

RESOURCES IN RHODESIA: IMPLICATIONS FOR U.S.
POLICY

HEARINGS
BEFORE THE
SUBCOMMITTEE ON INTERNATIONAL RESOURCES,
FOOD, AND ENERGY
OF THE
COMMITTEE ON
INTERNATIONAL RELATIONS
HOUSE OF REPRESENTATIVES
NINETY-FOURTH CONGRESS
SECOND SESSION

APRIL 13 AND MAY 6, 1976

Printed for the use of the Committee on International Relations



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RESOURCES IN RHODESIA: IMPLICATIONS FOR U.S. POLICY

TUESDAY, APRIL 13, 1976

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
SUBCOMMITTEE ON INTERNATIONAL
RESOURCES, FOOD, AND ENERGY,
Washington, D.C.

The subcommittee met at 2:05 p.m. in room 2255, Rayburn House Office Building, Hon. Charles C. Diggs, Jr. (chairman of the subcommittee), presiding.

Mr. Diggs. The subcommittee will come to order.

Today we will hold the first in a series of hearings entitled "Resources in Rhodesia: Implications For U.S. Policy."

The purpose of the hearing is to assess the implications for continued U.S. access to Rhodesian resources of a U.S. policy which has not concretely contributed to the attainment of majority rule and which is perceived as supporting the minority Smith regime. Particularly, in a situation of armed conflict where positions tend to harden, a future, majority ruled government is not likely to view with favor a United States which is seen to be supportive of Ian Smith.

Rhodesian resources include major reserves of chrome, asbestos, and other mineral resources such as gold, copper, coal, iron ore, and tin.

With Ian Smith's continued recalcitrance in rejecting even the British proposals for a settlement, the failure of talks between Smith and Joshua Nkomo, and President Samora Machel's closure of Mozambique's border with Rhodesia, it is clear that armed struggle in Rhodesia is the only alternative for majority rule.

This hearing, then, will focus on a number of areas of concern in U.S. policy toward Southern Rhodesia. These include analysis of what efforts the United States is making to: (1) investigate and put to an end all violations of U.N. sanctions against Rhodesia by American corporations or persons; and, bring all the power of the White House to bear in support of efforts to repeal the Byrd amendment in Congress. And it will include, hopefully, testimony to make it definitely clear that, under no conditions, will the United States itself, directly or indirectly, defend or give military-related support for the defense of the white minority regime in Rhodesia.

Certainly the contradictory statements of administration officials in connection with majority rule, on the one hand, and warning against the use of Cuban troops on the other hand, even if this is what the Africans should determine is necessary to achieve majority rule, give cause for real concern.

I think it is instructive to point out that the subcommittee has met with rather unusual difficulty in securing witnesses to address these requested areas of concern.

The Department of Commerce, for example, found a witness for the hearing only after protesting that the Department had no information on Southern Rhodesia.

The Defense Department also stated that it could not testify in open session on the questions submitted by the subcommittee with respect to the security situation in Southern Rhodesia, the military or other assistance to Rhodesia and South Africa by such countries as Saudi Arabia, Jordan, Iran, Israel, and Brazil, and by South Africa to Rhodesia, and aid and military-related assistance patterns to Rhodesia and South Africa.

This is data which is essential to an understanding that the U.S. actions with respect to Rhodesia are consistent with our stated support of majority rule and which has important implications for U.S. relations with a future, majority ruled government in Rhodesia.

The subcommittee, however, is concerned that, contrary to Defense Department protestations, such information as requested, does exist in unclassified form or can be downgraded or declassified so that it may be used in a public manner.

The Washington Post of February 18, 1976, for example, has published a chart of Soviet and Cuban assistance in Africa which gives data on the amount of such assistance throughout Africa. The Defense Department is the source of this information, which indicates that such unclassified information can be made available with respect to the military and other assistance of other countries in Africa, and concerning the security situation in Africa.

I might add that the State Department did not want to testify prior to the Secretary's impending trip, which is scheduled to begin on April 23.

I don't know what the implications of this reluctance are, but I think in order to put the record straight, let us say that the witnesses were dragged kicking and screaming to this testimony today.

Among the areas of concern are:

(1) An overview of resources in Rhodesia, including estimated reserves of raw materials as well as actual production figures and exports.

(2) The economic interests and activities of American and other countries' companies or nationals in Rhodesia.

(3) The impact of the continuing war in Rhodesia and the prospects of majority rule on the business climate in Rhodesia, including the effect on business activity by United States and other companies there.

(4) The current situation, economic and political, in Rhodesia, including such factors as the political and economic status of blacks and whites in Rhodesia, prospects for a peaceful settlement, current emigration and immigration rates/trends, status of the war in Rhodesia, and the status of the so-called protective villages as well as political detentions and arrests by the Smith regime.

(5) An overview of U.S. policy regarding Rhodesia, including U.S. efforts to investigate and end all violations by American companies or nationals of U.N. sanctions and the extent to which the

United States is allowing the Rhodesian Information Office to operate in the United States—either as the Rhodesian Information Office or as the guest editorialists for the Washington Post.

(6) Future directions of U.S. policy toward Rhodesia, including an analysis of the implications of prospective majority rule for continued U.S. access to resources there.

(7) Finally, U.S. aid, military, and other assistance to Saudi Arabia, Jordan, Iran, Israel, Brazil, and to any other Third World country whose pattern of assistance to Rhodesia or South Africa has or is projected to change.

We have as our witnesses today:

Mr. James J. Blake, Deputy Assistant Secretary of the Bureau of African Affairs, Department of State.

Mr. Samuel Sherwin, Deputy Assistant Secretary for Domestic Commerce, of the Department of Commerce.

Mr. Richard Violette, Director of Operations of the Defense Security Assistance Agency.

We will receive the testimony from the Department of State first.

Mr. Blake is not a stranger to the witness chair before this subcommittee. Without objection, his background will be placed in the record at this point just before his testimony.

Mr. Blake, you have submitted a prepared statement to the subcommittee, and you may proceed.

**STATEMENT OF JAMES J. BLAKE, DEPUTY ASSISTANT SECRETARY,
BUREAU OF AFRICAN AFFAIRS, DEPARTMENT OF STATE**

James J. Blake was born in New York, March 5, 1922. Queens College BA 1946; George Washington University MA 1963. U.S. Army 1943-46; history instructor Peru State Teachers College, Nebraska 1946-47; appointed to Foreign Service as Vice Consul and Secretary in the diplomatic service July 21, 1947. Served in Brussels 1947-1953 and in Calcutta from 1957 to 1960. Graduated from the Industrial College of the Armed Forces in 1960 and detailed to Department of Defense as a foreign affairs officer 1961. Served as Deputy Director, Office of North African Affairs 1963 and as Director 1965. Appointed as Deputy Chief of Mission and Counselor of Embassy in Tripoli 1966 and Country Director for North African Affairs 1969. Mr. Blake is married and has four children.

Mr. BLAKE. Thank you, Mr. Chairman.

Let me say at the beginning that I appreciate this opportunity to appear before you in connection with the committee's examination of resources in Rhodesia and the current Rhodesian situation.

If I may add something to my prepared statement, let me assure you, sir, it is always a pleasure to see you again, and in this particular case I wasn't brought here kicking and screaming.

I understand the Department of Commerce has provided you with an overall survey of the major resources of Rhodesia. I will therefore confine my remarks to a brief overview of the current situation in that country.

Developments within the last month have greatly reduced the prospects for a peaceful solution to the Rhodesian problem. Negotiations between nationalist leader Joshua Nkomo and the Smith regime, aimed at reaching a peaceful settlement, broke down on March 19 over

the basic issue of majority rule and the establishment of fully representative government in Southern Rhodesia. In an attempt to revive these talks, the United Kingdom on March 22 through Mr. Callaghan (then Foreign Secretary, now Prime Minister), stated its willingness to assist Rhodesia to achieve legitimate independence and to provide financial, educational, and developmental assistance under certain conditions. The conditions were: Acceptance by the Smith regime of the principle of majority rule and agreement that elections would be held within 18 to 24 months, no independence before majority rule and no long drawn-out negotiations.

As you are aware, Mr. Chairman, the United Kingdom remains legally responsible for Southern Rhodesia, still a British colony which unilaterally and illegally declared its independence in 1965.

With the breakdown of the settlement talks and Smith's quick rejection of the British proposals on March 23, the Rhodesian nationalists and their independent black African supporters increasingly regard armed struggle as the only way of attaining the goal of an independent, majority ruled Rhodesia or Zimbabwe.

Even before the collapse of the settlement talks, nationalist guerrillas, now located in Mozambique along that country's 800-mile common border with Rhodesia, had begun to step up their cross-border incursions into Rhodesia. These have so far been more of a harassment than a serious threat to the regime. However, they can now be expected to increase in both frequency and intensity, thereby posing a growing security problem for Ian Smith's forces.

In this connection, we estimate that the nationalist guerrillas now number some 4,000 to 6,000—in various stages of training and readiness. Although they are probably not yet sufficiently organized or equipped to mount a major guerrilla threat inside Rhodesia, they already have, as noted earlier, a capacity to launch short-term cross-border incursions.

Within the next 6 to 8 months these forces, supplemented by additional trained guerrillas, may well be in a position to mount and sustain a long-term guerrilla war inside Rhodesia. According to a recent statement by the Rhodesian Minister of Defense, some 700 to 1,000 guerrillas are currently operating inside Rhodesia at any given time.

Although surrounded by hostile neighbors, and by South Africa—which has encouraged Smith to reach a negotiated settlement—the Rhodesian regime seems confident of its ability to contain and deal with the current insurgent challenge. However, the spread of guerrilla activity along the length of the Mozambican and Zambian borders or a significant quantitative increase in guerrilla numbers could pose a severe strain on Rhodesia's manpower resources and on the limited equipment the security forces possess.

Smith seemingly still assumes that if the safety of Rhodesian whites is seriously jeopardized, South Africa, at least, would come to his aid—despite South African Prime Minister Vorster's repeated statements that it will not. Smith may also still hope—again, despite clear statements to the contrary from the United Kingdom and the United States—for British and U.S. assistance because of economic interests, assumed racial affinities, or concern over allegedly expanding Communist influence.

Barring a sudden, and for the present at least, unexpected, change in the white regime's opposition to majority rule, or a change of leadership in Salisbury, the prospects for the immediate future in Rhodesia are for an escalation of insurgency along the border areas and occasional deeper forays inside Rhodesia. The possibility of urban unrest and disturbances cannot be excluded as the armed struggle grows.

These developments will inevitably place increasing strains on the Rhodesian economy, and at some point the Smith regime may be forced by economic as well as military considerations to reconsider its negotiating position on majority rule.

Although the U.N. economic sanctions have not had the hoped-for effect on the Rhodesian economy, they have had a cumulative effect reflected by the regime's present poor foreign exchange position. The Mozambican action on March 3 in imposing full sanctions against Rhodesia will further intensify the economic pressures on Rhodesia. At the time Rhodesia's rail access to Mozambican ports of Beira and Maputo was cut off, it was estimated that some 40 to 50 percent of the regime's imports and exports went through Mozambique—including most of its raw mineral ore shipments. Although Rhodesia may try to divert part of this through its direct rail link with South Africa, it is not clear how much additional Rhodesian traffic South Africa will be able—or willing—to absorb.

The growing isolation of Rhodesia, combined with increasing security and economic pressures, have not yet caused a major disaffection within the white population. There are, however, some signs of growing unease. Over the past 2 years, white emigration—immigration statistics have shown increases in emigration and decreases in immigration. Last year, for example, there would have been a net loss in the white population had it not been for the influx of white Portuguese settlers following Mozambican independence.

U.S. policy toward Rhodesia has been consistent. As you know, Mr. Chairman, we continue to recognize British sovereignty over Rhodesia. We do not recognize the illegal regime in Rhodesia, and we have supported efforts of the United Kingdom, U.N., and others to encourage a peaceful, negotiated transition to majority rule. Both the President and the Secretary have clearly and recently reiterated our unequivocal commitment to majority rule in Rhodesia. The Secretary has also emphasized that the United States is not supporting and will not support the minority regime in Rhodesia.

Consistent with our long-term policy, we have supported and voted for the Security Council sanctions against Rhodesia. We cosponsored the extension of sanctions April 6. In this regard it also should be noted that with the exception of chrome and other strategic materials which are imported only because of the Byrd amendment, we have fully observed and enforced these sanctions and have investigated all cases of alleged violations that have come to our attention. In the most recent case involving alleged violations, four persons in California were prosecuted and fined on March 29 for having imported Rhodesian African art falsely labeled as being of South Africa origin.

Since the imposition of sanctions there has been no direct U.S. investment in Rhodesia. Residual U.S. investment at that time was estimated at about \$45 to \$50 million, mostly concentrated in telecom-

munications and mining activities. ITT, Union Carbide, and Foote Minerals were the major investors. Since the imposition of sanctions these investments have been under the control of the Rhodesian regime and the U.S. investors receive no benefits from them.

As you also know, the administration has supported efforts by concerned Members of the Congress to repeal the Byrd amendment. It is a grave violation of our international obligations and has been a constant irritant in our relations with independent black African nations.

Mr. Chairman, there is one aspect of U.S. policy toward Rhodesia which is sometimes overlooked in the discussion of military forces, economic sanctions, and legal questions. Since the early 1960's the United States has provided educational and training opportunities for black Rhodesians of all nationalist parties. To date approximately 200 black Rhodesians have received university training at both the graduate and undergraduate level in the United States. An additional 300 have been trained at the secondary and postsecondary level, including vocational training, in various countries of independent black Africa—especially Zambia. We believe this aspect of our policy is as important as all of the others because it looks to the future of Rhodesia, when hopefully its black and white populations will be able to live together, secure in their rights under a government truly representative of them all.

Thank you, Mr. Chairman.

Mr. DIGGS. Thank you, Mr. Blake.

The general manager of Air Rhodesia was quoted in the press, as a matter of fact, in the Johannesburg Star, January 31, this year, as having stated as follows:

Apart from an understandable loss of traffic on routes between Rhodesia and Mozambique, we have experienced a continuation of a significant decline in business travel which became evident in the early months of 1975.

I wondered if you would comment upon the implications of such a decline in business travel with respect to the overall business climate in Rhodesia.

Are business people in Rhodesia, including Americans, tending to make new investments there, or are they tending to decrease or withdraw these investments or maintain the same level?

We will be asking Commerce to respond to that question, also, but there are foreign policy implications, too.

Mr. BLAKE. I think, Mr. Chairman, the information we have regarding what is happening with respect to the former American business investments in Rhodesia is very sparse, indeed, because, as I mentioned in my statement, the Rhodesian regime has assumed control over the operation of those investments and so far as we are aware, none of the American parent companies, the originators of those investments, have been putting any funds back into the holdings that they formerly had in Rhodesia.

