



Importation of Rhodesian Chrome

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Importation of Rhodesian Chrome

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IMPORTATION OF RHODESIAN CHROME

HEARING
BEFORE THE
SUBCOMMITTEE ON AFRICAN AFFAIRS
OF THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE
NINETY-THIRD CONGRESS

FIRST SESSION

ON

S. 1868

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

SEPTEMBER 6, 1973



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IMPORTATION OF RHODESIAN CHROME

THURSDAY, SEPTEMBER 6, 1973

UNITED STATES SENATE,
SUBCOMMITTEE ON AFRICAN AFFAIRS,
OF THE COMMITTEE ON FOREIGN RELATIONS,
Washington, D.C.

The subcommittee met, pursuant to notice, at 10:35 a.m., in Room 4221, Dirksen Senate Office Building, Senator Gale W. McGee presiding.

Present: Senators McGee and Humphrey.
Senator McGEE. The committee will come to order.

OPENING STATEMENT

As the junior senator from Minnesota, I am delighted to preside over this hearing. Seriously, Senator Humphrey is carrying the ball in another hearing at the same time on foreign aid, and as the former chairman of this subcommittee and its ranking member I am delighted to have the opportunity to fill in so that Senator Humphrey can strike blows for both of us in behalf of the foreign assistance program which is pending before the Finance Committee this morning.

Our purpose in this hearing is to re-examine again American policy that places us in the unique role of being the only nation in the organized world community that has done violence to its commitments under the United Nations in repealing our role in the U.N. embargo on Rhodesia several years ago.

[The text of S. 1868 and executive branch comments follow:]

[S. 1868, 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."

DEPARTMENT OF STATE,
Washington, D.C., July 26, 1973.

HON. J. W. FULBRIGHT,
*Chairman, Committee on Foreign Relations,
U.S. Senate.*

DEAR MR. CHAIRMAN: The Secretary has asked me to reply to your letter of June 1, 1973 requesting coordinated Executive Branch comments on S. 1868, a bill to amend the UN Participation Act of 1945 so that any subsequent actions such as the Byrd Amendment will be inapplicable insofar as they are not in accord with our obligations under the 1945 Act.

The Department of State fully supports enactment of S. 1868. 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 S. 1868. The United States has long supported effort 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 S. 1868. It would greatly reaffirm the position of good faith that 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 yours,

MARSHALL WRIGHT,
Assistant Secretary for Congressional Relations.

Senator McGEE. My staff has prepared a very detailed recitation of the history of this question, its complications, and where we are now. Rather than take time in the hearing itself, I will make that a part of the record at this time.

[The statement referred to follows:]

PREPARED STATEMENT OF SENATOR GALE W. MCGEE

In the 20 months since the U.S. Congress voted to violate U.N. economic sanctions against Rhodesia, significant events have occurred which make it vital for this nation to be placed back into compliance with the sanctions.

It is for these reasons that I, and 29 of my colleagues, have introduced legislation which would place us back in compliance with the sanctions.

The decision of the U.S. Congress to place this nation in violation of the sanctions has been the subject of intense study on the part of many organizations and groups. Two of the most outstanding analyses of the ramifications of U.S. violation of the sanctions are to be found in a United Nations Association of the U.S.A. study compiled by the Student and Young Adult Division, which was released this last spring, and an interim report just recently released by the Carnegie Endowment for International Peace. We believe these studies to be extremely helpful in defining the issues involved in the sanctions question; and therefore, we will have both reports published as a part of the hearing record.

The basic underlying concerns of our effort to restore U.S. compliance with sanctions against Rhodesia remain the same as they were two years ago. Our unilateral and formal violation of sanctions has seriously damaged our longtime support for human rights and self-determination, and the peaceful resolution of international conflicts. We stand in violation of a treaty commitment, and this fact has seriously tarnished our credibility within the international community.

In effect, we have broken our word—a fact which is not taken lightly around the world.

The United States has long supported nonviolent resolution of conflicts. We supported U.N. economic sanctions against Rhodesia as an alternative to a violent solution and as a form of pressure on the Ian Smith regime to negotiate a new basis for independence from Great Britain.

Thus, our first concern deals with the international ramifications of our violation of the sanctions. Today, Rhodesia is not only closer to open and protracted warfare, but also, the whole of southern Africa could be drawn into racial conflict unless the Rhodesian question is resolved.

If Rhodesia does become the scene of violent racial conflict, there is little hope that violence will be contained. There have already been border skirmishes between Zambia and Rhodesia, the movement of the Republic of South African police into Rhodesia to help maintain order, an increased incidence of liberation movement activity, and government retaliation in the British colony. In effect, the action by the United States Congress in the past two years has served to impede efforts of both moderate blacks and whites to achieve an equitable settlement. Therefore, we believe that a Congressional restoration of the sanctions and our backing of U.N. efforts to enforce more strictly existing sanctions is crucial, at this time, to tip the scales in favor of a peaceful settlement.

Second, although there have been covert violations of the sanctions against Rhodesia since they were implemented, the United States remains the only nation in the world to agree to compliance first, and then formally and unilaterally to break with the international community on this question. This factor has been detrimental to our credibility within the international community.

If U.S. domestic industries paid a marginal price for our compliance with sanctions, while other nations allowed their industries to purchase Rhodesian chrome covertly, then it is entirely within our tradition and heritage as a nation. We hold ourselves to be the world's leading democracy and to maintain that position means that we must exercise responsible leadership both domestically and internationally.

Third, two years ago, proponents of our violation of the sanctions claimed that Great Britain would pull the rug out from under the United States by calling upon the U.N. to withdraw the sanctions resolution. Yet, the direct opposite has occurred. Not only has Great Britain called upon the international community to cooperate in a more stringent enforcement of the sanctions, but it also has upped the ante for independence by requiring the Smith regime to come to terms with the Rhodesian blacks, who comprise 95 per cent of the population, before a settlement can be achieved.

Fourth, according to published accounts, even the business community within Rhodesia is becoming increasingly concerned over the continued isolation of the Smith government from the international community. The continued U.S. violation of the sanctions remains the only leverage the Smith regime holds at this time and affords him the weapon to resist efforts from moderate whites within his own country to liberalize his policies. The U.S. violation of the sanctions has stymied the forces of moderation by bringing some relief to what has become a serious foreign-exchange earnings problem for Rhodesia.

It was Smith's belief that the U.S. violation of the sanctions would have a snowballing effect and it would be just a matter of time before other nations would follow suit. Quite the contrary has occurred. This spring, the United Nations Security Council took the added step of tightening the sanctions program against Rhodesia. As a consequence, the U.S. international position has become increasingly embarrassing.

Fifth, one of the principal arguments in favor of our violation of the sanctions focused on our alleged reliance upon Soviet Russia (a potential enemy) for a critical and strategic material (chrome). Yet, in spite of our importation of chrome from Rhodesia for a period of 20 months, our imports from Soviet Russia have not decreased one ton, but rather have increased. On the other hand, imports from our other principal supplier of chrome, Turkey (which is an ally), have decreased substantially.

On June 26, 1973, Mr. Peter M. Flanigan, Assistant to the President for International Economic Affairs, belittled the "national security" argument by pointing out:

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

Further, the assertion we are fully dependent upon foreign sources for a very vital metal is also misleading. We presently have some 5.3 million tons of metallurgical grade chrome in our strategic stockpile. The Administration has already announced there is no longer a need for maintaining such huge amounts of strategic metals in the national stockpile and has offered legislation which would release all but 500,000 tons from the stockpile. In addition, some 900,000 tons of metallurgical grade chrome have been sitting in our national stockpile looking for a buyer for two years.

A further refutation of the "national security" argument came in the form of a letter from W. P. Clements, Jr., Deputy Secretary of Defense, who, on July 20, 1973, pointed out:

"... 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.

Sixth, it has been claimed that Rhodesian ore is considered to be of the highest quality available by those who support continued violation of the sanctions. However, our own government experts state that by any standard, be it chrome ore deposit formation, chrome ore content, or availability on short notice, Rhodesian chrome is inferior to Soviet Russian and, in many cases, Turkish ore. The best proof of this is the continued increase of American industrial consumption of Soviet chrome ore.

Seventh, it has been alleged that Russian chrome, which has been imported into the United States, is nothing more than Rhodesian chrome transshipped. The basis of this claim was a test conducted by the Crucible Steel Division of Colt Industries. The Colt analysis utilized an electron microprobe in search of titanium content in the chromite. Colt claimed that low titanium content (a Rhodesian chrome ore characteristic) had also been found in Soviet Russian ore being imported into the U.S., leading them to conclude Russian ore was nothing more than Rhodesian ore transshipped.

However, the U.S. Geological Survey refuted the claim two years ago, even though Colt still advances this argument. USGS scientists stated that titanium content alone was not the basis for determining the origin of the ore. According to the USGS, such a determination is based upon a combination of physical characteristics, content of chromium and iron oxides, commercial value of the ores, records of production from Rhodesian mines, and the geology of Russian chromite deposits.

The USGS also noted the ore that Colt Industries claimed to be transshipped Rhodesian ore contained only an average of 38 percent chromium oxide—"far below that of the Rhodesian ore that is supplied to the world market." For these reasons, the USGS stated unequivocally that Rhodesian ore was not being transshipped through Russia to the U.S. Further, the USGS stated that Russian ore with similar titanium content as Rhodesian ore actually comes from the Urals and is known as Saranovskaya ore, or low-grade Russian ore.

In light of this refutation by the U.S. Geological Survey of Colt's claim that Rhodesian ore was being transshipped through Russia, we are now being confronted with rumors that Soviet Russia is buying Rhodesian chrome for their own use and selling us Russian chrome. Again, no evidence has been offered to substantiate this claim. While the United Nations has been able to target those nations who are covertly violating sanctions against Rhodesia, there is no evidence the Soviets are doing so. Thus, once again, we are confronted with allegations and rumors which are not based upon fact. We are confronted with misrepresentations in an effort to coerce the Congress of the United States into continuing this nation's violation of U.N. sanctions against Rhodesia.

Eighth, proponents of our violation of the sanctions, for the past two years have also stressed the economic consequences of continued compliance with the sanctions. We were told that the price of metallurgical grade chrome had risen substantially since the embargo in 1968; and the Russians, in particular, were able to inflate their prices because Rhodesian chrome was not available to U.S. buyers.

However, a study recently completed by an analyst in the Foreign Affairs Division of the Congressional Research Service, Library of Congress, noted the price of chrome, including that of Rhodesian chrome, had increased in recent years. The analyst pointed out the increase was due as much to an increase in demand for chrome and the general upward shift in the prices of raw material, as to the effects of economic sanctions. The study noted the rise in world chrome prices

began in 1964, before the imposition of the sanctions. This was attributed to the fact that in the 1950s, large U.S. stockpile purchases, primarily from Turkey, inflated the chrome prices. When these purchases ceased in 1958, prices began to rise as the ore surplus was being depleted. At the same time, world production of stainless steel began to increase at a rapid rate, especially in Japan and West Germany. According to the study, it was this new demand for chrome ore which also contributed to the upward trend in prices.

The study continued: "These factors, which began pushing ore prices upward in 1965, have continued through 1972."

The price U.S. industry pays for chromium imports is a very complex system. It depends upon the method of computation as to whether the prices for the imports are quoted prices or actual prices paid. However, for present purposes, we will utilize data obtained from the U.S. Department of Commerce's monthly publication entitled: *Imports, commodity by country*. The Department of Commerce computes the average price figure which is obtained by dividing the value of imports by their quantity. Later on in our statement, we will include an analysis of the pricing system as compiled by the Carnegie Endowment.

We have attached an appendix to our statement which is a series of charts compiled from Department of Commerce data showing imports of chrome and ferrochrome prior to our violation of the sanctions (1971) and after our violation of the sanctions (1972). Charts A, B and C deal with imports of metallurgical, chemical, and refractory grade chrome, in that order. Chart D deals with imports of low carbon content ferrochrome and chart E with imports of high carbon content ferrochrome.

In looking at Chart A, we found that in 1971, the price of metallurgical grade chrome from the Soviet Union averaged \$76.93 per ton; from Turkey, \$79.93 per ton; and from Pakistan, \$67.60 per ton. In 1972, the first year of U.S. violation of the sanctions, we found the cost of metallurgical grade chrome from Soviet Russia averaged \$73.00 per ton; from Turkey, \$60.35 per ton; from Pakistan, \$77.75 per ton. Rhodesia averaged \$67.09 per ton. However, the Rhodesian price average is somewhat misleading. For example, our initial shipment of Rhodesian chrome came in March 1972, at a price of \$49.48 per ton. Yet, just two months later, we paid \$83.65 per ton, and in December of 1972, we again purchased Rhodesian chrome for \$83.65 a ton. Again, in looking at chart A, for the first quarter of 1973, we paid Russia \$48.16 a ton for metallurgical grade chrome; Turkey \$93.17 per ton; and Rhodesia \$62.38 per ton.

Thus, the evidence seems very clear that the rule of supply and demand plays the overriding role in the price of chrome as it does with any other metal.

The Library of Congress study noted: "The price of Soviet chrome increased 188 percent between 1965 and 1970. However, the Soviet Union produces the highest grade chrome available. Lower quality chromite from other areas of the world also has increased in price more or less proportionately to that for Soviet ore."

The Carnegie study, on page 19, pointed out: ". . . because Russian ore is of a generally higher chromic oxide content than either Rhodesian, South African, or Turkish ore, it merits a somewhat higher price per ton. Similarly, because South Africa's metallurgical grade chromite is generally of lower quality, it is priced lower than that of our other major foreign suppliers."

So, the past two years we have had supporters of our violation of the sanctions playing the numbers' game. We heard claims that the Russians were gouging us on chrome prices because of the sanctions against Rhodesia. However, these same individuals made no mention of the fact that in 1965, we were paying around \$40 a ton for metallurgical grade chromite from Rhodesia, while in 1972, we paid \$67.00 a ton. This represents a 168 percent increase. Again, the basis of this comparison can be found in U.S. Department of Commerce data.

To give a further example of how misleading the numbers game is, let us take a look at chemical grade chrome (which is a middle grade). In 1968, Rhodesia sold us chemical grade chrome for \$30.51 per ton. However, in 1972, the Rhodesians were charging us \$83.25 per ton (see chart B) for chemical grade chromite. This represented an increase of nearly 287 percent in just a four-year period.

According to U.S. Department of Commerce data, the price of Rhodesian chrome for all grades from 1961 until 1968 was consistently higher per ton than the Soviet Russian chrome.

Contrary to claims that the sanctions were making the United States increasingly reliant upon a potential enemy (Russia) for a strategic metal (chrome), the surge in Russian imports came along before sanctions were implemented. Again, using the U.S. Department of Commerce as our source, we found that in 1961, we imported only 4.7 percent of our chrome from Soviet Russia while Rhodesia

had 47.2 percent of our market. In 1963, the Soviet Russian imports jumped to 38.3 percent, while imports from Rhodesia decreased to 39.7 percent. By 1967 (the year before sanctions), our imports from Soviet Russia had increased to 58 percent, while imports from Rhodesia had declined to 17.6 percent. Thus, the upsurge in imports from Soviet Russia cannot be attributed to the sanctions against Rhodesia, but rather to what the Library of Congress study pointed out: ". . . the Soviet Union produces the highest grade chrome available."

As we indicated earlier in our statement, the price U.S. industries must pay for chrome imports depends upon the method of computation. According to the Carnegie study, it is difficult to compare Soviet chrome ore prices before and after 1971.

The study noted:

"First of all, the quoted price has been changed from a 'delivered price' (including transportation charges) used up to 1971, to a 'shipping point price' (where transportation costs are not included in the quotation) starting in 1971. Secondly, the guaranteed chromic oxide content of the ore has been altered in the 1965-1971 period. For example, in 1965 the USSR price was for 55 percent chromic oxide ore; in 1971, however, the guaranteed chromic oxide content was only 48%. Consequently, no accurate comparison can be made of Russian quoted prices without taking these significant differences into account: we will therefore only present a general comparison here. In 1965, the quoted price for Soviet chrome ore—55% chromic oxide, delivered to U.S. Atlantic ports—was \$30.50-\$33 per long ton. In 1971, the price was \$51.50-\$55 per ton with the important differences that 1) the tons were not metric; 2) the chrome ore was only guaranteed 48 percent chromic oxide and, 3) the price did not include shipping costs. According to John Morning of the U.S. Bureau of Mines the 1971 Russian price would have been about \$70 per long ton if calculated in 1965 terms. Similarly, the 1972 quoted prices, which decreased to \$45-\$46.50 per ton, would be about \$60 per ton in 1965 terms."

Ninth, it was claimed by supporters of the sanctions violation that countries like Japan and West Germany were covertly violating the sanctions. As a consequence, they were using cheap Rhodesian chrome to make their own cheap ferrochrome and stainless steel for export to the United States, thus threatening U.S. jobs in the ferrochrome and stainless steel industries.

We will now take a look at the domestic ferrochrome industry since the sanctions violation went into effect.

Foote Mineral Company, a principal lobbyist in 1971 for breaking the sanctions against Rhodesia, was the first to feel the detrimental impact of the new law. On December 13, 1972, it announced it was closing the plant in Steubenville, Ohio, which had received one of the first shipments of Rhodesian chrome ore. Foote gave the following reason for the closure:

"The domestic ferrochrome industry has been forced to reduce selling prices in order to combat the low-priced imports which have taken as much as 50 percent of the domestic low-carbon ferrochrome market this year."

In the December 18, 1972, issue of Metals Week, it was pointed out that Foote had decided to shut down two additional plants and go out of the ferrochrome business completely. One plant is in Wenatchee, Washington, and the other in Kemballton, Virginia. The three plants accounted for 24 per cent of Foote's total business for 1972.

Metals Week went on to point out:

"Steubenville's problems were compounded by rising power costs and power outages. But, despite a recent interest expressed by the firm in producing charge chrome, the cutthroat competition in ferrochrome pricing undoubtedly played as significant a role in Foote's decision as did the troubles at the plant. Low-priced imports, primarily from South Africa, have been at an all-time high this year—estimated at some 50% of U.S. consumption. Imported prices are reportedly even below U.S. production costs in certain cases, making it increasingly difficult for the domestic industry to compete. The competition has been intensified by a change in emphasis away from low-carbon products and into high-carbon and low-carbon charge chrome—the result of mounting South African production and stainless steel technology which permits the use of lower-grade material."

Metals Week noted this interesting development:

"One highly placed source believes the problem lies deeper, however, originating with a 'considerable dislocation of the historical patterns of ferrochrome.' Until last year, this expert reasons, the U.S. maintained a strict adherence to the UN sanctions against Rhodesia, making the Rhodesians very selective and independent about selling ore. At the same time, Rhodesia and South Africa—which have maintained a traditional strong bond, accessing low-cost and high-grade ore sources to both—are now seeking to produce and sell chrome alloys rather than ore. As a

result, South African ferrochrome production has expanded to an estimated 500,000 tons per year by yearend and Rhodesia is slated to triple its own capacity in the next 18 months to 400,000 tpy."

Foote was not alone, as America's fourth largest producer of ferrochrome (behind Airco Alloys, Union Carbide and Foote), Ohio Ferroalloys, cited severe price erosion and loss of its profits in its decision to suspend ferrochrome operations "until such time as the market price on this product might return to a reasonable level that would allow a profit." This announcement was made in September 1972, but by the year's end, the temporary suspension had become a permanent decision. Ohio Ferroalloys then announced it would produce materials "more profitable than ferrochrome" at its plant in Brilliant, Ohio. In the words of company President R. L. Cunningham: "We are closing down because we could not compete with prices quoted by the South African and Rhodesian exporters."

As a result, the Carnegie study pointed out: "This surge of low-cost imports of ferrochrome from Rhodesia has done more harm to American industry than any of the chrome ore-related hardships—real and imagined—that occurred during the period of the sanctions."

Carnegie said the closing of the Foote meant the loss of 313 American jobs.

Thus, 20 months after Congressional approval of the sanctions violation went into effect, the American ferrochrome industry has lost two of its four principal producers. In this connection, the Ferroalloys Association filed a petition before the Tariff Commission in May of this year asking for relief from imports including ferrochrome. The petition emphasized 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."

Once again, let us take a look at U.S. Department of Commerce data. In 1971, (see chart D), U.S. imports of ferrochrome containing not over 3 percent carbon totaled 58 million pounds. In 1972, when the U.S. was in violation of the sanctions, imports of low carbon ferrochrome increased by 42.9 million pounds or 73.8 percent. The major increases came from South Africa (9.2 million pounds) and Japan (10 million pounds). Yet, Rhodesia contributed more than 4.4 million pounds of low-carbon ferrochrome imports to this in 1973.

A look at chart E reveals that ferrochromium imports of more than 3 percent carbon increased by 36.7 percent in 1972 over 1971. The Republic of South Africa contributed more than 24 million pounds to this increase. In 1972, we imported 13.6 million pounds from Rhodesia. In the first quarter of 1973, we imported 50 million pounds of high carbon ferrochrome (only 10 million pounds less than our total for all of 1971) with Rhodesia alone accounting for more than 35 percent of these imports.

The Carnegie study notes: "Together, Rhodesian and South African low-cost ferrochrome has provided 77 percent of U.S. imports of high-carbon ferrochrome in 1973."

Thus, while the violation of the sanctions brought a flood of ferrochrome imports into the U.S., we only imported 12 percent of our total chrome imports in 1972 from Rhodesia.

Once again, quoting from the Carnegie study:

"It is important to remember in all this just why Rhodesian and South African ferrochrome is so much cheaper. Not only are the lack of pollution controls and the proximity to the raw material—chrome—important in keeping costs low in southern Africa. Equally important is the fact that labor unions are almost unheard of and the mostly-African labor force in both countries are paid very low wages for their work in the mines and the ferrochrome processing plants. It is the apartheid and cheap labor systems which allow companies like Union Carbide to produce ferrochrome so much more cheaply in southern Africa."

Another interesting point made by the Carnegie study is the following:

"If companies like Foote Mineral and Ohio Ferroalloys were oblivious to the potential impact of the amendment (to violate sanctions), the Rhodesian regime could not have been. From their perspective, it is much more attractive to sell ferrochrome to the American market than raw chrome ore; the return on ferrochrome is about five times that for chrome ore. For instance, according to the U.S. Treasury Department, the U.S. imported about 92,000 tons of chrome ore worth \$2,822,930 from Southern Rhodesia from January 24, 1972, to January 11, 1973. At the same time, we imported just over 18,000 tons of finished high-carbon ferrochrome from Rhodesia worth almost exactly the same amount—\$2,990,713."

In this connection, Mr. Fred O'Mara of Union Carbide, who will be testifying before our subcommittee today, observed in the July 14, 1973, issue of Business

Week that: "Inevitably, Carbide will be forced to move its ferrochrome production in order to compete."

The Carnegie study went on to point out:

"Union Carbide owns not only chrome mines in Rhodesia, but also a large ferrochrome processing operation there called Union Carbide Rhomet—which provides jobs to 717 employes. In addition, the company is reportedly exploring possibilities of investing in South African ferrochrome facilities. Thus, unlike other smaller American firms which produce ferrochrome, Carbide may not lose out in the long run as the domestic ferrochrome industry suffers."

Thus, we have the present situation whereby two of the top four ferrochromium producers in this nation are going out of the business of ferrochromium production. A third, Union Carbide, says it is going to have to close down domestic production and move its ferrochrome production overseas. We are seeing the export of American jobs overseas.

Tenth involves the claim on the part of industry spokesmen that they needed access to metallurgical grade Rhodesian chrome, since the principle world sources were Rhodesia and Russia (who was allegedly gouging us because of the sanctions).

However, the Carnegie study once again notes:

"Until recently the stainless steel industry has consumed primarily low-carbon ferrochrome. However, a new argon-oxygen decarburization process (AOD) has resulted in a shift to lower priced, high carbon or 'charge' ferrochrome, since more carbon can be removed in the steelmaking process itself with AOD. Industry officials estimate that low-carbon ferrochrome will be used less and less in the future."

The Finnish experience is the most striking in this regard. According to the United Nations Association study, prior to 1969, Finland was a chromium and ferrochromium importing nation. However, in 1965, the Finns decided to apply their technology to production of metallurgical grade chromite from their domestic low grade ores which amounted to 37 million tons. As a consequence, we now see Finland as a major exporter of ferrochromium (see chart E). In 1971, the U.S. imported nearly 11 million pounds of high carbon ferrochromium and over 7.2 million in 1972. The prices to U.S. industrial users of ferrochrome for the Finnish product was the lowest in the world. In 1972, the Finns undercut the Rhodesians by 25 per cent in price.

It is estimated, according to the UNA study, to be nearly three billion tons of chromite deposits in the world, with 500 million tons considered to be of metallurgical grade. The point is, with new technology, access to Rhodesian chrome is not a necessary element in the health of the U.S. Stainless Steel Industry, but it has been detrimental to our domestic ferrochromium industry.

It must also be noted at this point that the credit for the upturn in the competitiveness of the American steel industry is due primarily to the new set of Voluntary Restraint Agreements negotiated in 1971 (the 1968 Agreements had only limited tons of steel thus causing foreign producers to shift to stainless steel exports), and the late 1971 devaluation of the dollar which made foreign steel more expensive.

Eleventh, before closing this rather lengthy statement, it is important to make one additional observation. Our violation of the sanctions has become a major point of controversy with the nations of Africa, particularly the black African countries. At first glance, this may not seem to be very vital in the short run, but it is going to become increasingly apparent in the long run. We are in the process of alienating an area of the world in which we are going to become increasingly reliant upon as a source of raw materials. With our oil problems in the Middle East, we cannot afford to alienate Nigeria which has just recently surpassed Venezuela as a supplier to the U.S. market. At a time when we are confronted with dwindling natural resources—resources vitally needed to keep our industrial capacity running—sub-Sahara Africa represents a resource potential of significant magnitude. To put it bluntly, the U.S. could be locked out of access not only to export markets, but also the resources of this area of the world.

At present, the less-developed nations of the world account for 30 percent of our exports and are the only areas where we have favorable trade balances. We have more than \$3.5 billion in private investments in sub-Sahara Africa. The market potential for U.S. exports and investment is virtually untapped.

Thus, we must begin to demonstrate a more enlightened sensitivity to the aspirations and concerns of this part of the world. A return to compliance with U.N. sanctions against Rhodesia would be a manifestation of our sensitivity. We have much to gain, and nothing to lose by such a step.

In conclusion, we feel the detrimental ramifications of our violation of U.N. sanctions against Rhodesia far outweigh whatever economic benefits might accrue to a particular industrial sector of our nation. The economic arguments in favor of a continued violation of sanctions appear to be fallacious in light of the plight of our ferrochromium industry. It is for these reasons we have introduced this legislation, and it is our hope that Congress will agree with us and act favorably.

CHART A.—U.S. IMPORTS OF METALLURGICAL GRADE CHROME ORE—QUANTITIES AND PRICES BY MAJOR COUNTRY OF ORIGIN

[Quantity in content tons of chromic oxide; price in dollars per content ton]

| Country | Quantity | Price |
|--------------------------|----------|-------|
| 1971: | | |
| U.S.S.R..... | 134,442 | 76.93 |
| Turkey..... | 76,152 | 79.53 |
| Pakistan..... | 14,984 | 67.60 |
| South Africa..... | 57,741 | 33.96 |
| Average..... | | 68.62 |
| 1972: | | |
| U.S.S.R..... | 180,080 | 73.00 |
| Turkey..... | 29,889 | 60.35 |
| Pakistan..... | 11,696 | 77.75 |
| South Africa..... | 45,608 | 35.05 |
| Rhodesia..... | 27,955 | 67.09 |
| Average..... | | 65.29 |
| 1st quarter 1973: | | |
| U.S.S.R..... | 9,939 | 48.16 |
| Turkey..... | 9,019 | 93.17 |
| Pakistan..... | 4,528 | 92.22 |
| Rhodesia..... | 1,082 | 62.38 |

Note: 1. Price is computed average figure obtained by dividing value of imports by their quantity. 2. Metallurgical grade chromite is defined as chrome ore with 46 percent of over chromic oxide.

Source: U.S. Commerce Department monthly publication entitled: "Imports, commodity by country."

CHART B.—U.S. IMPORTS OF CHEMICAL GRADE CHROME ORE—QUANTITIES AND PRICES BY MAJOR COUNTRY OF ORIGIN

[Quantity in content tons of chromic oxide; price in dollars per content ton]

| Country | Quantity | Price |
|-------------------|----------|-------|
| 1971: | | |
| Turkey..... | 29,080 | 79.54 |
| Philippines..... | 4,840 | 63.43 |
| South Africa..... | 107,103 | 29.10 |
| Average..... | | 40.40 |
| 1972: | | |
| Turkey..... | 5,228 | 70.42 |
| South Africa..... | 54,926 | 29.29 |
| Iran..... | 5,544 | 62.50 |
| Rhodesia..... | 10,521 | 83.25 |
| Average..... | | 42.19 |

Note: 1. Price is computed average figure obtained by dividing value of imports by their quantity. 2. Chemical grade chromite is defined as chrome ore with between 40 and 46 percent chromic oxide.

Source: U.S. Commerce Department monthly publication entitled: "Imports, commodity by country."

CHART C.—U.S. IMPORTS OF REFRACTORY GRADE CHROME ORE—QUANTITIES AND PRICES BY MAJOR COUNTRY OF ORIGIN

[Quantity in content tons of chromic oxide; price in dollars per content ton]

| Country | Quantity | Price |
|------------------------|----------|--------|
| 1971: | | |
| U.S.S.R..... | 11,268 | 71.32 |
| Turkey..... | 28,914 | 65.50 |
| Philippines..... | 42,860 | 71.28 |
| South Africa..... | 3,861 | 43.68 |
| Average..... | | 67.74 |
| 1972: | | |
| U.S.S.R..... | 21,149 | 42.99 |
| Turkey..... | 13,232 | 56.08 |
| Philippines..... | 35,351 | 80.19 |
| South Africa..... | | |
| Malagasy Republic..... | 3,840 | 101.56 |
| Average..... | | 66.28 |

Note: 1. Price is computed average figure obtained by dividing value of imports by their quantity. 2. Refractory grade chromite is defined as chrome ore with under 40 percent chromic oxide.

Source: U.S. Commerce Department monthly publication entitled: "Imports, commodity by country."

CHART D.—U.S. IMPORTS OF FERROCHROME CONTAINING NOT OVER 3 PERCENT CARBON—QUANTITIES AND PRICES BY MAJOR COUNTRY OF ORIGIN

[Quantity in pounds; price in cents per pound]

| Country | Quantity | Price |
|-------------------|------------|-------|
| 1971: | | |
| Sweden..... | 8,481,536 | 31.3 |
| Norway..... | 5,803,052 | 30.6 |
| West Germany..... | 8,191,815 | 31.2 |
| Japan..... | 9,970,976 | 30.2 |
| South Africa..... | 19,076,917 | 20.0 |
| Turkey..... | 1,488,128 | 25.8 |
| Average..... | | 26.6 |
| 1972: | | |
| Sweden..... | 13,815,481 | 27.6 |
| Norway..... | 8,927,456 | 26.6 |
| West Germany..... | 4,260,161 | 27.9 |
| Japan..... | 19,232,118 | 28.4 |
| South Africa..... | 28,310,349 | 20.7 |
| Turkey..... | 9,405,326 | 24.6 |
| Rhodesia..... | 4,362,308 | 25.5 |
| Average..... | | 25.2 |

Note: According to the same source, U.S. imports of ferrochrome containing not over 3 percent carbon amounted to 30,100,000 pounds in the 1st quarter of 1973, with Rhodesia accounting for 7,100,000 pounds of the total. U.S. imports of ferrochrome containing not over 3 percent carbon increased by more than 42,900,000 pounds in 1972 from 58,069,696 in 1971 to 90,915,142 in 1972. This represented about a 73.8 percent increase from 1972.

Source: U.S. Commerce Department monthly publication entitled: "Imports, commodity by country."

CHART E.—U.S. IMPORTS OF FERROCHROME CONTAINING OVER 3 PERCENT CARBON—QUANTITIES AND PRICES
BY MAJOR COUNTRY OF ORIGIN

[Quantity in pounds; price in cents per pound]

| Country | Quantity | Price |
|-------------------|------------------|------------------|
| 1971: | | |
| Finland..... | 11,542,995 | 9.9 |
| France..... | 5,826,136 | 19.2 |
| West Germany..... | 10,914,567 | 18.1 |
| Japan..... | 16,724,730 | 17.5 |
| South Africa..... | 10,283,580 | 12.0 |
| Average..... | | 15.4 |
| 1972: | | |
| Finland..... | 7,224,752 | 9.4 |
| France..... | (¹) | (¹) |
| West Germany..... | 1,988,071 | 16.5 |
| Yugoslavia..... | 6,352,388 | 10.2 |
| Japan..... | 4,533,488 | 16.2 |
| South Africa..... | 34,315,754 | 13.0 |
| Rhodesia..... | 13,590,092 | 11.4 |
| Average..... | | 12.7 |

¹ Not a major supplier in 1972.

Note: According to the same source, ferrochrome imports containing over 3 percent carbon amounted to nearly 50,000,000 pounds in the 1st quarter of 1973 alone, with Rhodesia accounting for more than 17,600,000 pounds of the total. U.S. imports of ferrochrome containing over 3 percent carbon increased by almost 22,500,000 pounds in 1972 from 60,272,586 in 1971 to 82,708,007 in 1972. This represented about a 36.7 percent increase over 1971.

Source: U.S. Commerce Department monthly publication entitled: "Imports, Commodity by Country."

