sup>9</sup> Thus in mining wages a racial disparity of 1 to 13 existed.

By comparison, wage rates for African workers in the mines in Zambia—at one time Northern Rhodesia—had advanced to one-sixteenth of the wages of expatriates by 1970 from a 1964 level of one-ninth. To quote from a recent survey, "Thus it is unmistakable that the average Zambian wage earner's standard of living has improved substantially as a result of wage increases that have taken place since independence."<sup>10</sup> The average annual earnings of Africans in Zambian mining and quarrying in 1971 were 1,569 kwachas—\$2,447.66 per year or \$204 per month—four times as much as Rhodesian African miners.<sup>11</sup>

It is clear enough that political independence in Zambia has yielded better wages and living conditions for Zambian workers. Furthermore, workers have enjoyed the fruits of a free labor union movement. In Rhodesia, repressive labor legislation and police-state methods used against African workers have yielded the low wages which are evident in the above comparison. The factual details of the repression of workers are contained in a UNESCO report attached here to as exhibit A. Summarized, they are as follows:

(a) The Industrial Conciliation Act of 1959 with subsequent amendments restricts the growth of strong unions by prohibiting horizontal

<sup>9</sup> See Monthly Digest of Statistics, September 1972, Central Statistics Office, Salisbury, reproduced in UNESCO publication E/5245, Feb. 23, 1973, allegations regarding infringements of trade union rights, pp. 32, 33.

<sup>10</sup> See Republic of Zambia, Second National Development Plan, Ministry of Development, Planning, and National Guidance, December 1971, at pp. 10 and 11.

<sup>11</sup> See Monthly Digest of Statistics, Central Statistical Office, Lusaka, vol. IX, No. 4, April 1973. Relative disparity and current mining and quarrying earnings are as follows:

(In kwachas)

|                        | African | Other |
|------------------------|---------|-------|
| 1969 .....             | 1,412   | 8,174 |
| 1970 .....             | 1,543   | 7,229 |
| 1970 (cash only) ..... | 1,430   | 6,982 |
| 1971 (cash only) ..... | 1,569   | 7,336 |

Basic monthly rates of pay in Zambian copper mines in December 1969 ranged from 55.05 kwachas a month for workmen to 181.82 kwachas a month for artisans (\$85.83 to \$282.48 a month in U.S. currency). See table 4.11, p. 52, Zambia, Statistical Year Book for 1970.

memberships, by imposing conditions on the right to strike, by compelling trade union officials to incriminate themselves if necessary to answer any questions put to them by officials, and by prohibiting assistance from any international trade union movement.

(b) Under the African Affairs Amendment Act meetings of 12 or more Africans require permission of officials. Where permission is granted, police officers are commonly present and proceedings are usually tape recorded.

(c) Section 45 of the 1971 amendment to the Industrial Conciliation Act places the right of workers to strike in doubt; in fact it is virtually nonexistent in the view of U.N. experts.

(d) Any strike by Africans is regarded as political and is dealt with as a breach of laws for the preservation of law and order. Thus in 1972, when certain mineworkers at Shabani went on strike, coincident with the arrival of the Pearce Commission which has been sent to survey the acceptability of the 1971 settlement among the people of Rhodesia as a whole, Rhodesian security forces opened fire on the strikers, killed one, injured several others, and arrested many more.

(e) The Government maintains labour exchanges or transit camps with wretched living conditions for "vagrants," who may be unemployed persons looking for work.

(f) Deregistration of trade unions is on the increase.

(g) The vast majority of African workers cannot belong to any trade union.

Under these conditions, it is not surprising to hear from Mr. Andrews that the labor costs in Rhodesia are only 10 percent of the costs of production. If Rhodesian African miners were paid at the rate miners are paid in Zambia, they would be paid four times as much as they are paid today. This would clearly have an impact on the prices which Rhodesian ferrochrome producers would have to pay for chrome material. If labor in the Rhodesian ferrochrome plants were to be paid at the Zambian rates for miners, the percentage of total costs which labor represent would probably rise to at least 30 percent of the cost of production.

It is no wonder that the American ferrochrome industry was forced in May 1973 to apply to Congress and the Tariff Commission for relief from excessive imports. As Mr. Norris MacFarlane, president of Airoco Inc., told this office in a telephone interview this year, "How can we compete with companies that operate in Rhodesia? In Rhodesia they pay blacks \$1 a day; in our plant in Charleston, South Carolina, we pay black Americans \$24 a day."

#### MAJORITY RULE

When and if majority rule and independence are achieved in Rhodesia, wage rates will rise, provided a free labor movement is also permitted. Such a rise will eliminate much of the advantage Rhodesian competitors can use against American ferrochrome makers by using price cutting as a tactic.

Mr. Andrews admitted in private conversation with a representative of this office on the day of the Senate hearing that the figure of 10 percent applies only to Rhodesia. In South Africa, where he admits that all ferrochrome production includes Rhodesian ore, wages represent

a larger percentage of production costs because governmental policy encourages labor-intensive industry.

#### B. SANCTIONS-BREAKING WILL EXPORT POLLUTION TO SOUTH AFRICA AND RHODESIA

Apparently Union Carbide regards American pollution control equipment requirements as a costly innovation which can be circumvented or avoided by moving production to Rhodesia or South Africa, where pollution standards are less rigorous. To be sure, Mr. O'Mara said that his company had no objection to the stringency of American pollution controls. Yet he pointed out that air pollution controls are "a factor in the cost and competitiveness of domestic ferroalloy production."

Does this statement not amount to saying that we cannot compete with producers in South Africa and Rhodesia partly because legal requirements there are not as strict in regard to pollution control? Are we to take it that domestic producers of ferrochrome have been doomed to extinction by the demands of society that it be protected from the hazards to health posed by pollution? Surely we should be prepared to pay the price of what is necessary to our health even if these necessities of life require that we pay more for ferrochrome and 1 percent for stainless steel. Competition from countries which do not protect their citizens from pollution will undercut our own antipollution measures unless we are prepared to protect those industries which abide by our standards from such competition through subsidies or by other measures.

Pollution and unfair and exploitative labor conditions cannot be exported without ultimately having an effect on America and on conditions here. American jobs will be lost and have already been lost in the ferrochrome industry. American standards will ultimately not stand up if our economy is allowed to be undercut and undersold by a narrow philosophy of pursuing the maximization of profit no matter what the social may be.

IV. Sanctions have had an effect in Rhodesia and they are the most important single force at work for a nonviolent transition to majority rule:

#### BENEFITS TO RHODESIAN GOVERNMENT

Sanctions have had an important impact on the white Rhodesian regime. If they are strengthened at this time, the effect could make a decisive difference in bringing about a settlement assuring majority rule. Since the Byrd amendment went into effect in January 1972, the Rhodesian Government has gained at least \$25 million in much-needed foreign exchange from its sales to the United States, a small amount in terms of the U.S. economy, but a critical amount to Rhodesia where the trade deficit in 1971 was \$30 million and continues to grow. A larger and larger segment of the Rhodesian business community is feeling the economic strain and is pressing Mr. Smith to reach a settlement and end sanctions because the lack of foreign exchange is severely hampering the economy. A story in the Johannesburg Star of June 30, 1973, provides an example of the Rhodesian business community's reaction:

The problem facing Rhodesia's road transport industry because of the shortage of new cars and trucks was sharply outlined here by Mr. R. E. Green, the outgoing President of the Rhodesian Motor Trade Association.

I believe it would be unwise, and possibly illegal, for me to tell you how short we are of new cars, trucks and vans. All I can tell you is that there are definitely not enough.

The whole business community is reflecting the current mood by producing a very lethargic performance.

You cannot really blame business because business depends on people and people have caught the air of uncertainty which, in the world of commerce, is like the "kiss of death."

We have been at sea for over seven years and we are still paddling in different directions. Rhodesian business has been behind Government for those seven years but if a boat can be said to be at the crossroads, then that is where we are.

Is it not time the pilot told us where we are going and if we are going to get there?<sup>12</sup>

Ian Smith may be forced by restoration of sanctions to take more seriously the legitimate demands of the African people for majority rule. In mid-July, Mr. Smith met for the first time with the president of the African National Council of Zimbabwe, ANC, Bishop Abel Muzorewa. The South African Rand Daily Mail of July 26, 1973, reported that British Foreign Secretary, Sir Alex Douglas-Home, felt that "the fact that Mr. Ian Smith was now talking to Bishop Muzorewa, of the African National Council, meant sanctions were working." Knowledgeable African sources believe that the meeting was held not because Mr. Smith was open to real negotiations at this point but because a changed climate of opinion due to worsening business conditions forced him to make a show of accommodation. However, if the United States restores sanctions, and the British stand firm on sanctions in mid-November, Mr. Smith may be compelled to negotiate in earnest. It may be significant that the Rhodesian press had been giving increasing coverage to the possibility of U.S. renewal of compliance with sanctions just before Mr. Smith met with Abel Muzorewa.

It is urgent to support the progress of a nonviolent transition to majority rule in Rhodesia now, because Africans are becoming increasingly disillusioned with the lack of effective international pressure and the unwillingness of the Smith regime to negotiate seriously for a peaceful settlement. Freedom fighters have become increasingly active in Rhodesia since December 1972. Ian Smith himself has admitted that they are gaining the support of the African population. More Africans will undoubtedly support a violent struggle unless progress is made in achieving majority rule through peaceful means.

#### AFRICAN NATIONAL COUNCIL

It should be noted that members of the African National Council have consistently denied the suggestion offered by some that sanctions hurt Africans more than help them. Eddison Zvogbo, the director of External Mission of the ANC, stated during the February House hearings on Rhodesia:

The question of sanctions is one which is widely understood even by the uneducated people in the country who have never read a book. It is not us who need sheets to sleep on or cars to come into the city, or spare parts to run the

<sup>12</sup> Johannesburg Star, Weekly Airmail Edition, June 30, 1973, at p. 7, "Rhodesia: Set Us on a Course."

industries. We do not own the economy. Those comforts which have been siphoned off by sanctions are totally irrelevant to the African people.

Over 90 percent of the African people live on the land. It is the crops they grow and they eat the same. They are fed by the very soil. So that to suggest that sanctions hurt the Africans and therefore in the interest of the African we ought to drop sanctions, is nonsense.<sup>13</sup>

The African people of Rhodesia will continue to press for their legitimate demand for the end of minority rule in their country. There are only two ways majority rule can be won, international economic sanctions which will further peaceful negotiation or violent warfare. Bishop Muzorewa has said, "Economic sanctions provide us with the only tool we have in our nonviolent struggle for a free Rhodesia." The United States is now in a position to strengthen the possibility that Ian Smith can be pressed to accept a nonviolent solution. If we fail to do this, we leave the African people of Rhodesia no alternative but violence.

V. The Cost of Sanctions is worth bearing: The Cost of Breaking them may be Much Higher: No one would pretend that sanctions cause no increase in the cost of ferrochrome or of stainless steel. These costs exist though they have been exaggerated. The proven impact of abiding by sanctions on the stainless steel industry amounts at most to one percent of the total cost of production. The impact of sanctions on corporate profits of such corporations as Carpenter Technology is not more than 4 percent if our figures are correct and not more than 7.8 percent if we accept the corporation's largest estimate that they face a 30-percent increase in ferrochrome prices if sanctions are reimposed.

As we have argued, corporations should be prepared to take the bitter with the sweet. If abiding by international law costs a little, devaluation of the dollar has benefited them by a much greater amount. Neither of these situations has been earned by corporate action. Abiding by international law is vital to world peace. If sanctions do not work and cannot be made to work because the corporate world is prepared to pursue profits at all costs, then we can expect to see an increase in violence and in violent solutions in Africa.

Abiding by the law is a responsibility which falls on everyone. If it costs the average citizen more to live in a house which meets building code standards, he or she accepts that cost as part of the cost of a decent home. We are surprised that the corporations affected by sanctions cannot see that abiding by international legal obligations is worth the cost because it leads to a decent world in which racism and social injustice are overcome. It is cynical and foolish to argue that ordinary citizens cannot understand that their jobs and their own environment may be at stake if American corporations run away to countries which shelter racism, permit economic enslavement and allow flagrant pollution of the atmosphere. We believe that the ordinary American is prepared to pay the cost of maintaining human dignity and human freedom even if this involves some cost to him or her, if the case is properly made.

Mr. FRASER. Thank you very much, Mr. Lockwood.

Chairman Diggs had to leave because of a prior commitment but

<sup>13</sup> See hearings before the Subcommittee on Africa and the Subcommittee on International Organizations and Movements of the House Foreign Affairs Committee, Feb. 21, 22; Mar. 15, 1973, p. 52.

I think his assistant, Mrs. Butcher, will probably be in a position to raise some of the questions he wanted to ask.

Let me try to settle a couple of factual questions in the panel. What is the current price of a ton of stainless steel, the marketing price?

Mr. ANDREWS. It will range from \$500, which is the general price, garden variety, up to \$5,000 a ton on the specialty high temperature alloys, but \$400 to \$600 a ton for the garden variety stuff.

Mr. FRASER. How much of stainless steel production would be accounted for in that range?

Mr. ANDREWS. Eighty-five to ninety percent.

Do you have any numbers on that, Tom?

**STATEMENT OF THOMAS F. SHANNON, ATTORNEY, COLLIER,  
SHANNON, RILL & EDWARDS**

Mr. SHANNON. Those figures are available. I don't have them with me.

Mr. FRASER. Mr. Lockwood has asserted that the component of chrome represents something in the order of 1 percent of the finished price. Do you have a figure on that?

Mr. ANDREWS. Mr. Lockwood, I think, is showing some lack of knowledge of how smelting is done in pointing out supposed discrepancies between my number and Mr. Beaver's number. With Beaver's number you have to take into consideration the cost of scrap, the cost of the intrinsic value of the metal in scrap. You have 400 tons of chrome in 18-8 and wherever it comes from is going to vary. If all that scrap is available at \$250 a ton, then you are going to have a very low percentage cost. If you are going to make it with low carbon ferrochrome you are going to vary from 20 cents a pound to 38 cents a pound.

I tried to take a conservative middle figure with the 12 cents increase that I used. The price of the chrome, that is the ingredient, you saw there how much the cost of nickel is, you saw how much the cost of iron is, you saw how much the cost of chrome is. Now, add those up and you sell the product for \$500. You have got \$250 worth of nickel, \$120 worth of chrome, and you have got \$30 worth of iron. Now add those up and sell the product for \$500, put in your energy, labor, rolling, amortization charge in there and come out with a profit.

Mr. LOCKWOOD. The part that I was referring to in Mr. Beaver's statement reads: "At current market prices my company's total cost for ferrochrome represents approximately 13.4 percent of our total raw material cost."

Mr. ANDREWS. Let's go into into that. First of all the Carpenter Steel Co. does not make garden variety stainless steel, which is the biggest item we are talking about. Chrome is not as essential to them. Nickel is a far more essential item to them than is chromium. What you are doing here is jumping into something of the technical nature of chrome that you do not know anything about.

Mr. FRASER. Well, Mr. Andrews, would you be willing to supply detailed analyses?

Mr. ANDREWS. Yes, I will.

Mr. FRASER. Take the kind of chrome that sells for \$400 to \$500 which you described as 85 to 90 percent, and give us the detailed analysis of every input, if you can.

Mr. ANDREWS. No question. Easy to do. Another thing——

Mr. FRASER. But at the moment you can't tell us what the right figure is. Is that where we are?

Mr. ANDREWS. What I am trying to say is all I tried to do in my example was take the three primary raw materials necessary to make stainless steel and tell you what their total cost was. You have got to have flux, you have got to have everything else.