I think the decline, however, to which that individual referred in air traffic directly reflects what we have detected is a growing unease—I don't want to exaggerate it—among some members of the American business community, and perhaps this extends as well to members of the foreign business community interested in Rhodesia, regarding the political and security future of Rhodesia.

They all know that the dramatic changes that took place in southern Africa as a result of the withdrawal of Portugal has increased the pressure on Rhodesia, and I would suspect that they are now reexamining very carefully whether it is really advisable to look at Rhodesia, as undoubtedly some of them once did, as a place that might be profitable for investment.

Mr. DIGGS. What about Japan and the European states and their sanction violations? What do we know about the status of that situation?

Mr. BLAKE. We remain deeply committed, I think, as you know, Mr. Chairman, to the belief that not only the United States but all the members of the United Nations should enforce the U.N. sanctions against Rhodesia. We are deeply concerned whenever there are reports that other governments may be violating those sanctions.

We fully expect them to abide by their obligations, as we want to abide by ours. We fully expect the African governments which are deeply concerned regarding the state of those U.N. sanctions to make known their views very strongly to such other governments as may be violating the sanctions.

Mr. DIGGS. What is your assessment of the political effects of the closure of the Mozambique border?

Mr. BLAKE. I think, Mr. Chairman, the closing of the Mozambique border is probably one of the most dramatic events politically in southern Africa, first because on the part of the Government of Mozambique it was a very bold step to take since the Government, which has only barely gotten started in a newly independent country, knew at the outset that this would impose very severe economic and financial burdens on its own people.

Second, it is important because, if it does anything to the Smith regime in Salisbury, it must show that another contact with the outside world has been lost, economically and politically, and that, in a sense, they now see that the isolation which they formerly thought they could avoid has, if anything, been accentuated.

I would be very much surprised if the closing of the Mozambican border was not a source of considerable concern and dismay—not only to the Smith regime but to important elements within the Rhodesian white population itself.

At the same time I am certain it encouraged a great many of the black African states in feeling this was an important sign of solidarity and increasing the pressure on Rhodesia.

Mr. DIGGS. What is your assessment of the prospects of Botswana cutting railroad links into Rhodesia?

Mr. BLAKE. Botswana faces a very difficult problem, Mr. Chairman. First, as you know, the railroad, which passes through Botswana, is owned by the Rhodesians. Botswana itself, of course, is a landlocked country completely dependent on the operation of that line.

There is no question as to where its political sympathies lie; namely, in support of all the other African governments in their belief that there should be a majority government in Rhodesia, but it faces a very severe economic dilemma at the present time because of the fact that the Rhodesians do control the railway line completely, not only through ownership, but also through their control of all of the rolling stock that operates over that line.

Mr. DIGGS. What is our position, Mr. Blake, on the British proposals that have been rejected by Smith? These proposals, for example, demand a firm commitment to majority rule. They don't want any long, drawn-out negotiations. They talk about having elections within a period of 18 months to 2 years. They talk about recognition of Rhodesia's independence only after the attainment of majority rule.

Do we come down in association with the British on those proposals?

Mr. BLAKE. We welcomed the proposals, Mr. Chairman. We felt they did represent still another attempt on the part of the British Government to play a constructive role in trying to resolve the Rhodesian problem after years of disappointment. I don't know what the status of those proposals is now other than that Mr. Smith, of course, seems to have rejected them simply out of hand.

As far as we were concerned, they certainly represented a helpful step on the part of the British Government to try to resolve this problem following the breakdown of the talks that had been taking place between Mr. Smith and the group around Mr. Nkomo.

Mr. DIGGS. Speaking of talks, have we had our annual bilateral talks with the British?

Mr. BLAKE. Yes, sir, we have.

Mr. DIGGS. To what extent was the Rhodesian situation discussed during those talks? Was there any understanding, agreement, or anything that was not agreed upon that may have emerged from that dialog with respect to Rhodesia?

Mr. BLAKE. I would say, Mr. Chairman, during the discussions the Rhodesian problem was certainly considered by both sides. We, as I indicated in my prepared remarks, continue to feel, and we made it clear to our British colleagues, that we regard them still as being the prime movers in connection with trying to bring the Rhodesian problem to a successful and hopefully a peaceful conclusion.

We also indicated at that time, and I think both sides agreed, as a result of the collapse of the talks that a new stage had now begun in southern Africa whose outcome could not be predicted, but that certainly as long as the present stalemate continued, one could probably expect it could only grow worse and that the threat of violence was the only way the problem could be solved.

Mr. DIGGS. The committee is very much concerned, Mr. Blake, about third-party connections with this whole exercise. For example, when King Hussein of Jordan was here, he stated that discussions had taken place about Jordan's military programs. Was there any discussion concerning the channeling of military-related assistance, any assurances that military-related assistance to Jordan might not end up in South Africa or Rhodesia?

Mr. BLAKE. I am not familiar, Mr. Chairman, with any part of the discussions that may have dealt with Rhodesia or South Africa.

Mr. DIGGS. There have been a number of high-level visits by South African leaders to Israel. Vorster, for example, preceded by Connie Mulder, who is Minister for Interior and Information, are supposed to have met with Prime Minister Rabin and the Foreign Minister of Israel.

We know Israel has been providing certain military assistance to South Africa. Are you aware of any discussions on military-related

or arms assistance between Israel and South Africa that might end up in these exercises?

Mr. BLAKE. No, sir, I am not.

Mr. DIGGS. Does that mean that you don't believe that any of this military assistance might end up in that kind of use?

Mr. BLAKE. I think, Mr. Chairman, to the extent any American equipment were involved, it would be highly unlikely that any equipment received from the United States by Israel would end up in South Africa.

Mr. DIGGS. Mr. Blake, of course, you are an old hand in Africa, and I am sure you can recall the time when Israel had foreign assistance in over 20 African countries and when the Israel Ambassadors to those countries were among the most popular members of the diplomatic community.

There has been a very dramatic change in that relationship. I wondered if you would care to comment on that change, because that is the basis upon which we ask whether or not there is a possibility that some of this military assistance, now in Israel, might end up in this conflict.

Mr. BLAKE. Mr. Chairman, I think the Israelis were bitterly disappointed with the virtually total collapse of their position in Africa and the loss of their diplomatic representation throughout the continent.

They have continued to hope that it might be possible for them to restore diplomatic relations, at least on a gradual basis, with some of the African states and then hopefully return to all of the African countries in which they had diplomatic missions.

The prospects for that restoration, of course, could be very adversely affected if there were any indication whatsoever to the black African governments that Israel had become an arms supplier, whatever the source of the arms, to South Africa.

This is one of the considerations that I am sure was very much on the Israel mind, namely, their long-term objective of trying to return to Africa in a full diplomatic position and trying to make any decisions as to whether or not they should really enter into any kind of military relationship to South Africa.

Of course, another consideration is Israel's own very close relationship to the United States and the legal restrictions that are standing against the transfer of any U.S.-supplied equipment without approval of the U.S. Government.

Mr. DIGGS. Mr. Blake, on page 6 you make the flat statement that "the United States is not supporting and will not support a minority regime in Rhodesia."

What would be the difference if this situation escalated to the point where the Russians and Cubans would come in on behalf of the majority? What would be the difference between that situation and the Angolan situation which brought us in on the other side?

Mr. BLAKE. I think, Mr. Chairman, the only answer I could give to that would be the one the Secretary gave on March 16 in his appearance before the Senate Foreign Relations Committee. At that time he made three points.

He said we are not supporting the white regime in Rhodesia. The second was that we stand for majority rule. The third was that we will do nothing to support the white minority to continue to exercise authority in Rhodesia.

He also said at that time that what we do about the Cuban adventurism problem, to which he was addressing himself, would depend on the circumstances at the time, but that he thought it was very important to make clear what we stand for and then we have to work toward it.

I think on several other occasions he has also made it clear that Ian Smith cannot look to the United States for any support whatsoever.

Mr. DIGGS. I was interested in your comments that U.S. investments are now under the control of the Rhodesian Government and U.S. investors receive no benefits from them.

Could you give us more detail about that? Have they been nationalized?

Mr. BLAKE. They have not been nationalized, Mr. Chairman, but they are under the control of a Rhodesian state corporation which manages those investments now. Of course by virtue of our own sanctions arrangements, as you know, economic and financial transactions between Rhodesia and the United States are not possible with the exception of those permitted by the Congress through the Byrd amendment.

The effect, of course, of this is that the investments in a technical sense might almost be regarded as frozen, with any benefits from them simply continuing to accrue to the benefit of that Rhodesian corporation that runs them.

Mr. DIGGS. They are not being put in escrow to be turned over under different circumstances?

Mr. BLAKE. I don't think the Rhodesian regime, Mr. Chairman, has looked that far ahead. I think they would like to believe that some day its situation is going to be normalized vis-a-vis the rest of the world and perhaps it really believes that American companies are going to be back and that there will continue to be a white minority regime in power just as there has been.

As I think I have indicated, or implied, in my statement, these are very, very dim prospects, indeed.

Mr. DIGGS. Could you tell us something about the immigration status of the director and the deputy director of the Rhodesian information office and to what extent does the Government take care that the activities of this office do not put our Government in violation of its U.N. obligations.

Mr. BLAKE. The Rhodesian information office, despite the rather official sound of its name, has no official consular or diplomatic status whatsoever. It was established and registered with the Department of Justice as a foreign agent under the Foreign Agents Registration Act prior to the Rhodesian UDI in 1965, and prior to that time it was a part of the British Embassy.

Because of its establishment and registration as a separate organization, before UDI—Unilateral Declaration of Independence—we were not able to close it at that time.

It has been allowed to continue its operation since that date, 1965, simply because there were no legal grounds on which we can close the office as long as that office fully complies with U.S. law.

Its operations and activities are carefully monitored, and we will not hesitate to take appropriate legal actions against the Rhodesian information office in the event of any evidence of violation of law.

Mr. DIGGS. Monitor. What do you mean by that? What kind of monitoring mechanism do you have?

Mr. BLAKE. We follow very carefully, to the extent that we can of course, chiefly through the press, reports that are given to us by interested parties who come and talk to us about the Rhodesian problem, anything that we know that would appear to indicate, however indirectly, that the Rhodesian information office may be stepping outside the conditions under which it is allowed to operate in the United States.

The present Rhodesian employees at the information office were in the United States at the time of UDI, and I am informed that the director has adjusted his status to that of a permanent resident. He did that before 1965.

We have no intention of issuing any visas for any replacements of those present employees or to allow the supplementing of its staff.

Mr. DIGGS. For an American wanting to travel to Rhodesia, what is the procedure that is allowed?

Mr. BLAKE. I am not sure he would be able to travel to Rhodesia inasmuch as he would have to present his passport somewhere to some kind of illegal authority, and to the best of my knowledge there are no organizations, no governments, for example—

Mr. DIGGS. I am sure you are aware, Mr. Blake, that Americans come and go in and out of that place very frequently. How do they get there?

Mr. BLAKE. I do know that some go, including, as I understand it—

Mr. DIGGS. Including Members of Congress.

With that, perhaps I will suspend for 5 minutes and then come back.

[A brief recess was taken.]

Mr. DIGGS. The subcommittee will resume.

I think, Mr. Blake, you were responding to the general policy about visas of U.S. citizens who desire to travel to Rhodesia.

Mr. BLAKE. I was starting to say, Mr. Chairman, that as far as we are concerned, we wish American citizens did not travel to Rhodesia. We try to discourage them to the extent that they ever ask for our views, but we have no authority to prevent them from carrying out such travel.

As I believe you were saying just before the brief adjournment, there are Members of the Congress and their staffs who have also seen fit to travel to Rhodesia.

Mr. DIGGS. I separate tourists from opinionmakers.

As you know, within the context of communications I have made that distinction. I don't have any special problems with people who are going there for purposeful reasons, particularly people who go with the sense of objectivity and who avoid getting a sanitized tour.

There is nothing more instructive than seeing some of these developments on the ground. I think it is particularly important since it is quite obvious that just in the past few weeks that government or the representatives of that regime have undertaken a considerable propaganda offensive, letters to the editor, the Op-Ed piece in today's Washington Post by Mr. Towsey, which is, of course, a complete distortion of the relative status of blacks and the relative role of whites in that society.

I don't really have any special problem with anyone who goes over there for that kind of purpose. I would assume that we have our sources of information. But I am getting concerned about what appears to be a disbelief on the part of that regime that the United States will not intervene.

I wonder whether or not it might be useful if we sent a special emissary to Salisbury to let Mr. Smith know in no uncertain terms that under no circumstances will the United States intervene. I wonder if this might not be useful so he can be face to face with an official spokesman, see that we are not winking, and understand that we mean what we say, because I just get a sense both from what I read and other sources of information and intelligence from Rhodesia and from South Africa, that somewhere within them is a feeling that when the crunch comes in the final analysis, the United States is going to enter the picture.

I wondered if you had any comment to make on that.

MR. BLAKE. Mr. Chairman, I think if Mr. Smith has been listening to what has been said by both the President and the Secretary—they have said this publicly—he ought not to have any doubts, if words mean anything at all, regarding the position of the United States with respect to his regime and our attitude toward the establishment of majority rule.

The Secretary as recently as April 8, in comments before the Foreign Policy Association in New York, referred to the fact that the United States has stated, and I quote him now, "very strongly its support for majority rule in southern Africa. We do not wish any regime in southern Africa to construe our opposition to Cuban and Soviet military intervention as an endorsement of its practices and its policies. The United States will support majority rule."

It may well be that Mr. Smith doesn't believe this, and it is conceivable if somebody were to tell him that in a face-to-face situation, he would then begin to believe it. On the other hand, the people who perhaps he knows best, the British out of London, have been trying to tell him precisely the same thing for years, and he hasn't believed them.

I think what we have said here in the United States on repeated occasions and again when statements are made by the President and by the Secretary of State, Mr. Smith would be well advised to listen to those statements carefully and to take them literally.

MR. DICCS. Just one further question, Mr. Blake.

Of course, you reiterated the administration's views on the repeal of the Byrd amendment, but I for one do not have any disposition to take any action toward the repeal of the Byrd amendment against the background of what happened the last time we went through that exercise. Because of the divisiveness within the various parts of the administration itself, unless the executive branch takes the initiative and unless the President, himself, initiates the activity and commits all of the components—Defense, Commerce, State, all singing from the same sheet of music and not saying one thing before International Relations and something else when they get before Armed Services—unless the approach is forthcoming in that fashion, I am certainly not going to repeat the kind of frustrated exercise that we went through a few months ago.

So, when you talk about the administration's position on the repeal of the Byrd amendment, are you in possession of any information that would encourage us to believe that the administration is prepared to take that kind of initiative with a new sense of vigor and commitment as opposed to a relatively halfhearted effort that they went through a few months ago?

Mr. BLAKE. Mr. Chairman, I think our position on the Byrd amendment remains what it has been.

We opposed this legislation when it was introduced in the Congress in 1971, and we have since supported efforts for its repeal. I think it has been a source of very serious concern to the administration as long as this amendment has remained on the books because it has seriously embarrassed our relations with the black African states and has placed us in a position of violating an international obligation of the United States.