Senator McGEE. I only want to say that however mixed the arguments and the confrontations on this question when the Senate considered it nearly 2 years ago, in hindsight, whatever else, we ought to have learned a great deal of how not to cope with this question. I think the record now is rather substantial, if not overwhelming, as to not only what it cost us at the United Nations where I served last year, but even what it is costing us in a very local and pedestrian and selfish way here in our own county. My own petition on the reconsideration of the whole matter is that we place the needs of the world community above the more parochial considerations that are continually injected into this but seem no longer to prevail.

Our first witness this morning is, appropriately, the Ambassador to the United Nations John Scali. Ambassador Scali has already distinguished himself in that body, not to mention with his peers in other ways all over the world. Mr. Ambassador, it is great to have you here, and we will be interested in what you have to say.

Ambassador SCALI. Thank you, Senator.

Senator McGEE. You may proceed.

**STATEMENT OF HON. JOHN A. SCALI, U.S. REPRESENTATIVE TO
THE UNITED NATIONS**

Ambassador SCALI. Mr. Chairman and members of the committee, I first would like to express my appreciation for the opportunity to speak to you about a matter that has been of great concern to me practically since the day I was sworn in as the U.S. Representative to the United Nations. The decision to permit the importation of chrome and certain other materials from Southern Rhodesia is a serious issue in our foreign relations. This is true not only as regards the United Nations. It affects our dealings with nearly all of Africa, and the many

other nations who feel strongly about the situation in Southern Rhodesia, or, for that matter, about the rule of law in international affairs.

In November of 1971, when the U.S. Congress considered and passed section 503 of the Military Procurement Act, the Department of State expressed its conviction that this step would seriously prejudice important U.S. foreign policy interests. Now, almost 2 years later, we have abundant evidence on which to evaluate this prediction. We also have considerable data on the results section 503 has had in the economic and security areas which were of concern to its sponsors. I would suggest that the Congress is now in a good position to weigh the benefits and costs of section 503 and decide whether to keep this legislation.

BENEFITS RESULTING FROM SECTION 503

First, I would like to discuss the positive side, the benefits the United States has received as a result of section 503. It won't surprise you to learn that I believe these benefits to be limited, but it may surprise you to learn how limited they really have been.

The principal commodity of concern to the sponsors of section 503 was chrome ore. The argument for the passage of this legislation was that the importation of Southern Rhodesian chrome ore would reduce our dependence on Soviet sources for this strategic material, and at the same time lower the price of that commodity to U.S. importers.

Events since January 1973 demonstrate that these arguments valid as they may have seemed in the abstract, have not stood up. Far from being a material in short supply, the U.S. Government now feels sufficiently confident as to the long-range availability of chrome ore to propose to the Congress the disposition of over 80 percent of our present stockpile. In this regard the defense-related need for chrome constitutes only about 10 percent of the chrome ore processed in the United States each year. Further, adequate quantities to meet all of the U.S. defense needs are available from Turkey, Iran, and South Africa.

Nor has access to Rhodesian chrome ore been a significant factor in the pricing of that commodity. A reduction in the price of Soviet chrome ore has been cited by some defenders of section 503 as a direct consequence of our imports of Rhodesian ore. In actuality, a drastic decrease in our total imports of chrome ore probably had more to do with the price cut. In any case, shipments from Rhodesia have only totalled 2,277 tons this year and in 1972 constituted only 8.7 percent of our chrome ore imports.

DIRECT ECONOMIC COSTS OF SECTION 503

So much for the benefits of section 503. Now, Senator McGee, with your permission, I would like to discuss the costs the United States pays for keeping it on the books.

First, there have been direct economic costs. For, oddly enough, despite the very limited amount of material we import from Southern Rhodesia, this trade has had an impact on certain sectors of the American economy. Under section 503, the United States is importing from Rhodesia not only raw materials but also certain semifinished products—ferrochrome, in particular—which are also processed in

this country. Imports of this product into the United States are rising rapidly. A large portion of this increase is coming from Southern Rhodesia which accounted for 36 percent of our imports of ferrochrome so far this year. I understand that several U.S. firms, Foote Mineral of Steubenville, Ohio; Airco Alloys of Charleston, S.C.; and Ohio Ferro Alloys of Brilliant, Ohio, now find that they are suffering serious losses as a result of the importation of Rhodesian products. Foote Mineral is having to close its plant, an installation which now employs 307 workers. Ferro Alloys is being forced to cease the production of ferrochrome altogether, and Airco Alloys is concerned about the effect imports of Rhodesian chrome will have on its business.

Senator McGEE. May I inject here the suggestion of some irony in that the last time we held hearings on this question, the principal petitioner for section 503 was Foote Mineral.

Ambassador SCALI. I recall that in the record.

American labor generally and the United Steelworkers of America in particular opposed the Byrd provision when originally introduced. Shipments of Rhodesian products under the provision have been picketed by the International Longshoremen's Association. Demonstrations and boycotts have accompanied the arrival of ships carrying Rhodesian products.

EFFECT OF SECTION 503 ON U.S. FOREIGN RELATIONS

I can speak to you from personal experience about the effect which section 503 of the 1971 Military Procurement Act is having on our foreign relations. Unquestionably in the international arena we are paying a price far out of proportion to the benefits which section 503 has brought, or might ever bring upon our country.

The U.S. importation of Rhodesian goods under section 503 become an extremely serious issue in our relations with African countries. Mr. Newsom will be able to provide the committee with the benefit of his first-hand observations in this regard. I can state, however, that action has taken on a symbolic importance to the Africans far out of proportion to the minuscule amount of trade involved. We must recognize that the problem of the minority-dominated regimes of southern Africa is the No. 1 foreign policy concern of the rest of that continent.

The United States shares this concern, but we also believe that the world community has a limited capacity to effect the situation in southern Africa, and that it can best use its influence by promoting peaceful change. We have tried to persuade others to share this view. Unfortunately, however, the force of our arguments on this subject has been weakened considerably as a result of the passage of section 503. Our ability to counsel moderation in the pursuit of change in southern Africa has been severely hampered.

I am well aware that one of the principal reasons why section 503 passed was concern on the part of many in both Houses of the Congress over what was seen as blatant hypocrisy in the application of sanctions by the world community. Rhodesian trade appeared to be proceeding normally except with a small number of nations like ourselves who followed through with laws and regulations to back up the U.N. resolution. Since passage of section 503 when criticized in the U.N. for our imports from Rhodesia, we have repeatedly pointed out the

injustice of the exaggerated attention given to our trade while the other 95 percent of Rhodesian trade was ignored. We have also called for practical steps to plug up the holes in the sanctions program.

Some of our argumentation seems to have actually convinced our fellow members of the need to tighten up the program. In response to a directive from the Security Council, the Council's Sanctions Committee on April 15, 1973, produced an agreed report on new ways to improve sanctions. The Security Council later endorsed the report in a resolution for which I was unable to vote because it called upon us to repeal section 503.

One of the side effects of a better sanctions program will be to highlight our imports as others are seen to be moving finally to repair gaps in sanctions. Unless sanctions end or the effects of section 503 are removed, I can see ahead only a continuing cycle of difficulties for ourselves with the Security Council.

SECTION 503'S EFFECTS ON THE U.S. INTERNATIONAL RELATIONS

The effects of section 503 extend well beyond our relations with Africa. In issue after issue before the United Nations we are finding it increasingly difficult to marshal the votes necessary to sustain our position. Quite frankly, if we are not to encounter major setbacks on items of much greater concern to our country than Rhodesian chrome, we must have many of those 41 African votes. At the moment, the feeling in many African governments is that if the United States is going to take a position detrimental to their interests on an item of little concern to us but of great importance to them, they will do the same to us when they get the opportunity. Such an attitude is likely to result not only in blocking constructive international action on such problems as terrorism, or the environment. It may cause the United Nations to adopt measures positively prejudicial to our interests. I am not speaking here, Senator, about esoteric resolutions of only academic interest. I am talking about actions with effects in the real world.

Only last week a committee of the United Nations passed a mischievous resolution on Puerto Rico. Several of the swing votes on this committee were those of African States, who were moved in part by their resentment against the United States.

A dramatic shift in voting patterns will not follow immediately upon passage of S. 1868. The situation is too complicated for that to happen. Nevertheless, passage of this bill will substantially clear the atmosphere in our dealings with many other U.N. members and give us a better chance for persuading others to accept our point of view on many vital questions.

The African States are not the only ones concerned about America's importation of Rhodesian goods. The British Government has impressed on us their conviction that the repeal of section 503 would help bring an acceptable negotiated solution to the Rhodesian impasse.

Other nations regardless of their feelings as concerns southern Africa, can only be alarmed over the challenge to international law, to the sanctity of treaties, and to the concept of collective security offered by section 503 of the 1971 Military Procurement Act.

U.S. COMMITMENT TO UNITED NATIONS

The United States signed, and this Senate consented to the Charter of the United Nations. In doing so, we voluntarily and knowingly undertook a commitment to comply with binding decisions of the Security Council. We did not reserve the right to comply only if everyone else did, nor to review and reject Security Council decisions unilaterally. We could undertake this commitment in relative confidence, secure in the knowledge that under the U.N. Charter, the Security Council could not make a binding decision without the compliance of the United States.

We have not in this instance lived up to our commitment. The United States, rightly, I believe, voted for the Security Council resolution which imposed mandatory sanctions on Southern Rhodesia. In permitting the importation of certain categories of Rhodesian products, we have, for what at the time appeared to be overriding reasons of the national interest, put ourselves in contradiction with the terms of that resolution, our treaty obligations and our obligations under international law.

Senator, I take no pleasure in calling into question any act of the U.S. Congress. On the contrary, I have always been the first to defend the policy of my Government, no matter whether the policy may have originated in the executive or the legislative branch. I assure you I will continue to do so regardless of the decision the Congress makes in this matter.

INTERNATIONAL LEGAL IMPLICATIONS OF SECTION 503

However, now is a time for stock taking. In balancing the pros and cons of retaining section 503 in effect, I feel you should consider its impact on the U.S. image, at home and abroad. You should consider its impact on the general tenor of international relations. I would be less than frank and less than responsive to your needs if I did not put before you the conclusions that I and my advisers have reluctantly arrived at concerning the international legal implications of section 503.

I do not question the authority of Congress to act as it did. The administration has had its case sustained in the courts that the Congress has the authority by subsequent legislation to modify or suspend treaties and that section 503 should be interpreted as such a modification. It is, however, a unilateral modification of a collective decision or agreement, and we should consider very carefully whether this is a practice we would want, by our example, to encourage.

The U.S. Government and the American people have long stood for the rule of law in international affairs. I believe that they continue to feel this commitment to international law. I believe that our actions resulting from section 503 are a limited, and temporary aberration. If it is not, if our conduct represents a settled, confirmed U.S. policy, then we are going to find it increasingly difficult to convince others to live up to their legal obligations, whether these obligations be to compensate expropriated U.S. firms, or to suppress international terrorism. We could find that America's friends begin to doubt the dependability of an ally that is willing to disregard its obligations

under a treaty central to the whole concept of collective security, as is the U.N. Charter. And we may find that other nations, many of which do not even have a vote in the Security Council, will be disinclined to obey its decisions, when we, who do have the veto, will not. I know it seems difficult to realize that an issue of such minor import in the United States, a piece of legislation so trivial in comparison with the many generous actions this Congress has taken on behalf of nations in Africa and elsewhere, could assume so much significance in so many other countries. Even in terms of the Rhodesian economy, that country's exports to the United States are not large. However, the psychological boost given the Smith regime by passage of section 503 should not be underestimated.

Paradoxically it is just the limited nature of U.S. interest in this matter that so frustrates our friends abroad, and leads them to misconstrue our motives. Many foreign diplomats and observers might be prepared to understand, if not to applaud a U.S. violation of the Rhodesian sanctions, if in so doing we were securing important benefits for our economy or our security. The apparent fact that section 503 is of no great benefit to either leads these people to believe that the economic and security arguments under which this legislation is defended are specious. The conclusion many reach is that the real intent of Congress in passing this legislation was to lend aid and assistance to the Smith regime, and to help perpetuate minority rule throughout southern Africa.

EFFECT OF PASSING S. 1868

We know that this is not the case. We know that section 503 was passed in the sincere belief that there were important economic and security issues at stake. We now also know that the economic and security impact of section 503 was greatly overestimated, that its repeal would cost the United States little, and benefit it greatly. And finally, we know that the American people's commitment to international law, and to the orderly settlement of contentious issues through the U.N. and other international forums, remains intact. In passing S. 1868 you will convince others of these facts. You will in doing so restore the traditional image of the United States, an image in which the American people have always taken a just pride.

Thank you, Senator McGee.

Senator McGEE. Thank you, Mr. Ambassador.

SECTION 503'S CONTRIBUTION TO U.N. BLOC VOTING

From what you say, the real point to be weighed here is what this has cost us in the galvanizing of, let's say, an African bloc or other blocs in the United Nations, against our national interests. From what you have told us it almost looks ludicrous to try to weigh those two factors on the same set of scales because they are totally out of balance. As I gather from your comment, there is almost nothing to be said for the national security factor anymore. If anything, there are some fall-out consequences that might even worsen the national security considerations if section 503 is left on the books. On the other hand, this symbol, created for whatever wrong or right reasons, has contributed to, let's say, bloc voting among the Africans on American questions.

That certainly is a prospect that we ought to think many times about. Forty-one votes in a body of 132 is a very considerable bloc. Bloc voting at any time ought not to be regarded as a great asset even if it is on our side as it was in the early years of the U.N. with the Latin American countries. But we don't have those any more, even so.

I would think that those who seek to make their case in their own understandable interest on this could place themselves for a moment in the international community, the real world, where we have the largest national interests, and ask themselves again if it is worth it to their country to pay this price. That ought to stalk the thoughts of other individuals, in the middle of the night if at no other time, in trying to assess it.

Ambassador SCALL. Senator, I think you put your finger on a very serious issue that is with me day and night. I will defend with whatever eloquence I can muster any law that the Congress of the United States passes, particularly one which is dedicated to our own national security, and I will seek to explain it even if sometimes in my own heart I do not agree with it, and in this case I have so done. I have gone to many and many an African delegate and said:

Look, we represent only 5 percent of the trade from Rhodesia, so if you are going to blame us, I say give us only 5 percent of the blame, and reserve the other 95 percent of the blame for those who are violating it wholesale. After all, we are trying to live up to and are living up to the sanctions except for the part which Congress says is permissible under our laws.

And they look at you and they say:

Mr. Ambassador, thank you very much for your point of view, but it is not just the 5 percent. It is the symbol. You are the most powerful nation in the world, and when you stand there before the international community and say that you are going to violate these sanctions for which you voted initially on the grounds that it is in your national security, you are actually delivering a different message. You are saying that you don't care about Africa. And so, therefore, we appreciate your comments. We would feel much better and far more willing to listen to you on other logical matters if you would remove this symbol.

And so I am stuck with this and I am frank to tell you it is the single most troublesome issue that I have at the United Nations.

Senator McGEE. If I had a credential at the U.N. at all it was this question, I guess, and we traded everything out of it when he had the 25-percent issue pending last year. The one thing that enabled us to get other countries to listen to us was to say "Of course, the Senate passed that and under our system that is the law of the land and we defend it. But McGee opposed it and tried to do something about it." That got my toe in the door. But we can't play that game any longer. We can't use that credential because it has been spent. Yet we are still stuck with 132 nations in the world and a few more coming in. The world is round whether we like it or not, and I just make the petition that we must reexamine our actions now in the hindsight of this recent experience, if not the logic of the whole thing in the beginning.

CONSEQUENCES OF ENACTING SECTION 203

As Secretary Newsom can testify, we were present together in some informal conversations with some of our parliamentary colleagues at the very moment when this was happening, when the Pearce Commission report was being prepared, when the conversations were underway

between the British Government and the Smith government to try to bring a peaceful solution to the question. That really had to be our highest goal, to try to bring a nonviolent peaceful solution to the impasse between Rhodesia and Great Britain. We joined in the sanctions as a desperate last effort when the conversations first wobbled and that is where we stood when the British, at least, thought they were close to some kind of a reasonable solution. The Congress then reversed the field and took us out of this U.N. commitment unilaterally. From all the testimony we have received from those in Rhodesia at that moment, the hardening of the attitude of the Smith government was almost instantaneous the moment the news of the action of the American Congress was received. So however we look at it even in the terms of the arguments of that day, the consequences were to terminate the chances at that time for a peaceful settlement between Britain and Rhodesia. That ought to give more pause to anybody in our country who thinks in the larger terms, than profits or the convenience of trade.

Ambassador SCALL. Senator, there is another unfortunate consequence to which I would like to allude which demonstrates another of the difficulties that confront the United States as a government.

Rhodesia is a basically British problem. It is a tragic case and one that we have deep interest in solving peacefully. But basically this is a British problem. However, as long as the United States can be accused in that international forum in New York of openly flouting the sanctions which the British themselves are upholding, this shifts the spotlight from Britain, where it belongs, to the United States, where we are just involved in 5 percent of the trade. Now that is, among other things, a distortion of the real world and unfair. I can point this out too to a number of very fine and very intelligent African delegates, and they will look at me and say, "Well, you know how to get the United States out of the spotlight, don't you."

STANDARD BY WHICH UNITED STATES IS JUDGED

Senator McGEE. A great power like the United States has a standard by which it is judged that may seem unfair. You wouldn't apply the same standard to Israel or Nigeria or to Sri Lanka. They could get by with it, but it is applied to us because more is expected, I think, of a great power. I often think of Nehru's great comment at the time that Senator Gore and I were commissioned to go there with some kind of a message at a time of crisis with India. We were charging that India was guilty of many of the same things that she was accusing the United States of doing. Nehru's comment was "Well, I think that is true. This is an unfair time in which we live, but if India is wrong and India makes mistakes and India is prejudiced that may cost me my job, or may destroy my party or even weaken my country. But you are different, he said. "You are like Atlas, the whole world is on your shoulders and if you make a mistake and you fall or you are weakened we all go down with you." I think this greater expectation, rightly or wrongly, is part of the price of world leadership. It is an uncomfortable and unpleasant thing, but I think we have to learn to live with it. That price is certainly being extracted at the present time. But at least in this instance, we have options for adjusting it in a more favorable way, and, from your testimony I

gather, without any impingements of any serious proportion whatsoever on our national interest or national security.

Ambassador SCALI. There was one point I wanted to mention in a kind of sentimental way. I am an Ohio boy, and—

Senator McGEE. Then you have a conflict of interest. [Laughter.]

Ambassador SCALI. And I note with very deep sorrow and regret that one of the plants that are in trouble is in Steubenville and the other one in Brilliant, Ohio. So I hope you will permit me to express a special note of sorrow about that.

Senator McGEE. Those are all the questions I have right now, Mr. Ambassador.

Ambassador SCALI. Thank you.

Senator McGEE. Do you have a little time yet, Mr. Secretary?

Mr. NEWSOM. Oh, yes.

Senator McGEE. The reason I say that is I wanted to work Senator Kennedy in because of another meeting he has. If not, we will proceed.

Mr. NEWSOM. I would like to get away by 12:30.

Senator McGEE. OK.

STATEMENT OF HON. EDWARD M. KENNEDY, U.S. SENATOR FROM MASSACHUSETTS

Senator KENNEDY. Thank you very much, Mr. Chairman. I appreciate the courtesy of the committee in being able to testify on a matter about which I feel strongly, and I want to recognize at the outset and commend Ambassador Scali for his presentation before this committee. I had the good fortune of knowing the Ambassador for a number of years. And I am sure that the chairman of this committee and all Americans recognize him today as an extremely skilled and valued servant of the American people in the United Nations. He is an outstanding member of a great profession, and to hear his testimony and his articulation of the position which he has assumed before this committee, which is one of very considerable personal commitment, is extremely reassuring and I want to join with you in commending him, I also hope the administration will take a strong position in support of a proposal which is before us and a matter which I know you have been extremely interested in. I know that you and the chairman of the Subcommittee on African Affairs have spent a great deal of time on African problems. I think all of us in the Senate are in your debt for the continued leadership which you have provided on problems regarding this part of the world, a part of the world which is not always on the front pages of the newspapers but is always deeply involved with many millions of human beings that have been struggling for independence and against many of the miseries caused by a lack of nutrition and many other basic types of human services.

I want to commend you, Mr. Chairman, and Senator Humphrey, again, in particular, for the introduction of the legislation concerning the Rhodesian chrome amendment. I am pleased to have a chance to express my concern about this grave problem this morning.

My statement is not long, many of the points in my remarks have been raised in Ambassador Scali's presentation. But I would like to just review them briefly with the committee this morning. I wish to

thank Secretary Newsom for his kindness in letting me interrupt the proceedings at this point and I am sure I will not take a great deal of the committee's time.

RESTORING U.S. COMPLIANCE WITH U.N. RESOLUTION

I believe there will be no matter which will affect human rights and liberties to come before this committee that is more important than the matter which we have before us today. I have four principal reasons why I think the passage of S. 1868 is so important. First of all, it would restore the U.S. compliance with U.N. resolution to impose economic sanctions against Rhodesia in 1966. As author of the proposal to repeal the chrome amendment, Senator Humphrey deserves great credit for the fashioning of this measure to properly relate to the U.S. obligation imposed by Article 41 of the U.N. Charter. That article places economic sanctions as a grave and portentous move. It is imposed only when other alternatives have failed or are inappropriate. And it is the last step before a resort to the use of force.

On November 12, 1965, the United States supported the U.N. Security Council Resolution condemning the breakaway government of Ian Smith.

In December 1966, we voted with other Security Council members to impose selective mandatory sanctions against the rebel territory. And again in 1968, we firmly repeated our pledge by voting for the resolution expanding the sanctions to all trade items.

With this convincing record, the United States has a convincing record to affirm our national devotion to international law. It is impossible to find any logic in the conflicting actions that caused sanctions to be lifted. Sadly though, logic and merit have been conspicuously absent in affecting actions on this issue. It is now time to turn back to the policies of justice and law. I intend to vigorously work for the approval of S. 1868 in order to restore our Nation's compliance with its obligations under that international treaty.

DOMESTIC ECONOMIC EFFECT OF CHROME AMENDMENT

Second, the chrome amendment deserves to be repealed because its most devastating economic effect has been to threaten the jobs of U.S. workers and there are indications that 9 U.S. companies with 19 plants in 9 different States may be affected by these imports from Rhodesia, hundreds of workers may lose their jobs. This industry has already asked Congress for relief from excessive imports. Rhodesian shipments of ferrochrome topped 9,000 tons in 1972 and over 11,000 tons came in just during the first 3 months of 1973. Coupled with ferrochrome shipments from South Africa, 1972 imports of 42,000 tons amounted to almost as much as we imported on an annual basis from the entire world before sanctions were lifted.

Free trade advocates may claim that ferrochrome from Southern Rhodesia and South Africa is produced under much more efficient conditions than in the United States and therefore American consumers will save money on the imports, but I think certainly the chairman is familiar with the Master and Servant Act which imposes criminal convictions for violations and quite clearly under U.S. law and the Tariff Act which says the importation of goods produced from

such labor is prohibited. So I think that that meets that particular argument.

UNITED STATES DOESN'T NEED THE CHROME

Third, the United States simply does not need the chrome, and I know this is an argument which is familiar to the chairman, but I do think it is worth mentioning again briefly because the statistics are so overwhelming, and so compelling in supporting that argument.

The Congress bought the argument in 1971 and again in 1972 that Rhodesian chrome is vital to our national defense and that we were running out of reliable sources for the material. But on March 21, 1972, 1 day after the first shipment of Rhodesian ore docked at a Louisiana port, the Senate approved a bill that allows U.S. industry to obtain chrome ore from our vast inventory of excess stockpiled ore. President Nixon was so impressed with the results of a review of our supplies of chrome that he proposed disposal of all but 500,000 tons of the 5,169,900 tons of chrome ore now in the stockpile, which is approximately enough to meet our national needs for 30 to 40 years. It is obvious that there is a sufficiency in terms of the availability of chrome itself.

Those who feared in 1971 that the U.S.S.R. is an unreliable source of chrome ore apparently fail to share the President's interest in expanding trade with Russia, and I think all of us in the Congress and the Senate are widely aware of the ongoing negotiations with the Soviet Union regarding a \$6 billion liquified natural gas deal. We also know about the wheat deal with the Soviet Union involving several hundreds of millions of dollars. What can be so risky about \$14 million shipments of chrome from the Soviet Union? The argument about relying on Russia was not substantial in 1971 and it is even less persuasive today.

U.S. CONCERN WITH SELF-DETERMINATION IN AFRICA

And fourth and finally, as long as the United States violates its United Nations treaty, black people in Africa and in America will be further convinced that the United States is not concerned about self-determination for the oppressed people of white-ruled Africa, and I believe Ambassador Scali made that point most effectively.

The Pearce Commission went to Rhodesia with a view toward extracting expressions of compliance from black Rhodesians for a proposal to adopt majority rule in 30 years or more. Black Rhodesians, like other citizens in the world, want self-determination. They want to benefit from the satisfaction of selecting their own government and determining their own destiny. But Rhodesian Africans face the degradation of living in a society controlled by a white minority that believes it is racially superior to them and they show it.

I am firmly opposed to trade with Southern Rhodesia as long as that nation persists with its inhuman racist policies. Bishop Abel Muzorewa, the African Methodist bishop, readily dispels any notion that sanctions are damaging to the welfare of black Rhodesians. I had most interesting talks with him last year on this very subject. I believe he visited the chairman as well. I was deeply impressed with this one man's mighty conviction to stand up against the rigidity of the ruling government. He knows that the terms of the Pearce Commission are a sellout of the African people. He also knows that the world's powers must be held

accountable for their dealings with his country's rulers. If the United States is not prepared to do the right thing regarding Rhodesia, then we should do nothing.

I believe that if we fail to replace sanctions against Rhodesian trade we will completely destroy any credibility we may have with other African nations and we will erode the faith of concerned citizens here at home—both black and white—who see our Nation increasing its support of countries that officially maintain racist policies.

It is time that we in the United States act to affirm the claim that all people must be granted personal rights, self-determination, and fundamental freedoms without regard to race.

It is clear that violating our United Nation's resolution to ban trade with Rhodesia is totally inexcusable, and I shall work steadily for the passage of S. 1868. Thank you.

[Senator Kennedy's prepared statement follows:]

PREPARED STATEMENT OF SENATOR EDWARD M. KENNEDY

Mr. Chairman, I am pleased to appear before this distinguished committee to express my full support for S. 1868. This is an important legislative measure because it is designed to restore the United States commitment to the United Nations Resolution which imposed economic sanctions against Rhodesia when that regime unilaterally declared its independence from Great Britain in November, 1965. And perhaps, there will be no other legislation considered by this committee in the 93rd Congress that will carry as much promise for ensuring our nation's devotion to the precepts of international law.

A sensitive observer of the background in this critical issue may be amazed by the sordid details in our government's inconsistent handling of the "Rhodesian chrome" problem. For, it is almost unbelievable to find that we in the Senate are compelled, once again, to seek to absolve the violation of international law caused by congressional action nearly two years ago.

Yet, it is precisely due to that blatant violation that I asked to appear this morning and to continue my efforts in this struggle. I am firmly convinced that the United States is obliged to use all available legal avenues to serve this country's own concept of human and social justice.

When the Military Procurement Act was amended in 1971 to remove economic sanctions against Southern Rhodesia, the principal concern focused on the alleged demand to import chrome ore. Proponents of that measure insisted that grave economic risks would result from the failure of the United States to seek chrome ore imports from countries other than the U.S.S.R. And the shabby claims used to support those contentions were baseless. But the Congress succumbed to spurious contentions and enacted a law that placed the United States as the only country in the world to legally adopt a policy to break the law of the United Nations.

The administration then took quick action. The Treasury Department on January 25, 1972, issued a general import license authorizing "... imports of strategic and critical materials of Southern Rhodesian origin ..." Somehow, that was interpreted to permit 72 different commodities to enter American ports from Rhodesia. Thus, the bastion of the United States defense structure was bolstered not only by cargoes of chrome ore but also by floating clouds of goose down.

Clearly, the matter of Rhodesian imports at this time is as serious as it was in 1972, and in 1971. Indeed, events since enactment of the Rhodesian chrome provision have provoked wide demands for the United States to return to the rule of international law. For many of us who have consistently opposed removal of sanctions against Southern Rhodesia, there are four critical reasons why we simply must change our policy and why we must change the law regarding trade with the rebellious Rhodesian government.

First, passage of S. 1868 would restore United States compliance with the United Nations resolution which imposed economic sanctions against Southern Rhodesia in 1966. As author of the proposal to repeal the chrome amendment, you deserve credit Mr. Chairman, for skillfully fashioning this measure to properly relate to the United States obligation imposed by article 41 of the United Nations Charter. That article places economic sanctions as a grave and portentous move. It is imposed only when other alternatives have failed or are inappropriate. And it is the last step before a resort to the use of force.

On November 12, 1965, the United States supported the United Nations Security Council Resolution condemning the breakaway government of Ian Smith.

In December, 1966, we voted with other Security Council members to impose selective mandatory sanctions against the rebel territory. And again in 1968, we firmly repeated our pledge by voting for the resolution expanding the sanctions to all trade items.

With this convincing record to affirm our national devotion to international law, it is impossible to find any logic in the conflicting actions that caused sanctions to be lifted. Sadly though, logic and merit have been conspicuously absent in affecting actions on this issue. It is now time to turn back to the policies of justice and law. I intend to vigorously work for the approval of S. 1868 in order to restore our nation's compliance with its obligations under that international treaty.

Second, the chrome amendment deserves to be repealed because its most devastating economic effect has been to threaten the jobs of United States workers. In the original congressional debates to lift sanctions against Rhodesia, it was suggested that Rhodesian chrome ore was needed for strategic defense purposes. Yet, imports of ferrochrome have far exceeded imports of chrome ore since January, 1972, because of cheap forced labor in Rhodesia and in South Africa, and because the Rhodesian government subsidizes ferrochrome producers.

For these producers, it has been cheaper to mine the chromite in Southern Rhodesia—process it into alloys over there, and then ship it to the United States as ferrochrome. That series of industrial moves backfired on some of the most active lobbyists for the chrome amendment. Foote Mineral Company was the first to announce in December, 1972, that it was forced to close its Steubenville, Ohio plant “. . . to combat the low priced foreign imports which have taken as much as 50% of the domestic low carbon ferrochrome market . . .” There are indications that nine United States companies with 19 plants in nine different states may be affected by these imports, and no fewer than 300 workers may lose their jobs. The industry has already asked Congress for relief from excessive imports. Rhodesian shipments of ferrochrome topped 9,000 tons in 1972 and over 11,000 tons came in just during the first three months of 1973. Coupled with ferrochrome shipments from South Africa, 1972 imports of 42,000 tons amounted to almost as much as we imported on an annual basis from the entire world before sanctions were lifted.

Free trade advocates may claim that ferrochrome from Southern Rhodesia and South Africa is produced under much more efficient conditions than in the United States and therefore American consumers will save money on the imports. But we know that ferrochrome is processed in those countries by workers who are forced to comply with a Master and Servant Act, which imposes criminal conviction for any violations.

Under United States law—Section 307 of the Tariff Act of 1930—the importation of goods produced from such labor is prohibited.

To comply with our own law and to restore conformity with international law, the United States is compelled to reimpose sanctions against Southern Rhodesia.

Third, the United States simply does not need chrome from Southern Rhodesia for strategic defense requirements or for any other reason. Congress bought the argument in 1971 and again in 1972 that Rhodesian chrome is vital to our national defense and that we were running out of reliable sources for the material. But on March 21, 1972, one day after the first shipment of Rhodesian ore docked at a Louisiana port, the Senate approved a bill that allows United States industry to obtain chrome ore from our vast inventory of excess stockpiled ore. President Nixon was so impressed with the results of a review of our supplies of chrome that he proposed disposal of all but 500,000 tons of the 5,169,900 tons of chrome ore now in the stockpile.

Those who feared in 1971 that the U.S.S.R. is an unreliable source of chrome ore apparently fail to share the President's interest in expanding trade with Russia. In the face of the stifling effects of the massive Russian wheat deal, and the negotiations on a \$6 billion liquefied natural gas deal with Russia, what can be so risky about a \$14 million deal for chrome ore shipments from the Soviet Union?

We didn't need Rhodesian chrome two years ago. We don't need it today. And our government assures us that we won't need it for decades to come.

Fourth, and finally, as long as the United States violates its United Nations treaty, Black people in Africa and in America will be further convinced that the United States is not concerned about self determination for the oppressed people of White-ruled Africa.

The Pearce Commission went to Rhodesia with a view toward extracting expressions of compliance from black Rhodesians for a proposal to adopt majority rule in thirty years or more. Black Rhodesians, like other citizens in the world, want self determination. They want to benefit from the satisfaction of selecting their own government and determining their own destiny. But Rhodesian Africans face the degradation of living in a society controlled by a white minority that believes it is racially superior to them and they show it.

Shipment of Rhodesian chrome ore to the United States serves to symbolize this country's lack of concern for those citizens.

It must be explained to the American public that we are not faced with the issue of whether trade with Rhodesia is economically desirable. The critical issue at this point simply stated is that the United States has violated a United Nations sanction that we voted to adopt more than six years ago. Moreover, our actions tend to indicate that the world's industrial powers are still more interested in profits than in the right of African people to rule themselves.

I am firmly opposed to trade with Southern Rhodesia as long as that nation persists with its inhuman racist policies. Bishop Abel Muzorewa, the African Methodist bishop, readily dispels any notion that sanctions are damaging to the welfare of Black Rhodesians. In my talks with the Bishop last year, I was deeply impressed with this one man's mighty conviction to stand up against the rigidity of the ruling government. He knows that the terms of the Pearce Commission are a sellout of the African people. He also knows that the world's powers must be held accountable for their dealings with his country's rulers. If the United States is not prepared to do the right thing regarding Rhodesia, then we should do nothing.