#### INCREASED PRICES INJURIOUS

Mr. FRASER. I understand the point is that the industry is claiming it will be injured by increased prices. I think it is important that the subcommittees have some factual information as to exactly what we are talking about. You can't get that out of what you have told us because you only gave us three raw material inputs. That is why we would like to get the whole price structure.

Mr. ANDREWS. This we will be glad to do.

Mr. FRASER. But at the moment you don't have in your head the question of how much the ferrochrome turns out to be as an input in relation to the total price?

Mr. ANDREWS. Well, yes. It represents 29 percent of the three basic ingredients which add up to \$400 of an item that sells for \$500.

Now, the next largest input is power. Then you have got flux, so you can see if I put the whole hundred in there and say it is something else, take it against \$500 on the 20 percent, if I take the price I sell it at, the chrome represents 20 percent of the price I am selling it at. That is my point, you see. I don't remember what fluorspar is and what lime is, and what our energy costs are. I can get all that.

Mr. FRASER. You were saying iron, nickel, and ferrochrome together come to about \$400.

Mr. ANDREWS. Well, \$260 for the nickel, \$120 for the chrome, \$32 for the iron.

Mr. FRASER. So that is——

Mr. ANDREWS. Well, I didn't add it up. That is \$400 and what? \$412.

Mr. FRASER. Now you are saying that the raw materials cost of \$412 for——

Mr. ANDREWS. Just those three items.

Mr. FRASER [continuing]. Stainless steel which sells at \$400 to \$500.

Mr. ANDREWS. Yes. \$500 is the number. Why do I say for to five? You have some stainless steel that uses 17 percent chrome, some 16, most of it is 18- to 20-percent chrome. That is where the 18-8 comes from which is garden variety stainless steel. That is where the tonnage is. It means 18 percent chrome, it means 8-percent nickel, and the balance of FE, that is 18-8 stainless steel.

Now because of the smelting process you have to put in somewhere, depending upon your equipment, an overage because as you blow the carbon out you destroy the chome content, so you must put in a substantial excess of chome to start with, and therefore if you just say you don't lose one bit of chome it is 18 percent. But you have got to put in depending on what you are taking, depending on the skill

of the smelter, depending on the furnace he is using. That is why the simplistic statement is just not accurate.

Mr. FRASER. But your statement isn't much more helpful because you have three items costing \$412. We haven't talked about capital investment, energy, labor, and yet you are saying it sells at \$400 to \$500, so there is obviously something wrong.

Mr. ANDREWS. Not when you have been losing money. The price is too low, I agree 100 percent.

Mr. FRASER. Has your company been losing money?

Mr. ANDREWS. It did in 1970, 1971. It did not in 1972. It is not this year.

Mr. FRASER. So you are doing all right this year, and you did last year.

Mr. ANDREWS. Yes.

Mr. FRASER. So we are not talking about a situation where you are losing money.

Mr. ANDREWS. No. But the cost of chrome has gone down considerably from what it was in 1970-71, sir.

Mr. FRASER. What has been the price trend of stainless steel?

Mr. ANDREWS. Frozen as it is right now by acts of the Cost of Living Council. Quite unjustly, I might add, but I don't suppose that has anything to do here. I am prejudiced.

Mr. FRASER. Well, you say you are making money, so you are not complaining too much.

Mr. ANDREWS. That is right.

Mr. FRASER. In other words, I can't get from what you tell me any kind of helpful analysis because obviously the inputs and the price don't seem to bear any reasonable relationship.

Mr. ANDREWS. We will give you the cost numbers on it. It is very easy.

#### SHORTAGE OF ORE

Mr. FRASER. Now, what you are arguing, as I understand it, is that we have now become so dependent upon Rhodesia ferrochrome that a company like yours will suffer major injury if we were to reimpose sanctions.

Mr. ANDREWS. No, sir, that is not quite what I think our posture is. I think that I am saying is this: When you look, first of all look at the essentiality of chrome to all kinds of things way above and beyond defense, when you look at the available ferrochrome capacity wherever it is—and not to get into the discussion of how it got there or where it went—when you look at the fact that we were 95-percent self-sufficient on ferrochrome capacity in 1967, and we will probably be down to less than 200,000 tons capacity in 1974, with the demand approaching 500,000 tons, present trends being followed, then you have to say where is the ferrochrome coming from to support that growth in industry.

I have been to Russia. I asked them in Moscow to buy ferrochrome and I was told there would be none available in 1973, 1974, maybe 1975. I sat there, I tried to buy it. I was told forget it. There would be zero available. I tried that, and rightly so. The Japanese, realizing the tremendous explosion of ferrochrome, made investments and tieups with the Turkish. But remember, the Japanese industry is protected by their government on the down side losses.

I was in Brazil trying to tie up Brazilian ferrochrome and I ran into the Japanese there, five companies with government cooperation, because we are heading into a 10-year shortage if present patterns prevail in the world marketplace.

Now, take those out and there is nothing left but Rhodesia and South Africa.

Mr. FRASER. Are you saying there is a shortage of chrome ore or ferrochrome?

Mr. ANDREWS. Ferrochrome.

Mr. FRASER. But there is nothing unique about the ferrochrome process that requires the process at a particular place.

In other words, chrome ore you find in the ground, right?

Mr. ANDREWS. Yes, sir.

Mr. FRASER. And only certain places in the world.

Mr. ANDREWS. That is right. Five.

Mr. FRASER. If there is no shortage of chrome ore then obviously there is not going to be a shortage of ferrochrome, assuming people are willing to build or maintain facilities to make it.

Mr. ANDREWS. You just said the magic word, sir.

Mr. FRASER. But obviously there is not going to be a shortage. Mr. O'Mara, if the price went up would you increase your production of ferrochrome?

Mr. O'MARA. We couldn't get the ore in the first place.

Mr. FRASER. I thought we were going to assume that?

Mr. O'MARA. We cannot make that assumption. There is one source of Russian ore in the United States, and that is through the same company that purchased the Steubenville plant that Mr. Lockwood referred to, and there is some relationship between that source of ore and the purchase of that obsolete facility.

Now, Airco Alloys had a long-term contract with the Russians prior to sanctions because that was their only source of ore, and they took that road. They no longer have that long-term contract, it has expired. The most that the Russians would renew that contract was for 18 months. So they are operating now on an 18-month contract for their facilities down in Charleston, S.C.

We would have no source of high-grade metallurgical chrome ore if the sanctions in Rhodesia are put back on again, and we therefore would not build any chrome facilities in this country.

Mr. FRASER. But Mr. Andrews was saying there is not going to be a shortage of chrome ore. It is to be a shortage of ferrochrome.

Mr. O'MARA. I am not saying that. There is plenty of chrome ore, but you have to get at it. And if you can't get at it then there is a shortage. You know, it is pretty straightforward.

Mr. FRASER. Right.

Mr. O'MARA. For example, there is a shortage of oil in this country and we are trying to get it from the north African nations, right? There is no—

Mr. BIESTER. Not only from the north Africans.

Mr. O'MARA. That is right.

Mr. BIESTER. I think the third largest supplier—

Mr. O'MARA. Is Nigeria?

Mr. BIESTER. And Nigeria is one of the countries mentioned specifically by Dr. Kissinger in his letter, so let's not argue apples and oranges.

Mr. O'MARA. The only point I was making is that it is difficult to obtain oil from the north African countries and I believe you would grant that.

Mr. FRASER. On oil.

Mr. O'MARA. Yes.

Mr. FRASER. Well, we seem to have some difficulty. You know, the argument made here 2 years ago was that we needed to pass the Byrd amendment so we wouldn't be dependent on the Soviet Union because it is a Communist country. Is that still your view, Mr. O'Mara, today? Is that the basic reason why we need to retain the Byrd amendment?

Mr. O'MARA. I would say that that is a matter for the Congress and the Government to decide. However, it appears that the Congress and Dr. Kissinger have come down on opposite sides of the most-favored-nation decision with regard to the Soviet Union. I think it is safe to say that the likelihood of our having a world conflict with the Soviet Union is considerably greater than it is with Rhodesia and South Africa. So I would say that putting basic reliance on Russia as a source of a critical raw material is the wrong move on the part of the Government.

Mr. FRASER. I am sorry. Say that last part again.

Mr. O'MARA. Putting reliance on the Soviet Union as the large source for a critical material like chrome is the wrong decision by the Government.

Mr. FRASER. But our dependence on the Soviet Union seems to have gone up since the sanctions came off.

Mr. O'MARA. Well, I think we have covered the fact that the Rhodesians are upgrading their ore to alloy and, therefore, they want to sell alloy. When we go to the trading company, to Univex, we find that: (1) they are more interested in selling alloy than in selling ore, and (2) because of the continued assault on the Byrd amendment we are their least reliable customer. We are the latest customer they have and we are the least reliable. So, understandably, we come at the end of the line. And we must bear in mind that they have been selling their entire output and have been raising that output of both chrome ore and chrome alloy. So when we say to them, "we want ore," they say to us, "you take so much ore and you take so much alloy." And if you would count the chrome units in the alloy that has been imported along with the chrome units in the ore you would find that we have actually imported more chrome from Rhodesia in the United States so far in the first 6 months of 1973 than we have from Russia.

Incidentally, I might add that this information—that there was more chrome, that is chrome units imported from Rhodesia than from Russia in the first 6 months of 1973 came from Mr. Sheehan of the United Steelworkers in the hearings that Senator Humphrey held earlier.

#### RHODESIAN FERROCHROME CAPACITY

Mr. FRASER. I would like to learn a little bit about the developments in Rhodesia with respect to their ferrochrome capacity. When sanctions went on—that was in 1967, was it?

Mr. O'MARA. 1966 and again in 1968. You had the so-called soft sanctions and then the hard sanctions.

Mr. FRASER. Did they have any ferrochrome capacity then?

Mr. O'MARA. Yes.

Mr. FRASER. Was that owned by you?

Mr. O'MARA. We owned one. To my memory the smelter that we owned there at that point in time had one furnace in it.

Mr. FRASER. What capacity is that?

Mr. O'MARA. Oh, I would say that it was small—I frankly don't remember the capacity, we normally don't give out that kind of information even though it is history.

Mr. FRASER. Can you indicate an order of magnitude?

Mr. O'MARA. Yes, I would say small.

Mr. FRASER. Well, that—

Mr. O'MARA. Well, I would say today that facility is more than 10 times what it was.

Mr. FRASER. And is that facility that has been expanded?

Mr. O'MARA. That is one of them, yes.

Mr. FRASER. What is the name of the facility?

Mr. O'MARA. The company is called Rhomet. It is located in Queque, Rhodesia. There is another smelter there in Rhodesia that does not belong to us.

Mr. FRASER. Right. The Rhomet plant was operated or owned by you?

Mr. O'MARA. That is right.

Mr. FRASER. And that has now been expanded, is that right?

Mr. O'MARA. Yes.

Mr. FRASER. When were the plans for the expansion developed?

Mr. O'MARA. I really can't answer that. I came on the African scene in about 1971 and the expansion at that point in time was underway.

Mr. FRASER. Let's just deal with the physical construction of the plant. How long would it normally take to construct a plant like that?

Mr. O'MARA. Eighteen to 24 months under normal conditions.

Mr. FRASER. And when did it begin production, do you know?

Mr. O'MARA. It came on late last year.

Mr. FRASER. That was late in 1972?

Mr. O'MARA. Yes, sir.

Mr. FRASER. So the plant was begun in 1970, approximately.

Mr. O'MARA. That is correct.

Mr. FRASER. Do you maintain any kind of relationship now with the plant or its management?

Mr. O'MARA. We have the right—I will put it this way—to monitor those operations. That is all we have. All of the information that we receive is subject to the security acts of Rhodesia.

Mr. FRASER. Have you visited the plant?

Mr. O'MARA. I was last there in May of this year.

Mr. FRASER. Are there plans for further expansion?

Mr. O'MARA. There appear to be, yes.

Mr. FRASER. And has your company consulted in any manner with respect to the expansion?

Mr. O'MARA. No; other than we have been offered some of the output of the alloy.

Mr. FRASER. And you have indicated an interest in that?

Mr. O'MARA. Yes.

Mr. FRASER. There is one other major producer there?

Mr. O'MARA. Yes. It is located in a town called Gwelo. The name of the company is Rhodesian Alloys.

Mr. FRASER. Who are the principal owners of that, do you know?

Mr. O'MARA. Well, as is the case in many Rhodesian and South African companies, this is somewhat hard to determine because there are several and they are tiered, so to speak, but I believe that the ownership is Rhodesian and South African.

Mr. FRASER. The plant here was in operation before sanctions?

Mr. O'MARA. To my knowledge, it was, yes.

Mr. FRASER. And was there any European or U.S. company that had any involvement to your knowledge?

Mr. O'MARA. As far as I know, this has always been exclusively Rhodesian and South African.

Mr. FRASER. When did they begin producing? I assume that was the largest operation.

Mr. O'MARA. I really can't answer that question. I don't know. I know that it is either on now—the expansion, I am speaking of.

Mr. FRASER. Production is now underway?

Mr. O'MARA. Yes.

Mr. FRASER. And during this period South African production of ferrochrome has also expanded?

Mr. O'MARA. Yes; that is right.

Mr. FRASER. Would you be willing to point out on the map the location of your plant?

Mr. O'MARA. Certainly. Here is the town of Queque. Here is Salisbury. Here is Gwelo, so it is really in the north central area.

This is the town of Gwelo and while I am here I might as well point out this is the town of Selukwe where the major chrome mine is.

Mr. FRASER. The mines are right in the area of that town?

Mr. O'MARA. The great dike of Africa runs through right about here. The general chrome producing areas are all through here on the dike. It so happens that the Selukwe mine is off the dike and that is what accounts for the peculiar and very high grade, both metallurgically and in a physical sense of its ore. We have other chrome mines up here on the dike in an area called Matoroshanga. These are different kinds of mines and different kinds of ore.

Mr. FRASER. The mines in the north are those processed in your plant?

Mr. O'MARA. No. Generally the ores that we get are from the Queque area.

Mr. FRASER. The ore to the north is exported?

Mr. O'MARA. Yes.

Mr. FRASER. Thank you.

Union Carbide now has its own ferrochrome plants in the United States?

Mr. O'MARA. Yes; we have a number of ferroalloy plants and in several of them we make ferrochrome products of various kinds.

Mr. FRASER. In how many different locations do you make ferrochrome?

Mr. O'MARA. Well, basically we make ferrochrome products in the West Virginia plant and the Marietta, Ohio plant.

Mr. FRASER. And is your domestic production increasing or holding the same or what?

Mr. O'MARA. Our production domestically is decreasing.

Mr. FRASER. And can you give us the time frame over which this is occurring?

Mr. O'MARA. Well, the time frame will depend a great deal on what happens in the Congress. That is the most direct answer I can give you.

Mr. FRASER. Would you like to enlarge on that?

#### EFFECTS OF BYRD AMENDMENT REPEAL

Mr. O'MARA. Well, what I am saying is if you repeal the Byrd amendment that literally puts Union Carbide out of the high carbon ferrochrome business in the United States.

If I might expand for a moment, Mr. Lockwood referred to the future of low carbon ferrochrome, which is a different product than what we call high carbon ferrochrome—different and much more expensive. In the interest of improving the process and the cost of the stainless steel industry a number of years ago the metal divisions of Union Carbide began the development of a process which is now licensed to the stainless steel industry by our gas division called the argon oxygen decarbonization process. Mr. Andrews referred briefly to this.

What this does is allow a stainless steel producer to use the cheaper high carbon chrome alloy as well as what we call dirty scrap. The process uses argon and oxygen to remove the carbon from the lower cost high carbon ferrochrome. The process allows producers to increase the productivity of a given facility despite the use of lower cost raw materials. Therefore, we would have to take the position that the future of low carbon chrome is a declining future and it will continue to decline.