Those are two positions in which I think the United States cannot help but feel uncomfortable.

We have been encouraged by the fact that the margins voting in favor of repeal of the amendment seem to be growing, and we certainly are hopeful that as the Members of the Congress take a look at everything that has happened in southern Africa during the past 7 or 8 months or even longer, over the past year, they will again see that it is clearly in the interest of the United States to repeal the amendment and restore the American position vis-a-vis its international obligations, and once again reassure the black African states that we do not support, even indirectly, the Smith regime through that particular piece of legislation.

Mr. DIGGS. Thank you very much.

Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman.

Mr. Secretary, you stated that there are signs of growing unease and, over the past 2 years, white emigration and immigration statistics have shown increases in emigration and decreases in immigration.

What are the specific figures on white emigration and immigration over the past few years?

Mr. BLAKE. Mr. Gilman, I don't have the specific figures with me, but I will be very pleased to submit them for the record in response to your question.

Mr. GILMAN. Mr. Chairman, at this point in the record, may we make that insertion?

Mr. DIGGS. Without objection, it is so ordered.

[The information supplied by the State Department follows:]

WHITE RHODESIAN MIGRATION

	Immigrants	Emigrants	Net migration
Year:			
1971.....	14,743	5,340	+9,403
1972.....	13,966	5,150	+8,816
1973.....	9,433	7,750	+1,683
1974.....	9,674	9,050	+624
January-August 1974.....	6,274	5,590	+684
January-August 1975.....	8,608	7,100	+1,508

Mr. GILMAN. What is the estimated size of the influx of white Portuguese settlers?

Mr. BLAKE. There was some estimate, and I would not want to vouch for it because most of the Portuguese white settlers went back to Portugal. There is one estimate I saw which ranged between 15,000 and 20,000 may have gone into Rhodesia. I cannot vouch for that figure.

I would like to examine that at the same time that we submit the other data for the record.

Mr. GILMAN. With your permission, Mr. Chairman.

Mr. DIGGS. Without objection.

[The information supplied by the State Department follows:]

WHITE IMMIGRATION FROM MOZAMBIQUE TO RHODESIA IN 1975

It has been variously reported that between 100,000 and 150,000 white Portuguese settlers may have left Mozambique during calendar year 1975 and that perhaps some 15,000 or more of these have settled in South Africa and Rhodesia, at least temporarily.

We do not have detailed statistics on the number of those who actually settled in Rhodesia, but have assumed that 2,000 to 3,000 probably settled there during the course of the year. This assumption is based upon a comparison of immigration statistics for the January–August period for the years 1974 and 1975. This shows that, during the months immediately preceding and following Mozambican independence on June 25, a marked increase in white immigration occurred. This can be seen from the following:

WHITE IMMIGRATION TO RHODESIA

Month	1974	1975
January.....	804	1,089
February.....	705	875
March.....	788	955
April.....	804	1,266
May.....	864	1,178
June.....	628	1,210
July.....	809	1,132
August.....	872	903

Mr. GILMAN. On page 6 you state, "Since the imposition of sanctions, there has been no direct U.S. investment in Rhodesia."

What do you mean by direct investment?

Mr. BLAKE. What I am referring to, sir, is the investment by American companies established in the United States, new capital, plant or equipment in Rhodesia. They have not to the best of our knowledge, and I believe it is the case, the companies that did have subsidiaries there have not added to the plant or capital of those subsidiaries in Rhodesia.

Mr. GILMAN. Does your statement also apply to indirect investments?

Mr. BLAKE. The only indirect investment that I would know of would be that carried out by a third-party subsidiary located, say, in another country. I am not aware of any such investment being made.

Mr. GILMAN. Earlier this month all 15 members of the United Nations Security Council sponsored a resolution widening the sanctions against Rhodesia to include insurance, trade names, and franchises. What effect, if any, will these sanctions have on Rhodesia's economy and on our commerce in that country?

Mr. BLAKE. I would say, sir, that the principal effect of those would be simply to plug certain of the loopholes that were not originally covered by the sanctions when they were first enacted.

Since American firms, with the exception of those transactions permitted under the Byrd amendment, would not be engaged in these particular areas of activity, I would not expect this widening of the sanctions to have any effect on them at all.

Mr. GILMAN. Several black-ruled African nations continue to trade with Rhodesia despite the U.N. ban. Can you list the countries currently doing so and their reasons for doing so?

Mr. BLAKE. Some of the black-ruled nations of Africa obviously face very difficult economic problems where their survival depends to a considerable extent on the degree of cooperation that they are able to extend, despite their political misgivings, to Rhodesia.

One such country I would expect certainly would be Botswana. Zaire is certainly another country which, because of the rail links, finds it very important to maintain some kind of a connection with Rhodesia.

But I would point out that both Zambia and Botswana are specifically exempt from the imposition of implementing U.N. sanctions precisely because they do find themselves in this difficult geographical and economic position.

Mr. GILMAN. As Foreign Secretary and now as Prime Minister, Mr. Callaghan stated that Soviet and Cuban intervention even indirectly could be construed as an attack on Great Britain itself. How far do you think that the British Government is prepared to go to follow up on that sort of threat?

Mr. BLAKE. I am afraid I am not in a position to speak for the British Government in a matter that would obviously be of very great moment to the British Government. It would have to make its own decision.

I think it is clear from the conversations that they have held with the Russians that they would take a very serious view of any Soviet-Cuban action along the line you just described. What they would do in response to any such action, I am not in a position to say.

Mr. GILMAN. Do you think Great Britain or some of the neighboring white-administrated south African nations would come to the aid of Rhodesia's white minority?

Mr. BLAKE. I think the position of the British Government has been fully stated with regard to their attitude toward the Smith regime. I think their position has paralleled ours. Perhaps I should put it the other way, since we regard the British as being the primarily responsible party for the Rhodesian problem and its resolution, namely, that Mr. Smith and his supporters cannot look for any rescue operation to be carried out by the British Government.

Mr. GILMAN. What is your assessment of Cuban and Russian involvement if conflict should flare up?

Mr. BLAKE. All I can say on that is that we are watching the situation as closely as we can. We don't know what the Cuban and Russian intentions are, but the Secretary has tried to express our own concern that the Cubans not misunderstand our position with respect to further military adventures in southern Africa. He has said that what happened in the case of Angola should not be regarded as a precedent for any other place in the world, and he has left it at that.

Mr. GILMAN. Thank you, Mr. Blake.

Thank you, Mr. Chairman.

Mr. DIGGS. The gentlewoman from Illinois.

Mrs. COLLINS. Mr. Blake, past U.S. voting record in the United Nations has been consistently in favor of the white minority regime in South Africa. Recently that pattern changed to the extent that on the resolution condemning recent South African aggression against the territorial sovereignty of Angola, the United States abstained from voting, as opposed to vetoing the measure.

Later, U.N. Ambassador Scranton voted for and even cosponsored a resolution adopted unanimously by the Security Council to tighten sanctions against Mr. Smith's illegal regime.

My question is: Is this intended to suggest a slight policy shift away from support of the white minority governments in southern Africa?

Mr. BLAKE. I don't believe that it would be accurate to say that the U.S. Government has supported the white minority government, itself, in Rhodesia or in South Africa.

Mrs. COLLINS. Why do you say that?

Mr. BLAKE. We do recognize the two cases are different in the sense that the Rhodesian regime as far as we are concerned has absolutely no legal standing whatsoever. This, of course, is not the case with respect to South Africa. But we have certainly indicated to the South African Government—and we have done it publicly in policy pronouncements made and in other forms—that we deplore and abhor the practice of apartheid as it exists in South Africa and, as you undoubtedly know, we have taken a whole series of measures that have been designed to show our abhorrence of that practice and to express our hope that the South African Government, itself, will see the way to terminate it.

So, I think what you are referring to as having taken place in the U.N. should not be construed in any way as a departure from a position that the United States has taken all along with respect to white minority regimes in southern Africa.

Mrs. COLLINS. The United Nations Commissioner for Namibia, former Irish Foreign Minister, Sean MacBride, said in speeches last month while he was in Africa that the U.N. might not intervene if external forces crossed the Namibian frontier.

He also said that he predicted the imminent invasion of Rhodesia from Mozambique and Zambia and stated that the Rhodesian and South African Governments had contributed to the likelihood of violence by delaying effective steps toward majority rule in Rhodesia and failing to take action for the independence of Namibia.

What would your thoughts be on that?

Mr. BLAKE. My first thought, I must say, is that Mr. MacBride was speaking for himself. I think some of the comments he made have since drawn other comments by those concerned with United Nations matters.

There is no question at all that the policies and attitudes of the Rhodesian regime have contributed to a worsening of the situation and the possibility of violence in that area. In this sense Mr. MacBride was certainly correct, we share that view.

But I would say he went well beyond what perhaps would have been appropriate for him to say, given his position, including speaking for the entire United Nations.

Mrs. COLLINS. Has the State Department considered any such scenario and, if so, could you say what might be the U.S. contingency plan in case something like this happened?

Mr. BLAKE. We continue to hope that there is not going to be any violence in connection with the Rhodesian problem. There are consultations going on among the African leaders, in southern Africa particularly, to see whether there is any possible way of avoiding such violence.

The states that are concerned with that problem, I think quite literally—again I cannot speak for them—seem to be prepared to walk the very last mile in order to avoid violence in connection with Rhodesia. They are deeply concerned over the impact that this would have on the black population of Rhodesia as much as what it would have on the white population. It could very well leave a heritage of bitterness and economic damage to the country that it would take years to overcome.

So we continue to hope that violence will not take place and that, some way, somehow, it will still be possible to find a negotiated solution to the problem of Rhodesia.

Mrs. COLLINS. Speaking of contingency plans, the chairman was discussing something with you when I came in and I didn't get the benefit of the entire question, but if there is trouble in that area—I don't know what you answered in reply or if you answered in reply—under what conditions could the United States be expected to intervene in some situation like that?

Mr. BLAKE. I think I would have to limit myself, and I believe I did when I was responding to the chairman, to the statements that the Secretary of State has made in similar situations in the past.

Mrs. COLLINS. I heard most of those.

Mr. BLAKE. Essentially what he has said is that we do not support the white minority regimes in Rhodesia, that we are not going to do anything to support it, that the Cubans should not regard what happened in Angola as a precedent for further military adventurism, and that whatever would be done in the special circumstances that could arise in Rhodesia or with respect to Rhodesia would obviously have to be determined at the time in the light of all the factors that then bore on the situation.

Mrs. COLLINS. Given the fact that Cuba was unilaterally invited by the independent nation of Angola, under what authority could the United States take any drastic action since the Rio Treaty is strictly a Western Hemisphere agreement?

Mr. BLAKE. I think this is a question that we would certainly have to address in considering what options were available to us in terms of different courses of action.

Mrs. COLLINS. I wondered about a couple of other things. I understand the President has said that, "We have to be on the right side morally, and that the right side morally is to be for majority rule."

Does our commitment to majority rule extend to the point of providing financial assistance to the military wing of the African National Council? If not, why not? To what extent?

Mr. BLAKE. I am glad you mentioned the President's statement regarding the desirability and the necessity for the United States to be

on the right side morally, because we do feel there is a moral as well as a political issue involved here.

In answer to your question, as far as providing any military assistance to the ANC in connection with the Rhodesian problem, first, that question hasn't arisen, but I would only repeat what I said earlier, which is that we continue to believe and to hope that this issue will be solved peacefully and not through violence.

Mrs. COLLINS. This Government is particularly interested in the issue of human rights and has even incorporated the issue into foreign assistance legislation, as you well know. Amnesty International issued a report recently on the white regime in Rhodesia. According to their report, torture is routinely used to get information from Africans suspected of aiding guerrillas. The police and security forces beat on the bodies with sticks and on the soles of the feet while using electrodes and things of that nature.

What is the exact nature of this Government's communications need with the Smith regime which on March 1, 1970, was given as the reason for opposing a Security Council resolution which would have had the effect of condemning Britain for not using force against the Smith regime?

Mr. BLAKE. I don't believe I have any useful comment that I could offer or background at this time to that question.

Mrs. COLLINS. Let me ask you another one. I understand a key Rhodesian technique for repression is the forced resettlement of villagers behind barbed wire of so-called "protective villages."

Amnesty International also estimate Smith has penned up 100,000 to 300,000 Africans who could be shot on the spot if found outside these villages at night.

This is done for the purpose of depriving the guerrillas of a friendly base. How many of these so-called "protective villages" exist to your knowledge, or from some information that you might have, and has the State Department taken, or does it plan to take, any steps to condemn this flagrant violation of basic human rights and civil liberties?

Mr. BLAKE. I am not aware of how many of the so-called protective villages there might be.

Mrs. COLLINS. Are you aware of there being any?

Mr. BLAKE. I have seen reports to the effect that this is in fact the case in Rhodesia and that they are excused or explained in terms of the security requirements of the border areas.

But to the extent certainly that they involve violations of human rights where people, as you have just said, could be shot if they moved outside the villages, I think that is simply reflective again of the type of regime that exists in Rhodesia where it is a minority regime concerned primarily with its own security and its own survival.

Mrs. COLLINS. Thank you, Mr. Blake.

Thank you, Mr. Chairman.

Mr. Diggs. There will be some questions that the staff will submit for more specific responses particularly related to sanctions. Just a couple of other questions.

We do have a Rhodesian desk officer?

Mr. BLAKE. We do, Mr. Chairman.

Mr. Diggs. Despite the fact that for the record we don't recognize that government, we do have such an officer. What does that particular officer do?

Mr. BLAKE. Mr. Chairman, one of the things he is doing here today is helping me. He is right behind me, Mr. Temple G. Cole.

We keep him very busy because there is a great deal of, if I may use the term again, monitoring that must go on in connection with United Nations resolutions and actions with respect to Rhodesia with which the United States must continue to be in compliance. He is the officer primarily responsible for keeping his principals informed as to what is developing in the U.N. in this particular area.

He would also be concerned with developing such information as he can regarding the state of play in the discussions or negotiations between the African nationalist leaders and Mr. Smith.

Of course, since we don't have a post in Salisbury, that means primarily relying on outside sources of information, usually our Embassies in Africa or such key places as London.

He would also be watching as much as possible for such policy pronouncements or statements as may be required to be made by people within the administration on Rhodesian problems, and he would be the first person to prepare whatever might be the initial draft of such statements.

Mr. DIGGS. He is the person who is in touch with the British Embassy, for example?

Mr. BLAKE. He would talk to the British Embassy. It would depend on the level of the conversation. It might be others.

Mr. DIGGS. Since South Africa is heavily engaged in this whole exercise, is it part of his duty, too, to keep in touch with the South African Embassy?

Mr. BLAKE. We have an officer who deals with South Africa, and of course we have a director for the Office of Southern African Affairs, Mr. Roy Haverkamp, who is also here. Many of the contacts between the South African Embassy and the Department of State on southern African issues would take place at Mr. Haverkamp's level. On other occasions they could escalate and be at the Assistant Secretary level.