I believe that if we fail to replace sanctions against Rhodesian trade we will completely destroy any credibility we may have with other African nations and we will erode the faith of concerned citizens here at home—both black and white—who see our nation increasing its support of countries that officially maintain racist policies.

It is time that we in the United States act to affirm the claim that all people must be granted personal rights, self-determination and fundamental freedoms without regard to race.

It is clear that violating our United Nations' resolution to ban trade with Rhodesia is totally inexcusable, and I shall work steadily for the passage of S. 1868.

COMMENDATION OF WITNESS

Senator McGEE. Thank you, Senator. I want to make special reference here that in our crusade on this problem over the past 3 years you have stood very tall in the battles in the Senate and in the efforts to at least present all of the sides to it on the House side as well. I think what you have said here this morning goes beyond that. It isn't a matter of making a case for something. It is a matter now of trying in hindsight to adjust some either misstatements, misjudgments or wrong allegations that were made in those earlier days, which were allowable at that time and probably influenced some of the votes. Looking backward now at what the record shows explicitly, you are saying the petition is not to rise to the level of what we were requesting in those days, but simply to correct what was a very clearcut mistake in judgment of another day.

Senator KENNEDY. Right.

Senator McGEE. I think that is the eloquence of it and the reasonableness of it.

WITNESS' CONCERN ABOUT UNITED NATIONS

I would like to go back to the U.N. for another reason. There is a disposition to write it off as some kind of a ladies' aid society where you can talk about the pedestrian questions of the day and, therefore, why be concerned about it. You obviously are concerned about it. Why?

Senator KENNEDY. Well, I am a very strong believer in the United Nations, Mr. Chairman. I think many of its critics can look and say, "Well, what has the United Nations really ever done." You and I can think of thousands of ways that the U.N. has helped to relieve the plight of needy citizens through its specialized agencies, and the specialized agencies have performed enormously humanitarian services by providing an umbrella under which there have been brought together various forces and nations to work effectively to relieve pain and suffering and anguish. The clearest example of this is in the present relief effort in Bangladesh under the brilliant leadership of Sir Robert Jackson. But there are constantly other examples of this as well.

In addition, the benefit of the specialized agencies, which again I think have been extraordinary examples of man's interest and concern about humanity, is the fact that there really hasn't been a world conflagration. There has not been a grave threat or such a real possibility of world war in the immediate postwar period. And I think to a great extent the credit for that has to go to the United Nations. The U.N. has not been all of the things that all of us would have liked it to have been. It has had its difficulties, it has had its problems and I think that many of those who support the United Nations will be the quickest to recognize those problems. But still I think it is an important organization that deserves the complete and wholehearted support of the American people, and I think one of the most courageous acts taken by the United Nations was to impose sanctions as it applied to Rhodesia; so that was one of the very positive actions that has been taken, and taken at a time when I think with peoples all over the world recognizing the importance for the preservation of individual rights and liberties and the importance of the dignity of elective democracy, and certainly this is entirely consistent with the principles of this country, and I think if there has been perhaps a failure of foreign policy in recent times it is that we have not been willing to have our foreign policy reflect the most basic and fundamental values of this Nation.

I think it did in terms of the United Nations resolution, and I think we were completely right in support of it. I think we were working in concert with an ally at that time, with Great Britain, who was involved in the very elaborate negotiations in support of trying to seek a peaceful resolution and recognition of rights and liberties, and I think from every point of view it was the sensible and responsible position for a world leader to take. And I think that moving back from that position has been an unfortunate one, and this resolution provides us an opportunity to remedy it along the lines you had suggested in your earlier comment and for those reasons, I hope that the Senate would respond.

We are very much aware of the closeness of the various votes and we are very hopeful with the strong statement Ambassador Scali made and the administration's position that it would take on this that it would be reasonably successful. If so, I believe it would be one of the important achievements of the administration in the area of foreign policy along with a number of others that they ought to be commended for.

NECESSITY OF UNITED NATIONS

Senator McGEE. I want to thank you for those comments and for this reaffirmation of a faith in the United Nations as well particularly

in realistic terms because, in my judgment, the United Nations was oversold and expectations were unrealistically high for lots of mixed reasons. But it is all we have, and we have to do the best we can. It is better than trying to go it alone. Whatever else, we should have learned that the hard way a very long time ago. We paid a very high price for the lesson. If for no other reason than to refurbish our profile in this council of the nations of the world, it is worth re-examining the business aspects, investments aspects, job aspects in cold terms. Thank you very much.

Senator KENNEDY. Thank you very much, Mr. Chairman.

Senator MCGEE. Mr. Secretary, come up here.

I knew he would show up.

Senator HUMPHRY [presiding]. At the right moment.

STATEMENT FOR THE RECORD

Mr. Secretary, thank you very much for being with us today. I do have a statement of my own that I want to place in the record.

Senator MCGEE. If you do what I did, you will put it in the record instead of making another speech.

Senator HUMPHREY. That is exactly what I am going to do, even though it is one of the most profound and thoughtful statements that this record will receive. [Laughter].

The immediate problem is I can't find the statement. But it will be around here. I have an able aide. There it is. Thank you very much, very good.

[Senator Humphrey's prepared statement referred to follows:]

PREPARED STATEMENT OF SENATOR HUBERT H. HUMPHREY

The Subcommittee on African Affairs is convened to receive testimony on S. 1868, 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 former position as a strong supporter of human rights and self determination.

As principal sponsor of S. 1868, I offer these comments on the compelling need to report S. 1868 to the full Foreign Relations Committee and to bring it to the floor of the Senate for deliberation.

United States violation of sanctions against Rhodesia has seriously undercut some of this nation's most fundamental foreign policy objectives: the defense of human rights and self-determination throughout the world; cooperation with other members of the international community in pursuing peaceful resolution of conflict; support of international treaty obligations and international law; and a new partnership with the less developed nations of the world.

These goals are more important to the United States now than ever before. And we have abandoned them out of a mistaken belief that the violation of sanctions will be to our economic and strategic advantage.

Human rights and self-determination are at the foundation of our own political system. When the international community takes a stand in support of these principles, as it has on the Rhodesian question, the United States must give its wholehearted support.

Instead, we have undermined the credibility of our commitment to these principles by joining South Africa and Portugal in open, formal violation of U.N. efforts to replace the illegal, minority regime in Rhodesia with genuine self-government.

In light of increasing violence in Rhodesia, the effective implementation of sanctions has become more important. Sanctions are the most powerful weapon the United Nations has to bring about a peaceful resolution of conflicts.

The 5% of the Rhodesian population that is white has been using increasingly oppressive measures to maintain control over the 95% who are Black. There have been a number of land mine explosions along the Rhodesia-Zambia border. Liberation movement activity and retaliation by the white regime have been steadily

increasing. Rhodesia is an even greater threat to international peace and security than it was when sanctions were imposed.

But there is also greater hope today than ever before that international pressure might bring about a peaceful resolution of this conflict.

Among the factors which have increased the pressure on Prime Minister Ian Smith to negotiate with black political leaders in Rhodesia are:

- Growing political activity among blacks in Rhodesia;
- The tremendous loss in foreign exchange reserves Rhodesia suffered when her border with Zambia was closed;
- Greater determination on the part of Great Britain and the Commonwealth to bring about majority rule in Rhodesia; and
- The recent decision of the United Nations to make implementation of sanctions more effective.

Many observers believe that the United States can now tip the scales in favor of a peaceful settlement of the Rhodesian conflict or in favor of increasing violence. We can either continue to give moral support to Ian Smith in his efforts to hold out against international pressure, or we can make that pressure more effective.

One of the principal tenets of recent U.S. foreign policy has been the reduction of conflict through international cooperation and negotiation. Our actions on the question of compliance with sanctions established by the international community—a community in which we have an important leadership role—will indicate to the rest of the world just how serious we are about this policy.

The issue of white supremacy in southern Africa is extremely important, not only to African nations, but to all the underdeveloped countries of the world.

These countries, many of which have recently won their independence from colonial rule and proved their ability to govern themselves, see white domination of the black majorities in southern Africa as an anachronistic violation of the principle of self-determination.

The United States needs now more than ever before to prove beyond all doubt to these countries that we are willing to work with them as equal partners in the international community.

We are becoming increasingly dependent on their abundant supply of natural resources and want to work with them in the development of those resources.

Part of the solution to the growing problems of world food shortage lies in the vast potential of these countries to produce more food. We want to work with them in their efforts to realize that potential.

We have seen how conflicts between these countries can involve other nations. We want to work with them in resolving these conflicts before they become major wars.

The international agreements we so desperately need—in areas ranging from oceans policy to international monetary reform—cannot be reached without the cooperation of these countries.

If the United States refuses to support the international community's attempt to bring about an end to white supremacy in Rhodesia, these nations must conclude that we are not seriously committed to racial equality. We cannot then expect their trust and cooperation in any of these areas which are so important to our country.

The time has come for the United States to realize that in the long-run our economic and political security are dependent on our ability to work in cooperation with the other members of the international community.

Senator HUMPHREY. Secretary Newsom, we welcome you in good spirit, and look forward to receiving your testimony. I want to thank Senator McGee for his kindness and cooperative help here today.

STATEMENT OF DAVID D. NEWSOM, ASSISTANT SECRETARY OF STATE FOR AFRICAN AFFAIRS

Mr. NEWSOM. Mr. Chairman, I welcome this opportunity to appear here and to follow and support my distinguished colleague, Ambassador Scali—

COMMENDATION OF AMBASSADOR SCALI

Senator HUMPHREY. Could I just interrupt to say how sorry I am not to have been here for the Ambassador's testimony. But I know

what he testified to because he visited me yesterday for which I am most grateful.

I have the highest regard for the Ambassador, both personally and professionally. I appreciate the leadership he has given on this issue not only as a spokesman for the United States in the United Nations but as a spokesman within the administration. He has been effective and most helpful and I want him to know of my appreciation.

Ambassador SCALI. Thank you.

Mr. NEWSOM. Thank you, Mr. Chairman.

Senator HUMPHREY. Go ahead.

Mr. NEWSOM. We all share that view of the marvelous job Ambassador Scali has been doing in New York and in part I think we are all here because we want to make his job easier in New York.

I appreciate this opportunity to address myself to the very important measure introduced by you to place the United States once again in full compliance with its international obligations.

I have been involved in this issue for some time, as you know, Mr. Chairman, and as Senator McGee knows. I want to express my appreciation and the appreciation of all of us who have been involved in it for the very great interest which you, Mr. Chairman, have taken and Senator McGee has taken in this aspect of our international relations.

ADMINISTRATION SUPPORT FOR S. 1868

As Ambassador Scali has indicated, we in the Department of State and the administration fully support S. 1868 to halt the import of Rhodesian chrome and other materials. This has also been stated, Mr. Chairman, as you know, in a letter of July 26 to Chairman Fulbright, which presented the executive branch position in support of this measure. We consider the sanctions program a legal commitment under the United Nations Charter and see it clearly as a measure necessary to bring about an equitable and peaceful solution to the Rhodesian problem. The Africans, as Ambassador Scali has so eloquently pointed out, feel very keenly about our lapses in observance of sanctions because they feel that our move has a particularly strong influence since we, the United States, did it. Whatever may be the feelings of various segments of our population toward the regime in Rhodesia and toward the sanctions program, it should be recognized by all that a settlement is in everyone's interest. All Rhodesians would welcome a resolution of the problem, and all would benefit by it. We believe our compliance with sanctions is a vital element in contributing to pressure for a settlement. It is also the single most important current irritant in our relations with African countries.

AFRICAN OBSERVANCE OF SANCTIONS

The African nations themselves often observe sanctions in spite of real economic costs to them. Zambia, which was given a formal exemption from sanctions by United Nations action, nevertheless recently discontinued the use of the Rhodesian railroad and is involved in a costly rerouting of its trade. Other countries boycott Rhodesia entirely and forego any trade. The net effect of sanctions in 8 years has admittedly not forced the Smith regime to make a settlement, but economically it has inhibited growth in an economy

which was booming prior to Unilateral Declaration of Independence [UDI].

NONRECOGNITION OF RHODESIA

But more importantly, not one country has formally recognized Rhodesia diplomatically in those 8 years. Neither Portugal nor South Africa has extended diplomatic recognition.

U.S. ECONOMIC INTERESTS IN AFRICAN COUNTRIES

As you know, Mr. Chairman, our economic interests in certain African countries have grown significantly in the past few years. A case in point is Nigeria, where direct American investment now approaches \$1 billion and which has become an important source of America's imported petroleum. Nigeria, under General Gowon, is assuming an important role in Africa and feels particularly strongly about southern African issues. As economic interests expand, the frequency of our diplomatic contacts in these countries inevitably increases. More and more we are finding that as we approach them, in the same way as Ambassador Scali has found in New York, even when our approach is strictly on bilateral issues of mutual interest, we are being subjected to criticism for our failure to abide by our international obligations with regard to Rhodesia.

We are told that our position on chrome is a deliberate political affront in disregard of African public opinion, a persuasive illustration of U.S. disinterest in Africa, and an obvious diminution of America's interest in the United Nations. One African leader with whom I have spoken has charged that the United States opted for money, investment, and the will to save a white minority regime over simple morality and humanity, and therefore that the United States cannot be trusted on southern African issues. There is no doubt that the chrome issue has affected the attitude toward us in many African countries. This can directly affect our economic and commercial interests.

OAU CONDEMNATION OF UNITED STATES

Over and above individual protests, the United States has been strongly condemned at the Organization of African Unity summit meetings for our chrome imports under the Byrd provision. Resolutions called upon the United States in particular to end its "flagrant violation of sanctions" and expressed concern for the deleterious effects our actions could have for the enforcement of sanctions on a worldwide basis. Speaking at the close of the 1972 meeting, the then President of the OAU, Mokhtar Ould Daddah, the President of Mauritania, said the lesson to be drawn from this situation is that the great western powers seem to prefer to follow their immediate interests rather than long-term interests and international conscience. These, of course, were in addition to the condemnations received in United Nations forums and in other international meetings and conferences. Our position makes us vulnerable to attack from all quarters.

BRITISH CRITICISM

In Britain where the responsibility for Rhodesia lies, we have also received widespread criticism for our breach of sanctions. In

Parliament this spring the Foreign Minister reported that he had made representations to the United States on our imports of goods under the Byrd provision. We are being accused of contracting out of our obligations in the United Nations. We have only been able to respond that we are unable to prohibit these importations.

AFRICAN VIEW OF U.S. ACTIONS ON BYRD AMENDMENT

To appreciate the problem, we must try to understand how our actions on the Byrd provision look historically to Africans. This is a point which Senator McGee made earlier. In 1971 British efforts to reach a political settlement with the Rhodesian regime seemed on the verge of success. Rhodesia was suffering from the effect of sanctions and appeared ready to come to an agreement. At that point, Section 503, although unrelated to these specific events, looked to the African as a deliberate attempt to frustrate a settlement. Again, in 1972, when the attempt to repeal the Byrd provision was defeated, the Africans in Rhodesia were in the midst of their repudiation of the proposals agreed to by Ian Smith and British Foreign and Commonwealth Minister Douglas-Home. Africans interpreted the failure of the repeal as U.S. indifference if not a direct slap to the African majority in Rhodesia. Now, today under pressure of sanctions, there again appears to be some stirring toward settlement, this time internally between the Smith regime and the African parties in Rhodesia. Repeal of the Byrd provision now could have critical influence on movement toward agreement by demonstrating U.S. interest, sympathy, and support for a fair solution. Conversely, another defeat in the Congress of an effort to repeal could give heart to those in Rhodesia who want no accommodation of any sort with the African majority.

PASSAGE OF PROPOSED LEGISLATION

Within Rhodesia and in the rest of the world, people are keenly aware of past attempts to repeal the Byrd provision. All will be watching closely the results of this effort. While we are not unmindful of the complex problems for all Rhodesians, we genuinely believe that unless a solution takes into account the rights and aspirations of the African majority, the present situation in Rhodesia will continue as a festering international problem. As the level of violence in Rhodesia and around its borders increases, it becomes ever more vital that the search for solution be fostered by steadfastness of the international community in enforcing sanctions. We would hope that the deliberations of this committee will result in passage of the proposed legislation and demonstrate our commitment to self-determination and racial equality in Africa and our readiness to fulfill our international obligations.

Thank you, Mr. Chairman.

Senator HUMPHREY. Thank you very much, Mr. Secretary. Thank you for a very concise and helpful statement.

REACTION OF AFRICAN STATES TO U.S. VIOLATION OF SANCTIONS

I have a few questions that might be of help to this record: You have been in touch, I believe, with Congressman Guy Vander Jagt, is that correct?

Mr. NEWSOM. Vander Jagt, that is correct.

Senator HUMPHREY. Earlier this year on the subject of the exemption of Rhodesian sanctions, you said in a letter, "In my 4 years as Assistant Secretary the exemption on Rhodesian sanctions has been the most serious blow to the credibility of our African policy."

Could you give some specific examples of the reaction of African states to U.S. violation of the sanctions. You did give us, of course, the President of Mauritania and the Organization of African Unity. Are there any other expressions or instances that you could cite?

Mr. NEWSOM. Well, I also mentioned one conversation which our Ambassador had with a distinguished African head of state to whom I have also spoken. The governments of those countries that are particularly concerned with the southern African issues, Zambia, Tanzania, Kenya, Nigeria, Ghana, have all in one way or another, and at senior levels, expressed to us, to our ambassadors, their deep regret at our action, and their disappointment in us because of this action, and their hope that this action can somehow be reversed.

Senator HUMPHREY. Our relationships with Nigeria are good I understand.

Mr. NEWSOM. They are very good, Mr. Chairman. But this—

Senator HUMPHREY. Has the Nigerian Government spoken to you or spoken to our Government in strong terms on this Rhodesian issue?

Mr. NEWSOM. The Nigerian Government has made known its views on this issue and made them known to our Ambassador.

LACK OF DIPLOMATIC RECOGNITION OF RHODESIAN REGIME

Senator HUMPHREY. I took note of the fact that neither Portugal or South Africa has recognized the current regime in Rhodesia.

Mr. NEWSOM. There has been no diplomatic recognition of the regime. There are representatives of those countries in Rhodesia but they do not claim embassy status.

EFFECT OF BYRD AMENDMENT REPEAL ON RHODESIAN BORDER AREAS

Senator HUMPHREY. There is a great deal of commentary lately in the press about atrocities that are taking place along border areas of Rhodesia. Would our repeal of the so-called Byrd amendment have any quieting effect on the political situation in the areas surrounding Rhodesia?

Mr. NEWSOM. Well, I think—

Senator HUMPHREY. What is your judgement on that?

Mr. NEWSOM. I think, Mr. Chairman, the Rhodesian situation is in a way critical to general stability of that area although problems exist also in the Portuguese territories. But a settlement of the Rhodesian question which clearly recognized the need for ultimate majority rule in Rhodesia would have the effect of stabilizing the situation in Rhodesia and, therefore, would have a very marked effect, I think, on trends in the area generally. I think it is our feeling, as we have expressed here, that the full adherence of the United States to the international sanctions effort would be important in bringing about a settlement, hopefully along lines now being explored between the present regime in Rhodesia and the African majority represented by their current leaders.

Ambassador SCALI. Mr. Chairman, one of the things that haunts us and disturbs us is what desperate people may do when they believe a path, such as that through the United Nations, is blocked. Perhaps this is the reason that the insurgency activities that you referred to got underway last December. Since that time, the regime has claimed to have killed over a hundred so-called terrorists while some 25 civilians, 17 of them African and 8 European, are reported to have been killed. This is the first time that the Rhodesian security forces have not been able to suppress an attempt by liberation groups to sustain guerrilla activity. We have also noted, and are concerned, over press reports of South African policemen in Rhodesia and of Rhodesian military forces operating in Mozambique.

Senator McGEE. Will the Senator yield on that?

Senator HUMPHREY. Yes, please.

NECESSITY OF BEING SURE REPEAL NOT DEFEATED

Senator McGEE. I think we ought to be very careful about over-extending expectations on what repeal might do because these are very complicated problems down there. I think, as we have spelled out here this morning, the hardening effect of our adoption of the Byrd amendment in the beginning is traceable. The hardening effect on the Smith regime is irrefutable. It has worsened a situation that may have gone so far now that none of it can be reversed. We don't know. What we should know is that we are not going to make it worse by repealing this, and even if there is the slightest, remote chance that it can help ease the situation, it is a chance worth taking. I think the point that the Secretary made we must ponder here, Mr. Chairman, very carefully. That is by opening this question up again in an attempt to assist in peaceful settlement, we must be sure that it not be defeated again. If the repeal is defeated again, then I think you will have a repetition of the same record we had before, a further hardening. What kind of an explosion that will result in, I would shudder to anticipate. So I do think that is a very important point, Mr. Secretary.

ARGUMENT CONCERNING U.S. DEPENDENCY ON SOVIET UNION

Senator HUMPHREY. In order to expedite this, to move along to an argument that was made at the time of the adoption of the Byrd amendment, that unless we did adopt it and import Rhodesian chrome we would be so dependent upon the Soviet Union that our national security might be jeopardized. I noted that Peter Flanigan, who has been very prominent in all discussions relating to international trade, and a prominent member of the administration, has stated "that access to Rhodesian chrome and other minerals is not an important element in U.S. security or our overall foreign economic policy, given the substantial excess of our stockpile resources and the comparatively minor amounts we actually imported from Rhodesia."

Contrary to what those who advocate violation of the sanctions believed, is it not correct that the administration has never found that compliance with sanctions makes the United States dangerously dependent upon the Soviet Union for a strategic and critical material?

Mr. NEWSOM. The fact is, Mr. Chairman, as I think has been pointed out, that this has had no effect upon our dependence upon the Soviet

Union for metallurgical grade chrome. As we pointed out in the initial debate on this issue, we imported substantial Soviet chrome before sanctions were imposed because it had certain qualities and characteristics which make it desirable. Since the passage of this legislation, our imports of Soviet chrome have actually gone up, so that imports in 1972 from the Soviet Union were 45 percent of all of our chrome ore imports. As has also been pointed out, we have other major trade relationships with the Soviet Union which far surpass chrome in dollar value, and at a time of current détente and emphasis on trade, I think we very much discount any national security aspect involved here.

Senator HUMPHREY. Also aren't there other countries that export chrome to us in rather substantial amounts, such as Turkey?

Mr. NEWSOM. Turkey and Iran.

Senator HUMPHREY. Yes; and two very friendly countries, but my sources tell me that our imports of chrome from Turkey decreased after we resumed our importation of chrome from Rhodesia.

Mr. NEWSOM. I think it is a matter of quality, Mr. Chairman, the cost of mining and the quality of the ore. It is an economic factor more than anything else which makes the Soviet chrome desirable.

Senator HUMPHREY. So that, to clarify it, insofar as the availability of chrome is concerned, there are available supplies. We are attempting right now to find things that we can buy from the Soviet Union and the Soviet Union is looking toward things that they can buy from us. There is always the problem of how you balance off these trade relations.

The stockpile of chromites is rather substantial, isn't it? I noticed that the White House fact sheet on the Stockpile Disposal Act of 1973 states we have a surplus of 4,662,000 tons of chromite in our strategic stockpiles. Doesn't that indicate even if the Soviet Union were the only U.S. source of chrome, which it isn't, that we have enough of a stockpile of chrome in case of an emergency?

Mr. NEWSOM. This is correct and we are actually proposing in legislation that the stockpile be reduced.

Senator McGEE. Would the Senator yield on that?

Senator HUMPHREY. Yes.

PAST TESTIMONY BY INDUSTRY GROUPS

Senator McGEE. When I was sitting in your chair a moment ago I was given a letter to the committee from the Deputy Secretary of Defense who presumably is acquainted with this question. To quote from his letter: "* * * 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." I want to know——

Senator HUMPHREY. Go ahead. You were just getting going good.

Senator McGEE. When you think back to past testimony here by some industry groups and the pitch that has been made in the flag-waving operation, in the cheapest sense of that, you just shake your head in incredulity, why? What is the motivation? Two and three tenths percent. Maybe we should impeach the Deputy Secretary of Defense. Maybe he doesn't know what he is talking about. But that is a pretty brash statement from that source about the defense require-

ments and dependence upon chrome reserves. As I understand it, they even tried to place our chrome reserves on the domestic market because we don't need them. They are not even buying those. They would rather trade with Rhodesia for some peculiar reason or the Soviet Union, probably the grade of ore again. But in terms of what we need for defense projected over a 3-year war, it is still far less than 10 percent of the total metallurgical stockpile. That does not allow for all the imports of chrome. It is not only ridiculous, it is almost a crime that the pressure is put on in this way to try to protect a small toe-hold of vested interest at the expense of the national interest, very clearly, and the integrity of the good name of the United States in the international community. I don't understand it, and I have tried. I have tried to understand it. I didn't mean to pop off, Mr. Chairman.

Senator HUMPHREY. It is a very good popoff.

Senator MCGEE. He is the Russian, you know, Popoff. [Laughter.]

Senator HUMPHREY. Yes.

IMPORTS OF NICKEL

Mr. NEWSOM. Could I add also one point which I think is important. As this provision was written it opened the door to all strategic materials, not just chrome.

Senator HUMPHREY. Yes.

Mr. NEWSOM. The whole emphasis was on chrome and the argument was on chrome. But, as a matter of fact, in dollar value the greater imports under this provision have not been chrome. They have been nickel, and there has been no argument about the strategic requirements for nickel. In dollar value, out of some \$27 million worth of imports in 2 years, roughly \$11 million in imports have been in nickel about which there was never any argument.

Senator HUMPHREY. In how many years?

Mr. NEWSOM. Two years.

Senator HUMPHREY. I noticed that in 1972 there were \$4,400,000 worth of nickel cathodes imported to the United States from Southern Rhodesia. Isn't it a fact that Canada is one of our big sources of nickel?

Mr. NEWSOM. Yes.

Senator HUMPHREY. I believe, we also get some from Finland. Isn't it also a fact that we have rather large stockpiles of nickel?

Ambassador SCALI. The other source, sir, is New Caledonia.

Senator HUMPHREY. New Caledonia.

Mr. NEWSOM. I believe, if I am correct, we are imposing a zero stockpile for nickel.

Senator HUMPHREY. Yes, might I add there seem to be rich nickel deposits in northern Minnesota. It is quite a long ways from Rhodesia and we have free elections up there, no discrimination against Norwegians or Swedes or others. [Laughter.]

Do you see any strategic reason to import nickel at all? Didn't I understand you to say this is being taken off the stockpile.

Mr. NEWSOM. A case has never been made to us in connection with the Byrd provision that there is a strategic reason for the nickel imports.

LETTER FROM DEPUTY SECRETARY OF DEFENSE CLEMENTS

Senator HUMPHREY. I want to include in the record, as a result of Senator McGee's comment here a moment ago, the letter to the Honorable Donald M. Fraser of the House Committee on Foreign Affairs from Deputy Secretary of Defense W. P. Clements, Jr. This is the letter to which Senator McGee alluded.

[The letter referred to follows:]

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 the 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:

| | <i>Short tons</i> |
|------------|-------------------|
| 1963 | 1, 535 |
| 1968 | 1, 350 |
| 1973 | 1, 696 |

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.

Senator HUMPHREY. Senator McGee, do you have any other questions you wanted to ask?

CONSEQUENCES OF LOSING AGAIN ON QUESTION

Senator MCGEE. No. The only point I wanted to highlight was the one about not losing again on this question. I think the consequences of that could trigger a real blood bath in parts of Black Africa where this is so sensitive right now. I think we have to be very sound in the way we approach this now. Another loss would, I think, be like dropping a match in a gasoline tank.

SENSITIVITY OF ISSUE IN INTERNATIONAL COMMUNITY

Senator HUMPHREY. Isn't it a fact that at the recent meeting of the British Commonwealth there was considerable pressure brought to bear upon the British Government in reference to the regime in Rhodesia, not only from African States but from New Zealand and Australia and Canada. So the issue is still a very sensitive one in the international community.

Mr. NEWSOM. A very critical one, Mr. Chairman, in the international community, and in Britain. I might add that what we do here is also important. I have no reason for linking the two, but I would just point to the date of mid-November when the British Government itself must also reconsider the sanctions question. They have an annual renewal of the parliamentary order which administers the sanctions.

UNITED STATES STANDS OUT ALONE

Senator HUMPHREY. Are there any other major industrialized countries that have passed legislation or adopted by decree any order that would violate the United Nations sanctions.

Mr. NEWSOM. There are none. There are indications that perhaps violations by individual citizens of other countries but no other country other than the United States has taken any official legislative action to violate the sanctions.

Senator HUMPHREY. So we stand out alone as repudiating our actions in the United Nations and, indeed, of passing a law which is inconsistent with the resolution of the United Nations, to which resolution we gave our support.

Mr. NEWSOM. That is correct.

Ambassador SCALI. Mr. Chairman, we are singled out because we have done this publicly. Now, as I have said John Scali will defend the law of the land and will do it with whatever eloquence and effectiveness and vigor that he can, and the law of the land is the law of the land. But when you are the only one who is being hit and others are violating these sanctions secretly, all of the fire centers on one target, and you spend a lot of time, you waste a lot of authority and I am afraid, Mr. Chairman, that you don't make much impact upon the Africans who look upon this as a symbol rather than anything else.

NATIONAL INTERESTS SERVED BY PROVISION QUESTIONED

Senator HUMPHREY. I can't for the life of me see what national interest this particular provision serves. I mean it isn't as if we are starving to death for chrome. It isn't as if we can't launch a missile because we don't have any chrome. It isn't as if we can't have an automobile with a chrome radiator. We are doing all right, it seems to

me, and I don't understand what interest we are serving. Maybe we can find out during this hearing what national interest we are serving.

U.S. METHOD OF BREAKING SANCTIONS QUESTIONED

Senator McGEE. Would it be appropriate to add to the suggestion, which has been made here repeatedly, that we unilaterally violated a United Nations commitment which we voluntarily took on, if we had really felt that we ought to break the sanctions, what was the way to do it in the international community under law, under our agreement? What was the way to achieve a change in the sanctions program? Wasn't it to have initiated a repeal in the U.N. and see whether the U.N. would have adopted it because we were a party to it? Instead we made this end run through rhetoric on the floor of the Senate and some of the rhetoric was not understood. It was written by somebody else, I suppose. All our speeches are written by people who who are smarter than we are.

Senator HUMPHREY. Except the one you just gave, Senator.

Senator McGEE. But again that is a further incriminating point in the circumstances. It is the way the telephones rang and the button-holes were pinched and pulled as noses were rubbed in this as a pressure tactic. And the question the chairman has raised here is why, why in the light of all this. I think that is a question that maybe we ought to have an answer to one of these days. Maybe we ought to go into it more carefully.

Mr. NEWSOM. I might add, Mr. Chairman, on that question of how does one gain exemptions from the sanctions, there is a legal way to do it provided by the sanctions resolution.

Senator HUMPHREY. Under the resolution itself there was a way that we could have withdrawn from it legally.

Mr. NEWSOM. In which countries can plead special economic problems which some of the peripheral countries did.

Ambassador SCALI. If I could add a point here: Not too many weeks ago in discussing this matter again before the Security Council of the United Nations, in a mood of frustration some of the countries decided that since these regulations were being violated perhaps what was necessary was to extend them, to extend them to include the Portuguese territories and South Africa—because the United States would not rescind section 503. Well, I felt, after considerable study, that this was a hasty, ill-considered action of the kind that would have repercussions in the world market and that many, many countries would have to think very carefully about whether you extend a leaking umbrella which is not quite covering one country to include the Portuguese territories as well as South Africa and, indeed, create perhaps a crisis situation. And so I vetoed that resolution. I vetoed it because section 503 is on the books and I am not going to permit the United Nations Security Council to decide what the laws of our land should be. But this is the reason why we are here today. We are going to be assessing whether perhaps as a nation there is a better way that we can do it.

Senator HUMPHREY. We want to thank both of you very much for your valuable testimony. We have other witnesses; so we will move along and I will ask the next witness to come to the stand.

We thank Secretary Newsom and Ambassador Scali very, very much and particularly for your leadership in this matter.

Mr. John J. Sheehan, legislative director of the United Steelworkers of America, appearing for that splendid organization.

Jack, welcome.

**STATEMENT OF JOHN J. SHEEHAN, LEGISLATIVE DIRECTOR,
UNITED STEELWORKERS OF AMERICA**

Mr. SHEEHAN. Thank you, Senator. I must first express the regret of President Abel of our organization, who is the presiding officer and president of the AFL-CIO's Industrial Union Departments, which is now in its annual conference in Atlanta, Ga. He was scheduled on your list to appear today, but he is now chairman of the IUD conference in Atlanta, Ga.

Senator HUMPHREY. I send him my greetings, and good wishes and thanks for his many great services to this country.

Mr. SHEEHAN. Thank you, Mr. Chairman. As indicated, my name is Jack Sheehan. I am legislative director of the United Steelworkers of America. For 1½ years now, the United States has been complying with the congressional edict that the United Nations embargo on Rhodesia be selectively violated. It is appropriate at this time to examine the effects of that action, and compare the effects with the claims that were made during the initial and the subsequent debates on the matter.

CASE OF PROPONENTS OF BREAKING EMBARGO

The prime facts upon which the proponents of breaking the embargo built their case were that the U.S.S.R. was our principal supplier of chrome ore during the years of the embargo, and that there was a substantial increase in the price of the Russian ore during those years.

Those two facts served as a springboard for numerous claims and deductions—all put forward as facts, and all calculated to show a pressing need for the resumption of chrome ore trade with Rhodesia.

It was alleged that with Rhodesia out of the picture, the U.S.S.R. had a virtual monopoly as our supplier of chrome ore. This gave rise to two claims:

First, that we had become dependent upon our potential enemy for a strategic material, thus giving the specter of a national security problem.