Low carbon will be required in the very high purity, what we call super alloy steels. It won't go out of existence but it will decline. The growth in the future is in the charge chrome or high carbon ferrochrome business.

I might say too that in his testimony, Mr. Lockwood demonstrated the great complexity of the problem which is facing the Congress because it is a many-faceted problem. It is concerned with foreign trade, it is concerned with devaluation of the dollar, it is concerned with all of the interrelated sections of the chrome ore and alloy industry and the stainless steel industry all around the world. It is not a simple problem. It does not respond to very simple answers. It is a very complex problem.

Mr. FRASER. Where are you getting chrome ore now for the West Virginia and Marietta plants?

Mr. O'MARA. We are buying it from Rhodesia, what we can get.

Mr. FRASER. Is that your only source?

Mr. O'MARA. That is the only place we have bought any chrome ore in the last 2 years.

Mr. FRASER. Have you sought to buy it other places?

Mr. O'MARA. Yes, the prices that we have received on our quotations from Russia are higher prices than our competitor is buying it for. This is the overhang from the long-term contract.

Mr. FRASER. You mean because they have the advantage of the long-term contract?

Mr. O'MARA. Yes, sir. The long-term relationship.

Mr. FRASER. I don't understand. Have you been getting sufficient ore to produce the amount of ferrochrome that you want to produce?

Mr. O'MARA. We have been getting sufficient ore up until this year to satisfy our requirements, that is correct.

Mr. FRASER. So you haven't been in the market for additional chrome ore?

Mr. O'MARA. No, that is correct.

Mr. FRASER. And you shifted to ore from Rhodesia in 1971?

Mr. O'MARA. Well, whenever the sanctions allowed it.

Mr. FRASER. Prior to that time where did you get your chrome ore?

Mr. O'MARA. We bought it wherever we could on a spot basis. At the same time, as I demonstrated I think in my testimony, chrome alloy was coming in from overseas at cut prices at the same time ore prices to us were high. As a result, the domestic ferrochrome industry was caught in the double squeeze, and we were not competitive—we couldn't be competitive. Therefore we were actually losing money in the chrome business at the same time that Mr. Andrews was losing money in the stainless steel business.

#### ORE SOURCES PRIOR TO SANCTIONS

Mr. FRASER. But where were you getting your chrome ore prior to the sanctions?

Mr. O'MARA. We bought some from Turkey, for one that I remember. At one point in time, in the late 1960's, we bought some from Pakistan but it is not good ore. It is poor ore. It was priced high and the production costs are high.

Mr. FRASER. But the ore there was cheaper than the Soviet ore?

Mr. O'MARA. Cheaper than we could buy Soviet ore for.

Mr. FRASER. Your interest in Soviet ore was affected by the fact that the price was higher?

Mr. O'MARA. Naturally.

Mr. FRASER. It was a higher grade ore?

Mr. O'MARA. That is right.

Mr. FRASER. So that you were operating successfully, successfully in the sense that you were able to get the chrome that you needed even though you say that you weren't making money because ferrochrome began to come in.

Mr. O'MARA. That is right because the market price was dropping and our costs were rising.

Mr. FRASER. The market price for ferrochrome?

Mr. O'MARA. Yes, imported ferrochrome was dropping. What happened here was that South Africa brought on rather large facilities and South African producers needed a home for the alloy, so they bought that home in the United States with a cut price.

Mr. FRASER. They bought the what?

Mr. O'MARA. They bought the home for their product in the United States. They bought the market.

Mr. FRASER. You mean South Africa found in the United States a market for their ferrochrome?

Mr. O'MARA. At a cut price.

Mr. FRASER. That is what you are saying?

Mr. O'MARA. That is right.

Mr. LOCKWOOD. I may say that South Africa is using Rhodesian material in violation of sanctions.

Mr. FRASER. The figures on import from South Africa don't seem to show the kind of pattern you are envisaging. The table shows both low and high carbon imports from 1962. In 1966, for example, we imported, according to table 26, 1,000 low carbon tons and a little under 7,000 high carbon. Then at that point it declined—

**STATEMENT OF PATRICK MORGAN, LAW DEPARTMENT, UNION CARBIDE CORP.**

Mr. MORGAN. Congressman, excuse me. Would you indicate what table that is?

[Document handed to the witness.]

Mr. FRASER. I am not really arguing that South Africa hasn't come on with more ferrochrome, but the table doesn't seem to bear it out.

Mr. SHANNON. What page are you referring to?

Mr. FRASER. Page 71.

Mr. O'MARA. Our numbers which we obtained from the Commerce Department don't quite parallel those. They do show a sharp increase in 1972.

Mr. FRASER. They do in 1972.

Mr. O'MARA. That is right. Our numbers on the imports from South Africa are for a little over 7,000 tons and almost 33,000 tons in 1973.

Mr. FRASER. Well, maybe we can only deal in relative trends, but in 1968, according to the figures I am looking at—you are talking about high carbon now?

Mr. O'MARA. Yes.

Mr. FRASER. They seem to vary, according to this table, from 7,000 down to 300 in 1970, and then it began to come up again. But the main increase here was in 1972.

Mr. O'MARA. Well, they brought on their facilities in the late sixties and our numbers show there were almost 9,000 tons imported in 1969 and then this dropped in 1970 to only a little over 1,000 tons. But the point I am trying to make is that, economically speaking, they can offer 1,000 tons to any number of customers at a cut price and thereby affect the total market price. It's the same 1,000 tons that they are offering to everybody.

Mr. FRASER. I understand the problem of foreign competition, that they may be underselling what you are producing it for, but now somehow it has become a matter of great urgency to protect a foreign source. That seems to be the thrust of the testimony this morning: we are faced with the assertion that we have got to have Rhodesian chrome, that there is no other choice, and I find this a little difficult to accept in view of what the history has been.

Mr. O'MARA. Well, I think it is pretty clear that we have three basic choices with regard to chrome—Russia, Rhodesia, and South Africa. Those are basically the three choices. Now you can speak to an immediate problem and deal as Mr. Lockwood did in what-might-have-been's and what could be. The facts are that the U.S. Government does not support the chrome industry here and, as a matter of fact,

rejected several pleas to support it. So what I am trying to say to you is this, we supposedly still have free enterprise here and the stainless steel industry and the ferroalloys industry are trying to operate on that basis. But from a basic raw material standpoint, we have three choices—Russia, Rhodesia, and South Africa.

Now there are people in the United States who have very different opinions about the U.S. attitude toward all three of these countries. We happen to be speaking here of Rhodesia this morning because of the sanctions, but the situation in South Africa is equally poor by those same standards. The situation in Russia is equally poor by those same standards, so what we really have here is the fact that the United States supported the sanctions against Rhodesia and did not support the sanctions against South Africa.

#### BYRD AMENDMENT EFFECTS ON AFRICA

Now, we have also heard that this Byrd amendment which repealed the sanction against Rhodesia has had a major effect on the other countries of Africa. I submit to you that the fact that we vetoed the South African sanctions also had a major effect on the other countries in Africa. So we have a choice as to where we are going to, you might say, where we are going to bet our money. And all we are saying to you—at least all I am saying to you—is that because of these various shades of political and moral and other differences that the United States as a country should not be denied the right to raw materials. It should not be restricted because some groups in the United States can find some difference of opinion with most of the major countries in the world. That, basically, is the thrust of my argument.

Mr. FRASER. Mr. Biester?

#### UNITED NATIONS ROLE IN SANCTIONS

Mr. BIESTER. The problem is that there is one distinction which separates Rhodesia from South Africa and the Soviet Union. The distinction is that the United Nations has solemnly invoked sanctions against Rhodesia and therefore we are not talking about a group in the United States. We are not talking about sanctions that did not take place. We are talking about a solemn decision by the United Nations with respect to Rhodesia, a judgment in which the United States took part, so that that is the distinction that marks Rhodesia off from the other two classifications, at least.

Mr. O'MARA. May Mr. Morgan respond?

Mr. BIESTER. Yes, of course.

Mr. MORGAN. I think there is some dispute as to the basis on which those sanctions were imposed in the first instance. I recognize this is not an ideal forum for a discussion of what can be described as an international law issue, but the original basis on which the sanctions were imposed was that Rhodesia represented a threat to international peace and security.

Now this action was taken notwithstanding article 2, section 7, of the U.N. Charter which bars intervention in the internal matters of the state, "shall not intervene in matters which are essentially within the domestic jurisdiction of any state."

Now it seems to me that in view of this disregard of article 2, section 7, of the charter, the United Nations may be considered to be acting beyond its authority in imposing sanctions. Therefore the sanctions in the first instance may be of questionable validity. I base that statement on article 25 of the charter of the United Nations which only requires members to accept and carry out the decisions of the Security Council, "In accordance with the present charter."

Now the argument that has been made by the State Department representatives on previous occasions is twofold, one of which is recited again in a publication recently put out called "Rhodesian Chrome: A Research Report," by the Washington Intern Program of the Student and Young Adult Division, United Nations Association of the United States. The twofold argument is: (1) that this cannot be considered intervention because it was solicited by the United Kingdom. I don't feel I need to make any comment on that because carried to its logical extent one would be able to subvert that section of the charter very easily by constructing any situation as something that was requested by one of the very numerous members of the United Nations.

Mr. BIESTER. Excuse me. I have not read that pamphlet but I assume that at the time that the United Kingdom requested this intervention the United Kingdom was the power which exercised sovereignty in Rhodesia.

Mr. MORGAN. I am very glad you brought that point up because it relates to the next issue I was about to get to. The other argument that has been made is that Rhodesia was not a state and therefore you couldn't say that this was a violation of this particular section of the charter because you are not intervening in the affairs of a state. And I would like to spend just a few minutes of your time if you will permit me to speak to that issue.

The Montevideo Convention on the rights and duties of a state defines a state as having a permanent population, a defined territory, third, a stable government, and fourth a capacity to enter into activities with other states.

Now with respect to the position of the United Kingdom at a point prior to their call to the United Nations to impose sanctions on Rhodesia, Sir Patrick Dean, representing United Kingdom in the United Nations said:

Southern Rhodesia has a long tradition of autonomous rule. I do not pretend that this rule that has not been exercised by a minority, but this autonomy, although unwelcome to some, is still a fact. There is a Southern Rhodesian Government and parliament. There are Southern Rhodesian armed forces.

He said in addition that the assembly must face the fact that the authority of these institutions cannot be legally challenged.

Now my last comment on this question of whether they are or are not a state, for that I turn to testimony offered by an individual who was considered to be—and I am sure still is so considered—a very distinguished scholar and practitioner in the field of international law. That is the late Dean Acheson who offered testimony on this particular question—the state question, and the ultimate validity of the sanctions—at hearings before the Committee on Foreign Relations, U.S. Senate 92d Congress, first session, and that consideration was on Senate bill 1404. Testimony was given on July 7–8, 1971.

Mr. Acheson said that the complaint is over Rhodesia's internal matters in which the United Nations may not intervene by article 2, sec-

tion 7 of the charter. The answer to this, says the State Department, is that Great Britain has invited intervention and that Rhodesia is not a state because no other state has recognized it as such. The essence of sovereignty is the will and ability to exercise it. Britain has done neither in regard to Rhodesia, and has done neither for 5 years. I venture to say that nothing could induce the British Government to take over responsibility for conducting the internal matters and affairs of Rhodesia which it has not had for 50 years if ever.

The state comes into being not by formal external recognition else how did the first state come into being but by taking over exercising and maintaining the powers of sovereignty. He concludes that the sanctions resolution is a nullity.

Now what I am suggesting in these comments is that the initial validity of the sanctions is a matter of some dispute. Now the United States has been castigated as being violative of international law so I thought it was appropriate at this point in your question and answer period to at least bring to your attention this other point of view.

#### PRIVATE VERSUS PUBLIC VIOLATIONS OF SANCTIONS

Mr. BIESTER. Well, first of all it is an interesting discussion but it is somewhat moot since I trust you don't urge that people who don't believe that the law is correct are free to make that judgment themselves and simply violate it because they don't believe the law is correct.

Mr. MORGAN. I hardly suggest the violation of any law whether it be international or local. The point I think that should be made before this committee and I think has been made in other hearings is that so-called private violations, and obvious ones, by countries in the world are tantamount to disregard of the very same sanctions resolutions. The United States, in fairly customary fashion which I am not critical of, has been a little more forthright and Congress has exercised its clear right to abrogate a treaty commitment on the sanctions. It has exercised its prerogatives and this action has been confirmed by two Federal courts within the last year and the Supreme Court has denied certiorari. The courts have confirmed the right of Congress to take this action.

Mr. BIESTER. But you are not suggesting it is appropriate to violate international law because others are violating it?

Mr. MORGAN. I am not suggesting that it is appropriate to follow the ignoble example of other nations. What I am saying is that there is a long history here indicating the ineffectiveness of the sanctions.

Mr. SHANNON. Congressman, I would like to just comment a minute on this. It is a recognized principle of international law that the breach by other parties to a multinational agreement will permit a party to suspend corresponding obligations. The American Law Institute restatement of foreign relations law of the United States provides in section 143:

Upon the violation of a provision of an international agreement by one of the parties any of the other parties may suspend the performance of such of its obligations towards the defaulting party as bear a relationship to the provision violated by the defaulting party.

What they are saying is, if nobody else is abiding by it, then, if you wish, you have an out under the international agreement.

Mr. BIESTER. What they are saying—and even never having read that or heard it before I can easily distinguish what you are reading from the circumstances here. No other state, no other sovereign state who was a party to the United Nations Charter on its own before the United States acted repudiated these sanctions or repudiated its state obligation under the vote—

Mr. SHANNON. By its actions it did. It was continuously violated. You can go to South Africa or to Salisbury today and see Toyotas and Datsuns—

Mr. BIESTER. But the Japanese Diet did not abrogate its—

Mr. SHANNON. You are dancing on the head of a pin now. We are talking about the practicalities of this situation.

Mr. BIESTER. Well, first of all—

Mr. ANDREWS. May I make a point?

Mr. BIESTER. No. I am sorry, because I am not dancing on the head of a pin. If you will reread that restatement of the paragraph you just read, you will find that the reference to states. It does not refer to the individual activities of private citizens.

Mr. ANDREWS. But it was with the concurrence of these states, with the concurrence of the Japanese Government. It is with the concurrence of the French Government, the German Government. Maybe they are looking the other way.

Mr. BIESTER. But, again, you see, it comes back to the proposition that there is no recognized precedent or observation in international law which authorizes a state on its own to abrogate this kind of treaty arrangement. They can do it by mutuality, but you cannot convince me that each of the states that you are talking about have passed resolutions saying it is perfectly OK to violate these sanctions. If you can give me one government—

Mr. ANDREWS. No, I can't; but I am telling you that these governments are by their own admissions and by their own concurrence allowing these companies to do business in Rhodesia.

Mr. MORGAN. They haven't formalized that violation in the form of a document—

Mr. BIESTER. And, therefore, the observation out of that particular paragraph doesn't come into play.

Mr. ANDREWS. Let me give you an example. By law you cannot import into Japan without government license and inspection. That means the Japanese Government did in fact inspect and license and authorize every shipment of Rhodesian chrome that went into Japan. Now that is a government agency. If you are willing to say—and I don't think you are, sir—that, all right, we are going to reimpose the sanctions but instruct the Customs Department that they are to pass all the Rhodesian chrome that comes in, license it and OK it, then we are equal. That is what we will do. That is where you are, you see.