Mr. DIGGS. If there is any problem involving Commerce or Defense, where does the Rhodesian officer fit into that?

Mr. BLAKE. If there is a problem of that type, whatever the problem might be, it usually starts at the staff level and then, if the Rhodesian desk officer cannot solve the problem, he would move it immediately to his immediate supervisor, who would be in this case, Mr. Haverkamp.

Mr. DIGGS. Is there a Rhodesian desk officer at Commerce and Defense?

Mr. BLAKE. I don't know that there is in the Department of Commerce.

Mr. DIGGS. Could you respond as to who is the gentleman's counterpart over there?

Mr. SHERWIN. We don't have a specific individual covering a specific country. We cover specific materials and commodities.

Mr. DIGGS. My final question, Mr. Blake, concerns the Secretary's visit. As reported in the press, he will be going to Lusaka and Dar es Salaam. As we all know, both of those places are also the residences of liberation exiles and representatives of liberation movements.

In view of the fact that the Secretary is not going to Rhodesia and not going to South Africa, I wonder whether or not it is planned

that he might meet with representatives of the liberation movements while he is in either one of those two places?

Mr. BLAKE. Mr. Chairman, we are still very much in the process of going through the preparations for the Secretary's trip. All the details of the program in the various countries that he will be visiting are still being worked out.

Mr. DIGGS. Do you think it would be useful if he met with appropriate representatives of the liberation movements while he is in Lusaka and Dar es Salaam?

Mr. BLAKE. His primary purpose, of course, would be to talk to heads of state and Foreign Ministers of the governments of those countries to which he will be traveling. If it were convenient to them and it were feasible for the Secretary to do it in terms of his own time—and he does plan to visit a lot of countries in a very short period of time—I am sure there would be some advantages in having such contacts.

Mr. DIGGS. Thank you very much, Mr. Blake.

Our next witness is Mr. Samuel B. Sherwin from the Department of Commerce.

Without objection, his biographical sketch will be inserted in the record prior to his testimony.

Mr. Sherwin, you have submitted a statement to the committee, including appropriate charts. You may proceed in whatever way you wish.

STATEMENT OF SAMUEL B. SHERWIN, DEPUTY ASSISTANT SECRETARY, BUREAU OF DOMESTIC COMMERCE, DEPARTMENT OF COMMERCE

Samuel B. Sherwin was named Deputy Assistant Secretary for Domestic Commerce on July 8, 1974.

Mr. Sherwin previously served in a dual capacity as Manager, Technology/Utilization, General Electric Company, and Consultant to the President of Piasecki Aircraft Corporation in Philadelphia, as well as a member of the Board of Directors and a Consultant to the Gray Manufacturing Corporation, Englewood Cliffs, New Jersey.

At General Electric, Mr. Sherwin was responsible for technology transfers and business development for the commercial sector of the company. He was instrumental in the development of inter-corporate ventures and acquisitions and initiated and carried out a significant program of company support to minority business development.

Prior to this, he was with United Aircraft for eighteen years as Sales Manager and General Manager in their Hamilton Standard Division, and for five years served as a consultant to Lehman Brothers and Loeb-Rhodes in the management of high technology commercial companies.

Because of his extensive background and experience in the industrial and business management areas of private industry, Mr. Sherwin is a well-known and respected authority in multi-business management, financial and production control techniques and corporate planning.

Mr. Sherwin was born in New York, New York, October 29, 1917; received a B.S. in Physics from City College of New York in 1938 and an M.S. in Aeronautical Engineering from New York University in 1940. He was awarded the honorary Juan de la Cierva fellowship in Rotary Aircraft. Mr. Sherwin has completed the academic requirements for his Ph. D. in Engineering at Columbia University.

Mr. Sherwin resides in Washington, D.C. He is married to the former Lola Golinko of Great Neck, New York. They have two sons and two daughters.

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

Mr. Chairman and members of the committee, I want to say informally that I am delighted to be here this afternoon. It didn't take a kick or a scream to get me here.

Can I also supplement my answer to a question pertaining to the organization of international trade activities in the Department of Commerce? I responded in terms of the Bureau of Domestic Commerce. Dr. Charles W. Hostler, Deputy Assistant Secretary, Bureau of International Commerce, has the responsibility for international trade relative to Rhodesia, to the degree that it is coverable.

As you know, I am Deputy Assistant Secretary for the Bureau of Domestic Commerce. I appreciate the opportunity to testify on behalf of the Department of Commerce on "Resources in Rhodesia: Implications for U.S. Policy." My statement will cover the following issues: An overview of resources in Rhodesia; the economic interests and activities of American companies and nationals in Rhodesia; and the economic interests and activities of other countries' nationals and companies in Rhodesia.

In the interest of time, I request that my prepared statement be submitted for the record. I will summarize my statement for the subcommittee and endeavor to briefly summarize our response to the questions posed in your letter of April 6.

Mr. DIGGS. Without objection, the complete testimony will be inserted in the record, and the gentleman may proceed in any fashion he desires.

Mr. SHERWIN. Thank you.

OVERVIEW OF RESOURCES

We have only examined the raw materials which can be imported under the provisions of the Byrd amendment with particular emphasis on chromium. Rhodesia has less than 1 percent of the world's known nickel and copper reserves, but it has 86 percent of the known metallurgical ore and 32 percent of all of the world's known chromite reserves.

Since the unilateral declaration of independence in 1965, good, hard information on Rhodesian production and exports has not been available. Rhodesia during this period of time has moved from being an exporter of chrome ore to an exporter of ferrochrome. We estimate Rhodesia can produce about 750,000 tons of chrome ore and about 250,000 tons of ferrochrome alloy annually.

We believe all of the alloys and the residual 225,000 tons of ore not used to produce the ferrochrome alloys are exported. Certainly the exports of ferrochrome alloys to the United States have steadily increased since passage of the Byrd amendment.

In 1975 over 82,000 tons of chrome alloys were received from Rhodesia, which was equal to 48 percent of the total quantity produced by U.S. domestic producers and 32 percent of the total quantity consumed by U.S. industry.

It should be noted in passing that in 1975 for the first time in our history imported chrome alloys exceeded domestic production by a ratio of 2 to 1.

ECONOMIC INTERESTS OF AMERICA COMPANIES

With respect to the second question, economic interests of American companies, at the time of the UDI we believe that U.S. investments were at least \$48 million and probably larger. The largest investment we list is that of ITT at \$35 million.

INTERESTS OF OTHER COUNTRIES' NATIONALS IN RHODESIA

We have very little information on the activities or investments of other countries' nationals and companies in Rhodesia. As a result of the development and history of Rhodesia, we believe the economic interests and investments of British and South African nationals and companies are extensive.

THE IMPACT OF THE CONTINUING DIFFICULTIES IN RHODESIA

We believe that the answer to this question is outside the expertise of the Department of Commerce and prefer that it be directed to other appropriate agencies.

We would point out, however, that if the mines in the Great Dyke area were abandoned for 6 months or if the mines in the Selukwe area were abandoned for 12 months, they would probably become flooded and be lost for productive purposes for probably 2 to 4 years. This would mean the loss of 700,000 to 750,000 tons of ore and could lead to intensive competition among the world's chrome alloy producers for the ores from other sources.

We cannot predict how the United States might fare in such a situation. However, even though the loss of Rhodesian production would eventually bid up prices for the remaining source of chrome ore and ferrochrome alloys, some imports could be expected to continue and U.S. stocks would actually have some replenishment.

Now I will be happy to answer any further questions you may have. Thank you.

[Mr. Sherwin's prepared statement follows:]

PREPARED STATEMENT OF SAMUEL B. SHERWIN, DEPUTY ASSISTANT SECRETARY, BUREAU OF DOMESTIC COMMERCE, DEPARTMENT OF COMMERCE

Mr. Chairman and members of the subcommittee: My name is Samuel B. Sherwin. I am Deputy Assistant Secretary of Commerce for the Bureau of Domestic Commerce. I appreciate the opportunity to testify on behalf of the Department of Commerce on "Resources in Rhodesia: Implications for U.S. Policy." My statement will cover the following issues: an overview of resources in Rhodesia; the economic interests and activities of American companies and nationals in Rhodesia; and the economic interests and activities of other countries' nationals and companies in Rhodesia.

1. AN OVERVIEW OF RESOURCES IN RHODESIA

Even before the imposition of sanctions by the U.N. on December 16, 1966 complete information from Rhodesia was difficult to obtain. With the imposition of sanctions, official information was completely shut off. Appendices 1 through 3 show world reserves of chromite, nickel, and copper. Information with respect to Rhodesia is shown where it is known. What information we do have about the current situation has largely been obtained from foreign and domestic press reports, statements of domestic and foreign visitors to Rhodesia, and certain unofficial reports on the minerals trade and resources. Major Rhodesian raw materials exported prior to the sanctions were chromite, nickel, copper, gold, coal, and asbestos. Actual production and export figures for the years 1973 to

date are not available. We do know what strategic and critical Rhodesian materials the U.S. has imported under the Byrd Amendment during this period. Asbestos, copper, and nickel represent insignificant imports from Rhodesia into the U.S. Only Rhodesian chromite is a significant factor and the rest of my discussion of Rhodesian resources will be directed to that commodity.

Chromite is the principal ore of the element chromium. Both chromite and the ferrochrome alloys made from the ore are classed as critical and strategic materials and carried in the national stockpile. Chromite is obtained in three types for use in the metallurgical industry, chemical industry, and refractory industry. The metallurgical applications account for about two-thirds of all uses and in these applications chromium is used either as a pure metal or alloyed with iron and silicon when it is added as a chrome ferroalloy.

As an alloying element, chromium's principal contributions to steel and other metals are to enhance such properties as hardenability, resistance to deformation at high temperatures, creep strength, impact values, resistance to corrosion, oxidation and abrasion.

Major end uses for the chromium ferroalloys are in the manufacture of stainless steels, structural and engineering steels, tool steels, die steels, most alloy steels, superalloy, high-temperature and super-strength steels, armor plate, aluminum and copper-base alloys, heat-resistant and abrasive resistant cast irons, hard-facing alloys, and electrical-resistance alloys.

In 1972 chromium was used in products having a U.S. sales value in excess of \$133 billion or almost one-fifth of the sales value of all manufacturing (\$752 billion). Appendix 4 lists the more important of the product groups into which these materials flow. It will be observed that all of the uses of these product groups are functional rather than decorative.

Chromium has many unique qualities and substitution or replacement on a large scale is not feasible.

The U.S. has no economically feasible deposits of chrome ore and is completely dependent upon imports. Rhodesia and South Africa combined have over 95 percent of the known world reserves (see appendix 1). South Africa has more chrome reserves than the rest of the world combined. Of the high quality metallurgical types, however, Rhodesia has about 86 percent, South Africa 9 percent, and the rest of the world 5 percent.

Historically, Rhodesia and Turkey were the principal suppliers of metallurgical chrome ore to the U.S. Rhodesia has been the major supplier, in part because two U.S. companies own the most important mines in the country. These mines were mandated by the Rhodesian Government about one year after sanctions were imposed and have since been operated by Univex, a Rhodesian government agency. Russia displaced Rhodesia as the principal supplier of ore to the U.S. in 1966, the year in which U.N. sanctions were voted.

2. ACTIVITIES OF U.S. COMPANIES TRADING WITH OR INVESTING IN RHODESIA

Very little information is available on the activities of U.S. companies trading with Rhodesia although a limited amount of trade continues to flow between the two countries in permitted items. U.S. imports from Rhodesia in 1975 were valued at about \$60 million (up from \$19.4 million in 1974) and were comprised entirely of metals and minerals. Ferroalloys were the principal import, valued at \$38.5 million. Other imports were nickel and its alloys (\$9.1 million), crude asbestos (\$2.3 million), and nonferrous metal ores and concentrates (\$7.3 million). U.S. exports to Rhodesia in 1975, valued at \$1.3 million were made up of machinery and transport equipment parts, medicinals and pharmaceuticals, and photographic goods.

Prior to the Unilateral Declaration of Independence (UDI) in 1965, the value of U.S. direct investment in Rhodesia according to the Rhodesian Information Service, was estimated at over \$48 million. The chrome mining industry, for example, was largely dominated by U.S. and British companies. At that time, Union Carbide with an estimated investment of \$3.3 million, and Foote Mineral with an investment of \$1.5 million owned the two most important chrome mines in the country.

The largest U.S. investor in 1965 was International Telephone and Telegraph (ITT) which had an estimated \$35 million investment in Rhodesia. Other investors included Goodyear Tire (\$3.5 million), Cal-Tex (\$2.5 million) and Mobil

Oil (\$2.5 million). This is not a complete list but seems to indicate the substantial economic interests of U.S. firms in Rhodesia.

3. BUSINESS ACTIVITIES OF OTHER COUNTRIES' NATIONALS IN RHODESIA

Very little information is available on the business activities of other countries' nationals which may be operating in Rhodesia either as traders or investors. Although official trade statistics are not available, estimates by the U.N., and others, indicate that since UDI, a high level of trade has been maintained. Sanctions, however, have radically changed the direction of trade. Prior to UDI, Rhodesia's foreign trade was mainly with the U.K., Zambia, South Africa, and European countries. While the presumption has been that most developed countries have drastically reduced their trade with Rhodesia since UDI, U.N. statistics indicate that some Rhodesian exports (other than those to South Africa) continue to go to developed countries. In 1971, for example, large quantities of chrome and maize were exported to Japan and West Germany and substantial quantities of tobacco were exported to the Netherlands, Belgium, West Germany, and Austria. Rhodesian trade with Central and Southern African countries continues to be important, particularly for Rhodesian exports of grains, cotton, and tobacco.

Trade with South Africa increased as a result of sanctions and Rhodesia's changing relationship with Mozambique will serve to reinforce the importance of South Africa as a trading partner. Exports of manufactured goods to South Africa consist almost entirely of clothing, shoes, and furniture supplies destined for South Africa.

Very little is known about investment by other countries' nationals in Rhodesia except the extensive participation by British and South African firms in the early development of Rhodesia's economy prior to UDI. Presumably, many of these firms are still active although they are, no doubt, operating under changed circumstances such as the mandate by the Rhodesian Government. British Motors was forced to close its assembly plant in 1967 due to lack of parts, but motor assembly operations apparently began again in 1969 with French, Italian, and German participation. Dunlop continues to make tires and tubes in Rhodesia. Beta dominates the shoe industry; and David Whitehead, the textile industry. A BP-Shell Oil refinery operated in Rhodesia until the port of Beira was blockaded in 1966 by the British and the refinery was forced to close. Anglo-American and other British firms invested heavily in the mining industry before UDI and many are believed to be operating in one form or another.

4. THE IMPACT OF THE CONTINUING WAR IN RHODESIA

The impact of the war is a question outside the expertise of the U.S. Department of Commerce and is better directed to other agencies with expertise in that area.