Second, that without Rhodesian competition the U.S.S.R. had been charging outrageously high prices, thus gouging the U.S. consumers.

From this latter point came another set of claims. Since other nations were violating the embargo, albeit covertly, foreign ferrochromium producers¹ were obtaining lower priced Rhodesian ore. As a result, foreign specialty steel producers were operating at lower cost—making our domestic specialty steels less competitive. The final culmination of these allegations was that American steelworkers were losing their jobs.

From the first time that this jobs issue arose, our union has vigorously denied its validity. I would like to mention at this point that appended to my statement is a compendium of letters and telegrams which were sent to the Congress by Mr. Abel and our legislative department rejecting that argument.

¹ Ferrochromium is the major product into which chrome ore is processed. The ferrochromium is then used as a major component of specialty steels.

RESULTS OF REOPENED TRADE WITH RHODESIA

Now that we have had some experience with reopened trade with Rhodesia, what has happened?

In short, the results anticipated by the advocates of lifting the embargo have not been achieved. In some cases, the results could not be achieved because the problems themselves were not directly related to the Rhodesian chrome ore embargo. Here I speak primarily of the job-loss issue, but also of the reliance-on-Russian issue and, to a degree, the issue of high Russian prices. In another case, the problem has proven not to be a problem at all; for instance, the national security argument, on which some rather dramatic figures were presented earlier this morning. Furthermore, the breaking of the embargo has indeed had results quite unexpected by its sponsors; namely, vast imports of Rhodesian ferrochromium rather than chrome ore, with a direct relationship to the loss of American steelworkers' jobs rather than to their preservation.

I shall expand upon each of these points, beginning with the last one.

U.S. JOBS AND RHODESIAN IMPORTS

With regard to American jobs and the Rhodesian imports: After all the talk about the need for Rhodesian chrome ore to save the American specialty steel industry, it is surprising to learn that a very small amount of the ore has been imported since the lifting of the embargo. In 1972 only 10 percent of our metallurgical chrome ore imports came from Rhodesia, and in the first 6 months of 1973 it is down to 3 percent.

Rhodesia has not been inactive in its exportation to the United States, however. It has simply concentrated its emphasis upon processed ferrochrome rather than upon raw chrome ore. Ferrochrome, incidentally, has more value in it, Mr. Chairman. This is shown in table 1 which we have in our text.

In 1972 Rhodesia accounted for 27 percent of our high-carbon ferrochromium imports. In the first 6 months of 1973 the figure rose dramatically to 48 percent, and this year's tonnage already surpasses the 1972 high carbon total.

Senator HUMPHREY. I will have all of these tables included in the record. [See witness' prepared statement.]

Mr. SHEEHAN. Thank you, Mr. Chairman. To appreciate that this is truly an emphasis upon ferrochrome in absolute terms as well as percentages, it must be realized that to make 1 ton of ferrochrome—gross weight—approximately $2\frac{1}{2}$ tons of the raw ore, of the chrome ore, are needed, according to the General Services Administration formula. Since the embargo has been lifted, gross weight of Rhodesian ferrochrome imports—Table 1 lists content weight—has been 39,146 tons. Multiplying this figure by $2\frac{1}{2}$, we see that in terms of material equivalency, Rhodesian ferrochrome has outpaced Rhodesian ore 97,865 tons to 67,900 tons.

The fact that the Rhodesian imports constitute such a large sector of the high carbon ferrochromium imports is significant. Until recently, low carbon ferrochromium had been in greater demand than high carbon. Recent technological improvements, however, permit a higher usage of the more economical high carbon product by the specialty steel industry. Beginning in 1972, and continuing this year,

domestic consumption of high carbon ferrochromium has been considerably higher than that of low carbon. It is this growing market into which Rhodesia is now jumping.

By capturing 48 percent of the U.S. import market, Rhodesia has captured a very large share indeed. As table 2 shows, imports of ferrochromium as a percentage of total domestic consumption have been growing phenomenally, especially since 1970, and especially in the high carbon area. By combining the information in tables 1 and 2, we learn that thus far in 1973 Rhodesia accounts for nearly half of all high carbon imports—46 percent—and imports from all sources account for 41 percent of all domestic consumption. In other words, about 20 percent of our own domestic market of all high-carbon ferrochrome comes from Rhodesia.

The import situation has been increasingly damaging to the domestic ferrochrome industry over past years, and the infusion of Rhodesian products since 1972 has certainly aided in bringing it to a critical point. On May 4, 1973, the Ferroalloys Association filed for relief from imports before the U.S. Tariff Commission. Subsequently, the petition was withdrawn as a result of the boom currently being experienced in the steel industry and supporting industries. Despite its current increase in profitability, however, the domestic ferrochromium industry's share of the market continues to erode, and it stands on very shaky ground.

The impact already is very real for some of our members. Late in 1972 two domestic producers announced that they were shutting down their ferrochrome facilities, and both listed imports as a major reason. Ohio Ferroalloys in Brilliant, Ohio, has already shut down its ferrochromium process, switching instead to silicon processes exclusively. Foote Mineral is planning on completely closing its Steubenville, Ohio, plant by the end of this year. The result of the Foote Mineral closing will be the loss of 313 jobs.

RHODESIAN IMPORTS AND U.S. JOBS

Mr. Chairman, I would like at this point to make reference to a report that I just recently received, put out by the Carnegie Endowment for International Peace entitled, "Irony in Chrome." On page 26 and page 27 of that report it makes reference to a statement made by the vice president of Union Carbide, Fred O'Mara, to *Business Week*, in which he says: "Inevitably Union Carbide will be forced to move its ferrochrome production overseas in order to compete." The report continues:

This is the first public admission that Carbide too will desert the domestic ferrochrome industry. Union Carbide owns not only chrome mines in Rhodesia, but also a large ferrochrome processing operation there called Union Carbide Rhomet, which provides jobs to 717 employees.

What we fear here is an acceleration of the ferrochrome production moving overseas and outside our own borders, which will result definitely in the loss of jobs.

The impact, as I say, is already real, then, on our members.

I have dwelt on this matter not because we view the reimposition of the Rhodesian embargo as a job protection measure—there are far more appropriate methods for achieving that; namely, legislated import quotas, and we have long sought them. Rather, I have felt

this to be an important topic because it demonstrates that the lifting of the embargo has had effects exactly opposite to what its sponsors were indicating.

Senator HUMPHREY. Jack, you may have heard that rather long buzz which indicates there is a vote in the Senate. If you would tarry here, I shall be as quick as possible in getting back. It will be about 7 or 8 minutes. I would like to have all witnesses remain. I will go down and cast my vote and be back up here with you because I want to hear all of your testimony. It is very good and I appreciate it very much. We will temporarily recess and be right back.

[Short recess.]

Senator HUMPHREY. We will proceed. I believe we were on page 8 of the testimony, Mr. Sheehan.

Mr. SHEEHAN. Mr. Chairman, I was indicating that instead of experiencing preservation of American jobs, we are actually experiencing, and fearing a potential increase in the loss of jobs because of the increased imports of ferrochrome into our country. Our own domestic ferrochrome is really on its knees, and I think the Congress must be fully aware of these unanticipated and yet real domestic consequences of its action that it had supposedly taken to aid the domestic well-being.

RUSSIAN PRICES AND U.S. JOBS

With regard to Russian prices and American jobs, we found this to be an unrelated problem to whether or not the Rhodesian embargo should be maintained.

A major argument in 1971, and again in 1972 for breaking the embargo was that Russian prices for chrome ore had skyrocketed during the embargo years, resulting in: (1) Excessive costs to the American consumers, and (2) competitive disadvantage to the U.S. specialty steel industry, with attendant job losses. The way to bring Russian prices in line, it was alleged, was to allow competition from Rhodesia.

Perhaps the Russian prices were overly inflated during the embargo years; there is no way of knowing for sure and certainly no way of knowing by how much. There is one certainty, however. The figure of \$100 million per year, which certainly was used by lobbyists, was inflated.

As table 3 shows, the total value of all grades, not just the metallurgical grade, of all chrome ore imports from all sources during the embargo years never approached a \$100 million. It is absolutely impossible, therefore, that a windfall of profits of that amount was ever realized by our suppliers.

As you can see in the table, in 1971 the total value of all chrome ore coming into the United States from all sources was only \$32.1 million and hence the \$100 million figure is pure fabrication.

It is undeniable that the Russian prices rose during the years the embargo was in effect, and that they have dropped since the embargo was lifted. The embargo may indeed have had a role in this price fluctuation, but it certainly has not been the sole determinant. The Russian prices have also been influenced by world demand for steel.

Table 4 shows that free world steel production rose steadily during the embargo years, until 1971 when production fell by 6 percent.

Likewise, the Russian chrome ore price rose steadily until 1972, when it began to drop. Long-term contracts for chrome ore help explain this 1 year lag in the demand price relationship. The relationship, then, between the embargo and Russian prices can at best be said to be only a partial one.

SPECIAL PROTECTION OF U.S. DOMESTIC STEEL INDUSTRY

Regardless of price increases for chrome ore and/or other raw materials, and regardless of whether some of the increases were excessive, the steel industry has had since 1969 a special protection against any further erosion of its domestic market—a protection not enjoyed by the ferrochrome industry.

I cannot help at this point, Mr. Chairman, to indicate your role when you were Vice President of the United States; you were very helpful to this union and to this industry in bringing about the original Voluntary Restraint Agreement on steel imports in this country, and I make reference to this protection to specialty steel, and the general steel, carbon steel industry in the United States.

Senator HUMPHREY. Thank you very much.

Mr. SHEEHAN. In 1969, the United States, together with Japanese and European steel producers, signed the first Voluntary Restraint (quota) Agreement. Under this agreement, imports are held to a given percentage. In May of 1971, a new VRA was signed which specifically strengthened the protection for our domestic specialty steel industry.

Later that same year, the legislation lifting the Rhodesian embargo was enacted. Had the embargo remained in effect, and had the direct result been an increase in the price we paid for chrome ore, the effect would not have been damaging. The VRA would have prevented any further incursion of imports from the countries participating in the VRA over the agreed-upon amount, despite any price differential resulting from differing sources of chrome ore. So that, even if we were subjected to higher prices from Russia and other countries having a lower price on their chrome ore, they could not get those into the United States because of the voluntary agreement.

The steel industry—basic as well as specialty—assuredly is experiencing acute problems in terms of imports, employment and competitiveness. But those problems do not arise from the source of chrome ore. Any difficulties arising from chrome ore prices are slight compared to the totality of difficulties faced by the industry.

It is because of the sum total of those difficulties that the Voluntary Restraint Agreement came into being, and why, in addition, we have supported legislated quotas. The existence of the VRA removes any doubt that the Rhodesian embargo and steel industry are separate issues. If anything, the claims made against the embargo highlight the need for protective mechanisms such as the VRA so that there can be a buffer between our foreign policy and our economic policy.

RELIANCE UPON RUSSIA ARGUMENT

Now with regard to reliance upon Russia, we would like to make these comments.

One of the main arguments put forth in support of suspending the embargo was that we had become overly dependent upon the U.S.S.R. for chrome ore because of the embargo. However, our dependency be-

gan prior to the embargo, and has continued after it. As early as 1963, Russia was our prime source of metallurgical chrome at 49 percent. As for after the embargo, 59 percent of our ore came from Russia in 1972, and in the first 6 months of 1973 they have supplied us with 51 percent of the total. Therefore, lifting the embargo has not achieved one of its main objectives—the easing of our reliance on Russia for chrome ore.

However, this fact may be distorted by Rhodesia's emergence as a major ferrochrome source. Had all of Rhodesian ferrochrome been imported in its raw ore form in the first 6 months of 1973, the Rhodesian ore imports would have been greater than Russia's, 61,900 tons versus 60,800 tons respectively. But the fact is that the bulk of the Rhodesian material did not come to us as chrome ore, which would have benefited the ferrochrome domestic ferroalloy industry and provided the jobs that we heard so much about; the fact that it did not come in but, rather, came in as processed ferrochrome, negates any benefit which may be theorized from this shift in the prime source of our total chrome ore, the shift from Russian to non-Russian sources.

Rather than strengthening our ferrochrome industry by broadening its resource base, lifting the embargo seriously weakened the economic viability of the industry.

NATIONAL SECURITY ARGUMENT

Now, with regard to the national security argument, I think this morning there was such adequate comment on that, Mr. Chairman, I would like to skip this part.

Senator HUMPHREY. We will include it as part of your testimony here.

Mr. SHEEHAN. Thank you, sir.

SOCIAL ISSUE

I would like to make reference to the social issue. The jobs of steelworkers were not at stake because of the imposition of the embargo. The action that was taken in 1971 was intended as an economic benefit for the domestic steel industry and its suppliers—particularly the two ferrochrome producers which have Rhodesian chrome holdings. But the domestic ferrochrome industry has been undermined since, and partly because of the lifting of the Rhodesian embargo.

The domestic specialty steel industry is indeed benefiting from the removal of the sanctions. They are benefiting not because the action has brought cheaper chrome ore to their suppliers, however, but because it has brought cheaper processed ferrochrome directly to the industry itself.

Labor cost differentials are undoubtedly the prime reason that Rhodesian ferrochrome has been so highly competitive. Under the Ian Smith regime, slave labor conditions have existed for blacks. In his testimony before the House Subcommittee on International Organizations and Movements on February 22, 1973, Mr. Edgar Lockwood, Director of the Washington Office on Africa, stated:

In a recent market research survey published by the Rhodesian Printing and Publishing Company, Mr. Clive Kinsley, managing partner, remarked that white Rhodesians are "the luckiest people in the world." The survey showed that 26 percent of white Rhodesians earned at least \$800 a month and 34 percent earned

\$600 to \$800 a month. On the other hand, among black urban Africans, 38 percent live in households with incomes of less than \$38 a month, and 36 percent have incomes between \$38 and \$75 a month . . . Union Carbide's wages are generally in line with this scale. Union Carbide pays in its chrome affiliates in Rhodesia as of 1970 \$46 to \$130 per month to its African workers while it pays a range of \$122.50 to \$750 a month to whites. Average monthly mining wages in Rhodesia during 1970 were \$520 for whites and \$39 for Africans.¹

As stated previously, the steel industry is already protected by quota arrangements. If more permanent protection is needed, then a comprehensive solution should be sought. A piecemeal solution such as the breaking of international sanctions is perhaps the least desirable, most chaotic, and most distasteful of all possible solutions.

Reimposition of the sanction may cost the U.S. industry and consumers a bit more. But it is a price we should be willing to pay in order to uphold the integrity of our ideals and the ideals of the United Nations. We know that it will not be an exorbitant cost, and we know that it will not include the loss of jobs. Indeed, a retention of our current posture is more likely to be a cause of job loss.

Unjust social conditions certainly exist elsewhere in the world. That, however, should not stop us from acting in the case of Rhodesia. The fact that the sanctions against Rhodesia are the first such actions by the United Nations makes our adherence to them all the more important. If this precedent for a nonviolent alternative to an abhorrent and explosive situation fails because of total lack of participation, the effect may be much worse than if it fails on its own merits.

U.S. SUGGESTION OF WAYS TO IMPROVE SANCTIONS SUGGESTED

Finally, I would like to suggest that it may be much more constructive for the U.S. Congress to suggest to the United Nations ways in which the sanctions and their implementation could be improved, rather than to debate the needs of the sanctions. As an issue international in its scope, the needs for and the continuation of the embargo can most properly be debated in the United Nations.

On the other hand, as a nation which has abided by the sanctions, and, hopefully, will do so again in the future, it would be quite proper for the United States to suggest and support methods of improving the sanctions. In this regard, I refer you to a study entitled "Rhodesia: Token Sanctions or Total Economic Warfare," by Guy Arnold and Alan Baldwin of the Africa Bureau, London, England, and I attach to this statement 58 recommendations which the study made with reference to action that should be taken by the United Nations.

CONCLUSION

In conclusion, the Steelworkers reject the argument that the embargo on Rhodesia created job threats, and that the embargo can be judged on any terms other than the moral issues involved.

In 1971 President Abel stated in a letter to Senator McGee the following:

The United Steelworkers of America supports the intent of the embargo and its continuation. We feel that as a nation, and in conjunction with other nations, we must be socially concerned about basic human justice and, if need be, sustain an economic price for that conviction. Furthermore, this is one of the few occasions on which the United Nations acted as the moral conscience of the world. Its effort,

¹ Mr. Lockwood's figures on Union Carbide wages were obtained from "Rhodesian Chrome; A Profile of Union Carbide and Foote Mineral," published by the Corporate Information Center of the National Council of Churches, May 1972.

therefore, should continue to have the support of this country if the purpose of a United Nations organization is to be meaningful * * *

As regards the threat of job loss in the specialty steel industry in Pennsylvania or elsewhere, it is in no way affected by the importation of chromite from Russia * * *.

Our problems, therefore, in the specialty steel industry and the ferroalloy industry can be solved by quota controls and not by breaking the Rhodesian embargo on chrome ore * * * The price of human dignity should not be measured in terms of the cost of chromite in the United States market.

That was the statement by President Abel who, incidentally, Mr. Chairman, was an alternate representative to the United Nations himself for, I think, 6 or 7 months a couple of years ago.

PASSAGE OF S. 1868 URGED

That was our position in 1971, and it is still our position today. Therefore, we urge passage of S. 1868, which would have the effect of reinstating our adherence to the United Nations embargo on Rhodesia.

[Mr. Sheehan's prepared statement follows:]

PREPARED STATEMENT OF JOHN J. SHEEHAN, LEGISLATIVE DIRECTOR, UNITED STEELWORKERS OF AMERICA

For one and a half years now the United States has been complying with the Congressional edict that the United Nations embargo on Rhodesia be selectively violated. It is appropriate at this time to examine the effects of that action, and to compare the effects with the claims that were made during the initial and the subsequent debates on the matter.

The prime facts upon which the proponents of breaking the embargo built their case were that the USSR was our principal supplier of chrome ore during the years of the embargo, and that there was a substantial increase in the price of the Russian ore during those years.

Those two facts served as a springboard for numerous claims and deductions—all put forward as facts, and all calculated to show a pressing need for the resumption of chrome ore trade with Rhodesia.

It was alleged that with Rhodesia out of the picture, the USSR had a virtual monopoly as our supplier of chrome ore. This gave rise to two claims: First, that we had become dependent upon our potential enemy for a strategic material, thus giving the specter of a national security problem. Second, that without Rhodesian competition the USSR had been charging outrageously high prices, thus gouging the U.S. consumers.

From this latter point came another set of claims. Since other nations were violating the embargo, albeit covertly, foreign ferrochromium producers¹ were obtaining lower-priced Rhodesian ore. As a result, foreign specialty steel producers were operating at lower cost, making our domestic specialty steels less competitive. The final culmination of these allegations was that American steelworkers were losing their jobs.

From the first time that this jobs issue arose, the United Steelworkers of America has vigorously denied its validity. I would like to mention at this point that appended to my statement is a compendium of letters and telegrams which our Union's president, I. W. Abel, and I have sent to Members of Congress on this point since 1971. Also included are Legislative Appeals and a Legislative Newsletter which we have distributed on the subject.

Now that we have had some experience with re-opened trade with Rhodesia, what has happened? In short, the results anticipated by the advocates of lifting the embargo have not been achieved. In some cases, the results could not be achieved because the problems themselves were not truly related to the Rhodesian embargo. Here I speak primarily on the job-loss issue, but also of the reliance-on-Russia issue and, to a degree, the issue of high Russian prices. In another case, the "problem" has proven not to be a problem at all i.e., the national security issue. Furthermore, the breaking of the embargo has indeed had results quite unexpected by its sponsors; namely, vast imports of Rhodesian ferrochromium rather than

¹ Ferrochromium is the major product into which chrome ore is processed. The ferrochromium is then used as a major component of specialty steels.

chrome ore, with a direct relationship to the loss of American steelworkers' jobs rather than to their preservation.

I shall expand upon each of these points, beginning with the last one.

RHODESIAN IMPORTS AND AMERICAN JOBS: AN UNANTICIPATED PROBLEM

After all the talk about the need for Rhodesian chrome ore to save the American specialty steel industry, it is surprising to learn what a minuscule amount of the ore has been imported since the lifting of the embargo. In 1972 only 10 percent of our metallurgical chrome ore imports came from Rhodesia, and in the first six months of 1973 the figure was only 3 percent.

Rhodesia has not been inactive in its exportation to the United States, however. It has simply concentrated its emphasis upon processed ferrochrome rather than upon raw chrome ore. This is shown in Table 1. In 1972 Rhodesia accounted for 27 percent of our high carbon ferrochromium imports. In the first six months of 1973 the figure rose dramatically to 48 percent, and this year's tonnage already surpasses the 1972 high carbon total.

TABLE 1.—CHROMIUM IMPORTS FROM RHODESIA SINCE LIFTING OF EMBARGO

[Short tons]

| | 1972 | 1973 through June |
|---|--------|-------------------------|
| Chrome ore—Metallurgical, gross weight..... | 65,343 | 2,550 |
| Percent of total imports..... | 10 | 3 |
| Ferrochrome (chromium content): | | |
| Low carbon..... | 3,578 | 391 |
| Percent of total imports..... | 9 | 3 |
| High carbon..... | 11,835 | 15,862 |
| Percent of total imports..... | 27 | 48 |

Source: Bureau of Mines, subject to revision.

To appreciate that this is truly an emphasis upon ferrochrome in absolute terms as well as percentages, it must be realized that to make one ton of ferrochrome (gross weight), approximately 2½ tons of chrome ore (gross weight) are needed, according to the GSA formula. Since the embargo has been lifted, gross weight of Rhodesian ferrochrome imports (Table 1 lists content weight) has been 39,146 tons. Multiplying this figure by 2½, we see that in terms of material equivalency, Rhodesian ferrochrome has out paced Rhodesian ore 97,865 tons to 67,900 tons.

The fact that the Rhodesian imports constitute such a large sector of the high carbon ferrochromium imports is significant. Until recently, low carbon ferrochromium had been in greater demand than high carbon. Recent technological improvements, however, permit a higher usage of the more economical high carbon product by the specialty steel industry. Beginning in 1972, and continuing this year, domestic consumption of high carbon ferrochromium has been considerably higher than that of low carbon. It is this growing market into which Rhodesia is now jumping.

By capturing 48 percent of the United States import market, Rhodesia has captured a very large share indeed. As Table 2 shows, imports of ferrochromium as a percentage of total domestic consumption have been growing phenomenally, especially since 1970, and especially in high carbon. By combining the information in Tables 1 and 2 we learn that thus far in 1973 Rhodesia accounts for nearly half of all high carbon imports (48 percent), and imports from all sources account for 41 percent of all domestic consumption. In other words, about 20 percent of all high carbon ferrochrome consumed in the United States this year has come from Rhodesia.

TABLE 2.—FERROCHROMIUM IMPORTS FOR CONSUMPTION FROM ALL SOURCES, 1961-73

[Thousands of short tons chromium content]

| | Average 1961-66 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 | 1973 ¹ through June |
|-----------------------------------|--------------------|------|------|------|------|------|------|--------------------------------------|
| Low carbon..... | 23.2 | 32.8 | 34.8 | 30.7 | 18.4 | 27.0 | 46.3 | 12.9 |
| Percent of total consumption..... | 25 | 33 | 34 | 28 | 18 | 31 | 56 | 27 |
| High carbon..... | 7.5 | 5.7 | 5.2 | 10.7 | 7.6 | 27.0 | 44.0 | 32.8 |
| Percent of total consumption..... | 10 | 6 | 6 | 12 | 10 | 33 | 36 | 41 |
| Total..... | 30.7 | 38.5 | 40.0 | 41.4 | 26.0 | 54.0 | 90.3 | 45.7 |
| Percent of total consumption..... | 18 | 20 | 21 | 20 | 14 | 32 | 44 | 36 |

¹ Source: Bureau of Mines, subject to revision.

Source: Petition by the Ferroalloys Association before the U.S. Tariff Commission, May 4, 1973.

The import situation has been increasingly damaging to the domestic ferrochrome industry over past years, and the infusson of Rhodesian products since 1972 has certainly aided in bringing it to a critical point. On May 4, 1973, the Ferroalloys Association filed for relief from imports before the U.S. Tariff Commission. Subsequently, the petition was withdrawn as a result of the boom currently being experienced in the steel industry and supporting industries. Despite its current increase in profitability, however, the domestic ferrochromium industry's share of the market continues to erode, and it stands on very shaky ground.

The impact already is very real for some of our members. Late in 1972 two domestic producers announced that they were shutting down their ferrochrome facilities, and both listed imports as a major reason. Ohio Ferroalloys in Brilliant, Ohio, has already shutdown its ferrochromium process, switching instead to silicon processes exclusively. Foote Mineral is planning on completely closing its Steubenville, Ohio, plant by the end of this year. The result of the Foote Mineral closing will be 313 lost jobs.

I have dwelt on this matter not because we view the reimposition of the Rhodesian embargo as a job protection measure—there are far more appropriate methods for achieving that; namely, legislated import quotas, and we have long sought them. Rather, I have felt this to be an important topic because it demonstrates that the lifting of the embargo has had effects exactly opposite of its sponsors' intentions.

It was assumed that the embargo-lifting was to apply only to chrome ore, and repeated assurances were made to that effect. For instance, Senator Byrd of Virginia, the prime sponsor, stated that the provision "would apply to only one commodity, chrome ore," on four separate occasions in the debate of September 23, 1971.² Yet a commodity more valuable than chrome ore—the processed ferrochrome—has been shipped to the United States from Rhodesia in quantities greater than the ore itself.

It was assumed that lifting the embargo would help strengthen the domestic specialty steel and supporting industries. Yet the lifting of the embargo has aided considerably to the erosion of specialty steel's most basic supporting industry—the ferrochrome producers.

It was assumed that lifting the embargo would save American jobs. Yet it has, and may continue to, cost American jobs.

The Congress must be made fully aware of these unanticipated, and yet very real domestic consequences of its action that was supposedly taken to aid the domestic well-being.

² *Congressional Record*, September 23, 1971, S. 14935, 14936 and 14942.

RUSSIAN PRICES AND AMERICAN JOBS: UNRELATED PROBLEMS

A major argument in 1971 and again in 1972 for breaking the embargo was that Russian prices for chrome ore had skyrocketed during the embargo years, resulting in: (1) excessive costs to the American consumers; and (2) competitive disadvantage to the United States specialty steel industry, with attendant job losses. The way to bring the Russian prices in line, it was alleged, was to allow competition from Rhodesia.

Perhaps the Russian prices were overly inflated during the embargo years; there is no way of knowing for sure, and certainly no way of knowing by how much. There is one certainty, however. The figure of \$100 million per year, which was widely cited³ as the excess cost to American consumers due to Russian prices, was itself grossly inflated. As Table 3 shows, the total value of all grades of chrome ore imports from all sources during the embargo years never even approached \$100 million. It is absolutely impossible, therefore, that a windfall of profits of that amount has ever been realized by our suppliers.

TABLE 3.—U.S. imports of chromite for consumption, includes all three grades: refractory, chemical, and metallurgical

| | Total value of all chromite imports |
|------|--|
| 1968 | \$18. 2 |
| 1969 | 20. 0 |
| 1970 | 31. 8 |
| 1971 | 32. 1 |

Source: U.S. Bureau of Mines.

It is undeniable that the Russian prices rose during the years the embargo was in effect, and that they have dropped since the embargo was lifted. The embargo may indeed have had a role in this price fluctuation, but it certainly has not been the sole determinant. The Russian prices have also been influenced by world demand for steel. Table 4 shows that free world steel production rose steadily during the embargo years, until 1971 when production fell by 6 percent. Likewise, the Russian chrome ore price rose steadily until 1972, when it began to drop. (Long term contracts for chrome ore help explain this one year lag in the demand/price relationship.) The relationship, then, between the embargo and Russian prices can at best be said to be only a partial one.

TABLE 4.—Free world production of raw steel

| | [In million short tons] |
|--------------------|-------------------------|
| 1967 (+8 percent) | 380 |
| 1968 (+8 percent) | 409 |
| 1969 (+10 percent) | 450 |
| 1970 (+2 percent) | 461 |
| 1971 (-6 percent) | 434 |
| 1972 (+10 percent) | 476 |

Source: Annual Statistical Report, 1972 (American Iron & Steel Institute).

Regardless of price increases for chrome ore and/or other raw materials, and regardless of whether some of the increases were excessive, the steel industry has had since 1969 a special protection against any further erosion of its domestic market—a protection not enjoyed by the ferrochrome industry. In 1969, the United States, together with Japanese and European steep producers signed the first Voluntary Restraint (quota) Agreement. Under this agreement, imports are held to a given percentage. In May of 1971, a new VRA was signed which specifically strengthened the protection for our domestic specialty steel industry.

Later that same year, the legislation lifting the Rhodesian embargo was enacted. Had the bargo remained in effect, and had the direct result been an increase in the price we paid for chrome ore, the effect would not have been damaging. The VRA would have prevented any further incursion of imports from the countries participating in the VRA over the agreed-upon amount, despite any price differential resulting from differing sources of chrome ore.

³ See for example, *Congressional Record* of May 31, 1972, S. 8620.

The steel industry—basic as well as specialty—assuredly is experiencing acute problems in terms of imports, employment and competitiveness. But those problems do not arise from the source of chrome ore. Any difficulties arising from chrome ore prices are slight compared to the totality of difficulties faced by the industry.

It is because of the sum total of those difficulties that the Voluntary Restraint Agreement came into being, and why, in addition, we have supported legislated quotas. The existence of the VRA removes any doubt that the Rhodesian embargo and steel industry jobs are separate issues. If anything, the claims made against the embargo highlight the need for protective mechanisms such as the VRA so that there can be a buffer between our foreign policy and our economic policy.

RELIANCE ON RUSSIA FOR ORE: UNAFFECTED BY LIFTING THE EMBARGO

One of the main arguments put forth in support of suspending the embargo was that we had become overly dependent upon the USSR for chrome ore because of the embargo. However, our dependency began prior to the embargo, and has continued after it. As early as 1963 Russia was our prime source of metallurgical chrome at 49 percent. As for after the embargo, 59 percent of our ore came from Russia in 1972, and in the first six months of 1973 they have supplied us with 51 percent of the total. Therefore, lifting the embargo has not achieved one of its main objectives—the easing of our reliance on Russia for chrome ore.

However, this fact is distorted by Rhodesia's emergence as a major ferrochrome source. Had all of Rhodesian ferrochrome been imported in its raw ore form in the first six months of 1973, the Rhodesian ore imports would have been greater than Russia's, 61.9 thousand tons versus 60.8 thousand tons respectively. But the fact that the bulk of the Rhodesian material did not come to us as chrome ore, but rather as processed ferrochrome, negates any benefits which may be theorized from this shift in the prime source of our total chrome imports. Rather than strengthening our ferrochrome industry by broadening its resource base, lifting the embargo seriously weakened the economic viability of the industry.

TABLE 5.—IMPORTS OF METALLURGICAL GRADE CHROMITE FOR DOMESTIC CONSUMPTION

| | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 | 1972 ¹ | 1973 through June ¹ |
|---|------|------|------|------|------|------|------|------|------|-------------------|--------------------------------------|
| A. Percent by country: | | | | | | | | | | | |
| Rhodesia..... | 37 | 37 | (37) | 24 | 22 | | | | 4 | 10 | 3 |
| U.S.S.R..... | (49) | (42) | 27 | (33) | (45) | (59) | (57) | (58) | (41) | (59) | (51) |
| Turkey..... | 10 | 6 | 19 | 20 | 16 | 27 | 14 | 19 | 27 | 9 | 31 |
| South Africa..... | 5 | 5 | 13 | 20 | 14 | 13 | 27 | 14 | 21 | 16 | 7 |
| Other..... | 0 | 4 | 4 | 2 | 2 | 1 | 2 | 9 | 7 | 6 | 8 |
| B. Total imports by gross weight (thousands of short tons)..... | | | | | | | | | | | |
| | 394 | 661 | 884 | 913 | 660 | 567 | 529 | 703 | 667 | 633 | 118 |

¹ Subject to revision.
Source: Bureau of Mines.

NATIONAL SECURITY: A NONEXISTENT PROBLEM

The prime rationale given in 1971 and 1972 for seeking to lessen our reliance on Russia as a supplier of chrome ore was that the reliance constituted a national security risk. We should not, it was argued, be at the mercy of communist Russia for one of our strategic materials.

In the same year that this issue first arose, however, the administration determined that our national stockpile of strategic materials contained an excess of 1.3 million tons of metallurgical chromite, and sought Congressional authority to sell that amount. Clearly, then, we had more than enough chrome ore on hand for strategic purposes, regardless of our high dependence upon Russian ore for our normal consumption.

The 1971 request never received final Congressional action. This year the administration has increased the amount it is seeking to release from the stockpile. Despite our continued reliance on Russia for chrome ore, the administration feels that our stockpiles contain 2.064 million tons of excess metallurgical chrome ore. In addition, it is asking Congress for authority to sell off 349,400 tons of high carbon ferrochromium and 234,000 tons of low carbon ferrochromium.

In addition to these indications that national security is not a real issue, there have been explicit words to the same effect. In his June 26, 1973, letters to Congressmen Fraser and Diggs, Mr. Peter Flanigan of the White House stated:

"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."

Thus, the continued position of the administration should be sufficient to put the national security argument to rest.

THE SOCIAL ISSUE

What are we left with, then, is the social issue. The jobs of steelworkers were not at stake because of the imposition of the embargo. The action that was taken in 1971 was intended as an economic benefit for the domestic steel industry and its suppliers—particularly the two ferrochrome producers which have Rhodesian chrome holdings. But the domestic ferrochrome industry has been undermined since, and partly because of, the lifting of the Rhodesian embargo.