Mr. BIESTER. Let me come back to the question of international law because I notice that in your testimony—

Mr. ANDREWS. I am not a lawyer. That is why I brought one, you see.

Mr. BIESTER. No; I guess it is Mr. O'Mara I want to address this to. On page 19 of your testimony you say, "Mr. Chairman, in conclusion I would like to recap what I feel are or should be the key considerations in these deliberations."

Now, when you say "or should be," and since you do not in any instance make any reference to U.S. foreign policy interests or respect for international law, whether I can assume from that that you don't think they are key considerations.

Mr. O'MARA. Well, I think I just briefly said what the thrust of my testimony was, and that was that the people of the United States should not be denied access to the critical materials that the U.S. economy requires. Now, the matter of law is a matter now for the Congress to determine. The executives through Ambassador Scali could interpose it with the United Nations, but the Congress could not.

So I would say now we are talking about the action the Congress is going to take and the matter of the law then is in the hands of the Congress.

Mr. BIESTER. When I was speaking of law I was speaking of international law.

Mr. O'MARA. I don't believe, and I think it has been made clear so far, at least in the Congress, that the United States is subject to all of the international laws that are passed. Congress has the freedom to either go along with those laws or to not go along with those laws. I believe you would agree with that.

Mr. BIESTER. What I am trying to find out is why you don't regard that as a key consideration or why you don't regard the foreign policy interests of the United States as a key consideration.

#### SANCTIONS WORTHLESS

Mr. O'MARA. It seems to me it has been amply proved, if you will excuse my saying so, that the sanctions are worthless and therefore we have the hard facts of life. The matter of law and the matter of morality here certainly must be considered. But the moral leadership which the United States has demonstrated in the United Nations since sanctions has not resulted in any change in the shipments of chrome alloy from Rhodesia all around the world and I would submit to you that the moral leadership of the United States in the United Nations is on the wane.

Mr. BIESTER. What about the foreign policy interests in the United States as expressed by Dr. Kissinger? Why are they not key considerations?

Mr. O'MARA. I would like to hear from him how he squares the vetoing of sanctions against South Africa with repealing the Byrd amendment.

Mr. BIESTER. But why isn't that a key consideration?

Mr. O'MARA. I was speaking of that.

Mr. ANDREWS. Sir, may I?

Mr. BIESTER. Sure.

Mr. ANDREWS. Speaking from the President of the United States foreign policy speech, "The United States takes seriously its obligations except for the importation of certain strategic materials et cetera."

The chairman of the Foreign Relations Committee says "there is no limit to the mischief to be wrought by a policy of basing détente upon the standards of a sweeping morality."

There, when you take the sum and substance of the policy it says the best thing we can do for the Africans is invest, create jobs, give them jobs and help them to improve themselves, and that policy has been pushed in Africa and elsewhere, and I say we should push it equally everywhere. And that is a statement I am sure Dr. Kissinger helped Mr. Nixon write.

Mr. MORGAN. Congressman, one comment I would like to make relative to that question is that the inconsistency we find between the request of the State Department, because of purported foreign policy concerns of some magnitude that they have which prompts them to recommend the approval of the repeal of the Byrd amendment which only affects a very minute portion of total Rhodesian exports—in fact they recognize that themselves and that is referred to in the text of Mr. O'Mara's presentation.

At the same time they refuse to take action as they did when they had an opportunity recently to do so to impose the type of sanctions that would have made the sanctions meaningful; namely, control the flow of goods through South Africa, Mozambique, and Angola. So I have to question the seriousness of their interest, their foreign policy concerns on one occasion when they have a chance to do something meaningful and the seriousness of those concerns with respect to the Byrd amendment which would only affect a minute portion of the trade.

Mr. BIESTER. You question the sincerity of Dr. Kissinger's feeling?

Mr. MORGAN. No, not sincerity. I am just pointing out to you the contrast in action. In other words, they are requesting action here affecting a small portion of trade and refusing to take action in the United Nations on the basic problem which would make the sanctions effective.

#### FUTURE OF U.S. ACCESS TO RHODESIAN CHROME

Mr. BIESTER. I have just one last question, that is in terms of the significance of Rhodesian chrome, in terms of long-term supply, in the event that the 250,000 whites are unable to hold their grip on 5½ million blacks, which in the long term does seem to me to be a rather difficult job, and if the African population becomes the dominant political force in the area where your mines are located and these ferrochrome plants are located, what will be the relationship of that new Government to your company or to supplies to the United States in view of the position you have been taking here this morning or the United States has taken in respect to sanctions?

Mr. O'MARA. It will take me a few words here. First, I think we should understand that Union Carbide like many multinational companies is not a political entity. It is a commercial entity, and it seeks to be a good citizen wherever it finds opportunities to do business throughout the world. In Rhodesia, we were a good citizen by that Government's standards from 1923, when we began, onward. We have continued to try to upgrade the capabilities and the opportunities for the black Rhodesian people at our mines, and we are doing the same thing in our smelter.

They are learning skills that they otherwise would not have. They are earning money in spite of the allusion on the part of Mr. Lockwood of slave wages, and I resent that term very much. I fully recognize—I think we all recognize—that there are disparities in wages

in both South Africa and Rhodesia. The gap is closing but not very quickly, I would agree with that.

Mr. BIESTER. What do you pay your black workers?

Mr. O'MARA. I have the numbers here. And you have the numbers. Incidentally, Congressman Diggs sent out a questionnaire on South Africa in the fall of 1971, and we responded to that early in 1972 and have not heard anything since. We keep that updated. Our latest update is June of 1973 and we would be happy to make copies of that available to the committee if they so desire.

But I think we all recognize and there is no sense in debating the point that there is a wide disparity in wages. I think, too, that there is no point in debating the fact that we provide education for our employees' children who can go all the way through a 4-year trade school we built for them, and learn a trade.

However, there are problems here because in Rhodesia there is not opportunity for these people after they have received an education and one of the complaints that we have from our black Rhodesian school principal is just that fact. You know, we educate these children and they have nowhere to go. It is a fact that there is not enough economic vitality there, in spite of the fact that the economy of Rhodesia is growing, to keep pace with the birthrate in Rhodesia. This is the problem all through Africa. It is not limited to Rhodesia.

So that what I would hope to do, in answer to your question, is to have demonstrated to the people who have been in our employ, some of them for as long as 50 years, that we are good citizens, that we have been good citizens and that we have treated them well. We would hope that any new Government would also recognize that. Maybe they won't. But that is a risk that you take when you invest money in a foreign country. But you try to conduct yourself so that changes in Government can be accommodated.

I think we all should remember three very important facts. People and their needs are always with us; the natural assets of the world are always with us; the governments come and go and we have got to recognize those facts and we do in the way we conduct ourselves. But I cannot sit here and say to you that there will come a government to Rhodesia that will be favorably disposed toward Union Carbide. We don't know that. No one knows that. We would hope that we have performed in such a manner that it will be favorable.

Mr. ANDREWS. May I speak to that? You certainly raise a serious important point. Any time a government changes—I am sure Americans in Chile have had a few sleepless nights—and all around the world, the point being that even today, let's say that the most anti-Smith regime rises to the top. Pick the most totally opposite you can imagine. Let's let them examine the facts. They know what is going on inside Rhodesia. Now we have said we will deal only in those strategic materials which we are negative in. This man cannot manage his company, he cannot send money down there. He cannot participate in the decisions. He cannot import supplies other than hospital and food, et cetera.

Now then, you have got all the other countries who have been furnishing them with machinery. I have been there many times and run into Japanese engineering talent building those same smelting plants, Italian, French, and Spanish companies furnishing them the

equipment that goes into those plants causing them for 7 years to not only economically survive but have a GNP in real dollars greater than ours throughout the entire sanction year.

Now who helped the Government to stay in power the longest and best? Also I would even go further. He is too modest. There is a whole raft of black laboring people in Zambia, Uganda, Tanzania, standing in line for 6 months labor contracts in those plants because it is the second highest standard of living in Africa next to South Africa. After 6 months for the privilege of working there they go home to their families because they are not allowed to integrate.

So these are a people that are living in that context of that continent in the second best deal, if you will, if I can put it that way, down there. You see when I was a kid the best thing to do when you were a kid and threw a spitball is turn to the next guy and point your finger.

Mr. BIESTER. Except that the standard of living for whites in Rhodesia is very high. As I understand it there are approximately 39,000 or 40,000 pools in Rhodesia.

Mr. ANDREWS. What?

Mr. BIESTER. Swimming pools. Private swimming pools.

Mr. ANDREWS. I wouldn't know.

Mr. BIESTER. There are more white swimming pools for whites in Rhodesia than there are in Beverly Hills. Now there are very few swimming pools for blacks. The disparity that Mr. Lockwood referred to is so enormous, so stark, that to say blacks are better off than they are in other parts of Africa because they can see the pools, because they can dodge the cars, doesn't appeal to me.

#### FREEDOM OF BLACK RHODESIANS

Mr. LOCKWOOD. Can I make a statement on the statement that black Rhodesians are free to leave? This is absolute nonsense. The president of the African Council has had his passport lifted. All the leadership of that particular movement recently has been subject to arrest and detention. Over 30 people will have been put in jail. If you want testimony here you ought to talk to King Botswana who was studying here at Wesley Seminary and who escaped out of that country by going through Botswana without proper documentation.

Now it is not true that all Rhodesians can leave at their will.

Mr. ANDREWS. We don't need to get off on the political prisoner question.

Mr. LOCKWOOD. Well, you say you are not in politics but you are deeply involved in it in arguing that Rhodesia is a State and that the United Nations has no real legal status because Rhodesia is a State and you are interfering with the domestic affairs of the State. I would like to point out that no nation on the globe has recognized Rhodesia as a State. Not even Portugal has regarded Rhodesia as a State.

Mr. MORGAN. Mr. Lockwood, the point we are making is not a political argument but a legal one.

Mr. LOCKWOOD. When you were speaking of Botswana after he had just been to Great Britain and one of the large problems he was discussing in that country was the increasing problem of refugees who are leaving Rhodesia and said just within the last month there were

2,000 Rhodesians who got as refugees into Zambia, so it is also not true that Rhodesians aren't leaving.

There are severe problems because of the political situation and it is also true that there are increasing threats by both Rhodesia and South Africa. They are threatening to invade Zambia.

Mr. O'MARA. I would like to make one last statement in the so-called political/legal arena.

Mr. BIESTER. It is a hazardous area.

Mr. O'MARA. Well, it seems to me that they are well on the way to fulfilling the reason for the United Nations sanctions against Rhodesia—that is, that Rhodesia is a threat to world peace. At the time, in 1966 the charge was somewhat ludicrous. But now, with the pressures that are being put on Rhodesia both by the sanctions and by the incursions of terrorists, or freedom fighters as you may choose to call them—these people who are trained in Odessa, and Havana, and Peking—this is no longer the case.

Now you can see this thing begin to cascade. It would seem to me that you are well on the way to violence in Rhodesia. And if you have violence in Rhodesia, South Africa is just next door. So you are going to have your wishes fulfilled, I believe, and so it seems to me that efforts should be spent not in slamming the doors on Rhodesia but in trying to open the door and help the situation between the United Kingdom and Rhodesia and help to solve that problem. It desperately needs to be solved.

#### WORLD PEACE THREATENED

Mr. BIESTER. Mr. O'Mara, it is not my wish that violence take place and I think you should carefully reflect on characterizing it that it is my wish.

Now you are talking about events leading into a hazard to world peace. That's precisely the reason why the United Nations took the step it did and the British asked them to take the step they did in 1966, because farsighted people with a sufficient view of history were aware that if 250,000 whites tried to exercise dominion and exploitation over 5½ million blacks, sooner or later that situation would mature to the point of violence. Now the fact that they could perceive that risk and try to take a step to bring that risk to the attention of the world and try to prevent it should not be used by you here today as a demonstration that somehow or other those who promoted it were trying to create the problem, because that is not the case. And I think your whole observation of the last few moments demonstrates the wisdom of the United Nations taking some action back in 1966 and demonstrates the proposition that there was a hazard to peace was far from ludicrous, but in fact quite prescient.

Mr. O'MARA. If I may, maybe the people were farsighted but they weren't farsighted enough to see that the sanctions would have to last as long as they have lasted. As a result, we find ourselves today in a worse situation really than we had in 1966. I think you can agree with that—that the situation in Rhodesia is worse than it was in 1966.

Mr. BIESTER. I think we have a situation more dangerous today, but I don't believe that sanctions contribute to that.

Mr. O'MARA. All I am saying is that the sanctions have not been effective and some other course of action should now be taken and that

the United States should be helping Rhodesia and the United Kingdom resolve their differences in the interest of all Rhodesians. That is the point I am trying to make.

**Mr. SHANNON.** If I may comment, Congressman, Senator McGee made a very telling statement on the Senate side when he said that raising this Byrd amendment and repealing this Byrd amendment and raising this issue every 6 months doesn't do anything to help a rational solution to problems in Rhodesia by our Government, and he, if I am quoting him correctly, said it is a mistake to keep fanning the flames of what the Byrd amendment is doing to the blacks in Rhodesia when it is not the case and I think we ought to reflect on that.

**Mr. BIESTER.** Are you suggesting that Senator McGee is opposed to repeal?

**Mr. SHANNON.** Absolutely not. I am just saying that what he was saying was bringing this issue up which has been brought up how many times? Three times in the last 18 months—isn't doing anything to help the problem in Rhodesia and as Mr. O'Mara said, maybe there is another way to solve this problem and maybe we should be working at that.

**Mr. BIESTER.** Well, Senator McGee as I understand it is one of the cosponsors of the bill.

**Mr. SHANNON.** Yes, he is.

**Mr. ANDREWS.** He recognizes the problem of the constant churning. I think.

**Mr. BIESTER.** I think what he means—I won't presume to speak for him but what he means is that this issue should be resolved and his idea of how it should best be resolved would be swift repeal.

**Mr. ANDREWS.** See, we thought it was resolved.

**Mr. Chairman,** Mr. Lockwood had the advantage of having seen my statement, which was pretty much identical to that that I made before the Senate. Therefore, since he devotes a great deal of his verbiage to my comments, I would like to, if I may, reserve the right if I choose to to submit a statement and comment on his comments to my comments.

**Mr. FRASER.** We are willing to keep receiving comments until the record closes. There will be another meeting of the subcommittee in another week.

**Mr. ANDREWS.** I understand.

**Mr. FRASER.** Mrs. Butcher, do you have questions to ask of Mr. Diggs?

**Mrs. BUTCHER.** I would like to submit Congressman Diggs' questions in writing for reply within a week if possible as soon as we can after the next hearing.

[The replies of Mr. Andrews to questions submitted by Chairman Diggs, as well as additional pertinent tables, follow:]

ANSWERS TO QUESTIONS SUBMITTED BY CONGRESSMAN CHARLES C. DIGGS TO MR. E. F. ANDREWS REGARDING H.R. 8005 ET AL: RHODESIAN SANCTIONS

*Question 1:* Are you lobbying against the release of chrome and ferrochrome from the national stockpile?

*Answer:* I have consistently encouraged a change in our national stockpile program from the traditional "military contingency" policy to an "economic" stockpile philosophy. If an "economic" stockpile currently existed, if the government had sufficient reserves of commercial-quality charge-grade ferrochrome,

and if GSA was willing to sell such ferrochrome at competitive prices, the stockpile might be adequate to supply the steel industry's requirements. Unfortunately, the stockpile is maintained to meet prospective military emergencies, and is wholly inadequate both in quality and quantity to meet economic emergencies such as would be caused by reimposition of the Rhodesian embargo.

*Question 2:* You advocate that U.S. stainless steel industry should rely upon Rhodesia and South Africa for its ferrochrome in the foreseeable future (page nine). Do you have any reason to believe that if this happened, the two countries would not exploit their near-monopoly by raising the price?