We do know, however, that if the chromite mines are destroyed or abandoned by trained personnel and there are no replacements immediately available, those on the Great Dyke will flood within 6 months and become useless. Those in the Selukwe area will become useless in perhaps 12 months. Rehabilitation will then take from 2 to 4 years to restore the mines to full capacity operation. In the meanwhile 20-25% of the world's production of metallurgical grade ore would be lost (700-750,000 tons).

Stocks of ferrochrome alloys in the hands of producers, consumers and traders, plus the alloy equivalent of chrome ores in private hands is sufficient to maintain operations in the steel industry for about 20 months at the 1975 level of production and about 12 months at capacity. These levels of operation presume no imports from any country of either chrome alloys or chrome ores, which probably will not be the case. However, we cannot estimate U.S. imports of these raw materials, because the rest of the world will also lose the Rhodesian production if the mines are lost. This may set off intensive competition for the remaining sources of chrome ore and ferrochrome alloys.

The projection above includes only resources in private hands. It does not include any government stockpile material. Such material can only be released in a national emergency or if legislation is enacted to permit disposal of excess stockpile material. At present, the stockpile total is about 2.5 million tons of ore and about 700,000 tons of chrome alloys.

APPENDIX 1

CHROMITE—ESTIMATED WORLD RESERVES AND RESOURCES OF CHROMITE ORE BY TYPE AND COUNTRY

[In thousands of long tons]

	Identified resources			Total
	High grade ¹	Other ²	Conditional resources ²	
Western Hemisphere:				
United States.....			5,450	5,450
Brazil.....	2,500	3,600	5,150	11,250
Canada.....			2,600	2,600
Cuba.....		250	1,100	1,350
Greenland.....			10,000	10,000
Other.....			200	200
Western Hemisphere, total.....	2,500	3,850	24,500	30,850
Eastern Hemisphere:				
Republic South Africa.....	50,000	1,000,000	2,050,000	3,100,000
Rhodesia.....	500,000	50,000	550,000	1,100,000
U.S.S.R.....	10,000	11,000	22,000	43,000
Turkey.....	5,000		5,000	10,000
Finland.....		10,000	5,000	15,000
India.....	5,000	2,000	6,000	13,000
Philippines.....	700	4,000	2,500	7,200
Malagasy Republic.....	4,000	1,000	5,000	10,000
Iran.....	1,500		1,000	2,500
Greece.....	50	50	100	200
Other.....		2,000	2,000	4,000
Eastern Hemisphere, total.....	576,250	1,080,050	2,648,600	4,304,900
World total.....	578,750	1,083,900	2,673,100	4,335,750
Rhodesia, percent.....	86.4	4.6	20.6	25.4
South Africa, percent.....	8.6	92.3	76.7	71.5

¹ Metallurgical type.² Refractory and chemical type.³ Not profitably recoverable with existing technology.

Source: Preprint U.S. Geological Survey Professional Paper 820 (1975).

APPENDIX 2

World nickel reserves

[Million pounds nickel]

Country :	Estimated reserves
Australia.....	2,000
Brazil.....	1,200
Canada.....	20,000
Cuba.....	36,000
Dominican Republic.....	1,600
Greece.....	200
Guatemala.....	2,000
Indonesia.....	16,000
New Caledonia.....	33,000
Philippines.....	9,000
Puerto Rico.....	1,600
Rhodesia.....	1,400
Republic of South Africa.....	800
Union of Soviet Socialist Republics.....	20,000
United States.....	1,800
Venezuela.....	1,400
Other.....	3,400
Total.....	151,400

Source: National Research Council MAB-248 (1968).

APPENDIX 3

World copper reserves

[Million short tons]

Country :	<i>Estimated reserves</i>
Canada -----	40
Chile -----	70
Zaire -----	20
Peru -----	30
United States -----	90
Zambia -----	30
Other Free World ¹ -----	95
Communist countries, except Yugoslavia ² -----	55
Total -----	430

¹ Includes Rhodesia.² Includes U.S.S.R. at 38.5 (e)—Mineral Year Book 1968.

Source : Bureau of Mines "Commodity Data Summary 1975".

APPENDIX 4

Important product groups containing chromium in the form of alloy and stainless steels

[1972 value of industry shipments]

<i>1967 SIC Code and Industry</i>	<i>Millions</i>
3391 Iron and steel forgings -----	\$1,389.9
3441 Fabricated structural steel -----	3,903.8
3443 Fabricated platework (boiler shops) -----	3,425.5
3451 Screw machine products -----	1,058.2
3461 Metal stampings -----	8,161.8
3492 Safes and vaults (estimated) -----	190.0
3493 Steel springs -----	330.7
3511 Steam engines and turbines -----	2,187.3
3522 Farm machinery -----	5,537.1
3531 Construction machinery -----	6,030.2
3533 Oilfield machinery -----	1,199.0
3536 Hoists, cranes, and monorails -----	526.4
3541 Machines tools, metal-cutting types -----	1,438.2
3542 Machine tools, metal-forming types -----	734.4
3562 Ball and roller bearings -----	1,483.9
3566 Power transmission equipment -----	1,537.2
3612 Transformers -----	1,463.4
3621 Motors and generators -----	2,492.3
3711 Motor vehicles -----	42,970.1
3713 Truck and bus bodies -----	1,512.8
3714 Motor vehicle parts and accessories -----	18,285.4
3721 Aircraft -----	8,774.7
3722 Aircraft engines and engine parts -----	3,633.7
3729 Aircraft equipment (not elsewhere classified) -----	3,036.6
3731 Shipbuilding and repairing -----	3,278.6
3742 Railroad and street cars (estimated) -----	790.0
3841 } Surgical, medical, and dental instruments and supplies -----	2,750.0
3842 }	
3843 }	
1925 Complete guided missiles -----	4,326.4
1931 Tanks and tank components -----	272.2
1999 Ordnance and accessories (not elsewhere classified) -----	464.2
1911 Guns, howitzers, and mortars -----	
Subtotal -----	133,184.0
All manufacturing total -----	752,828.9
Subtotal as percentage of all manufacturing -----	17.7

Source : U.S. Department of Commerce.

APPENDIX 5

CHROME ORE PRICES¹—F.O.B. ATLANTIC-GULF PORTS PRICE BASIS 48 PERCENT CR. OXIDE

[In long tons]

	Russian	Rhodesian	Turkish
1960.....		\$36.00	\$37
1961.....		36.00	35
1962.....	\$21.50	36.00	35
1963.....	21.50	36.00	35
1964.....	22.50	36.00	28
1965.....	23.90	33.50	30
1966.....	26.50	31.00	30
1967.....	27.00	32.00	34
1968.....	33.50	-----	36
1969.....	39.75	-----	37
1970.....	45.50	-----	49
1971.....	57.50	-----	53
1972.....	² 49.00	² 45.50	² 49
1973.....	56.00	55.50	57
1974.....	78.00	76.50	75
Feb. 1, 1975.....	³ 140.00	⁴ 110.00	155

¹ Prices represent annual averages or, when known, last quarter prices paid. They have been rounded to remove odd cents.

² Metric tons.

³ Reported to be \$170 2d $\frac{1}{2}$ delivery.

⁴ Reported to be \$150 2d $\frac{1}{2}$ delivery.

Sources: Metals Week, American Metal Market, and Department of Commerce trade sources.

APPENDIX 6

IMPORTS FOR CONSUMPTION OF FERROCHROMIUM ALLOYS

[In short tons]

Country	1973			1974			1975 ¹		
	Gross weight	Chrome content	Value (thousands)	Gross weight	Chrome content	Value (thousands)	Gross weight	Chrome content	Value (thousands)
Brazil ²	7,219	4,160	\$1,012	10,582	6,095	\$2,662	16,039	9,099	\$7,130
Canada ²	9	6	5	5	4	5			
Finland ²	13,198	6,910	1,494	2,309	1,169	448	6,050	3,092	2,447
France.....				198	102	42	958	671	1,083
West Germany.....	2,528	1,797	1,226	6,438	4,546	3,451	6,501	4,559	6,581
Italy.....									
Japan.....	13,485	9,351	5,212	8,340	5,599	5,229	84,969	53,917	74,789
Norway.....	4,354	2,955	1,541	4,701	3,183	2,384	3,378	2,238	3,120
Rhodesia ²	53,511	36,671	10,548	34,163	23,472	8,778	82,090	55,546	38,529
South Africa ²	56,177	33,247	11,384	63,747	36,941	16,531	99,286	55,612	40,221
Sweden.....	7,190	5,336	3,074	7,496	5,124	3,712	2,853	2,169	4,039
Turkey ²	1,654	1,180	598	2,205	1,565	745	2,314	1,614	2,016
Yugoslavia ²	3,307	2,149	802	21,228	14,164	11,181	12,397	8,195	9,381
Spain.....	1,385	944	302						
Australia.....				14	8	10			
Taiwan.....				147	110	83	339	213	309
India ²							1,630	1,056	1,030
Republic of Korea.....							11	7	16
Total.....	163,927	104,706	37,198	161,573	102,082	55,261	318,823	197,988	190,630
U.S. production.....	321,060	219,467	.....	301,433	205,616	.....	170,361	114,973	.....
U.S. imports.....	2:1	2.1:1	.....	1.9:1	2:1	.....	111.9	1:1.7	.....

¹ Preliminary.

² Countries with native ores, see app. 1. All others must import ores to produce ferrochrome alloys.

Mr. DIGGS. Thank you very much, Mr. Sherwin.

Do you have a record of American goods or commodities that may have been licensed through some other country, for example through South Africa, that got into Rhodesia?

Mr. SHERWIN. I don't believe I do, sir, but I will be very happy to check that and re-respond for the record.

[The information supplied by Department of Commerce follows:]

Detected illegal shipments that left the United States under validated or general licenses for other destinations and were then diverted to Rhodesia are listed below (administrative compliance action or criminal action was taken against all firms found responsible for these illegal shipments):

Year ¹ and description:	Value
1966 Cottonseed (32 tons)-----	\$6,400
1967 Cotton gin plant-----	140,000
1969 Cottonseed delinter plant-----	75,000
1970 Anhydrous ammonia (20,000 tons)-----	600,000
1972 Plastics working machinery-----	11,000
1972 Cotton gin plant-----	240,000
1972 Fertilizer plant-----	(²)
1974 1 DC-8 aircraft (leased to Rhodesia)-----	5,450,000
1975 3 Boeing 720 aircraft-----	2,300,000

¹ Year in which compliance action against offending party was announced.

² Value of assembled plant \$50 million; value of U.S. components not available.

Other than for these, no statistics are available on illegal diversion of U.S. goods to Rhodesia.

Mr. DIGGS. I am also wondering about the position of American business regarding majority rule. We saw in the February 18 edition of the Johannesburg Star a quote from a business person who stated that the company's policy was one of support for majority rule. I wondered whether in your contacts with the business persons or interests there has been some expression about their views on this matter.

Mr. SHERWIN. I would not have, sir, anything substantive that I could present to this committee. There would be, I expect, a spectrum of views in the business community relative to majority rule.

Mr. DIGGS. Most of the business community was opposed to the repeal of the Byrd amendment?

Mr. SHERWIN. As I would express it, the business community was concerned with the potential increase in price and the availability of chrome ore and ferrochrome.

Mr. DIGGS. For that reason they were opposed to the repeal?

Mr. SHERWIN. I couldn't say that they were opposed. As you know, the Department of Commerce supported the repeal of the Byrd amendment.

Mr. DIGGS. At least they supported it before one committee, but we have testimony that they did not before another committee.

You were a distinguished member of the business community before you came here. You still have connections in the business community. I was just trying to get some kind of assessment here, to the extent that you can provide one from your own contacts, about the attitude of the business community.

Are they solely concerned with the economic dimensions of this situation as opposed to American foreign policy interests?

Mr. SHERWIN. Sir, may I elaborate? All of the testimony that I am aware of was in full support of the administration's position relative to the repeal of the Byrd amendment. I think by and large as a businessman you don't tend to get involved in areas of world politics, international law. You are concerned about the cost of goods. You are concerned about prices. Most businessmen are concerned about the

impact of the cost of goods on the consumer. In that sense they become concerned about sources of supply.

Mr. DIGGS. Obviously, they have other concerns. The recent revelations about business involvement in the politics of various nations obviously reflects dimensions that go far beyond or at least have implications that there are other dimensions to their method of doing business in certain countries.

So they have to be mindful of the political dimensions.

We have a report about an American business person Richard Vissers, who reportedly is forming an American Southern African Commerce Association to promote trade between the United States and South Africa and who has reportedly traveled in Rhodesia.

Does that name ring a bell to you? Do you know anything about that particular person?

Mr. SHERWIN. I personally do not. Let me check with my expert. He does not, either, sir.

Mr. DIGGS. So there has been no contact with Commerce about the emergence of this association at all?

Mr. SHERWIN. I do not have any personal knowledge of any such contacts.

[The following statement was subsequently received for inclusion in the record at this point:]

I understand, however, that the Department of Commerce had been informed by the American Consulate General in Johannesburg of a Mr. Richard H. Vissers, reportedly of Los Angeles. The Consulate General had been contacted by a Johannesburg newspaper whom Vissers had sought to inform concerning his plans to establish some sort of U.S.-Southern African trade association.

Commerce then contacted Dun and Bradstreet, the Department's Los Angeles Office, and the Los Angeles telephone information. No information was available on Vissers.

Mr. DIGGS. What American business people do you have contact with regarding Rhodesia—advice, assistance? What does the Department do when an American business person or prospective investor comes and inquires about an investment in Rhodesia?

Mr. SHERWIN. I would say that they probably contact the Bureau of International Commerce and are given the official position of the Government in that regard.

Mr. DIGGS. What is that position?

Mr. SHERWIN. I would have to determine that and find out. As you recall, I head the Bureau of Domestic Commerce, usually do not participate in discussions of that nature, but I will be glad to forward that information to you.

[The information requested follows:]

A businessman seeking information on Southern Rhodesia is informed of the U.N. Sanctions and of the Executive Orders giving force to them in the U.S. The core of the policy is twofold: on the export side, only items of a humanitarian nature are permitted (these are generally taken to be of a medical or educational nature); on the import side, all commodities are prohibited except for those authorized under the Byrd Amendment, that is, those commodities on the Strategic and Critical Materials List whose importation from communist countries is not otherwise prohibited. Copies of the Treasury Sanctions Program bulletin are sent out if the inquirer so asks. Should the businessman seek information on the matter of investment, licensing, or payments transfer, he is speedily referred to Treasury's Foreign Assets Control Division, which is charged with implementing that portion of the Sanctions.

Mr. DIGGS. I would assume that there is some kind of policy controlling here, and I would have to assume, since you were sent up here to testify on Rhodesia and have submitted a paper here on Rhodesia, that you are acquainted, or somebody in your backup team there is acquainted, with what the policy is if an American person makes some inquiry about an investment in Rhodesia.