The domestic specialty steel industry is indeed benefiting from the removal of the sanctions. They are benefiting not because the action has brought cheaper chrome ore to their suppliers, however, but because it has brought cheaper processed ferrochrome directly to them.

Labor cost differentials are undoubtedly the prime reason that Rhodesian ferrochrome has been so highly competitive. Under the Ian Smith regime, slave labor conditions have existed for blacks. In his testimony before the House Subcommittee on Africa and Subcommittee on International Organizations and Movements on February 22, 1973, Mr. Edgar Lockwood, Director of the Washington Office on Africa stated:

"In a recent market research survey published by the Rhodesian Printing and Publishing Company, Mr. Clive Kinsley, managing partner, remarked that white Rhodesians are 'the luckiest people in the world.' The survey showed that 26 percent of white Rhodesians earned at least \$800 a month and 34 percent earned \$600 to \$800 a month. On the other hand, among black urban Africans, 38 percent live in households with incomes of less than \$38 a month, and 36 percent have incomes between \$38 and \$75 a month . . . Union Carbide's wages are generally in line with this scale. Union Carbide pays in its chrome affiliates in Rhodesia as of 1970 \$46-130 per month to its African workers while it pays a range of \$122.50 to \$750 a month to whites. Average monthly mining wages in Rhodesia during 1970 were \$520 for whites and \$39 for Africans."⁴

The sanctions imposed by the United Nations are a testament to the political and economic suppressions which exist in Rhodesia. The question now before Congress is this: Shall we continue to encourage such an unjust system by continuing to violate the international sanctions, solely for the purpose of economic benefit to the specialty steel industry?

As stated previously, the steel industry is already protected by quota arrangements. If more permanent protection is needed, then a comprehensive solution should be sought. A piecemeal solution such as the breaking of international sanctions is perhaps the least desirable, most chaotic, and most distasteful of all possible solutions.

Reimposition of the sanction may cost the United States industry and consumers a bit more. But it is a price we should be willing to pay in order to uphold the integrity of our ideals and the ideals of the United Nations. We know that it will not be an exorbitant cost, and we know that it will not include the loss of jobs. Indeed, a retention of our current posture is more likely to be a cause of job loss.

Unjust social conditions certainly exist elsewhere in the world. That, however, should not stop us from acting in the case of Rhodesia. The fact that the sanctions against Rhodesia are the first such actions by the United Nations make our adherence to them all the more important. If this precedent for a nonviolent alternative to an abhorrent and explosive situation fails because of total lack of participation, the effect may be much worse than if it fails on its own merits.

Finally, I would like to suggest that it may be much more constructive for the United States Congress to suggest to the United Nations ways in which the sanctions and their implementation could be improved, rather than to debate the needs

⁴ Mr. Lockwood's figures on Union Carbide wages were obtained from "Rhodesian Chrome: A Profile of Union Carbide and Foote Mineral," published by the Corporate Information Center of the National Council of Churches, May 1972.

of the sanctions. As an issue international in its scope, the needs for and the continuation of the embargo can most properly be debated in the United Nations.

On the other hand, as a nation which has abided by the sanctions, and, hopefully, will do so again in the future, it would be quite proper for the United States to suggest and support methods of improving the sanctions. In this regard, I refer you to a study entitled "Rhodesia: Token Sanctions or Total Economic Warfare" by Guy Arnold and Alan Baldwin of the Africa Bureau, London, England. Included in the study's list of 58 recommendations are:

- Circulation of lists of all goods Rhodesia is known to export;
- United Nations review of special exceptions to the sanctions;
- Public exposure of sanctions violations;
- United Nations requesting of members to "freeze" any cargo suspected as being Rhodesian until a thorough inspection;
- Seizure of Rhodesian goods, and their sale with proceeds to go to the United Nations;
- Sanctions against multinational corporations aiding Rhodesian subsidiaries.

Attached is a copy of the full set of recommendations.

In conclusion, the Steelworkers reject the argument that the embargo on Rhodesia created job threats, and that the embargo can be judged on any terms other than the moral issues involved. In 1971 President Abel stated in a letter to Senator McGee:

"The United Steelworkers of America supports the intent of the embargo and its continuation. We feel that as a nation, and in conjunction with other nations, we must be socially concerned about basic human justice and, if need be, sustain an economic price for that conviction. Furthermore, this is one of the few occasions on which the United Nations acted as the moral conscience of the world. Its effort, therefore, should continue to have the support of this country if the purpose of a United Nations organization is to be meaningful. To break the embargo on this item will surely lead to a breaking of the embargo on other items."

ATTACHMENTS

UNITED STEELWORKERS OF AMERICA,
Pittsburgh, Pa., September 29, 1971.

HON. GALE W. MCGEE,
U.S. Senate, Washington, D.C.

DEAR SENATOR MCGEE: Recently the Senate debated a provision of the Military Procurement Authorizations Act, 1972 (H.R. 8687), reported out by the Senate Armed Services Committee, which would permit the United States unilaterally to breach the United Nations' embargo against Rhodesia for the purpose of importing chrome ore or chromite. Because of the official social and racial injustices perpetrated by the Rhodesian government against its citizens, the UN applied the economic solution of an embargo until such time as that government through negotiations would correct such indignities. The impact of the embargo, as far as chromite is concerned, is that the American ferroalloy producers have increased their purchases of Russian chrome ore from a level of 33 percent in 1966 to a level of 58 percent in 1971.

During the floor debate on your amendment to delete this morally indefensible section and to maintain the embargo, Senator Harry Byrd (Va.) read a telegram from a Mr. William Hart, who specifically identified himself as a member of the executive board of the United Steelworkers of America, in support of the effort to destroy the effectiveness of the embargo. Let me assure you that his telegram neither was endorsed by the executive board of nor does it reflect the position of the Steelworkers.

The United Steelworkers of America supports the intent of the embargo and its continuation. We feel that as a nation, and in conjunction with other nations, we must be socially concerned about basic human justice and, if need be, sustain an economic price for that conviction. Furthermore, this is one of the few occasions on which the United Nations acted as the moral conscience of the world. Its effort, therefore, should continue to have the support of this country if the purpose of a United Nations organization is to be meaningful. To break the embargo on this item will surely lead to a breaking of the embargo on other items.

Arguments on the floor indicated that the Senate Foreign Relations Committee had previously rejected this measure; that fully three years before the embargo we were already importing almost 40 percent of chromite from Russia (49 percent in 1963); and that there is a governmental request to release 1.3 million tons of

chrome from the strategic stockpile, thereby belying any charge of strategic shortage of this mineral.

However, as regards to the threat of job loss in the specialty steel industry in Pennsylvania or elsewhere, it is in no way affected by the importation of chromite from Russia. Our problem in that industry is due to the inordinate levels of specialty steel imports from Japan and Europe and not to the source of chromite imports. To correct the specialty steel trade imbalance we have supported steel quota legislation and/or voluntary agreements. However, the importation of chrome ore from Russia does not aggravate the importation of specialty steel. It certainly did not do so in the three years prior to the embargo.

The ferroalloy industry is also beset by ferroalloy imports. We have supported their contention before the Office of Emergency Preparedness for quota relief. But the relief was to be directed against ferroalloy imports, for example ferrochrome, and not the ferro-ores, for example chromite, upon which the industry depends. The lack of access to Rhodesian chrome ore fields does not affect the volume of chrome ore imports. The fact that some ferroalloy producers own properties in in Rhodesia should not sway the United States decision to maintain the embargo.

Our problems, therefore, in the specialty steel industry and the ferroalloy industry can be solved by quota controls and not by breaking the Rhodesian embargo on chrome ore. We hope that this untimely and socially indefensible provision of H.R. 8687 will be dropped either in conference by or futher action by the Senate. The price of human dignity should not be measured in terms of the cost of chromite in the United States market.

Sincerely yours,

I. W. ABEL, *President.*

UNITED STEELWORKERS OF AMERICA,
Washington, D.C., November 16, 1971.

Hon.
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN : During the debate on the floor regarding the discontinuance of the UN embargo on Rhodesia chrome ore, reference was made to the unemployment situation in the steel industry. While we do not subscribe to the theory that unemployment is due to the source of the chrome ore imports, and while we do support the UN embargo as a diplomatic instrument to effectuate racial justice in Rhodesia, we do very definitely hold that there is a very serious employment problem due to the importation of basic and specialty steel products.

We, therefore, solicit your support of the Burke bill (H.R. 10914), which will very naturally protect and enhance job opportunities in the steel industry. We hope that you can co-sponsor the legislation so that jobs will really be protected.

Sincerely,

JOHN J. SHEEHAN,
Legislative Director.

UNITED STEELWORKERS OF AMERICA,
Washington, D.C., May 4, 1972.

Hon.
U.S. Senate,
Washington, D.C.

DEAR SENATOR : The United Steelworkers of America has maintained that upholding the United Nations embargo against Rhodesian chrome ore does not affect jobs of American Steelworkers. The recent release of excess chrome from the strategic stockpile further indicates that it is not necessary for the United States to continue to violate the embargo.

A February 22, 1972 article in the *American Metal Market* stated that, "Uncertainties continue to surround the Rhodesian chrome ore picture with respect to prices and supplies moving to the United States. . . . The Rhodesian government has controlled the production and sale for all mines in Rhodesia since the sanctions were imposed by the United Nations. At the present time, the Rhodesian government has not indicated to Union Carbide how much ore will be available

in 1972 [except for] an immediate shipment of about 20,000 tons of ore." Such uncertain circumstances would seem to place in question any assertion that the opening of Rhodesian imports would provide insurance against a real or potential crisis.

Surely we do have some commitment to prevent political exploitation of minorities and we should express that commitment through economic sanctions rather than ultimately being involved, directly or indirectly, in bloodshed.

We, therefore, support and urge your support of Section 503 of the Foreign Relations Authorization Act of 1972 (S. 3526), which would rescind the previous action of Congress which resulted in a breaking of the embargo.

Sincerely,

JOHN J. SHEEHAN,
Legislative Director.

UNITED STEELWORKERS OF AMERICA,
Washington, D.C., August 8, 1972.

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

DEAR CONGRESSMAN FRASER: The question concerning Rhodesian chrome ore should revolve around the issue as to whether the United States should support the United Nations' embargo against a country which has denied elemental rights to its citizens.

The issue is not whether the importation of chrome ore is affecting American steelworkers' jobs in the specialty steel industry. As a union, we have maintained that it is the importation of specialty steel itself and not the source of chrome ore which has an adverse impact upon jobs. We have always been an importer of chrome ore. As a matter of fact, in 1963 before the embargo we imported 49 percent of our supply from Russia, whereas in 1971, the last full year under the embargo, we imported only 35.8 percent—well below the pre-embargo level.

The rapid increase in the price of USSR chrome ore after the imposition of the embargo has been exploited as an example for the loss of competition in the market. But another factor must also be considered. The period of this price increase was accompanied by a boom in the world steel market. That market has now become deflated and so has the Soviet's price of chrome ore. It is now down 20 percent from the 1971 price.

Even with a depressed price for chrome ore, it is the contention of the union that the American producers need the protection of a steel quota system—which they now have under the *revised* Voluntary Restraint Agreement. Price competition for the finished specialty steel products between domestic and overseas producers would be little affected by the price of chrome ore imports and, hence, neither would the levels of foreign specialty steel imports. Without the Restraint, the opening up of an American market for Rhodesian ore would not increase steel production possibilities. With the Restraint, the import competition is controlled and no further allegations need be made about adverse competition due to other factors.

The union's position on foreign steel imports should not, therefore, be confused with the question of an embargo upon the origin of chrome ore imports. We have urged restraint upon the former and we also support the latter. The first restraint protects jobs and the latter, while not affecting jobs, attempts to secure rights for Rhodesian citizens.

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. Other measures might be devised to handle their problem.

It may be argued that as Americans we should have no concern for the rights of people in other nations. So be it! But the United Steelworkers of America thinks we do and for that reason it supports the United Nations' sanctions. However, the debate on the embargo should turn on its effectiveness as a tool and our responsibility as a nation, but not upon any allegation that American workers are losing jobs because of it.

Sincerely,

JOHN J. SHEEHAN,
Legislative Director.

UNITED STEELWORKERS OF AMERICA,
Washington, D.C., May 29, 1973.

Hon.
House of Representatives,
Washington, D.C.

DEAR CONGRESSMAN : In 1971, Congress voted to suspend our adherence to the United Nations embargo on Rhodesia by allowing the importation of certain Rhodesian goods under the so-called Rhodesian Chrome Ore Amendment. On May 22, 1973, Congressmen Fraser and Diggs, along with 56 cosponsors, introduced H.R. 8005 to reinstate the embargo. We urge you to join in this effort of deep social concern.

Contrary to allegations which have been made ever since this issue first arose, jobs of American specialty steelworkers were never jeopardized by the embargo, nor would they be jeopardized by a restoration of the embargo. Indeed, job loss to American ferrochrome workers has *accelerated* since passage of the 1971 amendment. It is important to note that the amendment allows not only the importation of Rhodesian chrome ore, but also Rhodesian ferrochrome—the product into which chrome ore is processed. Since the lifting of the embargo, Rhodesia has been very active in exporting ferrochrome to the United States. Recently, two domestic ferrochrome producers have announced plant closures, and the Ferroalloys Association has petitioned the Tariff Commission for relief from imports.

The important point, however, is that the Rhodesian embargo issue is not a jobs issue. The origination and continuation of the Rhodesian embargo is an issue of international social justice, the consideration of which belongs in the United Nations. As a major participant in the UN, it is important that we uphold its decision to impose sanctions as long as that policy is in effect.

We hope that you will join as a cosponsor of this important legislation.

Sincerely,

JOHN J. SHEEHAN,
Legislative Director.

UNITED STEELWORKERS OF AMERICA,
Washington, D.C., May 30, 1973.

Hon.
U.S. Senate, Washington, D.C.

DEAR SENATOR : In 1971, Congress voted to suspend our adherence to the United Nations embargo on Rhodesia by allowing the importation of certain Rhodesian goods under the so-called Rhodesian Chrome Ore Amendment. On May 22, 1973, Senator Humphrey and 23 cosponsors introduced S. 1868 to reinstate the embargo. We urge you to join in this effort of deep social concern.

Contrary to allegations which have been made ever since this issue first arose, jobs of American specialty steelworkers were never jeopardized by the embargo, nor would they be jeopardized by a restoration of the embargo. Indeed, job loss to American ferrochrome workers has *accelerated* since passage of the 1971 amendment. It is important to note that the amendment allows not only the importation of Rhodesian chrome ore, but also Rhodesian ferrochrome—the product into which chrome ore is processed. Since the lifting of the embargo, Rhodesia has been very active in exporting ferrochrome to the United States. Recently, two domestic ferrochrome producers have announced plant closures, and the Ferroalloys Association has petitioned the Tariff Commission for relief from imports.

The important point, however, is that the Rhodesian embargo issue is not a jobs issue. The origination and continuation of the Rhodesian embargo is an issue of international social justice, the consideration of which belongs in the United Nations. As a major participant in the UN, it is important that we uphold its decision to impose sanctions as long as that policy is in effect.

We hope that you will join as a cosponsor of this important legislation.

Sincerely,

JOHN J. SHEEHAN,
Legislative Director.

August 9, 1972.

CHROME ORE IMPORTS

The issue of the United Nations-sanctioned embargo of Rhodesia, as it applies to chrome ore, will again be before the House very shortly. The debate which has swirled about this issue has brought to the fore many claims of undue hardship

to the American specialty steel industry and threats of job loss to American steelworkers.

As the union which would be directly affected by this alleged adversity, let me again emphatically state that the United Steelworkers of America fails to see any credence in these claims. Furthermore, we have always supported the embargo in the past, and we support its reinstatement now.

A number of points concerning competition on the affected marketplace must be made clear:

(1) *Voluntary Trade Restraints*—On May 6, 1972, the White House announced that new import accords had been reached with the Japanese and European steel producers. These agreements are designed to prevent any further erosion of the domestic steel market by imports, explicitly including the specialty steel market (which is the market sector affected by chrome ore). In other words, our domestic production of specialty steel, for domestic consumption, will not be adversely affected because of different prices of chrome ore from different sources.

(2) *Price to the American Consumer*—A picture has been painted by some that the American consumer is being gouged because of the removal of the Rhodesian supply as a competitive factor. *Barron's* magazine, for example, states in its May 29, 1972 issue that the "sanctions cost United States consumers of stainless steel an estimated \$100 million per annum . . ." The inference is that the cost of Russian chrome ore rose dramatically after the imposition of the embargo, with a resulting \$100 million windfall being charged off onto the American consumer. But State Department figures reveal the following:

U.S.S.R. CHROME ORE IMPORTS INTO UNITED STATES

| Year | Tonnage | Percent of total U.S. chrome ore imports | Dollar value (millions) |
|------|---------|--|----------------------------|
| 1969 | 299,000 | 57 | \$7.8 |
| 1970 | 409,030 | 58 | 13.7 |

With the dollar value of over half of the imports being at the amounts listed in the above chart (\$7.8 and \$13.7 million), it is inconceivable that excess profits on the Soviet imports or even on the total imports could be \$100 million.

Prices may indeed be somewhat higher for non-Rhodesian ore. But we find no assurances from Rhodesia from which to gauge what we might expect from them in the future. A February 22, 1972 article in the *American Metal Market* stated that, "Uncertainties continue to surround the Rhodesian chrome ore picture with respect to prices and supplies moving to the United States . . . The Rhodesian government has controlled the production and sale for all mines in Rhodesia since the sanctions were imposed by the United Nations. At the present time, the Rhodesian government has not indicated to Union Carbide how much ore will be available in 1972 [except for] an immediate shipment of about 20,000 tons of ore." Such uncertain circumstances would seem to place in question any assertion that the opening of Rhodesian imports provides any panacea for American consumers.

(3) *Steel Market Fluctuation*—The rapid increase in price of USSR chrome after the imposition of the embargo has been exploited as an example of the loss of competition in the market. But another factor must also be considered. The period of this price increase coincided with boom years in the world steel market. That market has now deflated, and so has the Soviet price of chrome ore (down 21 per cent from the 1971 price).

(4) *Reliance Upon the USSR*—In the years of 1969 and 1970, we did in fact import the majority of our chrome ore from Russia. In 1971, however, Turkey became the leading importer at 39.4 per cent, with the USSR falling back to 35.8 per cent—almost its preembargo level.

We feel that the economic arguments against the embargo are unfounded. But more important, we feel that the Rhodesian embargo must rest on its own social, not economic merits. This nation owes a deep moral commitment to the objectives of that embargo.

We, therefore, support and urge your support of Section 14 of the Foreign Military Assistance Act of 1972 (H.R. 16029), which would rescind the previous embargo-breaking action of Congress and restore the President's discretionary authority to reinstitute it.

September 27, 1972.

U.N. EMBARGO ON RHODESIAN CHROME ORE

Because of the official social and racial injustices perpetrated by the Rhodesian government against its citizens, the United Nations in 1966 applied the economic sanction of an embargo on all Rhodesian goods. The United States adhered to that embargo until last year when the Byrd (Independent-VL) amendment passed, thereby allowing the importation of Rhodesian chromite. There have been two attempts this year, one in each chamber of the Congress, to reverse the policy established by the Byrd amendment. Both attempts have failed. The Steelworkers opposed the Byrd amendment and has supported the subsequent attempts to reinstitute the embargo.

THE JOBS ISSUE

Whenever the Rhodesian chrome ore issue has come before the Congress, a predominant anti-embargo argument has been that jobs of Steelworkers in the specialty steel industry are at stake without the availability of Rhodesian ore. The assertions put forth in support of this argument are that without competition from Rhodesia, the United States has become overly dependent upon Russia for chrome (the United States produces none of the ore). In this noncompetitive market, the argument goes, Russia then charges the United States exorbitant prices, and, as a result, our finished specialty steel products are priced out of world and even domestic competition.

The argument seems logical at first glance, but closer study shows it to be misleading; the issue of jobs of American Steelworkers has no relevancy to the issue of the Rhodesian embargo. In short, our name has been exploited for the economic benefit of two American companies with chromite holdings in Rhodesia. What was at stake was not jobs; what was and still is at stake is a moral commitment to a people in need, and a statement of support in one of the few bold steps taken by the world organization.

That specialty steel jobs are in jeopardy cannot be denied. This Union has been a leader in the fight for recognition of that problem, and for a solution. But it is clear that the job situation is a result of the flood of specialty steel imports in our market. It is not a result of the *source of chrome ore* which goes into our domestic production of specialty steel. In response to the steel import problem, general and special, we have supported legislative and voluntary steel quota restrictions. In May, 1972, a new Voluntary Restraint Agreement was reached between the United States, Japan, and the European steel producers, which contained specific restrictions on specialty steels. This revised accord will give our domestic producers the cushion they need for imports. It of itself should be enough to disprove the jobs-impact argument on the Rhodesian question.

COST

A much-heard statement during the Rhodesian debate has been that the embargo had cost United States consumers about \$100 million annually due to the inflated prices we were forced to pay when the Rhodesian source was shut off. Not only is this statement a gross exaggeration, but it is an absolute impossibility, as shown by Table 1.

Since the value of *all* chromite imports has never even approached \$100 million per year, it is inconceivable that an excessive windfall of profits of that amount has ever been realized by our suppliers.

TABLE 1.—U.S. imports of Chromite for consumption, includes all three grades: refractory, chemical and metallurgical

| | Total value of all chromite imports |
|------|--|
| 1968 | \$18.2 |
| 1969 | 20.0 |
| 1970 | 31.8 |
| 1971 | 32.1 |

Source: U.S. Bureau of Mines.

The price of Russian ore had undeniably risen during the years that the embargo was in effect (from \$30/ton in 1966 to about \$70/ton in 1970 for the highest grade). But price comparison is extremely difficult, if not impossible because of varying qualities of ore and varying price reporting methods between countries. In addition, the Russian price increase must be viewed simultaneously with the following factors:

- (1) Russian ore is of a much higher grade than ore from other sources, including Rhodesia, and therefore can command a higher price;
- (2) Shipping costs and other inflation factors had risen during the embargo years, and this had an impact on reported prices;
- (3) The Russian price rise has also been influenced by simultaneous peak world-wide demand for steel production.

Table 2 shows the increase in free world steel production during the embargo years. It can be seen that during the embargo years steel production was increasing, until 1971 when production dropped for the first time.

Likewise, the Russian price of chrome ore for 1972 (which was negotiated in fall of 1971) dropped—by some 20 percent—to about \$55/ton.

TABLE 2.—Free World production of raw steel

| | [In millions of short tons] |
|--------------------------|-----------------------------|
| 1967..... | 38 |
| 1968 (+ 8 percent)..... | 409 |
| 1969 (+ 10 percent)..... | 450 |
| 1970 (+ 2 percent)..... | 461 |
| 1971 (— 6 percent)..... | 434 |

Source: Annual Statistical Report, 1971.

Regardless of what the price increments have been, their impact on the competitive status of American specialty steel is debatable. We have not been convinced that the impact is more than negligible. But even if the chromite price is a factor in the decline in our domestic industry, it is only one of a great many factors. And it is for the sum total of those factors that the Voluntary Restraint Agreement has come into being.

RELIANCE ON RUSSIA

Another misleading and emotional argument that has been prevalent is that, during the embargo, we became dependent upon Russia for chromite, which, of course, is classified as a strategic material. But the United States has always been dependent upon the USSR for chromite—in 1963 (a pre-embargo year) the Russian import figure was as high as 49 percent of domestic consumption.

The percentage of Russian imports has risen since the embargo went into effect, but the percentage has fluctuated radically. In 1970, the USSR percentage was 58 percent, but in 1971 dropped to 36 percent, with Turkey becoming our prime source at 39 percent.

TABLE 3.—IMPORTS OF METALLURGICAL GRADE CHROMITE FOR DOMESTIC CONSUMPTION

| | [Percent by country] | | | | | | | | |
|-------------------|----------------------|------|------|------|------|-------|-------|-------|------|
| | 1963 | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | 1970 | 1971 |
| Rhodesia..... | 37 | 37 | 37 | 24 | 22 | | | | 3 |
| U.S.S.R..... | 49 | 42 | 27 | 33 | 45 | 59 | 57 | 58 | 36 |
| Turkey..... | 10 | 6 | 19 | 20 | 16 | 27 | 14 | 19 | 39 |
| South Africa..... | 5 | 5 | 13 | 20 | 14 | 13 | 27 | 14 | 16 |
| Other..... | 0 | 4 | 4 | 2 | 2 | 1 | 2 | 9 | 6 |

Source: U.S. Bureau of Mines.

Furthermore, in relation to the strategic aspect, the United States Office of Emergency Preparedness, which manages our strategic stockpiles, has determined that our chrome ore stockpile is currently 1.3 million tons in excess of our security requirements. Indeed, throughout the years in which we adhered to the embargo, the Office of Emergency Preparedness, by Congressional authorization, released quantities of metallurgical ore. It would appear, then, that the embargo did not place us in jeopardy strategically.

RHODESIA AS A SUPPLIER

If the renewed availability of Rhodesian ore was to be an elixir for our domestic anemia, and at the same time provide a more patriotic marketplace for conscientious purchasers, the rush back to Rhodesia has been astoundingly timid. Since the Byrd amendment went into effect in January of this year, only two shipments totalling about 46,000 tons have been delivered to the United States from Rhodesia. (This is in contrast to 335,000 tons total shipments to the United States in 1971.)

Those two shipments were delivered to Union Carbide and Foote Mineral—the two companies which have holdings in Rhodesia, and, not surprisingly, the two companies which were the prime movers behind passage of the Byrd amendment. However, after the sanctions were imposed in 1966, the Rhodesian government took over control of all the Rhodesian mines, and it is still not clear how much of the ore will be made available to Union Carbide, Foote, or any other United States buyers.

AN ISSUE OF MERIT

The question concerning Rhodesian chrome ore should revolve around the issue as to whether or not the United States should support the United Nations' embargo against a country which has denied elemental rights to its citizens.

The issue is not whether or not the importation of chrome ore is affecting American Steelworkers' jobs in the specialty steel industry. As a union, we have maintained that it is the importation of specialty steel itself and not the source of chrome ore which has an adverse impact upon jobs.

The Union's position on foreign steel imports should not, therefore, be confused with the question of an embargo upon the origin of chrome ore imports. We have urged restraints upon the former and we also support the latter. The first restraint protects jobs and the latter, while not affecting jobs, attempts to secure rights for Rhodesian citizens.

If the embargo on chrome ore is to be questioned, then also the whole embargo technique should be questioned—not just that aspect which affects the properties of two American companies holding mining deposits in Rhodesia. Other measures might be devised to handle their problem.

It may be argued that as Americans we should have no concern for the rights of people in other nations. So be it. But the United Steelworkers of America thinks we do and for that reason we support the United Nations' sanctions. Certainly the recent action of the Summer Olympics in ousting the Rhodesian representatives from participation shows that the issue is still one of world concern.

The two votes listed below are on the attempts to repeal the Byrd amendment. On both occasions the repeal provisions were contained in committee bills, and were later stricken from the bills by floor amendments.

In the Senate, the embargo would have been reinstated by a McGee (D-Wyo.) provision in the Department of State-USIA fund authorization bill, but was deleted 40-36, on a motion by Byrd.

SENATE

Byrd Amendment To Delete McGee Provision Passed 40-36, May 31, 1972
A NO vote is RIGHT

[No. 193 Leg.]

YEAS—40

| | | | |
|---------------------|-----------------|---------------|----------|
| Allen | Byrd, Robert C. | Gurney | Smith |
| Allott | Chiles | Hollings | Sparkman |
| Beall | Cook | Hruska | Spong |
| Bellmon | Cotton | Jordan, Idaho | Stennis |
| Bennett | Curtis | Long | Taft |
| Bentsen | Dole | Montoya | Talmadge |
| Bible | Dominick | Pearson | Thurmond |
| Brock | Ellender | Roth | Tower |
| Buckley | Fannin | Saxbe | Weicker |
| Byrd, Harry F., Jr. | Gambrell | Schweiker | Young |

NAYS—36

| | | | |
|----------|-----------|-----------|-----------|
| Aiken | Fulbright | Mansfield | Percy |
| Bayh | Gravel | McGee | Proxmire |
| Boggs | Hart | McIntyre | Scott |
| Brooke | Hughes | Mondale | Stafford |
| Burdick | Inouye | Moss | Stevens |
| Church | Jackson | Nelson | Stevenson |
| Cooper | Javits | Packwood | Symington |
| Cranston | Kennedy | Pastore | Tunney |
| Eagleton | Magnuson | Pell | Williams |

PRESENT AND GIVING LIVE PAIRS, AS PREVIOUSLY RECORDED--3

Griffin, against.
Ribicoff, against.
Cannon, for.

NOT VOTING--21

| | | | |
|----------|-----------|--------------|----------|
| Anderson | Goldwater | Jordan, N.C. | Mundt |
| Baker | Hansen | Mathias | Muskie |
| Case | Harris | McClellan | Randolph |
| Eastland | Hartke | McGovern | |
| Ervin | Hatfield | Metcalf | |
| Fong | Humphrey | Miller | |

In the House, we supported the Fraser (D-Minn.) pro-embargo provision in the Foreign Assistance Act. It was deleted by a Dent (D-Pa.) amendment, 253-140.

HOUSE

Dent Amendment To Delete Fraser Provision Passed 253-140, August 10, 1972

A NO vote is RIGHT

[Roll No. 317]

[Recorded Teller Vote]

AYES--253

| | | | |
|------------------|-----------------|-----------------|---------------------|
| Abbett | de la Garza | Kuykendall | Ruth |
| Abernethy | Delaney | Kyl | Sandman |
| Alexander | Dennis | Landgrebe | Satterfield |
| Anderson, Tenn. | Dent | Landrum | Saylor |
| Andrews, Ala. | Derwinski | Latta | Scherle |
| Andrews, N. Dak. | Devine | Lent | Schmitz |
| Annunzio | Dickinson | Long, Md. | Schneebell |
| Archer | Dorn | Lujan | Scott |
| Arends | Dowling | McClory | Sebelius |
| Ashbrook | Dulski | McClure | Shipley |
| Baker | Duncan | McCollister | Shoup |
| Baring | Edwards, Ala. | McDade | Shriver |
| Belcher | Erlenborn | McEwen | Sikes |
| Bennett | Eshleman | McFall | Sisk |
| Betts | Evins, Tenn. | McKevitt | Skubitz |
| Bevill | Fisher | Maddau | Slack |
| Biaggi | Flood | Mahon | Smith, Calif. |
| Blackburn | Flowers | Mallory | Snyder |
| Blanton | Ford, Gerald R. | Mann | Spence |
| Bow | Fountain | Martin | Springer |
| Bray | Frey | Mathias, Calif. | Stanton, J. William |
| Brinkley | Fulton | Mathis, Ga. | Steed |
| Brooks | Fuqua | Mayne | Steiger, Ariz. |
| Broomfield | Galifianakis | Mazzoli | Steiger, Wis. |
| Brotzman | Garmatz | Melcher | Stephens |
| Brown, Mich. | Gettys | Michel | Stratton |
| Brown, Ohio | Gianno | Miller, Ohio | Stubblefield |
| Broyhill, N.C. | Gibbons | Mills, Ark. | Stuckey |
| Broyhill, Va. | Goldwater | Mills, Md. | Sullivan |
| Buchanan | Goodling | Minshall | Talcott |
| Burke, Fla. | Gray | Mizell | Taylor |
| Burleson, Tex. | Green, Oreg. | Moilehan | Teague, Calif. |
| Burlison, Mo. | Griffin | Montgomery | Teague, Tex. |
| Byrne, Pa. | Gross | Morgan | Thompson, Ga. |
| Bynes, Wis. | Grover | Myers | Thomson, Wis. |
| Byron | Gubser | Nelsen | Ullman |
| Cahell | Haley | O'Konski | Vander Jagt |
| Caffery | Hall | Perkins | Veysey |
| Camp | Hammerschmidt | Pettis | Vigorito |
| Carlson | Hanley | Peyser | Waggoner |
| Carney | Hansen, Idaho | Pickle | Wampler |
| Carter | Harsha | Pike | Ware |
| Causey, Tex. | Hastings | Pirnie | Whalley |
| Cederberg | Hays | Poage | White |
| Chamberlain | Heinz | Poff | Whitehurst |
| Chappell | Henderson | Powell | Whitten |
| Clancy | Hillis | Pucinski | Widnall |
| Clark | Hogen | Purcell | Wiggins |
| Clausen, Don H. | Holsmer | Quie | Williams |
| Clawson, Del. | Hull | Quill n | Wilson, Charles H. |
| Cleveland | Hutchinson | Railsback | Winn |
| Collier | Ichord | Randall | Wright |
| Collins, Tex. | Jacobs | Rhodes | Wyatt |
| Colmer | Jarman | Roberts | Wydler |
| Conable | Johnson, Pa. | Robinson, Va. | Wylie |
| Conover | Jonas | Rogers | Wyman |
| Conte | Jones, Ala. | Rooney, Pa. | Yatron |
| Coughlin | Jones, N.C. | Rostenkowski | Young, Fla. |
| Crane | Jones, Tenn. | Roush | Young, Tex. |
| Curlin | Karth | Rousselot | Zablocki |
| Daniel, Va. | Kazen | Roy | Zion |
| Daniels, N.J. | Kee | Runnels | Zwach |
| Davis, S.C. | Kemp | Ruppe | |
| Davis, Wis. | King | | |

HOUSE—Continued

Dent Amendment To Delete Fraser Provision Passed 253-140. August 10, 1972.

