The Case For Restoring Rhodesian Sanctions

On December 18th, 1973, the Senate voted by 54 to 37 in favor of S.1868 to re-instate full United States compliance with United Nations economic sanctions against Rhodesia, by exempting sanctions from the operation of Section 10 of the Strategic and Critical Materials Stock Piling Act. This section (the so-called Byrd Amendment) provides that the President may not prohibit or regulate the importation of "strategic and critical materials" from non-Communist countries as long as importation of such materials from Communist countries is not barred by law.

We urge members of the House of Representatives to support S.1868 for the following reasons:

1. In an era of minerals shortage, sound economic policy demands sensitivity to the views of independent African states, who are united in opposing U.S. support for Rhodesia’s regime. The independent countries of Africa are becoming important suppliers of many of these minerals. The U.S. now has over $3 billion in private investment in these nations, far more than the $56 million invested in Rhodesia. Secretary of State Henry Kissinger recently wrote:

   ...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.

2. U.S. security does not require breaking sanctions. The national stockpile contains more than 5 million tons of chrome ore, greatly in excess of military needs. Deputy Secretary of Defense, Clements, has written that only 2.3% of the stockpiled high-grade chrome ore is necessary for the Defense Department's requirements in the first year of a war. The President proposed in 1973 to release excess chrome and ferrochrome from the stockpile for public sale. The stockpile excess is enough to replace 1973 imports from Rhodesia for 22 years. Furthermore, if the Byrd Amendment was intended to eliminate dependence on a potential enemy, the Soviet Union, it has not done so. Soviet imports of chrome ore in 1972 and 1973 continued to be more than 50% of total U.S. imports, as they had been before the legislation took effect.

3. Other competitively-priced sources of chrome besides Rhodesia can meet U.S. needs. The Soviet Union is the largest producer and exporter of chrome ore in the world. The great bulk of production is sold as exports, 90% of which goes to non-Communist countries. Soviet deliveries of chrome ore to the U.S. were not interrupted by political tensions generated by the Cuban missile crisis or the Vietnam war. Soviet ore has the highest chrome-to-iron ratio and chromic oxide content of any ore in the world. In 1973, Soviet ore sold for 20% less than comparable Rhodesian ore. Turkey, Brazil, Pakistan, the Phillipines and South Africa are also chrome ore exporters and often at cheaper prices than Rhodesia.

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4. The Soviet Union is not buying Rhodesian chrome ore and either transshipping it to the United States or stockpiling it. The transshipment allegation was tested by the U.S. Geological Survey, which found that the contention that Soviet materials were Rhodesian did not hold up under examination. Other allegations that the Soviets are purchasing Rhodesian ore for their own use are unsubstantiated and have never been submitted to the U.N. Sanctions Committee, which offers rewards for such information.

5. Sanctions-breaking imports of ferrochrome made more cheaply in Rhodesia threaten the jobs of American workers in the U.S. ferrochrome industry. Since the passage of the Byrd Amendment, imports of ferrochrome (a chrome-iron alloy used in making stainless steel) from Rhodesia have doubled, claiming 46% of the high-carbon ferrochrome import market in 1973. Rhodesian ferrochrome can be exported cheaply because African miners in Rhodesia, who are prohibited from organizing to gain a decent wage, earn less than half of the minimum required for subsistence. Also, the Rhodesian regime subsidizes freight and power rates and allows industry to avoid the high costs of environmental protection. The threat to U.S. jobs has been temporarily lessened by a recent boom in the steel industry, but when the boom ends, American workers may lose jobs because of unfair Rhodesian competition.

6. Restoration of sanctions will not lead to precipitous increases in the cost of stainless steel. If sanctions are restored, replacement of Rhodesian ferrochrome by purchases of ferrochrome from other foreign producers or from the stockpile, costing at most an additional $100 per ton, will cost the stainless steel industry only slightly over $3 million annually, not the $96 million it has predicted. The stainless steel producers have not passed on to consumers any cost savings that may have come from breaking sanctions. In fact, stainless steel producers have recently upped prices by 2 to 4% on top of previous price hikes of as much as 6% in 1973. More increases are planned; Allegheny Ludlum, the leading producer, says it is going to raise prices 18% by July 31st.

7. Sanctions are a legitimate form of international pressure for justice in Rhodesia. Sanctions are not meddling in the internal affairs of a country. It is difficult to understand how U.S. compliance with U.N. Sanctions constitutes meddling in internal affairs while our current violation of sanctions does not, since either action by an important world power has important effects in Rhodesia. The United States supported sanctions in the U.N. Security Council in the belief, now borne out, that the oppression of so many by a tiny illegitimate regime in Rhodesia is a threat to international peace.

8. Renewed U.S. compliance with sanctions could bring decisive pressure on the Rhodesian regime. Sanctions have denied Rhodesia much of the capital needed for industrial and transportation equipment, oil and armaments. This economic pressure, and the growing opposition of Rhodesian Africans, may force the regime to negotiate seriously with Africans for a peaceful transition to majority rule. U.S. violation of sanctions weakened these pressures by giving the regime $43 million of precious foreign exchange and invaluable political backing. Renewed U.S. compliance with sanctions will increase the economic pressure and place the weight of the United States behind the African people in their demand for majority rule.
African Countries which support sanctions are major producers of minerals needed by U.S. Economy

Sources: U.S. Bureau of Mines,
1971 Minerals Yearbook
1972 Preprint (Cobalt)
1973 Estimated by petroleum expert
U.S. ferrochrome production has almost consistently declined since 1967, the first year of the Rhodesian sanctions... " from Rhodesian Chromium and Specialty Steel: Basic Considerations.

Declined?
The Year the Stainless Lobby Didn't Talk about: 1973

If Rhodesian ferrochrome and chrome were embargoed, excess material in the U.S. stockpile could replace the quantities now imported from Rhodesia for a period of 22 years!

U.S. ferrochrome plants if adequately supported can meet most of U.S. requirements.

SANCTIONS WILL NOT CUT U.S. OFF FROM FERROCHROME.
Chrome ore output by 1975 is expected to be about 18 percent higher than in 1970. - Minerals Yearbook 1970 vol. 3 p. 782
Ferrochrome cost is $112, or only 10.8%, of price of a ton of Stainless Sheet Type 304, $1040. Chrome Ore, a component of ferrochrome, represents less than 4% of total Type 304 price.

Source: Ferroalloy Industry: Petition to Cost of Living Council for Exemption, 1973
Stainless profits tend to parallel the profits of the 500 largest U.S. corporations, although the profits swing up and down more widely, as is typical for a cyclical industry. A main factor contributing to the fall in the early 1970's was penetration of the U.S. market by imports from Japan. Main factors in the rise in 1972 were voluntary restraint agreements with Japan and the devaluation of the dollar. Chrome ore and ferrochrome prices play a relatively small role in determining profit outcome.

Stainless Profit on Equity .... higher than Steel Industry
Sources: Ministry of Finance, Economic Survey of Rhodesia, April 1973
Monthly Digest of Statistics, vol. IX, 4
1971 Dollar equivalent: Kwacha = $1.40
Rh. Dollar ~

Real Wages of African Miners in Zambia

Real Wages of African Miners in Southern Rhodesia

Majority rule and a free Labor movement will benefit Rhodesia's African workers

DISPARITY IN WAGES BETWEEN AFRICANS AND OTHERS - SHRINKING IN ZAMBIA---NOT IN RHODESIA

1971
6 to 1
Zambia
13 to 1
Rhodesia