Mr. SHERWIN. As far as I know, I don't believe we have received since UDI any inquiries on investments. As I stated previously, the information we have watched carefully in terms of its impact on industry domestically is the availability of chrome and ferrochrome to the American industry. That is the extent to which we have followed the Rhodesian situation.

Mr. DIGGS. What about U.S. subsidiaries in third countries? For example, an American subsidiary in South Africa?

Mr. SHERWIN. We know of no such activity. As my colleague from the State Department indicated, we know of no such activity in that regard. We certainly have not monitored anything along that line.

Mr. DIGGS. Am I correct that U.S. enforcement of sanctions only extends to U.S. companies or persons in the United States or in Southern Rhodesia?

Mr. SHERWIN. Southern Rhodesia? I don't quite understand.

Mr. DIGGS. That the enforcement of sanctions only covers companies that are actually located in Rhodesia or in the United States? Am I correct that subsidiaries in third countries, for example, a subsidiary as mentioned in South Africa, is really not covered within the enforcement of sanctions according to our policy? Am I correct in that?

Mr. SHERWIN. I would have to say you are probably correct to the degree—

Mr. DIGGS. That is a pretty big loophole, isn't it?

Mr. SHERWIN. I don't know whether it is a loophole or not. I just don't know. I know of no mechanism within our purview that could establish that or determine the information along those lines.

[The following statement was subsequently submitted for inclusion in the record:]

Transactions controls are the responsibility of the Treasury Department. You may wish to address this question to them. Export controls are the responsibility of the Commerce Department. All U.S. goods, wherever located, are covered by these controls. For example, a U.S. subsidiary as well as any other firm in South Africa is forbidden to on-forward U.S. goods to Rhodesia, without prior authorization from the Commerce Department, in the same way that its parent in the U.S. is so forbidden.

Mr. DIGGS. We have a commercial attaché in Pretoria who is fully aware of all American subsidiaries there and who would know whether or not these people are doing business in Rhodesia. What is the commercial attaché doing in Pretoria if he doesn't know that?

Mr. SHERWIN. If I may pass the question to the representative from the State Department—

Mr. DIGGS. No; I am talking about Commerce, Mr. Secretary. You should not be passing anything to anybody. Commerce itself ought to be able to answer this.

**STATEMENT OF WILLIAM J. KAESTNER, INDUSTRY SPECIALIST,
DEPARTMENT OF COMMERCE**

Mr. KAESTNER. We had on several occasions before the Byrd amendment inquired of the commercial attaché in South Africa to check to see if chrome ore was coming out of Rhodesia, or coming out of South Africa to the United States. To the best of their knowledge they could find no such shipments coming into the United States.

Mr. DIGGS. What about issuing export licenses to companies or persons in other places where the material could end up in Rhodesia?

Mr. SHERWIN. We have no record of any such occurrence.

Mr. DIGGS. What I am asking for here, Mr. Sherwin, is a full report for the record on the extent to which U.S. companies or persons abroad are not adhering to sanctions against Rhodesia because of this loophole, the issuance of export licenses to U.S. companies and persons in other places that ultimately may result in material ending up in Rhodesia.

[The information requested follows:]

As mentioned earlier, under Department of Commerce export control regulations, no U.S. affiliate abroad may on-forward U.S. goods to Rhodesia without prior authorization. We have no evidence that U.S. companies or persons abroad have violated this regulation.

Mr. DIGGS. The fact that U.S. subsidiaries in third countries, particularly South Africa, have access to this kind of commercial transaction I think is very important.

I am looking at an article by Michael Kaufman from Salisbury, for example, that talks about no shortage of goods in Rhodesia, that you can find Coca-Cola, Kodak film, American automobiles, and everything else over there. They must be getting in there in some way, and I wanted to find out whether or not your enforcement of sanctions is adequate or whether or not they are coming in through sources over which your Department has no control.

Mr. SHERWIN. As you well know, the Byrd amendment does permit certain exports where the matter of life and health is involved.

In 1975 we exported medicines, pharmaceuticals, and things of that nature valued at approximately \$1.3 million. As to anything beyond that, of course we would have to consult with our experts to determine the control of further exports from other countries.

Mr. DIGGS. Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman.

Mr. Sherwin, in reviewing your appendix No. 5 with regard to comparison of chrome prices, can you tell us why in 1975 the prices became disproportionate? Up to that time, from 1960 through 1974, apparently the prices of Russian, Rhodesian, and Turkish chrome ore were fairly equal, and then suddenly February 1, 1975, you have a disproportionate price. What brought that on?

Mr. SHERWIN. I think the unilateral situation of Russian supply. The Russians started to increase their price unilaterally. Unfortunately, the rest of the world followed.

Mr. GILMAN. Where does the price structure stand today? The Russian? How much for Rhodesian?

Mr. SHERWIN. It is \$170 for Russian, and Rhodesian looks like \$150. It is on appendix 5 to the formal statement that we submitted for the record, at the bottom.

Mr. GILMAN. Are you referring to the second—

Mr. SHERWIN. Items (A) and (B).

Mr. GILMAN. 1975?

Mr. SHERWIN. Yes.

Mr. GILMAN. How current, then, is your price?

Mr. SHERWIN. That is about as current as we have.

Mr. GILMAN. What date would that be?

Mr. SHERWIN. It probably came out sometime during the first quarter of 1976.

Mr. GILMAN. Is the Russian ore as good as the Rhodesian ore?

Mr. SHERWIN. In terms of metallurgical use, yes, it is.

Mr. GILMAN. Are we able to get a sufficient supply from the Russians without any problem?

Mr. SHERWIN. So far we have had no difficulty, subject to price.

Mr. GILMAN. Have we had any problem in obtaining the Turkish supply?

Mr. SHERWIN. There was a reduction in availability during a recent period of time due to other actions we have taken. I haven't seen it come back.

Mr. GILMAN. Is the quality as good as the Rhodesian ore?

Mr. SHERWIN. Yes, in terms of metallurgical grade. There are various grades of chromite, as you realize, which is described in the formal report.

Mr. GILMAN. Is there any other supplier to our Nation besides these three?

Mr. SHERWIN. Those are the principal suppliers. Again we have listed that in our prepared testimony at page 4.

Mr. GILMAN. What is the impact of closure of the borders by Mozambique on prices and on the availability of metals such as copper, tin, and gold?

Mr. SHERWIN. The closing of the Port of Maputo can have a significant effect on Rhodesian exports of raw material. They may be able to divert over a period of time, 6 to 18 months, to South Africa.

Mr. GILMAN. The March issue of the Johannesburg Star states that the situation in Africa continues to be the dominating factor influencing metal prices, with the price of all London markets exchange metals rising following Mozambique's announcement that a war-like situation footing exists between itself and Rhodesia. Can you explain why that situation exists?

Mr. SHERWIN. Would you please repeat the question again? I lost you somewhere.

Mr. GILMAN. The Star reports that the dominating factor influencing metal prices came about following Mozambique's announcement that it was preparing for war. Why does that have such a substantial effect on prices?

Mr. SHERWIN. You have to remember again that Rhodesia represents 86 percent of the available metallurgical ore as opposed to other grades of ore.

If I understood you correctly, if war should break out in Rhodesia, its availability from Rhodesia, a significant source, would not be there. There is a potential hazard, as I pointed out, of destruction for a longer period of time of the mines.

Mr. GILMAN. What would be the effect of the border closure on Rhodesia's exports and imports of manufactured goods, machinery, and chemicals?

Mr. SHERWIN. Again my colleague from the State Department indicated certain of their exports, food and so on, would still continue to local countries. In terms of import of machinery and equipment, I think there would be this 6- to 8-month adjustment. That is our judgment.

Mr. GILMAN. Do the U.S. subsidiaries in third countries—for example, American subsidiaries in South Africa—have to adhere to the sanctions?

Mr. SHERWIN. I don't know, frankly, what the legal restraints are in that area, whether they do or do not.

Mr. GILMAN. Is there anyone who can provide that information?

[The information requested follows:]

This relates to my earlier response to Mr. Diggs. As I explained, all U.S. goods, wherever located, are covered by export and transaction controls. For example, a U.S. subsidiary as well as any other firm in South Africa is forbidden to on-forward U.S. goods to Rhodesia, without prior authorization from the Commerce Department, in the same way that its parent in the U.S. is so forbidden.

Mr. BLAKE. I think the only thing I can say on that is that we regard each individual country that is a member of the United Nations as being responsible for enforcing the sanctions against Rhodesia. South Africa does not enforce those sanctions against Rhodesia, which means that any company that operates in South Africa consistent with South African law would be able to continue to trade with Rhodesia.

Mr. GILMAN. Can you tell us to what extent the growing economic ties between Brazil and South Africa benefit the Rhodesia regime?

Mr. SHERWIN. I can't answer that question. I just don't know. I would be happy to look into it and respond to that.

[The following statement was subsequently submitted for inclusion in the record:]

We have no information that the developing Brazil-South African commercial intercourse either does or does not directly or measurably benefit Southern Rhodesia.

Mr. GILMAN. Can our State Department representative answer that, by any chance?

Mr. BLAKE. I don't have any information on that.

Mr. GILMAN. I have no further questions.

Thank you.

Thank you, Mr. Chairman.

Mr. DIGGS. Mrs. Collins.

Mrs. COLLINS. Mr. Sherwin, a little while back you said that most businessmen don't get involved in politics.

My question is: What, then, is the basis for the code of multinational behavior which is currently being drafted by the Organization for Economic Cooperation and Development?

What is the basis of the U.S. Treasury Department's opposition to the sections calling for controls on price fixing, transfer pricing, and

shifting foreign countries from one country to another to avoid host country restrictions?

Either of you.

Mr. SHERWIN. May I comment this way. When I stated that businessmen do not become involved in political aspects, I think they are keeping their nose to the grindstone in terms of optimizing the welfare of their company.

I think the question you raise is a second question as to how they do business overseas, and of course you are aware of what is going on in that area.

Of course they are involved in a code of conduct and are concerned that they do business overseas productively and in a proper legal manner.

Mrs. COLLINS. Do you know what the basis of the Treasury Department's opposition is to the sections calling for those controls?

Mr. SHERWIN. I do not.

Mrs. COLLINS. Do you, Mr. Blake? Have you any idea?

Mr. BLAKE. I do not.

Mrs. COLLINS. To what extent, Mr. Sherwin, are U.S. companies or persons based elsewhere; namely, in Japan, West Germany, and South Africa particularly, trading with Rhodesia? Do you know?

Mr. SHERWIN. I don't know.

[Mr. Sherwin subsequently submitted the following for inclusion in the record:]

As mentioned earlier, under Department of Commerce export control regulations, no U.S. affiliate abroad may on-forward U.S. goods to Rhodesia without prior authorization. We have no evidence that U.S. companies or persons abroad have violated this regulation.

Mrs. COLLINS. Do you know to what extent the United States is issuing export licenses to U.S. companies or persons in other places which later on may send such material to Rhodesia?

Mr. SHERWIN. I don't think the information on an export license would disclose that, if I understood you correctly.

Mrs. COLLINS. Do you have information that would disclose that?

Mr. SHERWIN. No; we do not.

[Mr. Sherwin subsequently submitted the following for inclusion in the record:]

In issuing licenses to countries other than Rhodesia, a case where there is reason to believe that the goods may be diverted to Rhodesia will not be issued unless the doubt can be removed by some means as making an end use check through the foreign service. If any United States company or person located abroad were found to be illegally reexporting U.S. goods to Rhodesia they would be subject to a compliance hearing where, if found guilty they could be denied the privilege of receiving any United States merchandise for an appropriate period of time.

Mrs. COLLINS. Do you?

Mr. BLAKE. No.

Mrs. COLLINS. Have you any idea to what extent that might be going on?

Mr. SHERWIN. I haven't any notion. There is no mechanism, as I stated before, to keep track of that.

Mrs. COLLINS. Mr. Chairman, would there be any way that we could get a full report on the extent to which U.S. companies or persons abroad are not adhering to sanctions against Rhodesia through this loophole?

Mr. DIGGS. I would think we ought to be able to get Commerce to make an analysis of this question.

They have access to basic information out of which such an analysis can be made.

I am asking that the departmental witness, if he does not have the information at hand, see that the subcommittee gets the information for the record.

Mr. SHERWIN. Could you restate the information that you desire?

Mr. DIGGS. We will submit it in writing to you.

Mr. SHERWIN. Fine.

Mrs. COLLINS. Thank you.

[The information requested follows:]

For the extent to which U.S. companies or persons abroad are not adhering to Treasury's transactions control, any information available would have to come from the Treasury Department. As stated before, the Department of Commerce has no evidence that United States companies or persons abroad are attempting to on-forward U.S. merchandise to Rhodesia without prior authorization. Furthermore in the illegal shipments described in the reply to Chairman Diggs (p. 52) there were no U.S. subsidiaries located abroad implicated in the illegal transactions.

Mrs. COLLINS. The effect of the March 3 border and port closure with Mozambique has been to tighten the economic squeeze on Rhodesia, 60 percent of whose foreign trade passes through Mozambique.

My first question is: Combined with existing sanctions, what do you think will be the impact on the Rhodesian economy in terms of disrupted trade patterns, shortage of foreign exchange, and long-range economic problems?

Mr. SHERWIN. As I stated before, I think there will be a 6- to 18-month adjustment.

Mrs. COLLINS. A 6- to 18-month adjustment period?

Mr. SHERWIN. Yes.

Mrs. COLLINS. Where do you think the adjustment will lead? Will it lead down?

Mr. SHERWIN. You mean through South Africa?

Mrs. COLLINS. You say there would be a 6- to 18-month adjustment period. At the end of that adjustment period, where do you think their economy will be?

Mr. SHERWIN. Assuming that there is peace and harmony and no conflict, I think the economy will continue to move in the direction it has been moving.

Mrs. COLLINS. On the other hand, if these things do happen, if there is not peace, then you would say it probably would fall?

Mr. SHERWIN. Obviously, exports would be cut, and mines could be damaged for a 2- to 4-year period, as I stated previously.

Mrs. COLLINS. South Africa and Portugal had traditionally taken some of the pressure off Rhodesia. Now South Africa alone must conceivably do so. Have you any information on increased trade, foreign exchange, air and rail communication between South Africa and Rhodesia?

Mr. SHERWIN. Not at the moment.

Mrs. COLLINS. You can get some for us?

Mr. SHERWIN. We will make every effort to obtain whatever information is available.

[The following statement was subsequently submitted for inclusion in the record:]

Since its Unilateral Declaration of Independence in 1965, South Rhodesia has published only total figures for imports and exports; no country of destination information was printed. Beginning in 1974, the country ceased even publishing dollar trade figures; instead the data were presented in the form of a volume of trade index. South Africa administers the Customs Union for the four countries of South Africa, Botswana, Lesotho, and Swaziland. The published figures include a continent aid "African" allocation for both imports and exports; no individual country information is published. It is therefore impossible to assess the level of trade between the two areas.