Answer: Your use of the term "near monopoly" in this context is somewhat baffling. It is repeal of the Byrd Amendment which you advocate—not maintenance of trade with Rhodesia which would limit competition.

One of the basic tenants of our antitrust laws is that competition encourages lower prices, and as you imply, monopoly discourages low prices.

The stated purpose of H.R. 8005 is to exclude a major competitor from the U.S. market. If the theory behind our antitrust laws is correct, and I believe it is; I fail to understand how reducing competition can simultaneously encourage lower prices.

Secondly, in my October 5 statement, I remarked: "It is apparent then, that the United States must rely upon the two remaining major suppliers of ferrochrome in the foreseeable future: Rhodesia and South Africa." Whether we should rely upon these two countries as a source of supply is a matter of some debate. Given equivalent supplies from alternative sources, the issue would be entirely different. I simply contend that Rhodesia and South Africa will inevitably become the world's major suppliers of ferrochrome, and that the United States must recognize this reality. To cut off our ability to compete for Rhodesian and South African ferrochrome would encourage the very type of monopolization you fear.

*Question 3:* Is it your view that Southern Rhodesia is a reliable and stable source of ferrochrome, which you point to as of vital importance?

Answer: Yes. Rhodesia's ferrochrome industry has a capacity of over 400,000 tons per year. Its metallurgical grade ore reserves are over 300 million tons. Rhodesia's capacity to supply American industry is limited only by its ability to produce enough ferrochrome to meet the demand. While the United States is certainly at the bottom of the "preferred customer" list due to our inability to purchase ferrochrome during the sanctions period, the rapid growth of the Rhodesian ferrochrome industry indicates they will have sufficient capacity to fill our needs as they arise in the coming years.

Whatever form the government in Rhodesia ultimately assumes, the United States will certainly be in no worse position *vis à vis* availability of chromium than other nations which have openly and consistently supported the Smith regime even during the height of the sanctions.

*Question 4:* You spend some time arguing the importance of stainless steel. But that is not the point at issue, and we are not debating that. We are considering, are we not, a major question about your advocating that the United States government violate a major treaty obligation, in order to give a relatively small price advantage to your industry (which is already heavily protected by voluntary international agreements, and has benefited greatly from recent devaluation)?

Answer: We are not advocating the United States violate major treaty obligations—but only to suspend a small section of the sanctions which have been abused by nationals of every major trading country except America. From 1966 to 1972 when the United States was attempting to enforce the sanctions in their totality, other countries were allowing wholesale violations. It was only after attempting to enforce the sanctions for over five years that the United States realized that enforcement of the sanctions on Rhodesian chrome was impossible. In fact Zambia, which has black majority rule, found it necessary to violate the sanctions. As President Nixon stated in his *Report to Congress on U.S. Foreign Policy for the 70's*:

The U.S. takes seriously its obligations under the U.N. Charter. Except for the import of small quantities of certain strategic materials exempted by U.S. Public Law . . . the United States, unlike many others, adheres strictly to the U.N. program of sanctions against Rhodesia.

There is ample precedent in international law that breach by nationals of other states permits the partial suspension of United States obligations. International law recognizes the right of a state to suspend performance of its

obligations in cases where frequent infringements have occurred. The enforcement of sanctions against Rhodesia is so ineffective and violations so numerous that the U.S. can, under international law, rightfully suspend performance of its obligations on chrome and ferrochrome against which the sanctions have not been enforced.

As to the "relatively small price advantage" I believe my testimony and the enclosed statistics demonstrate its actual significance. Price differentials of even 0.1 percent often influence a consumer's choice of product. The price advantage to be enjoyed by our foreign competitors should we be unable to procure chromium at competitive prices would inevitably mean thousands more stainless steel sales flowing abroad.

The "voluntary international agreements" which "protect" our industry are an ironic joke. As you know, these agreements, though voluntary in nature and widely disregarded in practice, have recently been declared to be a violation of U.S. antitrust law. This decision I might add, should be contrasted with Mr. Lockwood's suggestion concerning government assistance to American industry to develop new sources of ferrochrome.

*Question 5:* Setting aside for a moment the accuracy of your claims as to the economic impact of sanctions, why do you consider your interests to be more important than the observance of the law, both domestic and international? (And why do you disregard the damage to the huge U.S. interests in Africa which the violation does?)

*Answer:* The United States is not in violation of domestic or international law for two reasons. First, the inference that the industry is violating domestic law is an insult to an industry which has struggled long before this Congress to help it determine the best way for the law to develop. My sole reason for appearing before this Committee is to show my support for the law currently on the books. The industry's interests are in accordance with domestic law. The Congress acting within its power "to regulate foreign commerce with nations" under the U.S. Constitution, Article I, § 8, passed the Byrd Amendment. Prior to the Amendment, the industry did not import chrome from Rhodesia. It is a basic legal axiom that when two laws cover the same subject, the latter in time controls. In this instance, the Byrd Amendment is the controlling domestic law. I have and will continue to advocate that the U.S. steel industry follow the domestic law. The steel industry has complied with the law.

Second, as I stated above, international law recognizes the right of the state to partially suspend its agreement where constant violations leave the sanctions ineffective.

Finally, your point concerning "our interests" versus the "national interests" is wide of the mark. A balancing of national interests is involved in this debate. I merely contend that the national interest in preserving the American specialty steel industry outweighs the presumed advantages of the foreign policy which you advocate.

*Question 6:* The implication of your statement is that U.S. ferrochrome supplies should come almost exclusively from Southern Rhodesia and South Africa. Why should we accept that a small price benefit to the stainless steel industry is worth the destruction of the entire ferrochrome industry of the United States?

*Answer:* Whether U.S. ferrochrome supplies should come from Rhodesia is moot. If I implied anything in my statement, it was that Rhodesian chrome will find its way into this country one way or another—either in the form of ferrochrome or as an ingredient of foreign-made stainless steel.

As for the American ferrochrome industry, supporters of the Rhodesian embargo—not advocates of the Byrd Amendment—are responsible for its decline.

The Rhodesian embargo, not the Byrd Amendment cut off the major source of raw materials supply to the American ferrochrome industry.

The Rhodesian embargo removed any control American ferrochrome producers had over their chromite facilities.

The Rhodesian embargo forced the Smith regime to build its own ferrochrome industry much sooner than would otherwise have been the case.

Whether we like it or not, the American ferrochrome industry is totally dependent upon imported ore for its existence. Countries with indigenous supplies of high-quality metallurgical grade chromite have already demonstrated their desire to ship finished or semi-finished products rather than have their natural resources exploited by the developed countries. This trend is irreversible. The American ferrochrome industry will sooner or later be forced to cease operations as more countries with indigenous supplies of raw materials develop their own

processing facilities. The tragedy is that the Rhodesian embargo accelerated the process of deterioration of the American industry.

The Rhodesians, as well as other countries, will continue to shut off the supply of raw material to the United States, Germany, France and Japan as their own ability to process ore increases.

The primary hope for the American ferrochrome industry is an expansion of its influence in countries with chrome resources. Decisions concerning production and processing of ferrochrome previously made in New York are now made in Salisbury—by the Smith regime. This is the result of the embargo—not the Byrd Amendment.

*Question 7:* Since ferrochrome is, as you say, vital in the stainless steel process, why destroy the vital capacity to produce ferrochrome in this country?

*Answer:* As I answered in the previous question, the stainless steel industry has no desire to see the American ferrochrome industry be destroyed. Supporters of the Rhodesian embargo are largely responsible for its rapid decline.

I agree the maintenance of a ferrochrome production capacity in this country would be meritorious. Absent massive government subsidy and assured sources of raw material, the ferrochrome industry will continue to decline.

Mr. Lockwood suggested in his testimony a number of measures which could save both the U.S. ferrochrome industry and provide the specialty steel industry with necessary chrome. He recommended, among other things, government subsidization of ferrochrome plant modernization and environmental control costs, release of the entire national chromium stockpile, government-funded r&d for development of ferrochrome technology, and direct government-to-industry assistance in procuring overseas raw materials. To these suggestions, I would add price and export controls on ferrochrome and development of an adequate "economic" stockpile.

If all these things were done, and the steel industry could be assured of adequate supplies of high-quality charge-grade ferrochrome at reasonable prices, the Rhodesian issue would be a much less critical economic factor both to the American ferrochrome industry and the U.S. steel industry.

*Question 8:* You have produced many figures and estimates and calculations for which there is no explanation, and no source given. We would not be acting responsibly in this committee if we accepted the unsubstantiated figures produced by a representative of a special interest lobbying for the continued violation of international law. Are you prepared to explain and document your figures?

*Answer:* Yes, by separate cover I have supplied Congressman Fraser comprehensive statistics concerning stainless steel prices and the importance of chromium therein. If the committee would like any further information, I would be pleased to supply it upon request.

*Question 9:* Can you explain your claim on page five that the American ferrochrome industry was badly hurt by sanctions? Airco Alloys seems not to have been affected by this, but only by the lifting of sanctions that enabled Rhodesia to undercut American labor.

*Answer:* During the sanctions period, Airco Alloys had an exclusive contract with the Soviet Union for its raw materials, and was the only American ferrochrome producer to have a large, long-term contract with a country other than Rhodesia. When the sanctions were imposed, the other ferrochrome producers were forced to take whatever chromite they could get. Faced with uncertain supplies and escalating costs, Airco's domestic competitors were unable to maintain their plans, much less provide needed modernization.

If Airco Alloys has been injured since the sanctions were lifted, it was not because of Rhodesian competition, but because their contract with their Russian chromite suppliers expired. For four months this year, not one pound of Russian ore was delivered to Airco during contract renegotiations. When the issue was finally resolved—on terms much less favorable to Airco than during the sanctions period—production resumed. The Charleston, South Carolina plant is now operating at near full capacity.

*Question 10:* On page six you state that increasing environmental demands have posed a major problem—again, Airco seems to have coped well with these requirements, by forethought and careful planning.

*Answer:* If your reference to "forethought" and "careful planning" refers to Airco's premonition that the major supplier of their competitor's raw material was about to be cut off, you are correct.

Unlike their domestic competitors, Airco had a long-term contract for supplies during the sanctions period and could afford to meet environmental demands as they occurred.

Union Carbide, Foote and others had invested heavily in Rhodesia as a source of raw materials supply. When that source was denied them, their ability to compete declined precipitously.

*Question 11:* Why is the U.S. ferrochrome industry unable to use the Finnish experience as a model, using low-grade chrome to produce high-carbon ferrochrome at prices even cheaper, according to Mr. Lockwood, than Rhodesian ferrochrome?

Answer: The Finnish technology for producing high carbon ferrochrome from relatively low-grade ore has been known in this country since the late 1930's.

There are only two drawbacks to the Finnish example.

*First*, the quality of the Finnish ferrochrome is so low as to render it economically useless in the production of stainless steel.

*Second*, the Finnish government heavily subsidizes production of Otokumpu Oy, the sole company involved.

If the American government were willing to underwrite production, American ferrochrome producers could certainly produce a similar low-grade product.

*Question 12:* On page four you imply that the entire increase in the price of ferrochrome in 1969-71 is attributable to sanctions. This is an extraordinary claim considering that, as you say, Rhodesian ferrochrome production was so small at that time. What evidence can you produce to show that all other influences that govern price fluctuations were inoperative in this case?

Answer: In no way do I imply that the entire increase in the price of ferrochrome is attributable to the sanctions. The paragraph on page 4, as it states, is to illustrate the cost impact of chrome prices on this industry. However, in my testimony before this committee in July of 1971, I go to some length on page 3 to demonstrate that, while prices in general had gone up to some degree, chrome prices have risen totally out of proportion to the general price trend. On page 4 of my current testimony, I do indicate that, *during* the sanctions, the cost of low carbon ferrochrome rose approximately 14 cents/lb. or 60 percent, and the cost of charge chrome rose 10 cents/lb. or 70 percent, in this case 1967 through 1971 (see attachment 1—Bureau of Mines). Also during this period, the price of Russian chrome ore rose from approximately \$32/ton to \$70/ton (see attachment 2). Since your question refers only to the period 1969 through 1971, you will note that low carbon ferrochrome rose approximately 40 percent; charge chrome, 47 percent; and ore, 60 percent. Attachment 3 shows a select group of similar metals and their price fluctuations from 1969 through 1971. You will note that about one-half went down and one-half went up at substantially lower percentages than chromium. It should be pointed out that 1969 through 1971 was a period of severe recession for the specialty steel industry, the largest consumer of chromium.

Chart 4 is particularly illustrative. It shows the price action of ferrochrome silicon. This product contains chromium and it also contains silicon, which is indigenous to the United States. You can see that, during the period under discussion, 1969 to 1971, the price of the chromium contained in this product rose substantially more than the price of the silicon contained in the same lump of material. The chart also notes that, by October, 1972, the price of chromium had come down substantially whereas the price of the silicon contained was virtually unchanged.

The Bureau of Mines has no doubt as to the relationship between chrome ore prices and the Rhodesian sanctions, as evidence by this quotation from the Bureau of Mines Minerals Yearbook, 1971 edition:

"Metallurgical grade chromite prices for 1971 delivery rose \$8 to \$12 per long ton over those of 1970. The price advance continued the trend initiated in 1967 and reflected the continuation of the United Nations economic sanctions on Southern Rhodesia."

Indeed, price fluctuations were operative, but the evidence is overwhelming that the sanctions had an unusually unfavorable effect on chromium prices.

*Question 13:* You say that "it has been conservatively estimated that the price of these products could rise from 10 cents to 25 cents . . . if sanctions are imposed." Whose estimate is this, and how is it reached?

Answer: It has been conservatively estimated by various consumers and traders in chromium that, if we are to shut ourselves off from African chromium, and in light of the fact that our own ferrochrome industry is no longer capable of furnishing but a little over half of our requirements, the price of ferrochrome would rise substantially. Various exporters have quoted from 10 cents to 40 cents/lb. if we could get any even at that price. Not to seem immodest, I am considered among these people knowledgeable on this subject, and my own

estimate in 1968 was that, if the sanctions lasted three years, ferrochrome prices would rise 50 percent and chrome ore prices would double. Various proponents of the sanctions predicted that the price impact would be minimal. The record speaks for itself.

*Question 14:* You say on page four that shortly after the sanctions were lifted the price of ferrochrome went down 7 cents per pound, restoring "nearly \$56 million to the stainless producers during 1972." But Mr. Lockwood quoted Commerce Department figures of only a fraction of that. How do you substantiate your figures?

*Answer:* Throughout my testimony, I have always referred to published United States prices or indeed the prices as shown on chart 1. Mr. Lockwood's testimony indicates that he is quoting from Department of Commerce import commodities figures. Close examination quickly reveals that these are entirely two different matters. Chart 1 quotes the Bureau of Mines through 1971. At this writing, we have not received our 1972 figures. To substantiate the figures used in our testimony, enclosed is the Union Carbide published prices for low carbon ferrochrome, charge chrome, and high carbon ferrochrome on January 2, 1971. You will note that they are identical to the 1971 numbers on chart 1. Also enclosed are the Union Carbide published prices of July 10, 1972 for charge chrome. Charge chrome (which is the item quoted in my testimony) dropped from 25 cents to 18 cents. Enclosed, too, are the October 18, 1972 Union Carbide published prices. Their low carbon ferrochrome is not quoted, except on request. When prices were requested at that time and shipments delivered, the price was 31 cents/lb. It is from this information of our actual buying experience that we use the 7 cents/lb. drop in price quoted in the testimony. It is interesting to note that the 7 cents drop after the sanctions were removed occurred during a red-hot boom in the specialty steel industry and the economy in general.