NOES—140

| | | | |
|------------------|------------------|------------------|----------------|
| Abourezk | Diggs | Hicks, Wash. | Patten |
| Abzug | Dingell | Hollifield | Podell |
| Adams | Donohue | Horton | Preyer, N.C. |
| Addabbo | Dow | Howard | Price, Ill. |
| Anderson, Calif. | Drinan | Hungate | Rangel |
| Anderson, Ill. | du Pont | Johnson, Calif. | Rees |
| Ashley | Eckhardt | Kastenmeier | Reid |
| Aspin | Edwards, Calif. | Keating | Reuss |
| Badillo | Eilberg | Koeh | Riegle |
| Barret | Esch | Kyros | Robison, N. Y. |
| Begich | Evans, Colo. | Leggett | Rodino |
| Bell | Fascell | Link | Roe |
| Bergland | Findley | Lloyd | Roncalio |
| Bieber | Fish | McCloskey | Rosenthal |
| Bingham | Ford, William D. | McKay | Roybal |
| Blatnik | Forsythe | McKinney | Ryan |
| Boggs | Fraser | Macdonald, Mass. | St Germain |
| Boland | Frelinghuysen | Mailiard | Sarbanes |
| Bolling | Frenzel | Matsumaga | Scheuer |
| Brademas | Gaydos | Meeds | Schwengel |
| Brasco | Gonzalez | Mikva | Seiberling |
| Burke, Mass. | Green, Pa. | Minish | Smith, Iowa |
| Burton | Gude | Mink | Smith, N. Y. |
| Carew, N. Y. | Halpern | Mitchell | Staggers |
| Celler | Hamilton | Monagan | Steele |
| Chisholm | Hanna | Mosher | Stokes |
| Clay | Hansen, Wash. | Moss | Symington |
| Collins, Ill. | Harrington | Murphy, Ill. | Thompson, N.J. |
| Conyers | Harvey | Murphy, N. Y. | Udall |
| Corman | Hathaway | Natcher | Van Deerin |
| Culver | Hawkins | Nix | Vanik |
| Danielson | Hechler, W. Va. | Obey | Waldie |
| Dellenback | Heckler, Mass. | O'Hara | Whalen |
| Delums | Helstoski | O'Neill | Wolf |
| Denholm | Hicks, Mass. | Patman | Yates |

NOT VOTING—39

| | | | |
|------------|------------|-----------------|-------------------|
| Aspinall | Griffiths | McDonald, Mich. | Price, Tex. |
| Cotter | Hagan | McMillan | Pryor, Ark. |
| Davis, Ga. | Hebert | Metcalf | Rarick |
| Dowdy | Hunt | Miller, Calif. | Rooney, N. Y. |
| Dwyer | Keith | Moorhead | Stanton, James V. |
| Edmondson | Kluczyński | Nedzi | Terry |
| Flynt | Lennon | Nichols | Thone |
| Foley | Long, La. | Passman | Tierman |
| Gallagher | McCormack | Pelly | Wilson, Bob |
| Grasso | McCulloch | Pepper | |

RHODESIA: TOKEN SANCTIONS OR TOTAL ECONOMIC WARFARE

(By Guy Arnold and Alan Baldwin, The Africa Bureau 48 Grafton Way
London W1P 5LB, September 1972)

RECOMMENDATIONS

The recommendations that follow are made on the two assumptions that:

(i) The United Nations wants to end the rebellion in Rhodesia as soon as possible and bring about majority democratic rule there.

(ii) The United Nations will be prepared to use all measures short of military force.

These recommendations fall into several categories: those that could be taken up unilaterally by a particular country—e.g. Britain—or collectively—e.g. by members of the OAU; United Nations' measures designed to strengthen existing procedures; United Nations' measures that call for fresh legislation or other action by member nations; and new measures that all members should be called upon to take in order to put pressures upon South Africa and Portugal to dissuade them from breaking sanctions.

BRITAIN

1. That Britain should enact legislation as the sovereign power over Rhodesia that all Rhodesian goods at the moment they leave Rhodesia belong to the Crown; and that, thereafter, the Crown should sue for their recovery anywhere in the world where they can be traced.

2. That Britain should formally protest the United States' decision to import strategic materials from Rhodesia and should request the United States to reimpose sanctions on all Rhodesian minerals and so stop assisting a rebellion against the Crown.

3. That Britain should formally request the Government of Switzerland to stop all trade with Rhodesia and so stop assisting a rebellion against the Crown.

4. That Britain should request particular help from countries such as France and the United States with extensive consular services in Africa in the gathering of information of possible sanctions breaking in order to make this available to the Sanctions Committee of the United Nations.

5. That Britain, once she becomes a member of the EEC, should particularly request her new partners to assist her in all ways to close any gaps in sanctions, most especially by ensuring that their own nationals do not break them.

6. That Britain requests the Government of the Malagasy Republic to make available to her again the facilities at Majunga for the use of the RAF in patrolling the Beira Straits.

THE USA

7. That the United States Government (pending a reversal of the Byrd Amendment) should require any company importing any mineral from Rhodesia to satisfy the Administration that the mineral cannot be obtained elsewhere and that its import is in the 'overriding national interest'.

8. That the United States should rescind the Byrd Amendment and reimpose total sanctions against Rhodesia.

MEMBERS OF THE OAU

9. That the OAU should establish its own sanctions committee.

10. That the OAU should exert particular pressures upon its members not to break sanctions.

11. That the OAU should undertake to co-ordinate joint actions of its members so as to maximise their diplomatic impact.

12. That members of the OAU should mount a fresh diplomatic campaign in Washington to persuade the Administration to reverse the Byrd Amendment.

13. That, apart from the activities of the United Nations, members of the OAU should mount joint diplomatic campaigns against any country in breach of sanctions.

14. That the OAU should prepare detailed schedules of the trading and investment interest of outside powers throughout Africa and make these available to all members to facilitate the mounting of pressures against sanctions breakers.

15. That the OAU should from time to time list those companies trading in African countries which are also known to be breaking sanctions.

16. That members of the OAU should consider discriminating against any company that breaks sanctions against Rhodesia.

17. That Botswana and Tanzania (perhaps joined by others) should study whether they could replace current Swiss imports of meat from Rhodesia and make a suitable offer to do so to the Swiss Government.

18. That Malawi and Zambia (perhaps joined by others) should study whether they could replace current Swiss imports of tobacco from Rhodesia and make a suitable offer to do so to the Swiss Government.

THE UNITED NATIONS—GENERAL

19. That the United Nations should request the Government of the Malagasy Republic again to make available to Britain the facilities at Majunga for the use of the RAF in mounting the Beira patrol.

20. That the United Nations should request the Government of Switzerland to prevent any further capital transactions to or from Rhodesia for as long as sanctions continue.

THE UNITED NATIONS—STRENGTHENING CURRENT PROCEDURES

21. That the United Nations Sanctions Committee should circulate lists of all goods Rhodesia is currently known to export with comparable lists of similar exports from South Africa and Mozambique, indicating the extent to which the South African and Mozambican exports have increased since UDI.

22. That the Sanctions Committee should call upon all members to inform it as to their sources of supply for the major commodities they used to obtain from Rhodesia before sanctions were applied.

23. That the Sanctions Committee should request all members to apply to Southern African sources of commodities formerly obtained from Rhodesia especially rigid examination procedures.

24. That the United Nations should review the special exceptions to sanctions—postal communications, media sales, educational materials and compassionate exceptions—and ensure that the reasons for them are clearly understood and that these exceptions are not abused.

25. That the United Nations should discover whether one or more members would be willing to join with the British Navy in patrolling Beira.

THE UNITED NATIONS—PUBLICITY AND THE SEIZURE OF RHODESIAN GOODS

26. That the Sanctions Committee should study ways in which the whole purpose of the United Nations sanctions policy should be made clear to members and should periodically request members to draw the attention of their publics to the United Nations resolutions and intentions.

27. That the Sanctions Committee should consider the appointment of a special press officer to deal with all aspects of sanctions.

28. That the Sanctions Committee should consider working in public.

29. That the Sanctions Committee should consider ways and means of making information about breaches of sanctions quickly available to non-governmental organisations and the press in any country at the time that a breach of sanctions by that country is under consideration by the Committee.

30. That the Sanctions Committee should consider the appointment of an expert in international commerce to assist its staff.

31. That the Sanctions Committee should consider offering rewards for information from individuals that lead to the uncovering of sanctions breaking operations.

32. That the United Nations should request all members to be prepared to “freeze” any cargo suspected of being of Rhodesian origin until a full examination of it can be carried out.

33. That the United Nations should request members to help establish a body of expert consultants available at short notice to examine and analyse suspect cargoes in order to determine the origin of the commodity; such experts normally to be resident in their own countries and only to be called in when required to analyse a suspect cargo.

34. That the United Nations should request all member governments to seize on its behalf any cargo once it is established as being of Rhodesian origin.

35. That the United Nations should request all member governments to sell such seized cargoes and after deducting necessary expenses hand over the balance of the money raised to the United Nations.

36. That the United Nations should establish a special sanctions fund for the receipt of monies from the sale of Rhodesian cargoes.

37. That the United Nations should lay down guidelines for the use of the proposed sanctions fund: to pay for the information and exports envisaged under paragraphs 31 & 33 above.

38. That the Sanctions Committee should consider producing a manual of procedure concerning the freezing, examination and seizure of cargoes suspected of being of Rhodesian origin.

THE UNITED NATIONS—PROPOSALS FOR FURTHER SANCTIONS

39. That the United Nations should request all members to pass legislation to the effect that the activities of a subsidiary company (which may be guilty of breaking sanctions) are the responsibility of both the parent and other subsidiary companies situated outside Rhodesia.

40. That the United Nations should request appropriate members to legislate to the effect that the branches of multi-national business corporations resident in those countries are to be held responsible for the sanctions breaking activities of other branches of the same corporation operating, for example, from South Africa by, for example, supplying capital to another subsidiary or branch of the corporation situated in Rhodesia; and that the resources of those branches of corporations outside Rhodesia and South Africa should be liable to seizure to the extent of any capital supplied to Rhodesia by the South African branches of such corporations.

41. That the United Nations should request all members to make it a criminal offence for their subjects to visit Rhodesia.

42. That the United Nations should request all members to pass legislation to forbid insurance companies to cover air flights into or out of Rhodesia; similarly insurance of people travelling into or out of Rhodesia should be refused.

43. That the United Nations should call upon member nations not to renew—and where possible to seize—passports of their own subjects now resident in Rhodesia but using the passports of their former countries.

44. That the United Nations should call upon all members to make sanctions breaking a criminal offence.

45. That the Sanctions Committee consider producing a proforma of legislation making sanctions breaking an offence and should, if requested, make available to members the advice of its legal experts.

46. That the United Nations should call upon all members to pass legislation creating impediments to the sale and transport of Rhodesian goods or of goods destined for Rhodesia, specifying that all shipping lines should not carry any such goods and that insurance companies should neither insure them nor ships carrying them.

47. That the United Nations should request all members to legislate or otherwise provide that insurance companies attach warranties to all marine insurance contracts specifying that no goods of Rhodesian origin should be carried nor goods destined for Rhodesia.

48. That the United Nations should request all members to regard any cargo of Rhodesian origin or any cargo destined for Rhodesia as contraband.

49. That the United Nations should consider publishing a list of all companies found guilty of sanctions breaking with attached details and dates.

50. That the United Nations should examine the possibility of establishing a system of 'navicerts': that is, the issuing of certificates by governments to ships leaving their ports and destined for Southern Africa to the effect that the cargoes are not intended for Rhodesia.

51. That the United Nations should consider extending the Beira blockade to cover Lourenco Marques; and should consider extending the blockade to cover goods other than petroleum and petroleum products.

THE UNITED NATIONS—LIMITED SANCTIONS AGAINST SANCTIONS BREAKERS

52. That the United Nations should request all members to regard those goods coming from South Africa, Mozambique or Angola that could be Rhodesian as prima facie suspect and to apply to them rigid tests of origin, including analysis by experts and that such cargoes should be 'frozen' at their ports of destination until such tests have been carried out.

53. That the United Nations should request member countries to require that sales contracts between their countries and South Africa or the Portuguese territories—especially for such goods as aircraft, vehicles, machinery, rolling stock, spare parts etc.—should include a clause expressly forbidding any resale to Rhodesia and that there should be a penalty clause concerning ongoing sales should the condition be broken.

54. That the United Nations should request member countries to require that purchase contracts for goods from South Africa and the Portuguese territories should include a clause to the effect that if goods purporting to be from those territories turned out to be of Rhodesian origin this would automatically render the contract void.

55. That the United Nations should set up a working party to consider what practical steps can be taken to discourage the persistent sanctions breaking of South Africa and Portugal.

56. That the United Nations should request the EEC to refuse to consider any application from Portugal for any form of link with the EEC as long as Portugal continues its present policies in Africa.

57. That the United Nations should request the EEC to refuse to consider any application for special trading considerations by South Africa as long as South Africa refuses to apply sanctions to Rhodesia.

58. That the United Nations should call upon all international or multinational bodies to which either South Africa or Portugal belong to exert their collective influence upon those two countries to change their policies over sanctions against Rhodesia.

COMMENDATION OF WITNESS

Senator HUMPHREY. Mr. Sheehan, I want to express to you on behalf of those of us who are deeply interested in this legislation our thanks for this thoughtful, well-documented statement. It speaks eloquently for itself. I believe that not only have you given to us your views, but you have substantiated those views with documentation, statistical evidence which surely merits the most favorable consideration by the Congress.

I want to thank you and I ask you to express my thanks to Mr. Abel for his continuing efforts in this battle.

Mr. SHEEHAN. Thank you, Mr. Chairman.

Senator HUMPHREY. Thank you very much.

The next witness is Mr. Frederick B. O'Mara, executive vice president, Union Carbide Corp.

Mr. O'Mara.

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

Mr. O'MARA. Mr. Chairman, my name is Fred O'Mara, and I am an executive vice president of Union Carbide.

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, S. 1868 and H.R. 8006.

I have submitted a written statement which I would like to have made a part of the record and I will summarize here in my oral testimony, making an effort to stay within the 10-minute time limit.

Senator HUMPHREY. You are very considerate, Mr. O'Mara. We will, of course, have your full statement printed in the record.

Mr. O'MARA. Thank you, sir.

STOCKPILE AND NATIONAL EMERGENCY NEEDS

First, I would like to speak about the stockpile and national emergency needs.

In testimony before the Armed Services Committee in June of 1972 officials of the Office of Emergency Preparedness declared that the U.S. requirements for metallurgical chrome over a 3-year wartime national emergency would total 4.315 million tons, or 1.438 million tons per year. This is more than the current peacetime usage.

To meet these national emergency needs, the current inventory of chrome in the national and supplemental stockpiles is about 5.3 million 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 3.1 million 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 3.1 million 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 U.N. sanctions, and the committee did not approve the bill.

We regard the material in the stockpile 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). 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.

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.

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 the 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 ferrochromium 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.

EFFECT OF BYRD AMENDMENT ON METALLURGICAL CHROME PRICES

Now, let's turn to the effect of the Byrd amendment on the prices of metallurgical chrome, a subject that has been much discussed this morning:

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. Repeal of the Byrd amendment is likely to result in a substantial price increase.

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.

EFFECT OF BYRD AMENDMENT ON FERROCHROME INDUSTRY

Now, as to the effect of the Byrd amendment on the ferrochrome industry, 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.

Furthermore, adoption of the Byrd amendment has made higher quality chrome ore available to U.S. ferrochrome producers.

FACTORS AFFECTING DOMESTIC CHARGE CHROME PRODUCERS

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. Ferrochrome and chrome alloys embrace a variety of alloys, each with its particular manufacturing process and markets. One of the most important of these is a high-carbon ferrochrome generally called charge chrome.

Two basic factors have seriously affected domestic charge chrome producers.

(1) The steady increase in imports of charge chrome, particularly from countries such as South Africa, where the lower cost of production, coupled with lower transportation costs inherent in shipping of alloys compared to ore, have provided an economic advantage.

(2) The concurrent 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. This production drop curtailed the domestic market for ferrochrome.

Caught between increasing imports and a declining market, profits of the U.S. charge chrome 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 charge chrome market, there are a number of other 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.

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—pressures which are much less severe in most major foreign producing areas.

Air pollution controls are also an important direct factor in the cost and competitiveness of domestic ferroalloy 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.

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.

DOMESTIC PLANT CLOSURE ANNOUNCEMENTS

It is a combination of these factors which apparently has led to the decision by several domestic ferroalloy 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 ferroalloy 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, 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.

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.

[Supplied by Union Carbide Corp.]

DOMESTIC FERROALLOY PLANTS TO BE CLOSED, 1973-74

Footo Mineral: Wenatchee (Washington) Plant Employees: 188.

| FURNACES | PRODUCTION |
|-------------------|-----------------------------|
| 3—6,000 KW (S.A.) | 12,000 NT yr. silicon metal |
| 1—6,000 KW (S.A.) | 4,000 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 through 1974 based on a partial compliance schedule and a possible arrangement for Alcoa to take the 1974 output.

Steubenville (Vancoram) Ohio Plant. Employees: 360.

| FURNACES | PRODUCTION |
|--------------------|---|
| 4—9,000 KW (S.A.) | 35,000 NT yr. LCFeCR. (including 22,000 NT chrome silicon intermediate production). |
| 2—9,000 KW Filters | 11,000 NIT yr. shipping grade FeCrSi 21,000 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.

Ohio Ferroalloys Corp. Tacoma (Washington) Plant. Employees: 120.

| FURNACES | PRODUCTION |
|-------------------|---|
| 2—9,000 KW (S.A.) | 6,000 NT yr. Silicon metal 8,500 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 | PRODUCTION |
|-------------------|---|
| 1—11000 KW (S.A.) | 7200 NT yr. Silicon metal |
| 1—17000 KW (S.A.) | 11000 NT yr Silicon metal not operating |
| 1—9000 KW (S.A.) | 15000 NT yr 75% FeSi |
| 1—18000 KW (S.A.) | |

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 through 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 | PRODUCTION |
|------------------|--------------------------|
| 1—8500 KW (S.A.) | 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 through 1974 without a definite compliance schedule. They have appealed to the pollution board to provide employment through 1974. This case will come up for a hearing sometime in September, 1973.

Mr. O'MARA. This morning when Ambassador Scali was testifying, he mentioned two of these plants that were closing were in the State of Ohio. Union Carbide also has two production plants and one large power station in the State of Ohio. One of these plants produces ferrochrome. These plants are large and they are being equipped with pollution control equipment. They are and will be operated to produce a number of ferroalloys including chrome alloys.

Repeal of section 503 would not have any effect on the closing of the other plants that have been announced in the State of Ohio—They are being closed because they are small and uneconomical.

EFFECTS ON STAINLESS AND SPECIALTY STEEL

The effects on the stainless steel and specialty steel are important as well. The price and competitive availability of chrome—specifi-

cally, ferrochrome—are of critical importance to the stainless and specialty steel industry of the United States.

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.

EFFECTS OF BYRD AMENDMENT ON Rhodesia

Now to speak for a moment about the effect of the Byrd amendment 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.

Since the imposition of sanctions, control over the marketing of Rhodesian chrome has been taken over by a Rhodesian 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 it has 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).

As indicated earlier in my statement, we anticipate that the 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.

CONCLUSIONS

In summary, Mr. Chairman, I would like to offer a few conclusions: Chrome is indispensable to a modern economy and society such as ours.

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. Our unmined domestic resources are so thin and scattered that it would take a major effort—large sums of money and many years to mine—and then they would meet our national needs for only 2 or 3 years. If we use up our stockpile now and mine our domestic recoverable reserves, we would price the United States out of the ball park in peacetime (unless significant Federal subsidies were provided) and we would exhaust our last-ditch wartime reserves.

These same considerations of national interest and welfare impel us, as a nation, to retain the capability here at home to process chrome into ferroalloys and then on into the finished products of stainless and superalloy steels.

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—subjected 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 revel in 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 the Government would do a disservice to the American people were it to artificially limit our access to essential raw materials.

There is also the down-to-Earth practical side to the U.N. sanctions against Rhodesia. 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.

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 pre-sanction levels. Shipments of chrome ore and ferrochrome to the United States accounted for less than 2 percent of that total.

Repeal of the Byrd amendment will deprive the American ferroalloy and stainless steel industry of Rhodesian chrome, but it will not reduce the number of new automobiles in the streets of Salisbury. In fact, there is clear evidence that repeal of the Byrd amendment will help, rather than hinder, the Rhodesian economy.

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.

Senator HUMPHREY. Thank you very much, Mr. O'Mara.

I find in your statement certain contradictions with the statement that was submitted and read here a moment ago by Mr. Sheehan.

AMOUNT OF RHODESIAN CHROME ORE COMING INTO UNITED STATES

Mr. Sheehan, for example, indicates that a very small amount of chrome ore is coming into the United States from Rhodesia; is that correct?

Mr. O'MARA. In 1972 Union Carbide brought in 53,000 tons of ore. Thus far this year we have brought in 18,500 tons.

I would like to say, however, that we have had to practically plead with Univex, the Rhodesian state trading company, to supply us ore because we are their least-favored customer.

We have the Byrd amendment and attempts to repeal it hanging over us at all times. As a result, we are always at the end of the line with regard to getting any supplies from Rhodesia. This fact I think must be kept in mind.

HOW UNION CARBIDE FARED BEFORE BYRD AMENDMENT

Senator HUMPHREY. What did you do before the Byrd amendment was passed? How did Union Carbide fare during those days?

Mr. O'MARA. We fared very poorly.

Senator HUMPHREY. You did?

Mr. O'MARA. Yes. We fared very poorly in the chrome business because we did not have economical sources of ore. This was because we had been dependent upon Rhodesia and South Africa, whereas some of the other domestic competitors had made long-term contracts with the Russians because they had no other sources.

Senator HUMPHREY. Why did you not have some contracts with the Russians?

Mr. O'MARA. Because we had other sources of ore.

UNION CARBIDE POSSESSIONS IN RHODESIA

Senator HUMPHREY. Do you own properties in Rhodesia?

Mr. O'MARA. Yes, we do.

Senator HUMPHREY. They are your properties?

Mr. O'MARA. Yes, they are.

Senator HUMPHREY. Do you own ferrochrome processing plants in Rhodesia?

Mr. O'MARA. We own a plant, yes, sir.

Senator HUMPHREY. Are you planning on putting some more there?

Mr. O'MARA. Some what?

UNION CARBIDE'S FUTURE PLANS

Senator HUMPHREY. Are you planning on putting some more ferrochrome processing plants there?

Mr. O'MARA. This is not within our jurisdiction, Senator; those plants and mines are operated at the direction of the Rhodesian Government.

Senator HUMPHREY. Am I correct that some time ago you were quoted in one of the business magazines, "Business Week," as saying that you were going to take some of your ferrochrome industry overseas?

Mr. O'MARA. Yes. In fact, Mr. Sheehan quoted me to this effect this morning, but he did not quote me completely. I said:

"Inevitably, Carbide will be forced to move its ferrochrome production overseas in order to compete."

He did not add the words "to compete." There is no question in my mind that eventually this will come to pass. I do not know when eventually is. It will depend upon economic circumstances. We have been studying and continue to study the viability of chrome operations here in the United States versus operations in other countries. We hear a great deal—and Mr. Sheehan bore down on this very heavily—about the alleged use of "slave labor" in these countries to produce chrome.

Senator HUMPHREY. Yes.

Mr. O'MARA. In producing charge chrome, 10 percent of the costs are labor. I am talking now about the direct costs—the plant costs. Ten percent are labor, 10 percent are power and 80 percent are materials. So the labor factor is a very small factor in the total cost.

Senator HUMPHREY. Do you dispute Mr. Sheehan's statistics on the labor?

Mr. O'MARA. No, in fact he got them from a report we supplied in response to Congressman Diggs' questionnaire. I have copies of that here if you would care to see it. We recently updated that report to cover the situation through the end of June 1973.

STRATEGIC IMPLICATIONS OF SHIPPING U.S. FERROCHROME INDUSTRY OVERSEAS

Senator HUMPHREY. You have expressed a great deal of concern over the release of our stockpiles of chrome. Is that correct?

Mr. O'MARA. That is correct.

Senator HUMPHREY. Have you considered the strategic implications of the United States not having a ferrochrome industry? I mean by shipping it all overseas.

Mr. O'MARA. Well, to all intents and purposes, Senator—

Senator HUMPHREY. If it is halfway around the world to bring in the chrome ore, it is halfway around the world to bring in the processed product.

Mr. O'MARA. I would agree. But, Senator, I would say this: the sanctions have practically destroyed the ferrochrome industry in the United States. I am talking now about the charge chrome industry. There is only one plant in the United States, and that is a competitive plant which has a viable operation based on today's prices of Russian chrome.

LACK OF PLANT BUILDING IN LAST 2 YEARS

Senator HUMPHREY. Now wait a minute. You say the sanctions practically destroyed the industry. The sanctions have been off now for 2 years, have they not?

Mr. O'MARA. That is right.

Senator HUMPHREY. How many new plants have you built in the last 2 years in the United States when you have had this bonanza?

Mr. O'MARA. We have not built any, sir.

Senator HUMPHREY. You have not built any, have you?

In fact, you are planning on sending them out, planning on doing overseas production?

Mr. O'MARA. We have not built any, sir, because we have the same problem with the Byrd amendment that Rhodesia has. The continual attacks on the Byrd amendment make it a bad business decision to build ferrochrome facilities here based on ore from overseas.

I would like to add something else, sir. I mentioned——

Senator HUMPHREY. Let me just go back now.

Mr. O'MARA. Yes.

Senator HUMPHREY. You have had a couple of years now in which you have been able to get imports from a multiplicity of sources, the Russians, the Turkish sources, Rhodesia, wherever else you can pick them up.

I have not noticed that the ferrochrome industry in the United States has been expanding its domestic plant operation.

Mr. O'MARA. It has not, and in my judgment, sir, it will not.

Senator HUMPHREY. Is the reason that you can get cheaper labor overseas?

Mr. O'MARA. The reason is not cheaper foreign labor.

Senator HUMPHREY. Why do you not stay here?

Mr. O'MARA. Just if I may for a moment, I tried to point out that only ten percent of the costs of charge chrome is labor.

Senator HUMPHREY. Charge chrome?

Mr. O'MARA. Yes.

Senator HUMPHREY. All right.

Mr. O'MARA. That is really the product we are talking about. And 80 percent is material costs.

Now it costs us as much to ship a ton of ore to the United States from anywhere in the world as it does to ship a ton of alloy. And it takes two and a quarter to two and a half tons of ore to make a ton of alloy.

Senator HUMPHREY. Yes, sir.

Mr. O'MARA. So our shipping costs alone are more than doubled. That, plus the fact that our power costs are higher here, and are going to continue to get higher.

For example, power costs in South Africa are now 6 or 7 mils. This is steam power. This does not even take into account the greater power savings yet to come as a result of the big new Karibe Dam hydroelectric power project. So power costs in South Africa, for example, are going to be stable for a long time. This is in direct contrast to the situation here in the United States where power costs are on the rise dramatically.

We are not in much better position than the Japanese who are putting their power-consuming and alloy-producing operations overseas.

Senator HUMPHREY. Thinking they will not have to put in the protections for environment?

Mr. O'MARA. Not at all, sir. But they cannot pay 12 to 14 mils for power in Japan and compete with people from South Africa whose power costs are 6 and 7 mils.

Senator HUMPHREY. I hope all American industry does not take that view or we will not have any plants around here at all.

Mr. O'MARA. I certainly hope not.

Senator HUMPHREY. This is where your market is; this is where you sell your product.

Mr. O'MARA. That is correct.

Senator HUMPHREY. You might want to stay close to home.

Mr. O'MARA. For the past years, according to Department of Commerce figures, 28 percent of the domestic charge chrome market has been supplied with overseas imports, mostly from South Africa.

DOING BUSINESS WITH RUSSIANS

Senator HUMPHREY. Are we going to buy from the Russians when we want to?

Mr. O'MARA. We are already buying naphtha from them.

Senator HUMPHREY. Let's assume this détente thing, which everybody seems to be working on, continues to be a fact. Do you think we can really do business with the Russians by simply loaning them money and hopefully selling them our equipment, or do we have to buy something from them?

Mr. O'MARA. Well, I am certain we not only have to buy something from them, but we have to buy something—probably a number of things—that are pretty basic.

Senator HUMPHREY. Yes.

Mr. O'MARA. However, I would also suggest to you that, like other developing countries—and in spite of, Russia's progress in many areas, she is still a developing country—Russia will want to upgrade her raw materials as much as possible prior to exporting them. This is the case all around the world.

It is not just the case with Rhodesia or South Africa. It is, for example, also the case with Australia. Any country with natural assets of great value wants to upgrade them to the maximum amount.

For these reasons, we do not favor the enactment of S. 1869.

Mr. Chairman, that completes my statement.

[Mr. O'Mara's prepared statement follows:]

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

Mr. Chairman, members of the Committee, my name is Fred O'Mara and I am an Executive Vice-President of Union Carbide Corporation. 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 (S. 1868 and H.R. 8006).

Union Carbide's interest 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 U.S., long-term and short-term.

CHROMIUM, FERROCHROME AND CHROMITE

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 ferroalloy 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.¹ Current U.S. consumption of metallurgical chrome ore totals about 700,000 tons per year. None is mined in the U.S. 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 U.S. are not likely to be mined on a basis that is economical or profitable any time in this century.

Ferrochromium 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 per cent 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 per cent of stainless steel is devoted to other essential uses, such as oil refineries, hospital equipment, food processing machinery and chemical plants. Only about 5 per cent of U.S. chrome usage goes to household appliances and kitchen tools.

When the U.S. 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 consists of metallurgical, refractory and chemical grade chromite and of several types of ferrochromium. Amounts in the stockpile are expressed by Federal agencies in terms of chromite or equivalent by converting the amount of ferrochromium into the tonnages of metallurgical ore that would be required for its production.

THE STOCKPILE AND NATIONAL EMERGENCY NEEDS

In view of the importance of metallurgical chrome to the national defense and the national economy, it is appropriate to review the stockpile supply situation. Officials of the General Services Administration and of what was then the Office of Emergency Preparedness have presented the basic facts in considerable detail in Congressional testimony over the past several years.

In testimony to the House Armed Services Committee in June, 1972,² officials of the Office of Emergency Preparedness declared that the U.S. requirements for metallurgical chrome for a three-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.

¹ U.S. Mineral Resources, Geological Survey Professional Paper 820, 1973.

² Hearings of House Committee on Armed Services, June 22, 1972 (H.A.S.C. No. 92-55).

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 three 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.

In April, 1973, President Nixon proposed new stockpile disposal legislation based on stockpiling essential needs for a one-year period. In 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 half-way 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.

Most of the ore which is excess to stockpile needs today has a negative value for the production of ferrochrome. The Government would have to pay a ferrochrome producer to use it. We have also 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 the 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 ferrochromium 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:³

| Country | Estimated resources (net tons) | Percent 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 |
| Total..... | 445,575,000 | ----- |

It should be noted 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.

Prior to the imposition of sanctions against Rhodesia, about 40 per cent of U.S. imports of metallurgical chrome came from Rhodesia, about 40 per cent came 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 per cent of U.S. imports. Russia's share of the U.S. market from chrome imports was 57 per cent in 1969, 1970 and 1972. It dropped to 41 per cent in 1971 because of an unusually large increase in shipments from Turkey. Turkish shipments to the U.S. 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 per cent of the 1971 Turkish shipments to the U.S.

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 UN 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 1967-1971 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 dry ton | Source | Status |
|-----------|------------------------|--------------------|-----------------|
| 1966..... | \$26.66 | Russian ore..... | Presanction. |
| 1971..... | \$56.39 | do..... | Sanction. |
| 1972..... | \$46.45 to \$48.01 | do..... | Byrd amendment. |
| 1972..... | \$40.13 | Rhodesian ore..... | Do. |
| 1973..... | \$37.59 to \$39.62 | Russian ore..... | Do. |
| 1973..... | \$38.79 | Rhodesian ore..... | Do. |

³ Mineral Facts and Problems, U.S. Bureau of Mines Bulletin 650, 1970.

Adoption of the Byrd Amendment resulted in a substantial drop in the price of Russian chrome. Repeal of the Byrd Amendment is likely to result in a substantial increase. When repeal of the Byrd Amendment was under consideration in 1972, suppliers of chrome forecast an immediate 20 per cent 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 per cent increase in the price of Russian (and Turkish) chrome ore.

THE EFFECTS ON THE FERROCHROME INDUSTRY

Much has been said and written of a conflicting nature about the effects of the Byrd Amendment on the domestic ferrochrome industry. It is absolutely essential to the conduct and purpose of these hearings that the confusion surrounding this point 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.

Furthermore, adoption of the Byrd Amendment has made higher quality chrome ore available to 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. To understand the current dilemma of the domestic ferrochrome industry requires a brief explanation of the products involved. Ferrochrome and chrome alloys embrace a variety of alloys, each with its particular manufacturing process and markets. One of the most important of these is a high-carbon ferrochrome generally called charge chrome. It is primarily this alloy which is being imported in increasing quantities which may have the greatest impact on the domestic industry.

Two basic factors have seriously affected the domestic charge chrome producers:

1. The steady increase in imports of charge chrome, particularly from countries such as South Africa, where the lower cost of production coupled with lower transportation costs inherent in shipping of alloys compared to ore have provided an economic advantage.

2. The concurrent 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 1967-1971 period. This production drop curtailed the domestic market for ferrochrome.

Caught between increasing imports and a declining market, profits of the U.S. charge chrome 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 on the domestic charge chrome market, there are a number of other ferrochrome alloys which, for a variety of reasons, are and will continue to be made by domestic alloy producers including Union Carbide Corporation. 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.

In addition to imports of charge chrome, there are other major factors which had and are having a significant impact on the domestic producers of ferrochrome and all kinds of ferroalloys. These factors are the requirements for air pollution control and the energy crisis.

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—pressures which are much less severe in most major foreign producing areas.