Information on foreign exchange transactions is equally difficult to come by. The Rhodesian monthly bulletin of Statistics for January 1976 contains provisional figures for "Capital Transactions, net" for 1974 of Rhodesian Dollars \$62.6 million, and a "Net Inflow on Current and Capital Accounts" figures for the same year of mining Rhodesian Dollars, \$33.1 million."

No source of the inflow or outflow of capital are listed.

Normal air services are maintained between the state owned entities of South Africa (South African Airways) and Southern Rhodesia (Air Rhodesia). No traffic figures are published by Air Rhodesia on the volume of traffic on the Salisbury-Johannesburg route. The international airline guide indicates the Johannesburg stop is the only one made outside the borders of Southern Rhodesia.

Southern Rhodesia rail figures would give the reader an even less clear picture. The reason is that the sole rail line serving Botswana is operated by Southern Rhodesia. A sizeable portion of the freight and passengers carried on that line are Botswanan. Only recently—within the past two years—has Southern Rhodesia constructed a direct Southern Rhodesian-South Africa rail connection between Biet Bridge and Messins. The general feeling is that prior to Mozambique's independence and continuing since then, Southern Rhodesia has been shifting a portion of its Maputo-bound cargoes to the Beit Bridge Line. Hard figures as to tonnages and percentage of Rhodesian trade effected are simply unavailable to BIC.

Mrs. COLLINS. Have you any information on increased aid levels to Rhodesia from other countries?

Mr. SHERWIN. None. As I stated in my formal testimony, information is very sketchy, if any at all.

Mrs. COLLINS. Do you know what percent of increased trade with South Africa by Rhodesia is due to higher trade levels with any other country?

Mr. SHERWIN. None whatsoever.

Mrs. COLLINS. Do you know the overall effect of U.S. importation of chrome from Rhodesia on that country's economy?

Mr. SHERWIN. In a macro sense it would be very hard for me to answer that question because I don't have enough of the total picture since 1965 of what the Rhodesian economy is comprised of in detail, where it has been moving in its growth pattern, and so on. It would be very difficult to respond to that question.

Mrs. COLLINS. Let me make sure I have your answer right. You don't know what percentage of the total economy is based on the importation of chrome? Is that what you are saying?

Mr. SHERWIN. Repeat that, please.

Mrs. COLLINS. What percentage of the total Rhodesian economy is based on chrome importation? Is that what you are saying?

Let me rephrase my question. Do you know what percentage of the total economy is based on chrome importation?

Mr. SHERWIN. Let me check with my expert.

Do we know?

Mrs. COLLINS. Could we identify your expert for the record? He has answered quite a few questions.

Mr. KAESTNER. William J. Kaestner.

Mr. SHERWIN. \$38 to \$45 million to the United States.

Mrs. COLLINS. My question was: Do you know what the total percentage of chrome imports is to the total economy of Rhodesia?

You don't have that information?

What is included in the nonsanctioned goods category which are eligible for trade to Rhodesia?

Mr. SHERWIN. As I stated before, pharmaceuticals.

Mrs. COLLINS. Do you know what the total for those items is?

Mr. SHERWIN. As I stated before, I believe \$1.5 million. It is in the testimony.

Mrs. COLLINS. I didn't read the entire testimony. I didn't have the advance knowledge contained in that.

In 1973 an extensive report on sanctions implementation by the Carnegie Endowment for International Peace pointed out massive violations of sanctions in such areas as open advertisements in Rhodesia, in U.S. publications, airline rentals, car rentals, use of credit cards and tourism.

Another study by the Corporate Information Center for the Interfaith Center for Corporate Responsibility indicated that U.S. tourists are 20 percent of Rhodesia's tourist trade, netting Rhodesia at least \$16.3 million per year in foreign exchange.

In your estimation, isn't this a clear violation of section 4 of Security Council Resolution 253 of 1968?

I would suggest that to you, Mr. Blake.

Mr. BLAKE. The United Nations sanctions, Mrs. Collins, are directed to trade and financial transactions between members of the United Nations and Rhodesia.

Mrs. COLLINS. Doesn't this have an impact on their foreign exchange?

Mr. BLAKE. There is no question that it does have an impact on their foreign exchange and to the extent they can encourage or promote tourism, just as to the extent they can find buyers for whatever they export, their financial position is strengthened. There is no question about that at all.

Mrs. COLLINS. Given the U.S. policy of support of that resolution and majority rule in Rhodesia, why hasn't legal grounds been found to restrict travel to Rhodesia?

Mr. BLAKE. I would be very surprised, considering the activity of the United Nations Sanctions Committee, if they have not specifically addressed this problem and embraced it within the broad range of sanctions themselves.

As I mentioned earlier, however, when the chairman was raising the question about American travelers to Rhodesia, for example, we cannot—at least the Department of State cannot ban them from such travel. We have no authority to do that.

Mrs. COLLINS. Do you know who has the authority?

Mr. BLAKE. I believe this issue has gone all the way to the Supreme Court.

Mrs. COLLINS. What was the decision of the Supreme Court?

Mr. BLAKE. My recollection is that the Federal Government in any event did not have the authority to restrict such travel. This has been the basis of course on which American citizens have been able

to travel to other parts of the world, including those areas where actually some of our troops were engaged in combat.

Mrs. COLLINS. Thank you, Mr. Blake.

Thank you, Mr. Chairman. I have no further questions.

Mr. GILMAN. Mr. Sherwin, what agency has the responsibility for enforcing economic sanctions against Rhodesia?

Mr. SHERWIN. Certainly we share a part in export licensing to that degree. Can you supplement?

Mr. BLAKE. It is the Treasury. Treasury promulgates the regulations consistent with the United Nations sanctions.

Mr. GILMAN. Thank you.

Mr. DIGGS. I have no further questions.

Mr. SHERWIN. Would you excuse me, sir?

Mr. DIGGS. I excuse the witness with the understanding we have some specific questions to be submitted to the Department.

Mr. SHERWIN. Thank you very much.

Mr. DIGGS. I would like to call Mr. Richard Violette, Director for Security Assistance Operations, Defense Security Assistance Agency.

Without objection, Mr. Violette's biographical sketch will be entered in the record at this point.

You have submitted a short statement, plus some statistical information. You may proceed.

STATEMENT OF RICHARD R. VIOLETTE, DIRECTOR, SECURITY ASSISTANCE OPERATIONS, DEFENSE SECURITY ASSISTANCE AGENCY

Richard R. Violette was appointed and confirmed as Director, Security Assistance Operations, Defense Security Assistance Agency, on July 21, 1974.

Prior to that time Mr. Violette served as the Deputy Director since September 1969 with assignment to the Office of the Assistant Secretary of Defense (International Security Affairs) in March 1966. During that period, March 1966 to September 1969, Mr. Violette served as Deputy Director for FRG Negotiations and Director, Air Weapons Systems.

Mr. Violette entered Government service in 1942 at Presque Isle AAFB, Maine. He was employed there for the duration of World War II in the aircraft maintenance field terminating in 1945 as a Production Control Specialist. He entered Columbia University in September 1945 receiving a bachelor's degree in Economics.

He reentered Government service in 1951 at Erding Air Depot (Germany), serving there for two years. In 1954 he transferred to the Air Materiel Forces European Command as a Logistics Officer specializing in supply requirements. From 1956 until 1964 he served as the senior civilian Logistics Plans Officer at Headquarters, U.S. Air Force Europe specializing in development of logistics support for units throughout the USAF area and preparing the logistics planning portion of USAF war plans. In 1964 he was assigned to Headquarters, U.S. European Command in Paris, France, and served as the Deputy to the Assistant for Logistics Plans.

Mr. Violette was born in Van Buren, Maine, May 25, 1925. He is married to the former Uta Doll and they reside at The Point in Annapolis.

Mr. VIOLETTE. Mr. Chairman, I appreciate the opportunity to appear before you and to provide specific information concerning our security assistance programs which you have asked for, specifically for Saudi Arabia, Jordan, Iran, Israel, and Brazil.

My statement is rather short. As you have seen, I am sure, most of it is statistical data in the form of linear tables on our grant aid program, our foreign military credit agreements that we have extended

to the countries that you asked for, and actual sales agreements, both cash and credit.

Unless you have objections, sir, I prefer not to repeat those for the record in linear table form, but instead entertain any questions you might have.

[The table which appeared in the prepared statement follows:]

[Data shown in thousands of dollars and fiscal years]

Country	MAP program	FMS credit extended	FMS agreements (cash and credit)
Saudi Arabia:			
1974.....	173.....		2,539,408
1975.....	38.....		1,373,862
1976 to date.....			1,701,579
1976 balance projected.....			441,421
1977 projected.....			1,500,000
Jordan:			
1974.....	40,704.....		61,550
1975.....	69,852.....	30,000	29,583
1976 to date.....	33,731.....		175,107
1976 balance projected.....	66,269.....	82,500	247,893
1977 projected.....	70,800.....	75,000	375,000
Iran:			
1974.....	2.....		3,917,121
1975.....			2,567,903
1976 to date.....			986,380
1976 balance projected.....			306,620
1977.....			1,200,000
Israel:			
1974.....		2,482,664	2,437,310
1975.....		300,000	868,650
1976 to date.....		300,000	919,886
1976 balance projected.....		1,200,000	278,114
1977.....		1,000,000	1,200,000
Brazil:			
1974.....	936.....	51,743	69,059
1975.....	901.....	60,000	27,025
1976 to date.....	616.....	37,000	10,001
1976 balance projected.....	504.....	14,000	14,959
1977 projected.....	1,100.....	60,000	35,000

Mr. Driggs. Thank you, Mr. Violette.

I think our basic thrust here is to try to determine whether or not any U.S. aid or military-related assistance to countries that have a pattern of doing business with South Africa and Rhodesia may find their way into that area.

So we are specifically interested in all information on military-related assistance to those areas and whether or not you have any intelligence or any monitoring system that would turn up the diversion of any of this material to Rhodesia. We specifically cited several countries.

Mr. VIOLETTE. Let me try to answer the question the way you might best want it answered.

First of all, I understand the pattern of countries you have listed are countries that are perhaps engaging in some interchange of activity with South Africa, with the South African nations. With respect to the transfer or potential transfer, whether legal or illegal, to the country in question, we have no evidence of such transfers.

When a sale is made on a government-to-government basis, which is what we call a FMS, or foreign military sale, the buyer must sign a government-to-government agreement that it will adhere to the policy that he cannot transfer the goods and services that he is buying on a

government-to-government basis without the specific approval of the U.S. Government.

That is what we call third country transfer obligation and it comes under the purview of the State Department, and I would ask the State Department to answer you in a formal way, but to our knowledge, since you asked me specifically in Defense do we have any sort of intelligence, the answer is "No," sir, we do not. Again, I would defer to the State Department since ultimately that Department approves or disapproves requests for third country transfers.

Mr. DIGGS. Have you any comment at this point, Mr. Blake?

Mr. BLAKE. I have no information on this, Mr. Chairman.

Mr. DIGGS. I also asked if there was any monitoring system to make that kind of determination because, if you don't have any monitoring system, obviously you wouldn't know.

Mr. VIOLETTE. Let me address that part of your question, Mr. Chairman. In each of the countries that we have given you data on—Saudi Arabia, Jordan, Iran, Israel, and Brazil—we do have military missions or attachés or MAAG's, Military Assistance Advisory Groups. Specifically they are not out in the field every day looking over the equipment and counting how many tanks and guns and airplanes and whatever the items are that the host country has that they have procured or that they have been granted by the U.S. Government.

Second, as previous witnesses before other committees from the State Department have stated, there is no way you can guarantee that something will not be transferred without our knowledge, but our military people in the field in those countries are very knowledgeable on how equipment is employed and its location.

If there were to be any kind of transfers, either on a wholesale basis or even on an individual basis, individual pieces of equipment, the host country knows this kind of information will eventually become known either by us or by others. To transfer in that fashion illegally, simply isn't done, particularly by those countries in question.

I might, if you wish, refer you to the testimony of Mr. Atherton before Mr. Hamilton's Subcommittee on the Middle East, where this subject was treated in great detail and the reasons were given why the countries simply do not do this.

Again, however, our State Department representative is very proper in pointing out that you cannot guarantee to this committee or any other committee that it will not happen. However, it has not happened in the past.

Mr. DIGGS. It is our understanding that the National Security Council met in mid-March on the question of Rhodesia. Can you confirm that?

Mr. VIOLETTE. I am not familiar with that.

Mr. BLAKE. I have no information on that.

Mr. DIGGS. Are there any option papers that are being developed in connection with contingencies that may arise out of this prospective conflict, out of either the Defense Department or the State Department?

Mr. BLAKE. Mr. Chairman, we are engaged almost constantly in the Department of State with reviewing situations as they relate to particular countries and possible problems that might arise and courses of action that should be taken. Many of those papers, I might

say, get no further than sometimes the desk officer, the officer director, but it is incumbent on all of us to keep these situations under review and where we believe it necessary to prepare more thorough and complete studies for consideration by our principals.

This is as true of Rhodesia as of any other part of the world at anytime. Obviously, when a situation becomes more complicated, more political, and draws more and more attention on the part of other governments, then the reviews are intensified.

Mr. DIGGS. Have you the same procedure at the Defense Department?

Mr. VIOLETTE. Sir, I don't know whether we do or not. I am in Security Assistance. I am simply not in that other field. I am afraid I can't answer that question.

Mr. DIGGS. You were sent here to be a departmental witness with respect to questions revolving around Rhodesia, so one would assume if these contingency papers were being developed you would know something about them.

Mr. VIOLETTE. I believe, Mr. Chairman, our reply to your April 6 letter, our reply being dated April 9, offered to have a Defense Intelligence Agency briefing in an executive session on the subject that you asked for. That could shed some light on the question that you are asking.

Mr. DIGGS. I yield to the gentleman from New York, Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman.

Mr. Violette, how are the Rhodesian guerrillas being supplied? Have you any information on that?

Mr. VIOLETTE. I have no information on that.

Mr. GILMAN. Have you any information arming the extent of the Cuban involvement in Mozambique?

Mr. VIOLETTE. I have no information on that.

Mr. GILMAN. Do we know how extensive the Cuban involvement is in any other neighboring countries?

Mr. VIOLETTE. No.

Mr. GILMAN. Does the State Department have any information on that?

Mr. BLAKE. To the best of our knowledge, Mr. Gilman, there are no Cuban combat troops that we know of in Mozambique at this time.

Mr. GILMAN. Are there any Cuban advisers?

Mr. BLAKE. There may be some Cubans there. Precisely what their role is we don't know. We are fairly confident that there are no Cuban combat troops.

Mr. GILMAN. Where are the Rhodesian guerrillas receiving their training?

Mr. BLAKE. Many of the guerrillas, as has been the case throughout Africa as the movement of nationalism proceeds, train in the last country that obtained its independence. The Mozambican Government certainly made clear its commitment to majority rule in Rhodesia, so I have no doubt, particularly since some of the guerrillas crossed the Mozambican border, that some of the training and preparations are being carried out within Mozambique, itself.