*Question 15:* You are using these and other questionable figures to claim that sanctions cost the steel industry \$96 million for each year they were in existence. Now that seems to rest on very doubtful assumptions.

*Answer:* As I said above, my testimony does not claim that it cost the industry \$96 million each year. It says that during the sanctions, the price of chromium finally reached an average of 12 cents. This rose throughout the sanctions, as chart 1 shows. There is absolutely no evidence to indicate that, had the sanctions continued, the price of chrome would all of a sudden start down, as it did, noted above. Therefore, the annualized impact of the price rise during the sanctions was indeed as stated in my testimony. How do we arrive at the \$96 million? It is very simple. It takes approximately 800 pounds of chromium to produce one finished ton of average grade stainless steel. Out-of-pocket purchase price of this raw material alone increased 12 cents/lb. times 800 pounds or \$96/ton. According to the Department of Commerce, annual production of stainless steel in this country has varied from 800,000 to 1,100,000 tons of stainless steel per year.

*Question 16:* Since you say that the Soviet Union is expanding its ferrochrome capacity, are you negotiating with them for possible purchasing contracts?

*Answer:* I visited Moscow in January of 1973. I met with Mr. Vadim N. Kravchenko and Mr. Nicolai Z. Krylov, of V/O Soyuspromexport. This agency has the exclusive responsibility for selling chrome ore. They advised me that they had no chrome ore for sale at that time; but that if and when they did, it would have to be purchased through one man in New York who has an exclusive long-term contract. I also visited with V/O Promsyrioimport. It is the responsibility of this agency to handle the buying and selling of ferroalloys. They advised me that the Soviet Union is a net importer of ferrochrome and while they hope to build substantial ferrochrome industry and to be an exporter, this time is not in the immediate future. The immediate future was defined as at least through 1975.

*Question 17:* You told the Senate subcommittee hearings on this issue that "when everybody is playing with loaded dice except you, what do you do?" Did it ever occur to you that you might press for better enforcement of sanctions instead of trying to add to the violations?

*Question 18:* If the Bryd Amendment is repealed, will you turn your lobbying talents to pressing for better international observance of sanctions?

*Answer—17 and 18:* In response I would have to ask to whom would you suggest we press for better international observance of sanctions. From 1966 to 1972 we in industry observed the sanctions to our detriment, while other states of the international community allowed frequent violations of sanctions. Neither the steel industry, nor the United States, can be policemen of the world. It takes cooperation of all to make international law work.

As you know, individuals and companies do not have standing to raise objections to the conduct of international organizations—only states are proper persons in international law. By coming before Congress and the American people we have done everything possible within the system.

We constantly objected to the government between 1966 and 1972 that the sanctions were being violated. During that period we did everything within our power to push for enforcement. However, our efforts were for naught. If Congress should repeal the Byrd Amendment, what guarantees can it give that the sanctions will be effective? Can Congress and the Administration guarantee the strict enforcement in the international community of the sanctions? The history of the sanctions enforcement between 1966 and 1972 is clear. Until the international community can guarantee the enforcement of sanctions, the steel industry and Congress must face the reality that sanctions have been ineffective.

CHROME ORE AND FERROCHROME PRICES (1954-71)

| Year      | Price/LDT<br>U.S. Port,<br>Turkish,<br>48 percent<br>lump | L. C. ¢ per<br>lb. Cr. | H. C. ¢ per<br>lb. Cr. | Charge ¢<br>per lb. Cr |
|-----------|---|------------------------|------------------------|------------------------|
| 1954..... | \$52  | 34.50                  | 24.75                  | -----                  |
| 1955..... | 50  | 32.75                  | 26.00                  | -----                  |
| 1956..... | 55  | 39.50                  | 27.75                  | -----                  |
| 1957..... | 55  | 38.50                  | 28.75                  | -----                  |
| 1958..... | 55  | 38.50                  | 28.75                  | -----                  |
| 1959..... | 40  | 38.50                  | 28.75                  | -----                  |
| 1960..... | 38  | 33.75                  | 28.75                  | -----                  |
| 1961..... | 37  | 33.00                  | 24.00                  | -----                  |
| 1962..... | 37  | -----                  | -----                  | -----                  |
| 1963..... | 37  | -----                  | -----                  | -----                  |
| 1964..... | 31  | 24.50                  | 19.00                  | 13.50                  |
| 1965..... | 30  | 25.50                  | 19.00                  | 15.50                  |
| 1966..... | 31  | 24.50                  | 19.00                  | 15.30                  |
| 1967..... | 33  | 24.50                  | 19.00                  | 15.30                  |
| 1968..... | 37  | 24.50                  | 19.00                  | 15.30                  |
| 1969..... | 45  | 27.30                  | 21.00                  | 17.00                  |
| 1970..... | 50  | 33.00                  | 24.70                  | 21.00                  |
| 1971..... | 55  | 38.00                  | 28.70                  | 25.00                  |

Source: U.S. Bureau of Mines—Minerals Yearbooks.

PRICE QUOTATIONS OF VARIOUS GRADES OF FOREIGN CHROMITE (1966-71)

|  | 1966            | 1967            | 1968            | 1969            | 1970            | 1971 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|------|
| Rhodesia: 48 percent<br>CR <sub>2</sub> O <sub>3</sub> , 3:1 CR/FE<br>ratio..... | \$31.00-\$35.00 | \$31.00-\$35.00 | (1)             | (1)             | (1)             | (1)  |
| Turkey: 48 percent<br>CR <sub>2</sub> O <sub>3</sub> , 3:1 CR/FE<br>ratio.....   | 29.50- 31.50    | 32.50- 33.50    | \$34.50-\$35.50 | \$37.50-\$38.50 | \$47.50-\$48.50 | 55   |
| South Africa: 44 percent<br>CR <sub>2</sub> O <sub>3</sub> .....                 | 20.00- 21.00    | 18.00- 21.50    | 19.00- 21.50    | 19.00- 21.50    | 26.00           | 27   |
| U.S.S.R. 55 percent<br>CR <sub>2</sub> O <sub>3</sub> , 4:1 CR/FE<br>ratio.....  | 30.50- 33.00    | 30.50- 33.00    | 36.50- 40.00    | 42.50- 49.20    | 55.10- 59.60    | 69-7 |

1 Not available.

Source: U.S. Bureau of Mines.

CHROME COSTS AS A PERCENT OF CURRENT NET MATERIAL COST AND AS A PERCENT OF  
AUGUST 1973 SELLING PRICES

|   | Type 304<br>sheet | Type 304<br>plate | Type 409<br>sheet | Type 430<br>strip |
|---|-------------------|-------------------|-------------------|-------------------|
| 1. Cost of chrome.....                              | \$117.62          | \$116.70          | \$56.25           | \$90.53           |
| 2. Material cost per net ton current costs.....     | \$413.26          | \$423.64          | \$166.00          | \$199.59          |
| 3. Percent cost of chrome to net material cost..... | 28.5              | 27.5              | 33.9              | 45.4              |
| 4. August 1973 selling price per net ton.....       | \$1,045.00        | \$1,188.00        | \$660.00          | \$1,060.00        |
| 5. Percent cost of chrome to selling price.....     | 11.3              | 9.8               | 8.5               | 8.5               |

Mrs. BUTCHER. But I do want to make one comment, because I think the record should reveal a full reading of article 2, section 7, since it has been quoted here, and quoted only in part. Security Council Resolutions 253 and 232, which are the basic sanctions resolutions are both chapter VII actions. Article 2(7) does say: "Nothing contained in the present charter shall authorize the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any state." But it adds: "*But this principle shall not prejudice the application of enforcement measures under chapter VII.*"

Mr. FRASER. And this is a proceeding under chapter VII.

Mrs. BUTCHER. That is right; so the prohibitive article 2(7) has no application here.

Mr. FRASER. The testimony of Mr. Kroft in 1971, which he gave as a reason for the passage of the Byrd amendment, that the continued rise in imports of both ferrochrome, and so forth, it seems at least in part his presentation has been borne out. We passed the Byrd amendment, and we got increasing unemployment in the ferrochrome industry.

Mr. O'MARA. No, we do not.

Mr. FRASER. Oh, we don't?

Mr. O'MARA. No, sir.

Mr. FRASER. I thought some of the plants were closing down.

Mr. O'MARA. They have not closed down. They have announced closure, but no plants have closed down, and in our own plants our employment is up.

Mr. FRASER. If Rhodesian ferrochrome were not available to the United States wouldn't there be an increase in the market for domestic produced ferrochrome? I take it that must be true.

Mr. O'MARA. That would be true, and it would also increase the markets for South African ferrochrome, and Japanese ferrochrome.

Mr. FRASER. I understand that there are multiple sources.

Mr. O'MARA. Yes, and it is a matter then of whose do we get.

Mr. FRASER. So if we rule out Rhodesian chrome by repealing the Byrd amendment we remove one of the foreign sources.

Mr. ANDREWS. That is correct. And I don't agree with the thrust of the statement in that sense. The fact is that there are three basic chrome sources. Russia, Rhodesia, and South Africa. There is some question as to whether South Africa is suitable.

And Japan is 50,000 tons this year negative of their own needs, and they buy Rhodesian chrome ore and have all through the sanctions. You can't buy through the third country nations because the control of 89 percent of the world metallurgical chrome as borne out by U.S. Bureau of Mines statistics is in South Africa and Rhodesia. And if the countries choose to sell chrome ore, they will. If they chose to say, no, but we will sell you ferrochrome, they will. I said, cut off my chrome ore and I am out of the ferrochrome business. Then you will send me somewhere in the world to buy ferrochrome. If the Japanese will sell it to me, fine. But they will probably choose to sell me stainless steel sheets with the Rhodesian chrome in it; 89 percent of chrome is in Rhodesia and South Africa.

Mr. FRASER. Well, we seem to be buying it from a number of companies.

Mr. ANDREWS. Made from these ores, but as the demand grows—employment isn't down. The point is it didn't go up for 7 years when it should. Well, we may be beating a dead horse.

Mr. FRASER. I had one last question. You referred to the 319,000 tons in the stockpile as obsolete.

Mr. ANDREWS. Yes.

Mr. FRASER. I don't fully understand that.

Mr. ANDREWS. It is still listed as stockpiled grade specification but, because of the technological move-ahead since that was put there, it is now considered obsolete by current standards of quality. When it was put in there it wasn't. But we have moved in a quality standard so far beyond that now that it would be an extremely expensive product to try and adapt to the current new technologies and so forth that he has referred to. It doesn't mean that it is totally unusable at some price.

Mr. FRASER. But it is different from other low carbon?

Mr. ANDREWS. Yes, and therefore, in terms of modern technology, obsolete.

Mr. FRASER. OK. Well, Mr. Lockwood, we haven't spent much time asking you questions. Have you any?

#### ECONOMIC COSTS

Mr. LOCKWOOD. No; I don't have any further comments really other than to say that I think that we are sympathetic—I am sympathetic to the problems of the stainless steel industry and the ferrochrome situation, but the problem it seems to me is to assess the economic cost of the stainless steel industry and the ferrochrome industry, and I can see that there are costs which I think have been exaggerated. They are real, but I think that we have to face the question of what our national policy is.

First of all we are dealing with many African countries who are going to be dealing with us in terms of trade, and who see this essentially as a race issue, and whether they are right or wrong we are going to have to deal with them on that basis, and I think it is a great mistake to simply deal with this question on the basis of whatever percentage of the cost turns out to be in terms of ferrochrome. I say it is less than 1 percent of the total cost of production. I think the cost to the United States in terms of its prestige, in terms of its standing as a leader before the world, is a much greater cost, and one that we should not bear.

Also, I think that talking about 5 percent of the total export of Rhodesia ignores the fact that the impact of our actions of breaking the United Nations sanction has an immense effect on the Smith regime. It made it much more stable. It is untrue that sanctions had no effect on businesses there. Business people are beginning to question Smith very seriously. There are serious foreign exchange problems. The fact that we are even considering here a repeal of the Byrd amendment has had an enormous impact on the Smith regime, and on the business community in Rhodesia.

So I think we have to be strong and careful in what we do. But that we should proceed with those major considerations in mind and make some attempt to meet the needs of the stainless steel industry and the ferrochrome industry in another way, maybe subsidies or maybe technology.

Mr. FRASER. Well, except that I think the observation was made here, but it goes even deeper than cost. It goes to the actual availability. Am I correct on that?

Mr. ANDREWS. Absolutely.

Mr. LOCKWOOD. Well, availability to Union Carbide is a question for Union Carbide, but it does not mean that other companies don't have access to other sources.

Mr. O'MARA. It depends on how long your point of view is. If you want to look long term, and the minerals business is a long-term business, you have to recognize where your sources of ore are. When you do you realize you have problems with all three of those countries. So, as I said, you have got to pay your money and take your choice—it is just as simple as that.

You can do the expedient thing, which is use up the stockpile. You can get it from wherever you can buy it. But these are not long-term solutions to the U.S. problem. And that, I think, should concern the Congress.

Mr. FRASER. Well, thank you very much. I appreciate all of the witnesses' testimony, and we will stand now in recess.

[Whereupon, at 2 p.m. the hearing was adjourned, to reconvene at 2 p.m. Wednesday, October 17.]

# REPEAL OF THE RHODESIAN CHROME AMENDMENT

WEDNESDAY, OCTOBER 17, 1973

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON FOREIGN AFFAIRS,  
SUBCOMMITTEES ON AFRICA AND ON  
INTERNATIONAL ORGANIZATIONS AND MOVEMENTS,  
*Washington, D.C.*

The subcommittees met at 2 p.m. in room 2172, Rayburn House Office Building, Hon. Donald M. Fraser [chairman of the Subcommittee on International Organizations and Movements] presiding.

Mr. FRASER. The Subcommittee on Africa and the Subcommittee on International Organizations and Movements are meeting today to continue consideration of H.R. 8005 to amend the United Nations Participation Act of 1945 to halt the importation of Rhodesian chrome and to restore the United States to its position as a law-abiding member of the international community.

During the 2 years since passage of the Rhodesian chrome amendment of 1971 the arguments used in defense of it have undergone a considerable transition. For example, nowadays it is rare to hear dire warnings against dependence upon the Soviet Union for this strategic and critical material which is allegedly in short supply. This bogus argument, advanced in the name of national security has been discarded, as it should have been more than 2 years ago. This year the supporters of the Rhodesian chrome amendment base their position primarily on a desire for free access to cheap Rhodesian chrome and ferrochrome for U.S. industry, particularly the stainless steel industry. Testimony from witnesses representing the stainless steel industry asserts that free access to cheap Rhodesian chrome and ferrochrome is essential to the survival of the American stainless steel industry.

## STATE DEPARTMENT WITNESS

At our last hearing the State Department's top international economist, the Honorable Willis Armstrong, Assistant Secretary for Economic and Business Affairs, told our subcommittees:

That reimposition of the U.S. ban on imports of Rhodesian chrome ore and other minerals would not deprive the U.S. of any needed raw materials. Adequate domestic and other foreign supplies are available. Moreover, foreign supplies of ferrochrome generally competitive in price and quality with Rhodesian ferrochrome are available from South Africa, Finland, Brazil, Norway, Sweden and others.

Since the introduction of H.R. 8005 only two companies producing stainless steel have expressed any interest whatsoever in this legislation to our two subcommittees. Our records show a total of 17 different stainless steel producers who are members of the Stainless Steel Com-

mittee of the American Iron & Steel Institute or the Tool and Stainless Steel Industry Committee. Only one of the two companies to which I referred is listed as a member of either of those committees. Representatives of the two companies have been vigorous in lobbying against H.R. 8005.