Air pollution controls are also an important direct factor in the cost and competitiveness of domestic ferroalloy 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 five-year period 1972-77, alone, Union Carbide will have invested more than \$50 million in air pollution abatement equipment to bring its ferroalloy 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 ferroalloy facilities. It is simply a statement of fact that has important bearing on the entire domestic ferroalloy 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 ferroalloy 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 ferroalloy 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, none has been shut down as yet and there are indications that the decision, 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. 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.

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 per cent. 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 per cent. 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 UN sanctions, chrome exports accounted for only 2 per cent of Rhodesia's total exports and less than 1 per cent of its gross national product. Chrome is still not a major factor in the Rhodesian economy today.

Since the imposition of sanctions, control over the marketing of Rhodesian chrome has been taken over by a Rhodesian 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 it has 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 UN 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 per cent 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.

SUMMARY AND CONCLUSIONS

Mr. Chairman, let me now summarize and offer a few conclusions.

1. Chrome is indispensable to a modern economy and society such as ours. It is essential in the manufacture of most specialty steels, including alloy steels which go into virtually everything from jet engines to farm equipment and machine tools. Without chrome, for example, there would be no stainless steel which is of such critical importance in the manufacture of heat and corrosion resistant equipment and products for medical and surgical use, food processing, petroleum refining, chemical processing, conventional and nuclear electric power generation, and many other essential uses.

2. The United States does not have viable reserves of chromium. Our present stockpile would meet our essential needs for three or four years at best, providing that costs are no object. Our unmined domestic resources are so thin and scattered that it would take a major effort—large sums of money and many years to mine—and then they would meet our national needs for only two or three years. If we use up our stockpile now and mine our domestic recoverable reserves, we would price the U.S. out of the ball park in peacetime (unless significant Federal subsidies were provided) and we would exhaust our last-ditch wartime reserves.

3. These same considerations of national interest and welfare impel us, as a nation, to retain the capability here at home to process chrome into ferroalloys and then on into the finished products of stainless and superalloy steels.

4. 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 ho—and in fact cannot afford to be—subjected to artificial restraints.

5. This, of course, brings us face-to-face with a host of disputes. 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 towards blacks. Neither do we support the treatment the Soviet Union accords Jews or Lithuanians nor revel in the attitude that Turkey has sometimes displayed towards 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 the Government would do a disservice to the American people were it to artificially limit our access to essential raw materials.

6. The difference in the case of Rhodesia is the United Nations program of mandatory sanctions. I am a businessman—not a statesman—and I have the same high hopes for the United Nations as most of our citizens. Yet I cannot help marvel at the fact that, in the United Nations General Assembly, the United States and Mauritius each has one vote, while the Soviet Union has three.

If the United Nations Participation Act—under which the United States imposes and enforces the UN sanctions against Rhodesia—were to come before the Senate Foreign Relations Committee today, I wonder if the Committee would recommend that the President be given unrestrained, discretionary authority to

carry out any decision of the UN Security Council which his ambassador did not veto—or if the Congress would approve such authority.

7. There is also the down-to-earth practical side to the UN sanctions against Rhodesia. I see no evidence—either from here in the United States or from my visits to Rhodesia—that more than six and a half years of mandatory UN sanctions have moved the situation any closer to a satisfactory resolution we all so earnestly desire.

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. Shipments of chrome ore and ferrochrome to the United States accounted for less than 2 percent of that total.

Repeal of the Byrd Amendment will deprive the American ferroalloy and stainless steel industry of Rhodesian chrome, but it will not reduce the number of new automobiles on the streets of Salisbury. In fact, there is clear evidence that repeal of the Byrd Amendment will help, rather than hinder the Rhodesian economy.

My own belief is that the UN sanction will drive Rhodesia closer to a South African kind of apartheid rather than produce a just solution.

In addition, the UN 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.

For these reasons, we do not favor the enactment of S. 1869.

DIFFERENCE BETWEEN PRIVATE VIOLATION AND OFFICIAL POLICY SUGGESTED

Senator HUMPHREY. You said, "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 U.N. sanctions with apparent impunity)." Then you go on to quote the British Foreign Secretary.

Mr. O'MARA. Yes.

Senator HUMPHREY. Is there not a great deal of difference between private trade ignoring the law, which they often do, and an official government policy which violates a standard that has been voted upon in an international tribunal of which we are a charter member?

Is it not a fact that this country has been trying to seek peaceful means of enforcing U.N. decisions rather than the use of force?

To go around saying there are some people in private business who pay no attention to these U.N. sanctions is not comparable to saying that the Government of the United States should pay no attention to them. Do you equate those things?

Mr. O'MARA. Yes, I think I can equate them because the Government of the United States is very forceful in enforcing their sanctions.

Senator HUMPHREY. Good, for that is what we should do.

Mr. O'MARA. As a government, that is correct. Other governments do not.

Senator HUMPHREY. That does not let us off the hook. What I am getting at is, it is one thing for countries to blink their eyes at private violations, which I do not condone, but it is another thing for the United States to openly pass legislation which, in a sense, removes us from any of the restraints under the U.N. resolution to which we adhered.

There is a difference between official policy and private violation, is there not?

Mr. O'MARA. Well, yes, because official policy in the form of the Byrd amendment makes the importation of certain materials from Rhodesia lawful, while the repeal of the Byrd amendment would make the same import activity unlawful.

Senator HUMPHREY. Is it not also that a government is different from private industry. We cannot stop all the moonshiners.

Mr. O'MARA. Well, I would guess that if the Government truly represents the people, yes, it is an extension of the people.

Senator HUMPHREY. Yes.

Mr. O'MARA. At least that is the case here in the United States. And it would seem to me that you cannot differentiate between the Government and private industry here in the United States.

I will have to submit they are getting closer and closer all the time.

Senator HUMPHREY. There is oftentimes great differentiation. The government has a price control policy. Many times it is openly violated and I do not think that means the Government condones the violations.

U.S. COMPANIES BENEFITED BY BYRD AMENDMENT

How many companies are really benefited by this Byrd amendment in the United States? How many chrome companies do we have in the United States that are receiving major benefits from this?

Mr. O'MARA. I would say Union Carbide and Foote Mineral.

Senator HUMPHREY. That is about the only two companies that we have.

Mr. O'MARA. But that is an oversimplification, if I may say so, sir, of the total problem.

Senator HUMPHREY. It also approaches a monopolistic admission, does it not?

Mr. O'MARA. No, it is not monopolistic.

Senator HUMPHREY. Closer.

Mr. O'MARA. The major producers of chrome in this country at the present time is Airco Alloy, which is based on Russian chrome ore.

Senator HUMPHREY. They are able to get along on Russian chrome?

Mr. O'MARA. That is right.

UNION CARBIDE'S PROBLEM

Senator HUMPHREY. Your problem is that Union Carbide owns the chrome deposits in Rhodesia; is that true?

Mr. O'MARA. Yes, it is true.

Senator HUMPHREY. Because you have the private interest in Rhodesia, you feel the national policy ought to be bent toward your needs?

Mr. O'MARA. Not at all, sir.

Senator HUMPHREY. You do not?

Mr. O'MARA. No.

Senator HUMPHREY. Why do you not get by like the other companies do?

Mr. O'MARA. Just a moment. The reason I feel that we should change our policy toward Rhodesia is very simply this: The Rhodesian

economy cries out for foreign investment to provide jobs for the people of Rhodesia. We run schools at our mines. We educate the children of our employees, but when they finish their schooling they find they have nowhere to go to get jobs.

Senator HUMPHREY. I thought you said this Univex Co. has so much business that if we repeal the Byrd amendment it would not have any adverse effect on the economy of Rhodesia. In fact, it might improve it.

Which side do you want to come down to here?

Mr. O'MARA. If I may continue, what I wanted to say is that foreign investments in Rhodesia would generate more jobs than there are available now under the sanctions. The economy is growing but it is not growing at the rate necessary to take care of the people who are being born every day there and it is not taking care of the people who are educated.

EFFECT OF REPEAL ON RHODESIAN ECONOMY

Senator HUMPHREY. I want to take you back to your testimony again, Mr. O'Mara.

I thought you said in this testimony that if we repeal the Byrd amendment, it would not have an adverse effect on the Rhodesian economy. I believe I heard you say someplace it would help it.

Mr. O'MARA. That is right.

Senator HUMPHREY. Then, if it is going to help it—

OVERALL ISSUE

Mr. O'MARA. We are talking about two different issues here.

Senator HUMPHREY. Yes, I think we are; you bet.

Mr. O'MARA. What I am talking about is the overall issue, namely: what is in the interest of Rhodesia, what is in the interest of the people of Rhodesia, what is in the interest of the people of the United States.

Senator HUMPHREY. That is correct.

Mr. O'MARA. And that has to do with trying to open up Rhodesia to make jobs by foreign investment, and building facilities there that will create these badly needed jobs. The Rhodesian economy is growing, but it is not growing at nearly the rate that the population is growing. This problem will continue and, in fact, will get worse. The pressures that are put on Rhodesia by the sanctions and by the incursions of "freedom fighters" or "terrorists," depending on which viewpoint you have in this regard—who incidentally are trained in Odessa, Peking, and Havana—are really inciting in Rhodesia a situation where I think you are going to have revolution. We are already seeing this in terms of the hardening of the Smith regime. We are seeing a move in Rhodesia now toward the kind of apartheid they have in South Africa.

I would say to you that there are those who 2 years ago said the United States should withdraw from South Africa. But we, among many companies, said that we should remain in South Africa because our presence there was beneficial to the people. And I believe that more people in the United States are now coming to that same conclusion.

DIFFERENCE IN PRESENT SITUATION

Senator HUMPHREY. But there is a difference here. There is a U.N. resolution on Rhodesia, for which we voted, and in which we participated. There are 250,000 whites in Rhodesia and over 5 million blacks.

The Government of Great Britain, which is an ally of ours and a close friend and much more important to us than all of the Rhodesians put together, has laid down as a part of its discussions with the Rhodesian Government of Ian Smith that there should be elections, that there should be popular rule. This is a former British colony, right?

Mr. O'MARA. Why certainly.

Senator HUMPHREY. What we are doing under the present situation is really telling our good ally Great Britain, "You are wrong." We have undercut them and we have undercut any movement in Rhodesia to get popular government. There is nothing wrong with our being interested in popular government. I recognize other countries with which we do business do not have popular government, but there is a difference. The difference is that the international community has already imposed sanctions, just as sanctions were once imposed upon Italy under Mussolini at the time of the invasion of Ethiopia. The fact that some countries did not abide by these sanctions did not make their action legitimate or right or moral.

I think that the United States ought to abide by sanctions if we vote for them.

If the matter of sanctions is not important at all, that is a different item, but I think it is vitally important and I thought that is what the charter of the United Nations stood for. The charter of the United Nations is the law of the land. That is what any treaty becomes after ratification: not just the U.N. Charter.

EFFORT TO TWIST U.S. POLICY SUGGESTED

What we are really doing here is trying to twist the policy of the Government of the United States to accommodate a couple of companies.

Mr. O'MARA. No, I find that is not true.

Senator HUMPHREY. What else does it do? You said you were not a monopoly. You said there is another company that, for example—what is the name of that?

Mr. O'MARA. Airco Alloys.

Senator HUMPHREY. It is competitive with you?

Mr. O'MARA. Right.

Senator HUMPHREY. It is able to get along without having to get Rhodesian chrome. You are concerned about the growth of the Rhodesian economy, but yet you are going to move the ferrochrome industry right smack bang out of the United States.

The ferrochrome industry, if it is a vital industry to our national security, ought to be here. If we have to make some arrangements to keep you here, those arrangements ought to be made.

On the one hand, you say we ought not to liquidate the stockpile for security purposes. On the other hand, you say we can take the ferrochrome industry, which is vital to the national security, and ship it abroad. Why? Because you can get the goods cheaper?

Mr. O'MARA. Mr. Chairman, we have the ability to switch furnaces around from the smelting of one product to another, and we will always have the ability to produce ferrochrome in this country.

I would submit to you, however, it would be a good idea, if we are to have a stockpile, we have a stockpile of ferrochromium and not a stockpile of ore. This way we not only stockpile the alloy which is vital to us but we stockpile energy as well.

PREVIOUS ARGUMENTS QUESTIONED

Senator HUMPHREY. Yes; it might not be a bad idea, but I recall the previous debate and testimony about this. You spent it all on chrome ore. That is what the sponsor of the amendment talked about.

The sponsor of the amendment made the statement saying we are talking about one product.

Mr. O'MARA. That is correct.

Senator HUMPHREY. We were talking about chrome ore. We now find out we are talking about nickel and we are talking about other minerals that come from Rhodesia. So it was not just chrome ore.

If we need a ferrochrome stockpile, maybe that is something we ought to look into. I would buy that. I think that makes some sense. I think that is a good proposal. But it seems to me that the arguments that have been stated before—first of all, you are going to protect American jobs. You are not protecting any jobs at all, are you? You are shipping them out, are you not?

Mr. O'MARA. No; any furnaces we have that are viable furnaces and have air pollution control on them are still running. We are running at absolute capacity.

Senator HUMPHREY. How many are you going to take out?

Mr. O'MARA. We will not take any out; those will all be here.

Senator HUMPHREY. I thought there was some indication in your testimony that certain plants were leaving the country.

Mr. O'MARA. No; I said plants were closing but the reason they were closing was not because of the chrome situation. The reason they are closing is that they are not viable plants.

Senator HUMPHREY. Why do you not modernize them?

Mr. O'MARA. These are not our plants that are closing.

Senator HUMPHREY. I heard the same thing from United States Steel in Duluth, Minn.; they closed a plant up there and said the reason is it was old and obsolete. My argument then was, why do you not put some money in it and make it new and modern instead of running someplace else.

It seems to me that as far as the job situation is concerned, if you are going to move some of your ferrochrome industry overseas, you are not helping jobs. That was the big argument that we heard around here when the amendment was first up. We have to protect American jobs, No. 1, and we cannot rely solely on the Soviet Union for our chrome.

The Soviet Union is exporting more to us now after the Byrd amendment than they did before. Is that not correct?

Mr. O'MARA. Yes.

Senator HUMPHREY. So we are still buying from the Soviet Union. Not only that, Mr. Nixon has Mr. Brezhnev to lunch. We are putting

our arm around him. So I do not get the point. I do not get the point of why we are so scared of those Russians when we are going to depend on them for gas and oil. We have big deals going with them, but when it comes to this industry somehow or another we have to just hide under the blanket once again.

But in the meantime, we have over 50 percent of our ore imports from the Soviet Union, is that correct?

Mr. O'MARA. That is correct.

Senator HUMPHREY. And how about our ferrochrome?

Mr. O'MARA. The Soviet Union does not export ferrochrome.

Senator HUMPHREY. Because that is a processed product?

Mr. O'MARA. That is right. But it will be. What I am saying to you is that the Soviet Union will be exporting ferrochrome. All of the countries with chrome ore reserves which have power available to them will get into the ferrochrome business and they will sell that ferrochrome.

VOLUNTARY AGREEMENT PROTECTING SPECIALTY STEELS

Senator HUMPHREY. Is it not true what Mr. Sheehan said about the voluntary agreement on the protection of specialty steels?

Mr. O'MARA. No. We do not have an agreement in ferrochrome.

Senator HUMPHREY. But it is used in the steel industry?

Mr. O'MARA. That is right.

Senator HUMPHREY. Insofar as the price is concerned, the market is pretty well protected. The ferrochrome is part of the steel industry, is it not?

Mr. O'MARA. Yes, but the ferrochrome does not come under any allocation.

Senator HUMPHREY. But when it is used?

Mr. O'MARA. Or any quota.

Senator HUMPHREY. In the processing of specialized steel products it is protected, is it not?

Mr. O'MARA. The products themselves are protected.

Senator HUMPHREY. Yes, that is correct.

Mr. O'MARA. Yes, that is correct.

Senator HUMPHREY. So the price differential does not make any difference?

Mr. O'MARA. Well, maybe the representative of the stainless steel industry, who is going to testify, should speak to that.

Senator HUMPHREY. All right.

BYRD AMENDMENT'S EFFECT ON IMPORTS FROM RUSSIA QUESTIONED

After the embargo 59 percent of our ore came from Russia in 1972. In the first 6 months of 1973 they supplied us with 51 percent of the total. So as far as ore is concerned, the Byrd amendment has not done a thing to slow down the Russians, not one bit.

Mr. O'MARA. No, and the reason, as I told you, is that we have not been able to get all the ore we would like to get from Rhodesia.

Senator HUMPHREY. And the reason for that is what?

Mr. O'MARA. Is they have it sold to other people.

Senator HUMPHREY. Sold to other people?

Mr. O'MARA. Yes.

Senator HUMPHREY. Therefore, if you cannot get all the ore you need from them, the argument for the amendment loses some of its validity; does it not?

Mr. O'MARA. No, I think if we establish some, shall we say, credibility, with the Rhodesian——

Senator HUMPHREY. You mean if we would establish the credibility by violating international law by official policy, then we would be in better shape?

Mr. O'MARA. You could put it that way if you wanted to.

Senator HUMPHREY. Is that not what we are doing, is that not what you are saying?

Mr. O'MARA. Well, I think that is for the Congress to decide and that is really what we are here for—to talk about that.

PROCEDURE WHICH COULD BE FOLLOWED IN U.N.

Senator HUMPHREY. Is there not, as was indicated by Senator McGee, a procedure that we can follow in the U.N. if we feel so strongly about it?

Mr. O'MARA. Yes, there is.

Senator HUMPHREY. We have not done that, have we?

Mr. O'MARA. No.

WHAT OFFICIAL U.S. POLICY SHOULD BE

Senator HUMPHREY. We are the only country in the world that has taken the action to lift the sanctions; is that correct?

Mr. O'MARA. As far as I know, but——

Senator HUMPHREY. The only country, is that correct?

Mr. O'MARA. But you are talking about officially lifting.

Senator HUMPHREY. I mean officially lifting. You know I am not running the steel business.

Mr. O'MARA. That is right.

Senator HUMPHREY. I am just talking about what should the official policy of the country be and the point you made, and I think tellingly, is that a number of places around the world violate the sanctions. That is true. They violate the murder laws too; but we do not repeal them.

Mr. O'MARA. And also in a number of nations around the world they do not have one-man, one-vote.

Senator HUMPHREY. That is true.

Mr. O'MARA. And that is where much of your chrome is located.

Senator HUMPHREY. I do not see any reason that we should aid and abet by official Government policy colonial type regimes. It has been my judgment for years and years we have been trying to change other peoples into more democratic procedures. One of the arguments for détente with the Soviet Union is that it will relax them, you know. It will make it easier for their people. I hope that is the case, but I do not see any reason why the Government of the United States should endorse policies officially that aid and abet colonialism, minority rule, imperialism, exploitation. And that is exactly what we are doing.

VETO OF SANCTIONS AGAINST SOUTH AFRICA AND MOZAMBIQUE

Mr. O'MARA. And yet, Senator, Ambassador Scali said this morning, the sanctions against South Africa and Mozambique and so forth were vetoes.

Senator HUMPHREY. That is right. They were vetoes. So it is not an official policy at least by the Congress of the United States.

Mr. O'MARA. That is right, but it also was vetoed in the United Nations. Thus, we made our feelings known there.

TWISTING PUBLIC POLICY FOR PRIVATE INTEREST SUGGESTED

Senator HUMPHREY. Correct, and we could have done it on this other, but we did not. The law is there. The international law prevails. And in this instance, may I say quite frankly that it seems to me that what we are doing is twisting public policy for private interest.

Mr. O'MARA. I am sorry, Mr. Chairman, I cannot agree with that.

Senator HUMPHREY. I know you could not agree with that. [Laughter.] And I understand your concerns. I really do understand your concerns, and I can understand some of the competitive difficulties that you face, but we have had to go through this a lot of times.

There are many things we do here in the United States on the basis of what we call official policy that are not always beneficial to some private group. We have to occasionally—not occasionally, I hope we will do it more often—take a stand on what is right rather than what is convenient.

Thank you.

Mr. O'MARA. Thank you.

Senator HUMPHREY. We have another witness here, Mr. Andrews—Mr. E. F. Andrews, vice president of purchasing, Allegheny Ludlum Steel Corp., representing the specialty steel industry.

Mr. ANDREWS. Thank you, Mr. Chairman.

Senator HUMPHREY. I witnessed you in the back of the room taking exception to some of my remarks, and we will give you a chance to publicly set the record straight. I sure will welcome that.

STATEMENT OF E. F. ANDREWS, VICE PRESIDENT, MATERIALS AND SERVICES, ALLEGHENY LUDLUM INDUSTRIES, INC.; ACCOMPANIED BY HOWARD O. BEAVER, PRESIDENT, CARPENTER TECHNOLOGY CORP.; AND THOMAS SHANNON, COLLIER, SHANNON, RILL & EDWARDS, WASHINGTON, D.C.

Mr. ANDREWS. Well, you had me on the edge of my seat a couple of times.

Accompanying me is Howard O. Beaver, president of Carpenter Technology Corp., a major stainless steel producer; and Thomas F. Shannon of Collier, Shannon, Rill & Edwards, representing the tool and stainless steel industry. I am E. F. Andrews, vice president of materials and services Allegheny Ludlum Industries, Inc. I am a member of the Critical Materials Committee of the American Iron & Steel Institute. Today I am also speaking for the Tool and Stainless Steel Industry Committee.

Senator, my statement you have before you but I will not read it. I would like very much to go into the full detail because several things have been brought out here today that I am champing at the bit to speak to, and the hour is late.

Senator HUMPHREY. You go ahead and speak to it.

Mr. ANDREWS. The hour is late, so I think I will jump along and give the essence.

Senator HUMPHREY. We will include the full statement in the record, but you feel perfectly at liberty to do whatever you wish.

Mr. ANDREWS. Thank you. I am going to leave with you a copy of a little booklet which we prepared which is statistical more than anything else.

Senator HUMPHREY. We will include that, by the way, as a part of the record.

[The information referred to is on file with the committee.]

Mr. ANDREWS. We would appreciate that.

CHROMIUM IS CRITICAL AND ESSENTIAL

I think the main thing we want to say is that unlike nickel, tungsten, and molybdenum, by definition, you cannot make stainless steel without chromium. It requires 11 percent approximately even though most of it contains 18 percent. There is a great deal of contention of the fact that while this is all knives and forks, less than 6 percent of the stainless steel used in this country is used for household appliances.

We find that chromium and stainless steel is highly critical to the machinery and equipment industry, and this is our largest customer. It is also critical and essential to environmental control systems.

We cannot process our environmental desires in the country without stainless steel, and thus chrome is essential because it is the only metal that has the necessary corrosion resistance.

We find chrome critical and essential to correct the energy shortage in the United States because you cannot have nuclear power stations and you cannot even have conventional power stations without boilers containing stainless steel.

We find it is critical in the mass transportation industry because you cannot have jet engines, or tank cars, without stainless steel.

We have heard a great deal of the strategic and defense applications. It is, of course, essential to that, and the small numbers cited earlier are the direct buys of DOD and does not include a great deal of the stainless steel that might be included, say, in airplanes or something that does not show up as a sheet of stainless steel bought by the Defense Department.

But we do not want to hang our hat totally on the fact of defense.

The Defense Department does represent only a small percent of our sales.

The point is, the use of stainless steel is likely to accelerate at a geometric rate, and a very good example is just the simple little example of the catalytic converter on the automobile. It is going to take 10 pounds additional per car; it is going to take 50,000 tons of stainless steel more than we are producing. That is just to do that. That is all. It is a very small and simple usage.

It is estimated by the end of this decade the consumption of ferrochrome needed to produce stainless steel will increase from the present last year's 309,000 tons to over 750,000 tons, and that is a lot of ferrochrome.

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

COST IMPACT OF SANCTIONS

We have heard a great deal of talk about what the cost impact of the sanctions was. Well, an average ton of stainless steel contains 400 pounds of chrome.

A 1-cent per pound increase in chrome would increase the cost of an ingot ton by \$4. You get about a 50-percent yield, and that is about an \$8 increase in the cost of a finished ton.

During the sanctions, the cost of low-carbon ferrochrome rose 14 cents; that is, approximately a 65-percent increase. During the sanctions, high-carbon ferrochrome rose 10 cents. That is a 70-percent increase. That, incidentally, was 1969, 1970, 1971, which, as I remember, Senator, were recession years, and yet those prices went up in the middle of a recession when our industry, the major consumer, was flat down. It was in 1969, 1970, and 1971, imports were coming in rapidly and taking the market.

Take a penny a pound increase, that is \$8 per ton, and a 12-cents average increase for chrome during the sanctions. That is \$96 a ton. There is approximately 1 million tons of stainless steel produced annually, that is \$96 million, and that's where the \$100 million dollars Jack Sheehan questioned comes from—

Senator HUMPHREY. You and he ought to come back and fight that out.

Mr. ANDREWS. I wish we could. I am sorry he left. After the sanctions were lifted, the price of these products went down 7 cents. That is a \$56 million improvement in our cost by the lifting of the sanctions.

Now, in 1973 under phase 3, phase 2 went off, it drifted back up approximately 4 cents per pound. So we have gone up \$32 million in 1973 due to inflation and all the other factors we have heard about. It is safe to assume then if the sanctions had not come off, we would have added that to the \$96 million. That is the cost impact.

It is estimated if the sanctions are reimposed, the price of charge chrome could rise from 10 to 25 cents per pound, and I think that the price of these products could rise between \$80 million to \$200 million annualized as an impact on the industry.

Senator HUMPHREY. You are not asking for an increase with the sanctions?

Mr. ANDREWS. That was the carbon steel industry.

Senator HUMPHREY. But it would affect your industry ultimately?

Mr. ANDREWS. We do not make carbon sheets, sir.

Senator HUMPHREY. I have watched the steel industry over the years. When the price increases with one group, it sort of spreads out.

Mr. ANDREWS. It works across the industry. We were not down there asking for it. We were not appearing. It was the carbon steel industry.

OPPORTUNITIES TO OBTAIN CHROME AT REASONABLE PRICES

Now the point is, the necessity of ferrochrome at reasonable prices to the stainless steel industry. We do not use chromite. We do not need chromite. We cannot use chromite.

Now then, there are only three ways we are going to get it: American ferroalloy producers, the national stockpile, or imported. And yet the three opportunities are more apparent than real. Now we are getting to the issue that was so hardly banged on this morning and that is, the American ferrochrome industry relies exclusively upon imported chromite. We have no metallurgical chromite in the United States.

WITNESS' 1968 PREDICTIONS CONCERNING SANCTIONS

Now in 1968 I went to the State Department and I came up here on the Hill and I said that if the sanctions were left on, these things would happen: Chrome ore prices would double, the ferrochrome industry would be irreparably damaged, if not destroyed, and I predicted that ultimately only one plant would survive, that is the Airco, Charleston, S.C., plant. Mr. O'Mara referred to that. Stainless imports would rise due to lack of competitiveness imposed on the stainless steel industry, that the Rhodesian Government would not fall in 6 months as the State Department was predicting and, that prices would come down when the sanctions were lifted. All of those have happened.

Senator HUMPHREY. It is a pretty damn good record for prediction.

Mr. ANDREWS. Yes, it is a good batting average.

Senator HUMPHREY. You ought to be the Chairman of the Council of Economic Advisers around this town.

Mr. ANDREWS. I thought about that a couple of times too, Senator.

Senator HUMPHREY. Maybe we will give you a transfer.

Mr. ANDREWS. Do not tempt me.

[Laughter.]

IMPOSITION OF SANCTIONS INJURED U.S. FERROCHROME INDUSTRY

Now, I contend, sir, and as one who has been in Rhodesia and South Africa and across the African Continent on several occasions, I contend that the imposition of the sanctions is what injured and brought about the forces of injury to the ferrochrome industry and not the lifting of them. As I saw Rhodesia in 1968, 1969, there was virtually no ferrochrome industry there, and I in my various trips saw it build and rise in 1969, 1970, and 1971 from almost zero to almost 300,000 tons of capacity equal to the U.S. capacity. It was not there previously.

Senator HUMPHREY. To what do you attribute that?

Mr. ANDREWS. Japanese money and European equipment.

Senator HUMPHREY. They are going to be around for quite a while.

Mr. ANDREWS. Senator Humphrey, all signatories to the sanctions that were not supposed to be there, and I nearly got run over by the Renaults and Toyotas and Citroens while I was there.

Put yourself in the position of the ferrochrome producer, he has an old plant; it is designed for low-carbon ferrochrome rather than high-carbon ferrochrome. He has been cut off from his major source of economic ore. He has been told to take Russian ore, which is increasing in fines, and I could spend a lot of time talking about the quality of that but I will skip that because that is on the record. He is being pressed now for ecology and so forth. He is not taking long term chrome contracts because he does not know what his future is. He is not taking long term energy contracts because he does not know what his future is. Now the sanctions come off and he looks over there and there are 300,000 tons of brand new capacity sitting in Rhodesia and almost 200,000 tons of brand new capacity sitting in South Africa that was not there when the sanctions were put on ready to go. Would you invest to compete and its sitting on top of the ore pile?

Senator HUMPHREY. I think that is a problem.

Mr. ANDREWS. It is the problem and I therefore submit to Mr Sheehan and anybody else, and I am talking about Steubenville. Let's talk to the 350 steel workers out of work there, whether the sanctions, taking them off or putting them on, caused loss of jobs.

What I am concerned about as being a member of the stainless steel industry, sir, is putting them back on again and let them last 5 years again, let the Japanese and everybody else run over there as they did before and when we take them off we will be eyeball to eyeball with the brand new stainless steel producers; we will have exported those jobs.

Maybe that export of the ferrochrome industry was inevitable, sir. Maybe it was going to happen, but we sure as the dickens accelerated the program. That is my contention, that we lost jobs.

DISLOCATION OF HISTORICAL PATTERNS OF FERROCHROME

Senator HUMPHREY. The "Metals Week," which I think is the official publication, has noted pretty much what you have said. Speaking about the ferrochrome industry; it says:

One highly placed source believes the problem lies deeper, however, originating with a "considerable dislocation of the historical patterns of ferrochrome."

Until last year, this expert reasons, the United States maintained a strict adherence to the U.N. sanctions against Rhodesia, making the Rhodesians very selective and independent about selling ore. At the same time, Rhodesia and South Africa—which have maintained a traditional strong bond, accessing low-cost and high-grade ore sources to both—are now seeking to produce and sell chrome alloys rather than ore. As a result, South African ferrochrome production has expanded to an estimated 500,000 tons per year by year end and Rhodesia is slated to triple its own capacity in the next 18 months to 400,000 tons per year.

I guess what they are really saying is, regardless of what happens on the Byrd amendment, these countries which are sitting on top of the ore and have the power are going to do it anyway.

Mr. ANDREWS. Right, you just made my point, Senator, and I appreciate it very much.

Senator HUMPHREY. I am always glad to be helpful.

Mr. ANDREWS. I have that article in my own file, the point being we have, in fact, dealt an irreparable blow to the ferrochrome industry unless some kind of Government thing you alluded to a moment ago would occur that would keep this onshore.

Now, we have the stainless steel industry eyeball-to-eyeball with this situation. Are we going to deal irreparable damage because we cannot survive without ferrochrome? Bring all the Russian chromite in you want; it is not going to do us a bit of good. The chromite coming in is going to the Charleston, S.C., plant, which has been buying Russian ore since 1962. He tried to use Rhodesian and could not produce charge ore with the competitive quality and he was the first man to go to Russia, he made a 10-year contract for power and a 5-year contract for his ore, but that contract finally expired on his ore and the best deal he could get was 18 months because the Russians anticipate the sanctions will go back on and they can raise the price. I do not blame them, it seems like a reasonably entrepreneurial approach to the problem.

The point is, Russia has no exportable ferrochrome business.

Since the sanctions went on, we have gone from 95 percent self-sufficient in ferrochrome in the United States to where we are now down to less than 75 percent, and if the plants scheduled for closing, do close, we will be almost 50 percent at the end of this year.

REASON FOR DECLINE IN U.S. FERROCHROME SELF-SUFFICIENCY

Senator HUMPHREY. Is that not simply due to one thing, South African and Rhodesian cheap labor and no real trade union movement and to not having to comply or not complying with all of the environmental controls, as the Carnegie report pointed out? They produce it cheaper, period?

Mr. ANDREWS. Right.

Senator HUMPHREY. That does not—

Mr. ANDREWS. I would support Mr. O'Mara; it is not labor but it is power and the other things, all right.

Senator HUMPHREY. You may say that, but the Carnegie study pointed out that this surge of low-cost imports of ferrochrome from Rhodesia has done more harm to American industry than any of the other things during the period of the sanctions.

Mr. ANDREWS. I just do not support that for whatever they want to hang it on, but the point is that labor is 10 percent or less of the cost of production and this, therefore, is not the full impact.

Senator HUMPHREY. It is not just labor. The study went on to point out, as you know, a number of other things.

Mr. ANDREWS. Yes; they have brand new furnaces, large furnaces, designed for high carbon ferrochrome, cheap power, sitting on top of the chrome pile and labor.

ABILITY OF JAPANESE AND GERMANS TO OUTCOMPETE U.S.

Senator HUMPHREY. In reference to the steel industry, the Japanese and Germans have new furnaces, pay more for power, were able to send ore into this country, paid higher wages in terms of the total benefits and were able to outcompete the American steel industry?

Mr. ANDREWS. Certainly.

Senator HUMPHREY. They had to import their ore?

Mr. ANDREWS. For one reason. They were buying Rhodesian chrome during the sanctions.

