WHY CONGRESS SHOULD RESTORE U.S. COMPLIANCE WITH U.N. SANCTIONS AGAINST RHODESIA BY PASSING H.R. 8005 AND S.1868

Summary

Acting in the mistaken belief that the defense of the United States and the job security of its workers demanded it, Congress in 1971 passed legislation providing 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 was not barred by law. The effect of this law, Section 10 of the Strategic and Critical Stock Piling Act, popularly known as the "Byrd Amendment", was to permit the open violation of United Nations sanctions against Rhodesia which we had previously advocated and supported.

Since 1971, evidence has accumulated that our national security did not require this violation of our international treaty obligations, that the Byrd Amendment has hurt our domestic ferrochrome industry and that it has imposed political costs on our country in its relations with other African countries out of all proportion to the small financial benefit conferred on the stainless steel industry and those of its ferrochrome suppliers who are shifting operations to South Africa and Rhodesia.

Restoration of sanctions will not lead to the harmful consequences which the stainless steel producers claim will occur. Rather, it will place significant and perhaps decisive pressure on the illegal Rhodesian regime to negotiate a peaceful transition to majority rule at this critical moment in Rhodesian history.

We urge you to join Senators Humphrey, McGee and 29 other Senators and Congressmen Diggs, Fraser and 110 other members of the House in supporting S. 1868 and H.R. 8005 to exempt U.N. sanctions from the operation of Section 10 of the Strategic and Critical Materials Stock Piling Act.

In detail, our reasons for urging support of this legislation are as follows:

1. Our national security does not require us to break sanctions.

Many members of Congress voted to break sanctions because they were sincerely persuaded that we needed to supplement our stockpile reserves for defense purposes by importing Rhodesian chrome ore. Further, it was argued that to rely on a potential enemy, the U.S.S.R., for supplies of chrome ore was dangerous.

Recent careful evaluation, however, shows that our stockpile contains an abundance of chrome ore far in excess of any foreseeable
military requirements. On July 20th, Deputy Secretary W.P. Clements, Jr., wrote to Congressman Donald Fraser:

...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 (stockpile) inventory as of 31 December, 1972.

In other words, we have enough chrome ore in the stockpile to supply the military for more than 40 years of war. Because our stockpile is so far in excess of what is really needed for defense, the President proposed on April 16th that 4,662,000 tons of chrome ore and 768,000 tons of ferrochrome be disposed of as surplus.

Furthermore, the 1971 legislation did not in fact reduce our reliance on Soviet chrome ore imports. After the legislation became effective, Soviet chrome ore imports advanced to 45 per cent of all chrome imported. In the first seven months of 1973, Soviet metallurgical grade chrome ore was 54 per cent of all such chrome ore imported, about in line with the average share of the market the U.S.S.R. enjoyed in the previous five years. Rhodesian chrome imports, on the other hand, were less than 10 per cent of all chrome ore imports in 1972 and only 1/2 of 1 per cent in the first seven months of 1973.

Although predicated on our defense need for chrome ore, the Byrd Amendment opened the door to the importation of other minerals, which, while technically "strategic and critical", were not even in short supply. Nickel, for example, is not stockpiled because we have access to abundant supplies in Canada, Norway and New Caledonia. Yet, in 1972 and 1973, we supplied the illegal Rhodesian regime with $11 million in badly needed foreign exchange by purchasing Rhodesian nickel.

Both Secretary of State Kissinger and Peter M. Flanigan, Assistant to the President for International Economic Affairs, have recently stated that imports of Rhodesian chrome and nickel are not necessary for U.S. security or strategy.

2. The Byrd Amendment has not saved U.S. jobs; it threatens to eliminate jobs in our domestic ferrochrome industry.

Since the passage of the Byrd Amendment, Rhodesian and South African ferrochrome, both made with Rhodesian chrome ore, have flooded the American market at prices lower than the American cost of production in some instances. In 1972, we imported almost as much ferrochrome from these two apartheid countries as we imported from the entire world in 1966-71. By the end of July, 1973, Rhodesian and South African imports had already climbed to 83 per cent of the 1972 full-year volume.
Because these materials are mined and processed by underpaid, forced black labor and because they enjoy the advantage of governmentally subsidized freight and power rates, they can be sold profitably for bargain prices. African workers in Rhodesia and South Africa cannot strike or bargain collectively; strikes that do occur are regarded as "political" and have been repressed by police power, sometimes, as in the recent Carletonville incidents, with bloodshed and loss of life. Rhodesian African miners are paid one-thirteenth of wages which other Rhodesian laborers receive. They receive 25 per cent of what black Zambian miners receive. Zambia, formerly Northern Rhodesia, has a free trade union movement which has won important improvements through political rights and collective bargaining.

The impact of these low-priced imports has been devastating to the domestic ferrochrome industry. In December, 1972, Foote Mineral Co. and Ohio Ferroalloys announced that they were closing their plants in Ohio. So serious had the situation become by May that the industry petitioned for relief from excessive imports, warning that South Africa and Rhodesia "may soon dominate and control the world supply of chromium products" and that it would be only a matter of time before all domestic ferrochrome production ceased. While the petition was later withdrawn without prejudice because of the current boom in the steel industry, the condition of the ferrochrome industry continues to be precarious.