In this situation it is not unreasonable to conclude that what we are witnessing is a persistent campaign by a small group of businessmen who have not shown that they represent the entire industry and whose interests may not necessarily coincide with the national interests of the American people. Certainly the support for H.R. 8005 by the Nixon administration and labor unions in the industry and the silence of almost all stainless steel producers tends to support such a conclusion.

#### ADMINISTRATION COMMUNICATION

At our last hearing Chairman Diggs and I received a letter from Secretary of State Henry Kissinger which was made a part of the record of the hearing. In the light of all the testimony we have received—both pro and con—on H.R. 8005, one statement in the Secretary's letter is especially pertinent as a summary conclusion:

I am convinced \* \* \* that the Byrd provision is not essential to our national security, brings us no real economic advantage, and is detrimental to the conduct of foreign relations.

The two subcommittees have received two written statements in support of H.R. 8005 for insertion in the record today. Without objection they will be placed in the appendix.

The first statement is from Mr. Anthony Mazzochi, citizenship-legislative director for the Oil, Chemical & Atomic Workers International Union. Mr. Mazzochi states in part:

It is our belief that the Byrd amendment was a dangerous breach of an international trust vital to a responsible interdependent world as well as a callous blow to the struggle of the black Rhodesians to control their own lives. We are concerned that 750 workers in the ferrochrome industry have already suffered the loss of their livelihoods due to this legislation as may many more; furthermore, as the Union representing many of Union Carbide's industries, including its domestic ferrochrome, we are particularly concerned about its hypocritical stance and dissemination of misleading information on this issue.<sup>1</sup>

The second statement is from the Most Reverend Joseph L. Bernardin, Archbishop of Cincinnati, representing the U.S. Catholic Conference. Archbishop Bernardin explains that the purpose of his statement is to underscore the moral dimensions raised by the Rhodesian chrome amendment and to urge the U.S. Government to fulfill its moral obligations. He concludes by saying:

We urge the Congress to repeal the Byrd Amendment and enforce the U.N. sanction of all Rhodesian imports, including chrome ore. The U.S. violation of these sanctions since 1971 has strengthened the position of the white ruling class in Rhodesia, has caused a serious loss in both the prestige and credibility of the United Nations, and has damaged the efforts of all member nations to build a United Nations structure that may, as Pope John XXIII earnestly prayed, "become ever more equal to the magnitude and nobility of its task."<sup>2</sup>

Immediately after this hearing adjourns, the Subcommittee on International Organizations and Movements, to whom H.R. 8005 has

<sup>1</sup> See appendix, p. 131, for Mr. Mazzochi's full statement.

<sup>2</sup> See appendix, p. 135, for Archbishop Bernardin's full statement.

been referred, will reconvene for an open markup session on H.R. 8005.

Today we are especially pleased to have as our witness our distinguished colleague, the Honorable John Buchanan of Alabama. Congressman Buchanan is a very active and highly respected member of the Committee on Foreign Affairs. In addition, he is currently serving with great distinction as a U.S. delegate to the United Nations General Assembly. Congressman Buchanan, we appreciate your taking the time from your heavy schedule in New York and Washington to be with us this afternoon.

Please proceed.

#### **STATEMENT OF HON. JOHN BUCHANAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA**

Mr. BUCHANAN. Thank you, Mr. Chairman.

May I begin with an apology to you, Mr. Chairman, and to the members of the subcommittees. My duties in New York and in Washington required my postponement of this testimony and then delayed me today and I do apologize for the inconvenience to members and remind you that the Scripture says, "Blessed are you when you are persecuted for righteousness sake."

I appreciate your staying here this long to hear me.

Second, I have a long statement, but I will not summarize it because it has been my experience that sometimes when one summarizes a statement, it gets even longer, so I will stick to my written statement, again with an apology to members of the subcommittees.

Mr. Chairman and members of the subcommittees, I appreciate the opportunity to testify before you today on H.R. 8005 which would prohibit the importation of chrome and other products from Rhodesia.

The second anniversary of the enactment of section 503 of the Military Procurement Act, otherwise known as the Byrd amendment, is next month and the history of events of the past 2 years regarding our supplies of chrome and ferrochrome speak for themselves and, in so speaking, cry out for repeal of this legislation. It would appear that at this point in our history the economic and security reasons which led to our 1971 stand are no longer valid, if indeed this ever was the case.

I would first like to discuss some of the domestic implications of the current situation. Chrome, of course, is still important to our national defense, but the necessity for obtaining it from Rhodesia has diminished substantially.

As Deputy Secretary of Defense W. J. Clements, Jr., noted in a letter to the distinguished chairman of the Subcommittee on International Organizations and Movements:

According to an estimate prepared in 1973 by the Office of Emergency Preparedness, the metallurgical grade chromite needed by industry to support the Defense Department's steel requirement during the first year of a war amounts to 128,300 short tons, or 2.3 percent of the quantity held in the inventory as of December 31, 1973. Thus, it can be seen that the Defense requirement for metallurgical grade chromite is relatively small and that the bulk of the stockpile inventory would be used by the nondefense industry in the event of an emergency.

His remarks were strengthened by those of U.N. Ambassador John Scali in testimony earlier this year before the Senate Foreign Rela-

tions Committee, who stated, "Adequate quantities to meet all the U.S. defense needs are available from Turkey, Iran and South Africa."

As you know, the United States has already released from its stockpiles some 900,000 tons of chrome and the Defense Department, the President, and the State Department have recommended the release of an additional 2 million tons of chrome from the stockpile.

#### SUPPLIES SUFFICIENT

I am not arguing that our stockpiles can provide all of the chrome or ferrochrome needed to continue our current production rates for all of the products using this material. It would appear, however, that we do have sufficient supplies of chrome and ferrochrome to meet our vital defense needs in an emergency. I find it hard to justify our continued violation of the sanctions which the United States supported when they were adopted by the United Nations in 1965, 1966 and again in 1968, given the availability of chrome and ferrochrome on the world market and the abundance of these materials in our own stockpiles.

Second, we imported more chrome from the Soviet Union than Rhodesia prior to 1972 and this has continued to be the case. For example, in 1971, prior to the enactment of section 503, we imported 134,442 content tons of chrome ore from the U.S.S.R. and 10,700 content tons from Rhodesia. During the first year in which these sanctions were lifted our Russian imports increased to 180,000 tons while our Rhodesia imports increased to only 27,955, and during the first 6 months of this year our Soviet imports totaled 28,500 tons as compared to only 1,082 tons from Rhodesia.

Thus, while our total chrome imports have decreased drastically in the past several years, Rhodesia is claiming a smaller and smaller percentage of our total imports of chrome.

Much of the reason for our declining importation of chrome is due to the major increase in the amount of ferrochrome which the United States is now importing instead. As a matter of fact, it is my understanding that the availability of chrome from Rhodesia has been greatly reduced because of that country's decreased exportation of chrome per se and its increased production and exportation of ferrochrome, in direct competition with our own ferrochrome industry.

Our imports of ferrochrome from Rhodesia now far exceed those for chrome both in gross tonnage and in dollar value. Figures available for the first 6 months of this year indicate that we have imported some 26,700 gross tons of high carbon ferrochrome at a cost of \$4.4 million compared to approximately 2,100 gross tons of metallurgic grade chrome valued at \$67,000.

But while our imports have increased, it is not and will not be necessary for the United States to rely on Rhodesian ferrochrome to meet our defense and other needs, in my judgment. The United States is currently importing ferrochrome from some 11 countries around the world, none of which includes the Soviet Union. Through June of this year these imports have totaled \$20 million, of which Rhodesian ferrochrome comprises about one quarter.

## RHODESIAN FERROCHROME NOT BEST BARGAIN

The ferrochrome which we are importing from Rhodesia is by no means the most reasonable in cost. For example, the average value of high carbon ferrochrome imported from Finland during the first half of this year was 9.83 cents as compared to the average value of high carbon ferrochrome from Rhodesia at 12.05 cents per content pound.

Both Finland which is currently a relatively minor source of ferrochrome, and Turkey, from whom we are also obtaining supplies of this material, are substantially increasing their production of ferrochrome.

Those who urge the retention of section 503 charge that chrome and ferrochrome prices will skyrocket. It is my understanding, however, that U.S. Department of Commerce officials who have some expertise in this area say that just the opposite is true.

Our continued reliance on imported ferrochrome to the detriment of domestic ferrochrome industry has already cut that American industry in half. If this trend continues, the United States will be faced with the possibility of becoming the only major nation in the world without a viable domestic ferrochrome industry.

While Rhodesia is only part of this problem, that country has doubled its production of ferrochrome and greatly reduced its exportation of chrome. Our importation of ferrochrome from Rhodesia has contributed to the loss of hundreds of American jobs and to the threatened extinction of an industry which could be important to our national security. As a matter of fact, other nations have found a domestic ferrochrome industry so vital that they have chosen to subsidize this industry rather than export it. This may well be something which we should be considering at this point in our history.

We are presently discovering the danger of reliance upon a limited number of relatively small oil-rich countries for this vital source of energy. It may prove equally unwise to further cultivate our reliance upon a single small and unstable country for chrome and ferrochrome. Just as we are now belatedly searching for alternative forms and sources of energy to avoid total dependence upon the Middle East in oil, so we ought to be protecting our domestic ferrochrome industry and cultivating other sources of chrome and ferrochrome lest we become too reliant on Rhodesia.

## FOREIGN POLICY ASPECTS

I would like to turn now to the more international aspects of the American position with regard to Rhodesian trade as exemplified by section 503. It would appear to me that there is one major question being totally ignored by those who support continued trade with Rhodesia and that question is, how long can the regime of Ian Smith be expected to remain in power?

There are growing indications of unrest both from within and outside the government. The sanctions appear this year to be having a greater effect than has been the case heretofore. For example, automobiles and trucks which were plentiful in the past are decreasing in number to the dismay of Rhodesian businessmen. On the other side, the Africans who seek to play a greater role in the destiny of Rhodesia are becoming increasingly militant.

The possibility of the replacement or violent overthrow of the Smith regime is not out of the question and, if it comes, I wonder how sympathetic the new Rhodesian Government will be to countries such as the United States which gave economic and psychological support to the oppressive Smith government.

We could well find ourselves totally cut off from access to Rhodesian ores in that instance.

We are looking at the long-run, not the short-run picture, Mr. Chairman. There are, of course, substantial U.S. investments in Rhodesia which could well be seized by a new government as well, and this brings me to another major area of concern. The United States currently has investments valued in excess of \$3.5 billion in a number of African states outside Rhodesia, countries which are looking with an increasing lack of sympathy on our continued trade relationship with Rhodesia. I personally do not find much joy in the thought that our policy might result in substantial loss to American companies elsewhere in Africa, but this is another very real possibility.

Our balance of trade is not in as good a position as it could be as you well know. The developing African nations are in need of a number of goods and services produced in the United States and are, in fact, beginning to import substantial quantities of such items as tractors, railway cars, metal pipe, and so forth. These nations are a rich source for future American exports which we can ill afford to **disregard**.

Our open policy in support of continued trade with the Smith regime could tip the balance to where such competitors as Japan or Western European nations would be the beneficiaries of the increasing African market. Can we afford to continue to antagonize the other African nations which are large and increasing markets for U.S. products through our support of Rhodesia?

#### U.S. EFFECTIVENESS IN U.N.

Turning to yet another side of our present position, section 503 is, in my judgment, having an adverse effect on the possible effectiveness of the United States in the United Nations. I might say it is doing that in every respect that I know.

I cannot help but feel, for example, that the action taken by the Senate in September 1971 in approving the language of the Byrd amendment was detrimental to American efforts to line up sufficient votes in the United Nations to support the retention of the Republic of China in that body.

As you may know, the vote which replaced the Republic of China with the People's Republic of China came some 2 weeks after the Senate vote. The U.N. vote to expel the Republic of China was 76 to 35, with 24 of the African nations voting against the United States and against the Taiwan Government. Simple arithmetic will give you the results of this vote had these 24 nations supported the U.S. position.

What effect our present position will have on our future effectiveness within the U.N. remains to be seen. But in the month in which I have served as a member of the U.S. delegation to the U.N., it has become very clear to me that our continued violation of the U.N. sanctions is

hampering not only our relations with the African and developing countries, but with our strong and traditional ally, the United Kingdom, as well.

The other governments of the United Nations consider us to be in violation of international law in our public policy of trade with Rhodesia. This is compounded by the fact that our representatives at the United Nations joined in the imposition of U.N. sanctions and repeatedly voted for them prior to the passage of section 503. This is further complicated by the facts that the United Nations does not recognize Rhodesia as an independent nation; that our most trusted ally, the United Kingdom, insists that it is an illegal regime which violation of sanctions is helping to sustain and that no nation in the world has officially recognized its existence.

Many Americans would agree that our continued open violation of these sanctions is needlessly providing major psychological support to a repressive regime. Many of those in support of retaining the provisions of the Byrd amendment have argued that other nations who also voted for the sanctions are secretly violating them so the United States should not worry about its position in this regard.

It is true that the United States accounts for only an estimated 5 percent of the total Rhodesian exports. Obviously the other 95 percent is going to similar violators of the U.N. sanctions. But the finger of the world is not pointed elsewhere, it is pointed at the United States because we are the ones with an acknowledged double standard.

We are the only nation, while trying to fulfill the role of an advocate for human rights, was first a party to the sanctions, then made their violation a matter of public law and official policy through the enactment of section 503.

As General Yakubu Gowon, Head of the Federal Military Government of Nigeria said during a recent address in the United Nations,

The illegal regime in Salisbury still continues because of the noncompliance by certain member countries of this organization with the unanimous decisions of the Organization and of mankind. Perhaps those who prefer to sell a few goods to such an illegal clique, or to buy such commodities as the racists of Salisbury wish to sell in order to maintain themselves in power, have made their own calculations and prefer their temporary material profit to their sense of honor and their position in history.

The foregoing underlines the strong feeling of our African friends concerning our position on this matter.

It also appears that our position of open trading with Rhodesia on "strategic" materials is encouraging some Americans to continue trade relations in other areas as well. For example, four individuals and two corporations were indicted by Federal grand jury for violating the U.N. sanction against Rhodesia last year. All pleaded guilty to planning to build a \$50 million chemical fertilizer plant in Rhodesia and to enter into a secret agreement with the Rhodesia regime to ship \$5 million worth of ammonia to Rhodesia. All were fined.

Allegations of an American firm selling spare parts to Air Rhodesia are also under consideration by the U.N. at this time. As you may know, the United Nations has established a special committee to deal with the Rhodesian situation and to investigate alleged violations of the sanctions, not only ours, but those of other nations. The enforcement efforts undertaken by this committee are being substantially

strengthened and, in my judgment, will be more effective in the future than they have been heretofore.

#### UNITED STATES SETS EXAMPLE TO WORLD

Whatever violations of international law or human justice may be made by other nations, the simple fact is that most people in the world expect something better than this from the United States. In the words of Chaucer, "If gold doth rust, what will iron do?"

Mr. Chairman, the United States is the greatest free republic in the history of the world providing the greatest protection to individual rights and liberties. Yet through our trade policy with Rhodesia we are casting aside ideals and principles embodied in the Declaration of Independence, the Constitution and our civil rights laws for real or imagined economic benefits.

It is understandable how we, in the United States, who chose our form of Government by majority rule can continue by our present policy to give aid and comfort to a government which not only does not permit rule by the majority of the population, but actually prohibits such majority rule.

The Rhodesian Constitution, adopted in 1969, for example, provides that the House of Assembly shall be comprised of 50 Europeans plus 16 Africans. While there are provisions for increased African representation, they are based on economic requirements. Even the amount of African participation in the assembly is restricted by that provision which requires, and I quote, "when parity of representation with the Europeans is reached, there is to be no further increase in African representation."