WHY RHODESIAN AND SOUTH AFRICAN FERROCHROME IS CHEAPER

Senator HUMPHREY. When you talk about furnaces and equipment, may I say I do not think this has anything to do with sanctions at all? I think the Carnegie report again made it very clear what was going on here. It says:

It is important to remember in all this just why Rhodesian and South African ferrochrome is so much cheaper. Not only are the lack of pollution controls and the proximity to the raw material—chrome—important in keeping costs low in Southern Africa. Equally important is the fact that labor unions are almost unheard of and the mostly-African labor force in both countries are paid very low wages for their work in the mines and the ferrochrome processing plants. It is the apartheid and cheap labor systems which allow companies like Union Carbide to produce ferrochrome so much more cheaply in Southern Africa.

So what you are really getting down to is sanctions or no sanctions. They can produce cheaper over there simply because they are on the cheat with their people.

Mr. ANDREWS. Sir, you heard the producers say that it was not labor. And I would trot any producer anywhere in the world up here and he will show you his labor costs in percent of production cost is infinitesimal.

Senator HUMPHREY. Would you pardon me if I went down and cast a vote for freedom and I will be back.

Mr. ANDREWS. As one who wears in the role of the black hat has little choice—

Senator HUMPHREY. I have about a 4-minute time period if you want to wait.

[Short recess.]

Senator HUMPHREY. We will proceed back to this sterling star witness that we have here.

Mr. ANDREWS. Did you win, Senator.

Senator HUMPHREY. We won. I am losing with you, but I am winning over there.

Mr. ANDREWS. Never, never will be the day I will be able to stand up to your articulateness.

Let me jump down for time, Senator, because there are a couple of other points on this I would like to throw in and either bow out or whatever you desire.

COMMENT THAT WE CAN RELY ON STOCKPILE

First of all is the comment that we can rely on the stockpile. As I have indicated, our ability to consume the chromite in the stockpile is now fast becoming very academic in the sense we do not have the chromite consuming demand and the only major producer really viable left has the Russian contract, but it is only an 18-month contract. But even so, a very high percentage of that material is considered to be unacceptable by present standards. But let's look at the picture on chrome.

Seven hundred and twenty-one thousand tons of ferrochrome in there, 319,000 tons of that are low-carbon ferrochrome, which is not the product of choice any longer with our AO furnaces, and so forth. Our ability to consume and it has been marked, according to GSA [Government Services Administration] and metals week and some others, as obsolete by present day standards so what you are really

looking at are 402,000 tons of high-carbon ferrochrome. This year we are consuming at the rate of 460,000 tons, and if in fact we shut down the plant as scheduled, could be as low as 150,000 tons of capacity. By next year it is estimated we could have 500,000 tons' consumption, and you can see the shortfall and you have 402,000 sitting there and, when that is gone, it's Katie bar the door eyeball with the Russians.

WHAT DO WE DO WHEN WE COME TO IMPORTS?

They do not make ferrochrome for export and what do we do when we come to imports? Who do we import from? There are five basic areas, Russia, Turkey, South Africa, Rhodesia, and a little bit in Brazil. Fine.

The Japanese have been very astute and in a consortium of five companies who got together, a little bit illegally maybe in the U.S. terms, but they had a meeting and the government kind of sat in on that meeting and they went over and made a 10-year contract in Turkish ore, and that is why the drop off of Turkish ore. It is going to Japan.

In the August London Metal Bulletin, you will find five companies in conjunction with the Japanese Government are trying now to make a deal with Brazil.

Senator HUMPHREY. Might I add, they are not only doing that in the instance of this ore but they are doing it—

Mr. ANDREWS. Many other things.

Senator HUMPHREY [continuing]. They are doing it in soybeans.

Mr. ANDREWS. All over the world.

Senator HUMPHREY. All over the world, and they are doing it in petroleum. They are going to protect their supplies.

Mr. ANDREWS. Yes, sir. And you will find, sir, in a speech I made in the American Iron and Steel Institute, May 1972, entitled "American From a Have to a Have-Not Nation," I recommended that we had better review some of our policies inside the United States and watch some of these people because we are running out of raw materials. And if you take the White House conference, sir, which was held about a year and a half ago, and take the growth pattern to 1990, and you take the energy shortfall that we have all heard so much about, the metal shortfall in the United States is more severe. But we have not heard anything about that. We are going around kind of shutting it off from ourselves around the world, or else not going after it aggressively, we cannot live without going after it.

NECESSITY OF CONSIDERING FEELINGS OF LESS DEVELOPED COUNTRIES

Senator HUMPHREY. You see, that is the problem. That is one of the reasons why I believe we have to be considerate of the feelings and concerns of some of these countries that are potentially rich in natural resources.

I was at the Finance Committee this morning testifying on another matter. But there are what we call the less-developed countries, or the low-income countries.

Mr. ANDREWS. Yes.

Senator HUMPHREY. That represents per capita income of under \$375 of over a billion people, exclusive of China, 70 nations. Yet in

those countries and in the territorial domain are vast resources yet to be developed. The United States has a very special interest in maintaining close diplomatic ties, friendly relationships, walking the extra mile, may I say, to accommodate some of the views and the attitudes of these people or we are going to end up having people say to us, "Well, sorry buddy, turn out the lights."

Mr. ANDREWS. Right. That is what they are going to do, Senator, I could not agree more, and this is a very serious and critical problem but then you come back to the chrome, right in line with your problem.

Sixty-seven percent of the world metallurgical chrome is in Rhodesia; 22 percent is in South Africa, which has a far more severe racial problem than Rhodesia, and so I come up with 89 percent of the chrome is down there and we are talking about, shutting it off.

CHROME IN BRAZIL

Senator HUMPHREY. Those are the known reserves, but is it not true there is considerable chrome through geological surveys in Brazil?

Mr. ANDREWS. We do not know. Their capacity, we know, is not large at this time. They have not developed it. It is recognized by the Bureau of Mines to be less than 2 percent of the world known reserves.

Senator HUMPHREY. Is that right?

Mr. ANDREWS. Yes.

FINNISH CHROME

Senator HUMPHREY. What about Finland?

Mr. ANDREWS. They have very little. They use Russian ore. They are a ferrochrome producer.

Senator HUMPHREY. But they do import Russian ore to produce ferrochrome?

Mr. ANDREWS. Yes, as do Norway and Sweden.

CHEAPNESS OF FINNISH FERROCHROME

Senator HUMPHREY. Why is Finland producing at prices that are about 20 to 25 percent cheaper than Rhodesia?

Mr. ANDREWS. I do not know that they are.

Senator HUMPHREY. That is the information we received here in the committee.

Mr. ANDREWS. Oh, no. The Finnish? I do not have the Finnish price, sir; I know the Japanese, German, Norwegian, I have those as higher than the Rhodesian. I do not happen to have the Finnish, so I cannot speak for that.

Senator HUMPHREY. I will check into that.

Mr. ANDREWS. That is on the record. It either is or is not. We will find what the record says.

GROWING DEMAND FOR AND DECLINE IN SUPPLIERS OF FERROCHROME

My point is that as the various nations of the world reach out for ferrochrome, leaving the Brazilian and the Turkish ore aside, you are looking at Russian, and the South African-Rhodesian complex. Now we know that during the sanctions the Russians were beginning to

ship an increasing amount of fines, and even Senator McGee and the metal bulletin was saying it is obvious that the Russians are having trouble keeping on supplying us. This was during the sanctions.

Now, the South Africans have found, as has been tried in this country, they have trouble meeting the standard qualities and costs, using only South African ore. Therefore, a very major share of the ferrochrome produced in South Africa is beneficiated by Rhodesian ore to bring it up to standard.

Now, as the rest of these nations in Europe have a growing demand, also we do. If we are going to prosecute our ecological and mass transit and energy needs, there is going to be more of a scramble for this limited supply. Russian, Rhodesian, South African. That is where the big load is, and I say then that we are either going to be outbid for it or it is not going to be made available to us, and we had better get in there and have our part.

Facing this decline in the number of ferrochrome suppliers and forbidden to trade with the leading and lowest cost producer, American steel industry could expect to pay stratospheric prices for ferrochrome, that it can get, the point being if we are out there competing in the ferrochrome world and saying "OK, fine, but you cannot buy from this major and largest producer," so you have to compete with everybody else for what is left, the cost impact on us has to go up.

Now, the imports in steels, you know what they have done. You have been up and down the line on steel and the impact imports have had on us. Our fear is imposition of the sanctions hasten the export of steelworkers' jobs in the ferrochrome industry, and we feel that the imposition of those sanctions again will hasten the export of steel workers' jobs in the stainless steel industry. This is our primary concern.

DOING SOMETHING FOR AFRICAN PEOPLE

If you want to do something for the people of Africa, the sanctions have not worked. That has been a matter of the record. Their GNP has gone up. Their mine and mineral output increased 96 percent from 1967 to 1972 during the sanctions. The one guy that got hurt by the sanctions, in my opinion, two guys that got hurt by the sanctions were the steelworkers and the ferrochrome industry that got clobbered when they saw that new capacity go up while they had their hands tied, and the black African in Rhodesia in the agricultural and tobacco industry, he got clobbered.

I agree with the statement of Senator Fulbright that we should not meddle. I agree with the President of the United States when speaking to Africa that the answer is to help them economically and to help them get jobs, and then I would say if we want to help the Africans in Rhodesia, we go down there and we import industry, we put in trade schools, we educate him, we create jobs, we give him economic and educational advancements and then his political and social advancements, he will want and be ready to receive and it will come much quicker, I think, and with a lot less effort.

Senator, that is it and I thank you very much for staying as late as you did.

[Mr. Andrew's prepared statement follows:]

PREPARED STATEMENT OF E. F. ANDREWS, VICE PRESIDENT, MATERIALS AND SERVICES, ALLEGHENY LUDLUM INDUSTRIES, INC.

Good morning; my name is E. F. Andrews. I am Vice President Materials and Services, Allegheny Ludlum Industries, Incorporated 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.

Although I am confident 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.

Unlike such metals as nickel or tungsten, chromium is indispensable in the production of stainless steel. While a steel can be officially classified "stainless" if it contains as much as 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 ferroalloy 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.

Machinery and equipment is the largest market for stainless. This includes food processing, chemical refining, and hospital implements.

Environmental control systems are demanding 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.

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.

Transportation consumes much of the industry's output. Uses range from stainless steel tank cars to jet engine blades.

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. For 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.

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.

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 one of our most common grades of stainless, we need 400 lbs. of chromium, 200 lbs. of nickel, and 1,640 lbs. of iron. The iron (which if scrap is used also contains some chromium) costs us about 2¢/lb. 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 to \$.38, depending upon whether low carbon ferrochrome or high carbon ferrochrome is used, or approximately \$120. In this case, the ferrochrome alone accounts for approximately 29 percent of the raw materials costs.

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—the 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 lbs. of chrome in a ton of stainless steel; thus a 1 percent per pound increase in chrome would increase the

cost of an ingot ton by \$4.00. With an average 50 percent yield factor, it would increase the cost of a finished ton by \$8. During the Rhodesian sanctions, the cost of low carbon ferrochrome rose \$.14 and the cost of high carbon ferrochrome rose \$.10. For illustrative purposes, let's say that the cost of chrome went up an average of \$.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. Shortly after the sanctions were lifted, the price on both products went down \$.07 per pound. Thus restoring nearly \$56 million to the stainless producers during 1972. During the inflationary rise of Phase 3 this year, these prices have edged back up approximately \$.04 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 estimated that the price of these products could rise from \$.01-25, or \$80-200 million increase in cost if the sanctions are reimposed.

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.

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 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 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 3rd 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. 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. These combined factors rendered investment 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 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 for closing this year. 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.

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

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 two years. Unfortunately, this apparent availability is complicated by a number of factors. Of the 721,000 tons in the stockpile, 319,000 tons is 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 was 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. While it is not my purpose today to debate the wisdom of liquidation of the national stockpile, the issue is moot in any event.

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

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 United States 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. 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 3rd countries. 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.

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 five 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.

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 is refined from Rhodesian chromite. 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, almost all *South African* ferrochrome would be necessarily banned for U.S. consumption. Even if South African ferrochrome were to use only indigenous ore, however, South Africa would be unable to meet even the demands of the United States producers, disregarding 3rd country consumers.

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

Even assuming that 3rd 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 change grade ferrochrome cost over 30 percent more than the Rhodesian product. German and Norwegian suppliers could not come within \$100/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.

Faced with a declining number of ferrochrome suppliers, and forbidden to trade with the leading (and lowest) cost producer, the American 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 an American industry would become the victims of a policy directed against a government which has prospered under the embargo.

The irony will not be humorous to a black steel worker 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.

Senator HUMPHREY. You are a good witness, and you make a good case for your side of the argument.

I just want to ask a couple of questions.

POSSIBILITY OF BUYING FROM SOUTH AFRICA

There is about a 500,000-ton ferrochrome capacity in South Africa, is that right?

Mr. ANDREWS. Yes, they are very hush-hush on this. It is estimated to be that by mid-1974.

Senator HUMPHREY. Are they big exporters?

Mr. ANDREWS. Yes.

Senator HUMPHREY. Can you not buy from South Africa?

Mr. ANDREWS. Yes, sir, we certainly can; so can everybody else. But a very large percentage of the production in South Africa is dependent upon Rhodesian ore to beneficiate the low-grade South African ore to bring it up to present current standards of a chrome capacity.

You try to make 65 to 70 percent ferrochrome out of Transvaal ore, and it cannot be done. If you do not beneficiate it, you will come up with about 50 or 51 percent, which is a very uncompetitive product in today's world. It just commands a very low and uncompetitive price for uncompetitive quality.

Senator HUMPHREY. To get at the business principles of it for a minute, regardless of the politics or policy involved, it is a fact that your company, for example, if it wished to, or the United States, speaking of it as a country——

Mr. ANDREWS. Yes.

Senator HUMPHREY [continuing]. Could import ferrochrome processed ore from South Africa? There are no sanctions on that?

Mr. ANDREWS. No, unless you want to say that the sanctions are on that part of their production which is produced from Rhodesian ore, and I think technically they are, sir, are they not?

Senator HUMPHREY. Again, I am not sure that South Africa is abiding by the sanctions.

Mr. ANDREWS. I am sure they are not.

Senator HUMPHREY. So again I am speaking now of what we ought to do in our country.

Your case is essentially based upon the fact that the ore is there, the power is there, and they can produce it more cheaply. It is my judgment that if that is all true, it will not make very much difference whether there are sanctions or not as to what is going to happen to the industry. It is going to gravitate into that area.

Mr. ANDREWS. True.

Senator HUMPHREY. From the point of view of the American economy, the imports that we might need are in this area, since South Africa has the largest capacity, larger than Rhodesia; there are large American investments in South Africa, and we are not under any international sanctions relating to South Africa.

Mr. ANDREWS. That is true.

Senator HUMPHREY. The problem that we have before this committee is not merely one of commerce. It is one of national public policy and abiding by international law as designed and approved by the United Nations General Assembly concerning the sanctions upon Rhodesia.

The reason for the sanctions upon Rhodesia, as you and I know, is the dispute that took place between the Government of Great Britain and Ian Smith and his regime in Rhodesia, and the demand

for popular government that took into consideration the fact that there are 5 million blacks in the country and 250,000 whites.

Whether sanctions should have been applied to other countries or not is a separate question. We are not dealing with that. We are dealing strictly with this question.

BUYING FERROCHROME FROM SOUTH AFRICA

My point is that insofar as American security and consumer needs are concerned, without talking about where the industry ought to be based, you can get your supply of ferrochrome out of South Africa. You can buy some other ore from other parts of the world to mix with the South African ore in the United States.

Mr. ANDREWS. You can get it out of South Africa, sir. I want to make two points on that:

Your point is made, but let me clarify it; if you are willing to make two assumptions, one is the capacity is something less than 500,000 tons that it will be by 1974, and I say it will be that. Now, by 1974-75, we are going to need perhaps that much. By 1980, we are going to need over 750,000 tons; that is kind of assuming we are going to get all and nobody else is going to try to get it.

Senator HUMPHREY. You ought also to assume that that capacity might enlarge, and you have to assume also there is going to be some other capacity. The Japanese are not bringing this money over to Brazil to collect coconuts.

Mr. ANDREWS. Right.

Senator HUMPHREY. They are over there to build a ferrochrome industry.

Mr. ANDREWS. And take what is there.

Senator HUMPHREY. You have to assume.

Mr. ANDREWS. Right.

Senator HUMPHREY. I do not think the Japanese are over there digging gardens. I think they must know——

Mr. ANDREWS. I never have found them digging in gardens anywhere around the world that I know of.

Senator HUMPHREY. I think you have to assume they know what they are doing.

Mr. ANDREWS. Right.

Senator HUMPHREY. You have to assume there will be other alternate sources of supply to meet the needs domestically and internationally.

You and I have had quite an argument on this. You made a good point, and I ought to let up on you.

Mr. ANDREWS. I ought to consider that winning.

ANALOGY OF CRAP GAME WITH LOADED DICE

Explain one thing to me. I am going to show my lack of expertise and so forth in international politics, and this is a wrong thing to do. You had better quit when you are ahead, but as an old country boy, I used to get into a crap game.

Senator HUMPHREY. I wonder about you country lawyers. There is another one around this town doing pretty well.

Mr. ANDREWS. And when you found out everybody in the game was playing with loaded dice except you, you got out of the game, and is there not some analogy to that?

Senator HUMPHREY. Yes, and there is a better analogy. If you find everybody in the game is playing with loaded dice and there is another game going that is halfway honest, get in that one.

Mr. ANDREWS. That is not possible, if there is only one game.

Senator HUMPHREY. That is the alternative I would offer here. I find you a very interesting witness.

Mr. ANDREWS. Thank you very much. It is a pleasure to go up with a real pro.

Senator HUMPHREY. Thank you very much.

[Mr. Beaver's prepared statement follows:]

PREPARED STATEMENT OF HOWARD O. BEAVER, PRESIDENT, CARPENTER
TECHNOLOGY CORP.

Good morning; my name is Howard O. Beaver. I am president of Carpenter Technology Corp. Our company is one of the major producers of specialty steels in this country. Our products include stainless and heat-resisting steel, electronic steel and a wide variety of special purpose alloys. Almost without exception, the steel products manufactured by CarTech include large percentages of chromium. Last year, our company used over 21,750 tons of high and low carbon ferrochromium—over seven percent of total industrial consumption.

Although I am confident 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.

Unlike such metals as nickel or tungsten, which are alloyed in only some stainless steels, chromium is indispensable in the production of any stainless steel. While a steel can be officially classified "stainless" if it contains as much as 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 ferroalloy consumption in the United States is for production of stainless steel and high temperature alloy products.

Because of its high corrosion resistance, stainless steel—which most people associate with tableware and cooking utensils—is vital to a wide range of critical application, both military and commercial, ranging from jet aircraft and pollution control devices to refrigerated boxcars. In fact, only about 5 percent of all stainless steel produced in this country is ultimately used for home decorative applications and tableware. The vast majority of stainless steel is used in industry and defense where its corrosion resistant qualities are essential.

Machinery and equipment is the largest market for stainless. This includes food and dairy processing, chemical refining, and hospital and surgical implements.

Environmental control systems are demanding 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.

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, turbine controls and related equipment.

Transportation consumes much of CarTech's output. Uses range from stainless steel tank cars to jet engine blades.

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. For 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.

The applications of stainless then are not—as some critics have implied—merely for decorative purposes, i.e., to enhance the looks of bathroom fixtures. Stainless and its related alloys are primarily used in critical industrial, ecological and defense applications—for most of which there is simply no realistic substitute for stainless steel.

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

Ferrochromium—not chromite ore—is the raw material essential to specialty steel production. It is produced in approximately 20 countries, all but four of which must import a majority of their metallurgical grade chromite.

I would like to emphasize that no American specialty steelmaker owns or operates any ferrochromium refining facilities in the United States. We are customers of ferroalloy producers like Union Carbide, and Foote Mineral—not competitors. Availability of ferrochromium is the critical issue to the American specialty steel industry. Ferrochromium is the essential ingredient in the production of stainless steels, which, as we have pointed out, affect our daily lives in so many ways. However, the availability of ferrochromium as a practical matter, is increasingly dependent on accessibility to chromite ore reserves.

Over the past decade, the American specialty steel industry demand for ferrochromium has gradually changed. With the introduction of new refining methods, our need for high-carbon ferrochrome has skyrocketed while consumption of low carbon ferrochromium has declined. This development has been a mixed blessing. While raw material costs for high carbon ferrochromium are generally less than for low carbon, availability has become an important consideration. As Mr. O'Mara mentioned, American ferrochromium producers are generally less able to supply our new demands as they formerly were. Foreign sources of supply have become increasingly critical.

Let me illustrate just how dependent the specialty steel industry—and my company is upon an adequate supply of ferrochromium at reasonable prices. At current market prices, my company's total costs for ferrochromium represent approximately 13.4 percent of our total raw material costs. If the sanctions are reimposed, assuming that we would be able to get ferrochromium, we would anticipate an increase in its price. The amount of the price increase cannot be precisely determined. However, during the period of the last sanctions, between 1967 and 1971, the price of chrome ore from Russia to domestic ferrochromium producers increased from \$31.50 per ton to well over \$60 per ton. In today's high world demand market, it can be expected that a substantial increase in ore prices would occur, with a commensurate increase in the price of ferrochromium from both domestic and foreign sources. We feel that an immediate 20 to 30 percent increase could reasonably be expected and that figure could continue to go higher, depending on world demand for stainless steel and ferrochromium. A 30 percent increase in the price of ferrochromium would increase our total raw material costs by 4 percent. A recent study of our raw material costs for the Cost of Living Council indicated that raw material costs represent approximately 35 percent of our overall production costs. Thus, a 4 percent difference in raw material costs translates into a 1.4 percent difference in overall production costs. 1.4 percent may sound *de minimis* until you consider that would represent over \$2.1 million for my company alone. Last year, CarTech recorded a \$27 million profit before taxes. A \$2.1 million increase in operating costs would cause 7.8 percent of that profit to be eroded should we be forced to rely solely on other sources for our ferrochromium.

Actually, we feel that the erosive figure shown above is conservative. If the sanctions are reimposed, we would expect an even greater erosion of profits because of our dependence on stainless scrap, the price for which would also be affected. In the production of most of our stainless steels, we use a combination of both ferrochromium and stainless scrap, which contains a certain amount of ferrochromium, to provide the total amount required for the type of stainless being produced. Should the sanctions be reimposed, we feel that not only would the price of ferrochromium increase, but that the price of stainless scrap would as well. The Specialty Steel Industry has been extremely concerned about both the availability and the price of stainless scrap and has expressed this concern in correspondence and meetings with the Commerce Department and Members of Congress. We feel that sanctions on Rhodesia would serve to only worsen an already critical situation. If the price of stainless scrap would increase, as we expect it would, then the impact on our operating costs and profits would be even greater than previously shown.

In our discussion of costs and prices, we have assumed that ferrochromium would be available. We wish to emphasize that availability is a key issue in this matter and should not be downgraded by our assumption. By availability, we mean access by American specialty steel producers to a sufficient quantity of the material to sustain the current demand of the market for specialty steel and to maintain a viable industry, without loss of production and jobs. Any increase in raw material prices and production costs are likely, under Phase IV regulations to be permitted to be passed on, in part at least, to consumers in the form of higher steel prices. It would be unfortunate, in this inflationary period, to add another force in the form of an artificial barrier such as an embargo on Rhodesia to the already too numerous list of inflationary forces. However, assuming we are willing to accept this inflationary risk, we may not be willing to accept the unavailability of sufficient quantities of stainless steels to meet our everyday needs. Limiting our sources of supply of ferrochromium in the midst of a growing world demand could severely affect its availability and our ability to produce the steels required. This is a key issue. Mr. Andrew's statement discusses this issue in more detail.

Another related area of concern is the effect of the sanctions on the American Specialty Steel Industry's ability to compete against foreign steelmakers. Over the past several years foreign steel imports have taken large portions of the U.S. domestic stainless market away from domestic producers. In some cases, such as stainless wire rods for example, that foreign share has increased to about 50%. We feel that a major factor in the U.S. industry's loss of market share has been the lower costs of raw materials to the foreign producers. Reimposition of these sanctions can only serve to widen the current cost gap between American and foreign producers and would likely increase the amount of import penetration into the U.S. market, or at least offset any beneficial effects of the recent dollar devaluations. Aside from the undesirable impact on our balance of trade, we are concerned about the impact on our ability to compete and to maintain our level of production and employment. Foreign specialty steel producers, including the Japanese, the French, the Italians and even the Swedes would continue to have access to Rhodesian ferrochromium for their steel production. Because of this *direct* access, we feel that, despite an expected increase in Rhodesian prices for ferrochromium, these foreign steel producers would be able to purchase the material at a price which would still be lower than that which U.S. producers would be compelled to pay other countries such as Russia. Their lower costs could and probably would be passed on in the pricing of their steel imported into the U.S.

The market for specialty steel products is highly competitive. Often a 0.5 percent price differential is critical to a consumer. Foreign steel makers' ability to pass on lower raw material costs to their customers had devastating consequences for us during the last sanctions period. The import share as a percentage of the domestic stainless steel market peaked at an all-time high during that period and has generally decreased since 1971, when the sanctions were lifted. While we recognize that this is a complex matter and that there are many other factors which are involved in the foreigners' ability to penetrate the U.S. market, certainly lower raw material costs must be considered important. A specific example of the devastating effects of increased import penetration, caused to a major extent by lower raw materials costs, is the closing of one of our Divisions, the Webb Wire Division, in 1971, resulting in the loss of over 100 jobs. The foreign producers of stainless wire were able to sell finished wire in the U.S. at a price lower than what it cost us to manufacture the wire rod as a raw material from which the Webb Division produced the finished wire. While there were other international trade factors which contributed to this situation, certainly it must have been aggravated by the foreign producers' ability to obtain stainless raw materials at lower prices. It would seem to be more than just coincidental that it occurred during the period of the last sanctions. While there is no way of knowing for sure that reimposition of the sanctions would contribute to the creation of such a condition again, there is no guarantee that it would not, and we question whether the risk is worth it.

Another significant factor which should be considered is that, if the sanctions are reimposed, we would have a situation where some of the same countries on whom we will become solely dependent for our ferrochromium are also producers of the specialty steel against which we compete in the U.S. Thus, these countries would be in a position, if they so desire, to control our ability to produce steel and compete against their imports into the U.S. by simply controlling the amount of

ferrochromium they make available to us. Rhodesia is not a factor in the world specialty steel market and we have no reason to fear such a possibility from them at this time.

In summary, we should recognize the importance of stainless steel to our economy and standard of living, and how critical an adequate supply of ferrochromium is to the production of this vital product. We should be aware of the severe effect that reimposing the sanctions could have on our steel production costs and the inflationary effect on consumer prices. We should be concerned about the impact of the sanctions on the availability of raw materials in sufficient quantities to satisfy our domestic needs for steel. We should also be concerned about the impact on both the cost and availability of raw materials and their resultant impact on domestic producers' ability to compete against steel imports and maintain market share without loss of jobs.

Thank you for your attention and consideration of our views on this matter.

[A submitted document, entitled "Rhodesian Chromium and Specialty Steel: Basic Considerations," is on file with the committee.]

Senator HUMPHREY. I think Senator Javits is coming by. I want to hold this committee for a little while. We will recess for a few minutes. I know we need to have a lunch break, but Senator Javits said he was coming.

Would you call the Senate floor and make sure.

Senator Javits, we just finished hearing a number of witnesses both pro and con on the repeal of the so-called Byrd amendment. I know that you want to make a statement about it, and we want very much to have it in the record.

STATEMENT OF HON. JACOB JAVITS, U.S. SENATOR FROM NEW YORK

Senator JAVITS. Thank you, Mr. Chairman.

Mr. Chairman, my reason for seeking an opportunity to testify was that I have just returned from Africa where I attended a conference of World Peace Through World Law at Abidjan, Ivory Coast, and in attendance there were the leading officials of many, perhaps most, of the African countries, especially those south of the Sahara. Also, I spent a number of days in the famine areas of West Africa in the six Sahel countries, Upper Volta, Chad, Niger, Mali, Mauritania, and Senegal, and also had some discussions in Lagos, Nigeria, which is the most populous country in Africa.

Mr. Chairman, one cannot leave that area without the firm conclusion that there are two deep issues troubling those peoples insofar as the United States is concerned: One is our attitude toward Rhodesia and the other is our attitude toward the Republic of South Africa.

Now, the latter, of course, is not germane to this particular issue except indirectly, but the Rhodesian issue is clear and it is epitomized by the failure of the United States as a matter of law, to support its commitments to the United Nations respecting human rights and respecting the particular sanctions imposed on Rhodesia for violating human rights, I cannot see, Mr. Chairman, how we expect to conduct a cooperative policy with these numerous nations, more than 40, in Africa without being responsive on this issue.

Now it is one thing to say we will not be responsive on an issue in which we believe they are wrong, and we have a deep national conviction that we are right, and we are not going to be bludgeoned by anybody or made to do what we do not think we ought to do. But when, as the situation here, it is a matter of honoring our own solemn

commitments, which are both moral and legal, they happen to be right. And all the more reason, therefore, why we should not persist in a course which is both harmful to us, very harmful to us, as a nation, and also incorrect in terms of international law and international morality.

We have a great deal of opportunity, Mr. Chairman, to argue these issues on the floor, but as part of the hearing record I wish to make this factual statement based upon my own experience, and which I have just experienced within the last week. These hearings are not going to wait for my report to the Senate, so I thought it was better to report on this specific subject right here and now.

But if I ever was convinced that this measure is the right one, I certainly am convinced now. Not only do I consider it right, but I consider it indispensable. Lest any body think that these are light matters, Mr. Chairman, I would like to point out that the International Convention on Terrorism involving skyjacking, in my judgment, failed to be voted on effectively by the last General Assembly at the U.N. in part because the African nations rejected the approach of a binding international convention. They were motivated by the idea that we were not cooperating with them so why should they cooperate with us, even if it was in terms of limiting the opportunities of terrorists to force governments to help them to realize their political aims, even if those governments were third-party governments and the people being assassinated were third-party nationals.

That is how important this matter is, and it is for these reasons, Mr. Chairman, that I wish to put my testimony in the record before these hearings close.

Thank you.

Senator HUMPHREY. I want to thank you, Senator.

REVIEW OF MR. O'MARA'S AND MR. ANDREWS' TESTIMONY

I would like to have you, if you have the time, review the testimony of Mr. E. F. Andrews, who just left here, from Allegheny Ludlum Industries, and Mr. O'Mara from Union Carbide.

They were in opposition to the resolution before us. Mr. Andrews' testimony, particularly, centered upon the shift of the ferrochrome industry into South Africa and into Rhodesia. He did attribute a great deal of that shift to the early impact of the sanctions.

I was unable to see how the argument holds up that the ferrochrome industry, in part, was accelerated and expanded in Rhodesia because of the sanctions when in the two years that the sanctions have been off, as far as we are concerned, the industry has expanded even more rapidly.

The main argument that was made by the opposition was the economic argument, namely, that we are dependent upon these countries for ferrochrome in particular, that ferrochrome was a vital ingredient in stainless steel, that the requirement of stainless steel will mount in geometric proportions and that if we close ourselves off from this source of supply, we will do it at great cost and also at a peril to our own industry. I do not happen to agree with those observations, but those were the ones that were made and very tellingly by Mr. Andrews in particular.

Maybe you would like to make some comment on my paraphrasing of what Mr. Andrews had to say.

Senator JAVITS. Well, thank you, Mr. Chairman, but I think I would prefer to study very carefully the economic arguments which are made and reply to this in debate as these are arguments upon which I have not made any particular personal investigation, as I did on the general attitude of the nations of Africa.

Senator HUMPHREY. I will see that you get a copy.

Senator JAVITS. I have those.

Senator HUMPHREY. You have Mr. Andrews' testimony?

Senator JAVITS. Both. I will check them out and deal with them in economic terms in the debate.

Senator HUMPHREY. And Mr. Sheehan of the steelworkers made testimony in contradiction, or you might say in reply, even though it was earlier in the day, to the testimony that I have alluded to from the industry.

Senator JAVITS. Only one observation, Mr. Chairman, if the Chair will allow me, and that is, we are seeing similar problems in numerous fields.

The Arab States are trying to blackmail us into another foreign policy because they are sitting on a lot of oil today, and perhaps this is much the same thing. Certainly, economic necessity is critically important, but in the light of the well being of a great many people, it can hardly be decisive. And this is something which has to be appraised from that point of view.

NEED FOR COOPERATION OF LESS DEVELOPED COUNTRIES

Senator HUMPHREY. I think your observations on the attitude of the African States and African leaders is very pertinent to this. In the long run we are going to need the friendly cooperation of these 40 countries in Africa, at least the majority of them.

In the long run we are going to need the cooperation of indeed even some of the resources of the so-called less-developed countries. If we do not pay attention to some of their needs and wants and their hopes and aspirations, we are going to find ourselves an unwanted neighbor, and one that will not receive their support and their cooperation.

I think that could be a very serious problem for our country in the foreseeable future.

Thank you very much, Senator Javits.

[Whereupon, at 3:05 p.m., the committee adjourned subject to the call of the chair.]

APPENDIX

PREPARED STATEMENT OF REV. DR. W. STERLING CARY*

My name is Sterling Cary; I am president of the National Council of the Churches of Christ in the U.S.A. I sincerely regret that, due to the change in date for this hearing and a previous engagement, I am unable to testify in person today before the Committee. I would, however, like to express my sincere appreciation to the members of the Committee for allowing me to testify, through the record, in support of the bill before you, S. 1868.

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 religious, 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

*[Dr. Cary was scheduled to appear September 6, but could not when the hearing date was changed September 7.]

Company, companies which would place their private profit above the aspirations of the African people. As the Hon. Parren Mitchell said in addressing the longshoremen 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 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 in 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 of 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 S. 1868.

[Additional statements and correspondence for the record are available in the Committee files.]