3. Restoration of sanctions will not lead to harmful consequences for the stainless steel industry.

The price of ferrochrome may advance if sanctions are reimposed but any advance in price will be modest. We estimate that the cost of ferrochrome is presently about five per cent of the total cost of producing stainless steel. The cheaper price of high-carbon ferrochrome imported from Rhodesia and South Africa in 1972 represented at most a saving of 3 cents a pound, less than one per cent of the total cost of production. By comparison, stainless steel benefited from devaluation of the dollar by ten per cent in this year alone. Voluntary restraint agreements now protect the industry from much previous foreign penetration of the American market. Furthermore, the stainless steel producers and Allegheny Ludlum in particular have shown no hesitation in passing on costs to the consumer by raising prices 5 to 7 per cent this year.

Contrary to claims made by stainless steel producers, ferrochrome is not in short supply. In fact, the industry has been plagued by excess capacity. The U.S. Ferroalloys Association pointed out in its petition for relief in May 1973:

It is estimated that the current free world capacity for ferrochrome production outside the United States may be as much as twice the free world demand outside the U.S.
Ferrochrome is available from the following sources:

a. Domestic industry. In the period 1967-71 American ferrochrome producers supplied about 87 percent of high carbon ferrochrome and about 72 percent of low carbon ferrochrome consumed in this country. U.S. higher costs reflect our insistence on control of pollution and fair labor standards as well as a reluctance to spend money on modern technological improvements in view of worldwide overbuilding of capacity. In view of its strategic importance, however, consideration might be given to subsidizing the industry as the Finns have done to enable the use of low-grade material and high technology.

b. Foreign producers. Japan was operating in 1970 at less than 50 percent of capacity. Brazil, Turkey, West Germany, Yugoslavia, France, Norway and Sweden are all exporters of ferrochromes. Not all are higher than Rhodesian and South African material in price; Finnish ferrochrome sells at 20 percent less.

c. Stockpile. As proposed by the General Services Administration in May, carefully timed releases from our stockpile can supply 20 to 25 percent of our ferrochrome needs for as much as ten years.

If we allow Rhodesian and South African ferrochrome imports to undercut and eliminate our domestic ferrochrome industry, we will be encouraging concentration of monopolistic power in the hands of these two apartheid states. Cut-throat competition will probably be followed by an era of higher prices when other producers have been driven out of business.

4. Breaking sanctions may mean that independent black-ruled African countries will deny their trade and resources to the United States.

Black-ruled independent countries in Africa with whom we do far more trading and in which we have far more investment than we do in Rhodesia, such as Nigeria, are becoming increasingly insistent that we cease supporting minority rule in the countries of Southern Africa by our trade and investment there.

Majority rule will eventually come to Rhodesia. When it comes, our businesses will have to negotiate for access to chrome and nickel with a government representing the African people. If we continue to break sanctions, such negotiations may be blocked by African memories of our obstruction of their access to political rights.

5. Sanctions, if restored and strengthened, can place significant pressure on the illegal Rhodesian regime for a peaceful transition to majority rule.
Sanctions did not bring a swift capitulation when they were first imposed but they should not for that reason be underestimated, or dismissed as ineffective. Lack of foreign exchange is a key deficiency in the Rhodesian regime's game plan. Without foreign exchange, Rhodesia cannot buy the transportation equipment, industrial machinery and armaments it requires for self-sufficiency. Rhodesia's deficit in 1971 was some $30 million. Sales of minerals to the U.S. since 1971 have provided the Rhodesians with $31 million of the foreign exchange they need.

This is a valuable foreign exchange earner for Rhodesia which is already short of foreign reserves. The loss of this market could be a serious blow to the Rhodesian economy and morale.

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This year Rhodesian businessmen are becoming increasingly restive under Ian Smith's leadership. Shortages of transportation equipment, Smith's blunder in closing the Zambian frontier, fears created by the renewal of guerilla warfare and general uncertainty over the future are leading many to question the wisdom of not coming to a political settlement with the African majority.

Conversations began in mid-July between Ian Smith, prime minister of the Rhodesian regime, and Bishop Abel Muzorewa, President of the African National Council, the only "above-ground" African political organization expressing the views of the African majority. These talks have so far been without tangible fruit because Smith has continued to insist that the 1971 settlement, which was overwhelmingly rejected by the Africans, represented a fair and final offer. The detention of more than 30 A.N.C. leaders without trial has put further dialogue with the Rhodesian Front in doubt. At the same time, however, the A.N.C. has laid the basis for future settlement by agreeing on certain general principles with the moderate white Opposition, the Rhodesia Party. The restoration of sanctions by the United States at this point might well play a key role in forcing Smith to take seriously the legitimate demands of the Africans for majority rule or, at least, in strengthening political opposition to white supremacy.

If sanctions are not restored, we will strengthen the growing conviction of the African people of Rhodesia that armed struggle is the only avenue left them to win majority rule.