Thus the Africans, who comprise 95 percent of the population, can attain at best, assuming a substantial increase in wealth, only parity with that portion of the population which comprises the remaining 5 percent.

In permitting trade with Rhodesia and, in fact, therefore, permitting American involvement in Rhodesian industry, is the United States not contributing to continued racial discrimination in wage scales? Can we as a nation morally justify the exploitation of Africans who work in the mines of Rhodesia and you have received figures on this, Mr. Chairman, showing that the African workers receive a fraction of that which is paid to Europeans for like work.

Mr. Chairman, the civil rights movement is the most important thing which has happened in our country in my lifetime, indeed in many generations, because it accomplished the beginning of the end of such a double standard in the United States and the world as well.

Just as our country is made stronger when each individual can fulfill whatever gift God has placed within him, so the world in which we live shall be made stronger as the legitimate aspirations of people of Asia, Africa, and Latin America are fulfilled.

Our national interest does not lie in the encouragement of repressive regimes of the left or the right but in the achievement of freedom and justice in the world.

Within this context, if we continue to cast our lot with the transient and repressive regime of Ian Smith in Rhodesia, we will be building our house upon the sands. The winds of change are blowing across the

continent of Africa with such force that I cannot believe that any structure of colonialism, ethnic minority rule, or repression can long stand.

Within the African majority in Rhodesia and their counterparts throughout Africa, there is a determination to bring to a final end the last vestiges of political subjugation and economic exploitation. Through the repeal of the Byrd amendment, and the clear identification of our country with the aspirations of the people of Rhodesia, we can build our house upon the rock of a position that is economically, politically, and morally right.

Such a house will be able to withstand the storms and stresses of our time. I, therefore, urge that this committee favorably report and the House do pass H.R. 8005 to effect the repeal of section 503 of the Military Procurement Act at the earliest possible time.

I thank you, Mr. Chairman.

Mr. FRASER. Thank you very much, Mr. Buchanan. That was an excellent statement. We will take a temporary recess now and then come back as soon as we vote.

Mr. BUCHANAN. Could my statement as written be included in the record?

[A brief recess was taken.]

Mr. FRASER. The subcommittees will come to order.

Mr. Buchanan, I said before we recessed that I thought your statement was excellent. I just want to underscore the very strong impression it made on me. It pulls together all these facets of this problem, the domestic impact on jobs, the problem of adequate chrome and ferrochrome, especially ferrochrome production in the United States, the international problem and the moral issues that are at stake.

I just have one or two questions. I assume in New York where you are presently serving that the issue of the United States position on Rhodesia is probably not too much alive at the moment since Congress did pass the Byrd amendment 2 years ago and I suppose they do not keep talking about it continuously.

Do you sense, though, that our relationships with African nations generally are something less than the best at the present time for other reasons?

Mr. BUCHANAN. Yes, Mr. Chairman. So far as the Byrd amendment per se is concerned, there is reference made repeatedly not only to the Rhodesian Government itself, but to their friends who support them with trade. References that are quite negative are repeatedly made by various African and other representatives in the United Nations. In this session it has been something very much alive. It is symbolic to many of these African nations particularly, of something that troubles them deeply. As I said in my statement, most people in the world really, however critical they may be of us, expect us to be something along the line of that which we want ourselves and profess ourselves to be when it comes to issues of human justice and rights.

The fact that from their point of view for temporary economic gain we would violate international law, go back on our own positions and support what they believe to be a very repressive and racist regime, is a matter of importance and of great concern to African and other delegates alike.

## COMMERCE ABOVE HUMANENESS

Mr. FRASER. The person I replaced in Congress, Walter Judd, came back from China in the late 1930's, complaining bitterly of the fact that the United States was continuing to export scrap iron to Japan, which was then, in his views, turning them into bullets and killing Chinese because the Japanese then were engaged in a war of aggression on China.

That policy has always stayed in my mind as an example of placing commercial interests above human values. I gather that the United States must appear to be doing the same in the case of Rhodesia?

Mr. BUCHANAN. I think certainly from an African view that would be the case, but also many Americans would share that view, including the distinguished chairman himself. I feel that our greatest security and strength as a country must lie in remaining a moral leader for justice. Our precise defense and security interests are not involved—as I think the facts have made plain—and I feel that it is very difficult to find those interests that are important enough otherwise to justify continuation of this trade that is doing us such terrible damage, not only from the point of view of our image, but also as to what in reality we are in the world, which is of some importance to me.

Mr. FRASER. Mr. Winn.

Mr. WINN. Thank you, Mr. Chairman.

Mr. Buchanan, I appreciate your very fine statement. I told you, as we were going over to vote, I might pick on you a little bit, mainly because I have a couple of questions that came out of some of the statistics you presented. The first one would be on page 2, the fourth paragraph, where you refer to the 134,442 content tons of chrome ore from the U.S.S.R. and 10,700 content tons from Rhodesia.

My question is what if this Mideast situation would go from bad to worse and we would become involved directly or indirectly. Suppose that the conversations, that I understand are now going on between the two countries, sort of faded out and were faced with the possibility of getting into a hassle with Russia. All of a sudden they cut off their chrome to us and we cut off our wheat to them, which is one of these things everybody talks about from time to time. What would be your thinking on that? Where do we go, particularly from a military standpoint for our chrome?

## RELIANCE ON U.S.S.R. MINIMAL

Mr. BUCHANAN. As you will note from that same paragraph on page 2, during the first 6 months of this year we imported only 28,500 tons from Russia. Consequently we are much less reliant on the Soviet Union than the earlier figures would indicate. Also you will note again at the top of page 2 that we have already released 900,000 tons of chrome from our stockpiles and we have an additional 2 million tons, and the statement of the Defense Department is that only a very small percentage of that would be needed for defense purposes.

If we had no other source, we still would have much more than enough chrome in our stockpiles alone to handle our defense needs for the foreseeable future. So I don't believe we could get into a security situation where we would require chrome either from the Soviet Union or Rhodesia for that matter.

Mr. WINN. Then your contention, and I guess that of the State Department because you quote John Scali, is that we have enough stockpiled for quite some time as far as the defense of this Nation is concerned, even if we were to get into a war with Russia or a psychological war of withholding what another country needs.

Mr. BUCHANAN. The gentleman is exactly right. That not only is my position and that of Dr. Kissinger and the State Department; it is also the position of the President and the Department of Defense. The administration does support the repeal and the Department of Defense states that we have enough to meet our defense needs.

Mr. WINN. On page 6 you refer to the U.N. vote. Certainly here you have been following it very closely the last week or 10 days, anyway, because you talk about the 24 African nations voting against the United States and against the Taiwan Government. I just want your personal opinion—not your official capacity opinion—do you really think this is going to change their votes in the future on similar items if we change the Byrd amendment?

Mr. BUCHANAN. Well, of course, there are various issues about which these nations would feel strongly and there are other issues that they might feel they had with us. In some instances their interest might lie in a direction that runs counter to our national position, but what I think this does is make it certainly impossible for us to count on any significant number of African votes on any issue, because this particular matter is one of such great importance to them. They attach such symbolic significance to what they think it means we stand for and what they believe it indicates our position basically to be, that I think it is most unlikely we can count on any significant number of African votes for support of a position of ours so long as this is a part of the picture.

Mr. WINN. But you think this is probably one, if not the biggest roadblock, preventing better relationships with the African nations?

Mr. BUCHANAN. I think it is the largest roadblock at the present time.

Mr. WINN. I am sure, and I think you stated it well, that you don't want to lead the committee to believe that immediately upon revoking that position, all 24 votes are going to come into our camp.

#### BYRD AMENDMENT BRINGS OPPOSITION

Mr. BUCHANAN. Certainly not. Some of these votes would have gone the other way regardless of this, but I found some significance in the fact that 2 weeks after the action of the Congress in Washington, that this vote occurred and we had such solid opposition. There may have been no connection at all, but I think it is worthy of note. And there are African nations in which we have substantial investments.

I read a strong statement from the Nigerian head of government. We have over \$1 billion invested in that country. We have a great opportunity for increased trade with that country. I think that his strong words reflect the feeling spoken in some instances in even stronger words by other African representatives on that continent toward us. I really think that while we cannot count on African votes and African friendship in all instances in any case, we can certainly count on great reaction generated by the continuation of the Byrd amendment.

Mr. WINN. You definitely think—and you made a fine statement—that it would be a step in the right direction, in your opinion?

Mr. BUCHANAN. Yes, sir, I do think so.

Mr. WINN. I cannot find it here, but I remember the gist of the thing. Maybe I misunderstood you, but I got the feeling you felt that industry and private enterprise, or private business, had a great control over this whole situation. Of course there are some statistics that would lead us to believe that, but I really cannot believe it because I have been in Congress 7 years and I have never seen that great power that industry and the free enterprise system are purported to have ever held over Members of Congress in any way, although it might be in a few cases, concerning the policy of the United States.

Mr. BUCHANAN. I do not believe I made direct reference to business influence on our policy. I think there is clear responsibility on the part of some American corporations for some of the policies within Rhodesia.

Mr. WINN. I think that is what you are talking about. On page 8 I found an explanation dealing with the actions of the four individuals and two corporations indicted by the Federal grand jury last year for violating U.N. sanctions against Rhodesia.

Mr. BUCHANAN. As you know, what the Byrd amendment does—for a strategic material it permits the trade, but not for other things and some are going beyond that.

Mr. WINN. It is a thin line, and I suppose that is part of the strategy dealing with the military and the defense and security of this Nation. Probably every one of us at this table has a variation of opinion of what that entails.

Mr. BUCHANAN. Well, of course, in the judgment of the court, the production of chemical fertilizer did constitute a violation. I, however, only meant to imply that the fact that we permit some trade has given occasion to some gray areas, in this case once the court deems a violation. So far as the American private enterprise, I would like to say to the gentleman I share his basic feeling toward the free enterprise system and toward the position of private enterprise in our country. I certainly would not want to convey the impression that I am either hostile to private enterprise per se, nor would I want to be a part of basic Government attitude in this country of suspicion, hostility toward private enterprise. That, I think, is one of our great problems as a nation.

#### GOVERNMENT SUBSIDY OF BUSINESS

One of the handicaps we face in world trade is that most governments either subsidize their businesses that are doing trade abroad or find other ways to be helpful to them. I am afraid our Government has not been nearly as active in this respect. We have too much, in my judgment, curtailment, restrictions, suspicion, hostility, and too little positive helpfulness in developing markets, but I believe our national interest must come first, and I believe, secondly, that the interest of American industry and enterprise generally is best served by opening this large and growing African market and by protecting our overall investments in those African nations—\$3.5 billion worth or more at

this point—and I think there is more threat by our violations of the U.N. sanctions than we are threatened in any way by whatever trade we may lose in Rhodesia ore.

So I feel the overall best interests of private industry and enterprise, as well as our national interest, can best be served by reimposition of the sanctions and protection of our total development and involvement and opportunities in the whole of Africa and even in the long run in Rhodesia, and I would like to underline this. I really think that if we are looking toward the long run in Rhodesia, that it is simply unlikely that a regime that is based upon this kind of ethnic or racial minority rule, that is considered illegal by most of the world, that is obviously deeply resented by Africans in and out of Rhodesia—at this point in history it is very difficult for me to believe that that regime can endure for years and for generations.

Those vast resources of chrome will still be there when this regime is gone, and I just cannot help but feel that whatever opportunities there are for trade with Rhodesia and for having available to us, those supplies will be improved by our identification with the aspirations of the people of that country, of 95 percent of the people of that country rather than with our total identification with the 5 percent which now control it. I really think we are backing the wrong horse in Rhodesia from a purely self-interest point of view in the long run.

I think we are backing what in the long run will be a loser, and therefore we are doing so to our own detriment in the long run as well as to the detriment of our principles, to our political detriment, and to our overall economic detriment, even now.

Mr. WINN. I appreciate the gentleman's fine statement, and I appreciate your clearing up some of my misgivings on this bill.

Mr. FRASER. Mr. Reid.

Mr. REID. I commend the gentleman for his statement. I like your quote from Chaucer. I think it is very apropos, and I am delighted that the Department of State and Mr. Kissinger have now taken a different position and that they are supporting the position that you have urged today; I think the United States continuing to violate sanctions went to the heart of our position in the world and basically in my judgment questioned the integrity of the United States. I think further that defeat of the Byrd amendment and support for the position the gentleman is enunciating is central to the U.N. and to our position in the U.N.

So I commend you for your statement.

Mr. BUCHANAN. I thank the gentleman. I would say I believe Dr. Kissinger indicates that his position has been one of support all along. I just would put that forward.

Mr. REID. If that be the case, he did not always make it known to the Members of the Senate and the House, and I am delighted that his position now represents the position of the White House which I do not believe was the same heretofore.

Mr. BUCHANAN. As my friend well knows, Dr. Kissinger is now in a position where he both will and must communicate more clearly with the Congress. He has made clear this position now, and I share the gentleman's delight that this is a strong position of our Government.

Mr. FRASER. Mr. Mathias.

## OTHER BUYERS OF RHODESIAN CHROME

Mr. MATHIAS. Thank you, Mr. Chairman. I would like to also commend the gentleman for his fine statement. I would like to find out one piece of information if you happen to have it. If not, maybe you could submit it for the record. You mentioned that 5 percent of the total Rhodesian exports are accounted for by the United States. Obviously, 95 percent is going someplace else by other violators. Do you happen to know the countries that would make up that other 95 percent and if any of these countries are members of the U.N. Security Council?

Mr. BUCHANAN. I will say to the gentleman that there have been accusations made in various directions, but so far as hard information, there is none I know of. Obviously, since they are exporting 95 percent, someone is violating U.N. sanctions and much of the violation is in other hands than our own. I do not possess personal knowledge of which nations.

I have some ideas in that direction, but I do not have any hard evidence at all.

Mr. MATHIAS. I would imagine that Russia would not have any chrome coming to their country because we buy so much from them.

Mr. BUCHANAN. I can supply some of that information for the record.

Mr. MATHIAS. I would appreciate if the gentleman could. I am just curious to see what other countries would violate the U.N. Charter.

Mr. BUCHANAN. I would say I do think it is very unfair to our country; we are getting 100 percent of the blame for 5 percent of the trade, and that is not fair. My only response would be one I quoted a few moments ago: "If gold will rust, what will iron do?"

As an Asian once said to me when I asked him why he was so critical of us and had so little criticism for the Soviet Union, "But you are supposed to be good," and I do think this should be our attitude. We are supposed to do right, whatever the world does, and I think it is a good thing that so many people in this world expect us to do right—whatever other people may be doing.

Mr. FRASER. Mr. Bingham.

Mr. BINGHAM. I would like to express my admiration to the gentleman for his statement. I particularly feel this way because, if I am not mistaken, this represents a change in the gentleman's position. I wonder if you would tell us in just a word, Mr. Buchanan, what, in particular, brought about the change in your view on this matter.

Mr. BUCHANAN. I will be glad to say to the gentleman that the only basis for which I ever felt I could support the so-called Byrd amendment was on the overriding grounds of national security interest and national defense. I am now persuaded that that is, and probably was, a spurious argument; that not only is it not vital to our national security interest now, I now feel it probably never was.

I will say further that while I was uncomfortable with the Byrd amendment on moral grounds from the outset, that at this point I feel so strongly the wrongness of this policy for our particular country that it would be very difficult for me to support the continuation of this amendment for any purpose at all.

Mr. BINGHAM. I thank you. Regarding the point that Mr. Mathias raised as to the violations, wouldn't it be likely that the great bulk