Mr. GILMAN. Would that also apply to supplies for these forces?

Mr. BLAKE. I should think so.

Mr. GILMAN. How about military equipment?

Mr. BLAKE. This would be only a guess, Mr. Gilman. I could not give you precise information on it. Military equipment, particularly of the type used by guerrillas, can be purchased anywhere in the world, from almost any arms dealer. I am sure the guerrillas as in the case of Rhodesia are probably using material that in many cases is not identifiable in terms of its origin as to where it came from.

For the most part, light equipment that can be carried in a man's hand or on his back.

Mr. GILMAN. Is there any current indication of any arms buildup among the Rhodesian guerrillas at the present time?

Mr. BLAKE. We do not in the Department of State, no.

Mr. GILMAN. Is there any buildup of forces on the borders of Rhodesia?

Mr. BLAKE. Of course the Rhodesians have been building up their forces along the borders. They have tightened their security operations considerably and increased the number of patrols. We understand they have also increased the number of security forces that they have.

On the guerrilla side we have no precise information as to whether there has been any increase in the number of volunteers or the amount of recruitment going on. I think it could be expected, however, that the numbers would increase over a period of time.

Mr. GILMAN. Do you think the recent United Nations Security Council session would have any effect on Rhodesian policy?

Mr. BLAKE. I think the new sanctions, the extension of the sanctions that has just been voted on, does no more, as I mentioned earlier, than plug some loopholes. I think the sanctions that really carried the greatest weight and had the greatest chance of success were those passed years ago and which have been enforced in varying degrees throughout the world.

My guess is that Mr. Smith probably will continue to hold on just as long as he can, hoping for the break.

Mr. GILMAN. Do you see anything that our Nation should be doing to help bring about a change of heart by Mr. Smith in regard to his policies?

Mr. BLAKE. Yes, sir, I do. I am not sure that this heart will ever be changed, but it is conceivable that there could be a change in Rhodesian policy if the Congress were to repeal the Byrd amendment.

I cannot think of any clearer, stronger signal that could be sent to the Smith regime that the situation had changed and changed dramatically, not only with the departure of the Portuguese and the imposition of the Mozambique sanctions, but by the decision of the Congress to reverse the position it took 5 years ago.

Mr. GILMAN. If Congress were to reverse its position, do you foresee any economic impact on our Nation as a result of the shortage of supply of Rhodesian chrome?

Mr. BLAKE. We have discussed this before, as you know, Mr. Gilman. There are differing views on it. The position of the Department of State, and I hope understandably, has always been that as long as Rhodesian chrome continued to be imported into the United States, the United States stood in violation of a very serious international obligation.

Our position has always been that this was not the way the United States ought to appear before the rest of the world. Moreover, we said some time ago that we were not satisfied in our own mind, as some people were, that Rhodesian chrome would continue to flow to the United States, given the situation the way it was evolving in southern Africa.

We have now seen that Rhodesia is not a secure source of chrome for the United States. The Mozambicans have shown that. It is conceivable that some may continue to come out through South Africa. I think the channels are narrowing and that those who held, I am sure with goodwill and based on their best judgment, that Rhodesia represented a secure source of supply I think must be rethinking their position.

One way in which that chrome could get out has now been shut off. There is only one other way it can move now and we don't know whether it will continue to move that way.

Mr. GILMAN. Mr. Violette, do you see any security question arming our imposing of sanctions on Rhodesia?

Mr. VIOLETTE. Again I defer to my colleague from the State Department.

Mr. BLAKE. We recognize there is a security interest involved, Mr. Gilman. We never said that we didn't. What we said was that that interest had to be weighed against the other considerations involved in importing Rhodesian chrome.

What we believe is that one of the security arguments, namely, that Rhodesia represented a secure source of supply for chrome, which we do need, has been undermined by the developments of the last few weeks with the imposition of Mozambican sanctions. It is not a secure source of supply, and at least to the extent that was a consideration in the minds of some Members of the Congress, we would hope they would reexamine their position.

Mr. DIGGS. If the gentleman will yield at that point, if the witness from the Department of Defense is not prepared to answer that, that is a very legitimate question that the Department ought to answer.

We will leave the record open at this point for a very comprehensive update with respect to the policy of the Department in view of the developments that have taken place since the last time they have gone on the record. We have a different situation here.

The gentleman from the State Department is correct that the Department of Defense had that kind of reservation. It was one of the reasons, among others, despite disclaimers here from your Department and from Commerce, that the Byrd amendment repeal failed because Defense had reservations about that aspect of it, Commerce had other reservations, Treasury had reservations, and so stated them, mostly off the record, where it is most devastating, certainly before the Armed Services Committee.

So we want to get an answer to that question as to the current assessment of the security implications of the repeal of the Byrd amendment.

Will the gentleman take that message back to the Department and be sure the committee gets the answer?

Mr. VIOLETTE. Will it be included in the written questions that are being asked?

Mr. DIGGS. We want to dramatize and emphasize that particular one.

We may include it, but I would suggest that you make a special note of that.

[Subsequently, the Department of Defense furnished the following information.]

CURRENT ASSESSMENT OF SECURITY IMPLICATIONS OF REPEALING THE BYRD AMENDMENT

The security implications of repealing the Byrd Amendment include the impact of repeal on: 1) the supply and cost of chrome used directly to meet defense needs and indirectly to support essential national security activities and 2) the overall political/military/economic aspects of U.S. policy toward the countries of Africa. The Department of Defense is most directly responsible for identifying and reporting on the first, with due attention to the broader considerations of the second.

Direct Defense needs account for only about 6 to 7 percent of the total U.S. demand for chromium, but chromium is also critical to the non-defense sector of the economy—particularly in capital goods and infrastructure that indirectly support national security activities. With respect to metallurgical grade chromium (over 46 percent ore content), which is the most important in the present context, government stockpiles contain some 2,500,000 gross tons of ore alone, enough to satisfy emergency mobilization requirements for about three years at current and projected rates of usage by Defense and by essential civilian industrial base activities needed to support Defense efforts (there are also 780,000 tons of various grades of ferrochromium alloys stockpiled). Industry stocks are estimated to be some 695,000 tons, about eighteen months normal peacetime consumption. Chromium is virtually unique among alloying elements in that there is essentially no substitute for it in its primary use in production of stainless steel.

There is no U.S. domestic primary production of chromium. Between 1971 and 1975 secondary recovery or recycling was conducted at a rate about 14 percent of consumption; obviously the bulk of consumption depends on external supply. The latest data on imports of metallurgical grade chromium show that 18 percent are from Rhodesia, 12 percent from South Africa, 49 percent from the U.S.S.R. and 15 percent from Turkey. If Rhodesian chrome is embargoed and imports from the other countries could be expanded proportionally to offset the loss, some 14 percent of our metallurgical chrome imports would come from South Africa, 58 percent from the U.S.S.R. and about 18 percent from Turkey (the latter being the least likely to be able to expand its production to meet increased U.S. import demand). Some other currently minor producers (e.g., India, Yugoslavia) could conceivably take up some of the slack.

World prices of chromium rose from \$31 to \$55 per ton during the Rhodesian embargo of 1967-71—the U.S.S.R. doubled its price during this time. The world price fell to around \$43 per ton after the Byrd amendment was passed (some of this can be attributed to the 1971-72 recession). Demand for chromium has been found to be relatively inelastic—although demand has decreased in recent years, it has not done so in proportion to the rise in price, which today is around \$137 per ton (this is a “representative price”; U.S.S.R. prices are around \$170 per ton, and Rhodesian prices vary from \$110 to \$130). While the possibility of overt cartel-like action by the politically disparate producers is remote, the potential for tacit collusion does exist. Based on past experience, if the Rhodesian supply was again denied the U.S. and the U.S.S.R. used as a source of partial replacement, further price increases could be anticipated.

For all practical purposes Rhodesia cannot now be considered a secure source of chromium as its outlets to the sea are closed or uncertain. Early in March Mozambique imposed a complete embargo on Rhodesian shipments. Existing transport infrastructure is a bottleneck and is subject to growing sabotage attempts by Rhodesian guerrillas.

While the Department of Defense is naturally concerned about the availability of chromium to support the national defense effort, all things considered that effort will not face insuperable problems if Rhodesia is denied as a source. In fact, because of the inevitability of eventual majority rule in that country, our long-term interests may be best served by strict compliance with the UN embargo. The Department of Defense fully supports the Administration stand on repeal of the Byrd Amendment.

Mr. DIGGS. Mr. Gilman.

Mr. GILMAN. Mr. Violette, do you have any information about any mercenaries being employed by the Rhodesians or by the Rhodesian guerrilla forces, either by the Rhodesian nationalists or by the Rhodesian opposition?

Mr. VIOLETTE. No, I have none, sir.

Mr. GILMAN. Does Mr. Blake have any information?

Mr. BLAKE. I don't have any information, Mr. Gilman, no.

Mr. GILMAN. Mr. Blake, do you have any further comment you want to put on the record about this situation?

Mr. BLAKE. I don't think so, Mr. Gilman. I appreciate the opportunity we have had today not only to state our views on what the current situation is with respect to Rhodesia, which is a highly dramatic one, but also to reexamine at least to some extent with members of the committee some of the implications of that problem for the United States.

Mr. GILMAN. Mr. Violette?

Mr. VIOLETTE. Nothing further.

Mr. GILMAN. I want to thank both of you gentlemen for your comments.

Mr. DIGGS. Mrs. Collins.

Mr. COLLINS. Mr. Violette or Mr. Blake, after Secretary Kissinger's March 4 statement about the Cuban threat, the Rhodesian Defense Minister expressed thanks, saying: "One can only be thankful that at least someone in the western world is beginning to realize the menace, the threat to the West, to the extent of being able to take a positive line on it."

To me that was an interesting thing for the Rhodesian Defense Minister to say because it was an optimistic statement. As far as you know, Mr. Violette, is this optimism based on any promise or commitment from the U.S. Defense Department to supply armament, aircraft, or other support for a military operation against African nationalist guerrillas?

Mr. VIOLETTE. To my knowledge it is not.

Mrs. COLLINS. Mr. Blake?

Mr. BLAKE. I have no knowledge of that.

Mrs. COLLINS. On March 24 the French press carried a story which reported that the State Department had formally denied a report that between 50 and 70 U.S.-transport planes destined for Rhodesia were transiting each week through the Azores base.

According to your information, Mr. Violette, has there been an increase in U.S.-flight activity at the Azores during that period mid-March to the end of March and were such planes destined for Rhodesia?

Mr. VIOLETTE. Excuse me. The first part of the question, was there any increase in activities due to—

Mrs. COLLINS. Going to the Azores during that period?

Mr. VIOLETTE. Yes, but due to—

Mrs. COLLINS. Planes destined for Rhodesia?

Mr. VIOLETTE. No.

Mrs. COLLINS. Transport planes?

Mr. VIOLETTE. No.

Mrs. COLLINS. But there was increased activity?

Mr. VIOLETTE. I don't know that.

Mrs. COLLINS. I thought you said there was.

Do you know of any, Mr. Blake?

Mr. BLAKE. I don't know of any American transport planes going to Rhodesia, no.

Mrs. COLLINS. Do you know of any increase in activity through the Azores?

Mr. BLAKE. No.

Mrs. COLLINS. Since 1961 South Africa has continued a massive arms buildup due mainly to increasing pressure for African nationalism and sustained in great part by suppliers such as France who refused to restrict arms sales.

Now, South Africa has nuclear capacity, advanced fighter planes, surface-to-air weapons systems, and an indigenous arms industry which includes production of Atlas Impala which began in 1967. It is my understanding trains from South Africa loaded with ammunition and war supplies still roll into Salisbury station 3 or 4 nights a week.

South Africa has also announced, in fact, its readiness to come to Rhodesia's rescue following Mozambique's decision to cut off Rhodesia's road and rail links to Indian Ocean ports.

What contingency plans are being considered in the Department of Defense for such a scenario which has South Africa militarily supporting a Rhodesian war against African nationalists?

Mr. VIOLETTE. To my knowledge, Mrs. Collins, none. However, again the DIA briefing that has been offered in executive session might shed more light on that.

Mrs. COLLINS. Do you know of any such?

Mr. BLAKE. No; I don't, Mrs. Collins.

Mrs. COLLINS. Do you know of any sort of contingency plan for proven Cuban and Soviet support of the African guerrillas?

Mr. VIOLETTE. No.

Mr. BLAKE. No.

Mrs. COLLINS. What is the Defense Department analysis of whether South Africa is likely to become more directly involved in war in Rhodesia?

Mr. Blake.

Mr. BLAKE. I think, Mrs. Collins, that is a very difficult problem for the South African Government.

As you know, they have been trying to maintain a considerable amount of pressure against the Smith regime to reach some kind of accommodation during the negotiations that just broke down with Mr. Nkomo. Perhaps it is a sign that the Smith regime could not count on a blank check out of Pretoria, that they withdrew their military forces, their armed forces, some months ago who had been cooperating with the Rhodesians along the Mozambican border. I think the South African Government, whatever its attitude toward Rhodesia, must also be mindful of the great effort it has made during the past several years to reach some kind of understanding with the rest of black Africa.

While I certainly cannot predict what the South African Government will decide to do and certainly cannot speak for them, I should think they would be as deeply concerned over the fact that Mr. Smith did not work out an arrangement with Mr. Nkomo and deeply disturbed over the prospect for increasing violence just north of their own country.

Mrs. COLLINS. Do you know whether there are at present any South African military or paramilitary or police forces in Rhodesia?

Mr. BLAKE. I do not believe there are.

Mrs. COLLINS. Could either of you elaborate on the meaning of Operation Thresher?

I understand this is Rhodesia's antiguerrilla campaign in the south-east which has been stepped up during the last week of March.

Mr. BLAKE. I am not familiar with that.

Mr. VIOLETTE. I am not, either.

Mrs. COLLINS. Thank you.

I don't have any further questions, Mr. Chairman.

Mr. DIGGS. Thank you very much.

The committee stands adjourned.

[Whereupon, at 4:40 p.m., the hearing adjourned.]

RESOURCES IN RHODESIA: IMPLICATIONS FOR U.S. POLICY

THURSDAY, MAY 6, 1976

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
SUBCOMMITTEE ON INTERNATIONAL
RESOURCES, FOOD, AND ENERGY,
Washington, D.C.

The subcommittee met at 3:15 p.m. in room 2255, Rayburn House Office Building, Hon. Charles C. Diggs, Jr. (chairman of the subcommittee), presiding.

Mr. Diggs. The subcommittee will come to order.

Today we will hold the second in this series of hearings entitled "Resources in Rhodesia: Implications for U.S. Policy." This hearing is particularly timely in view of Secretary Kissinger's 10-point program in support of majority rule in southern Rhodesia which was announced at Lusaka on April 27.

We note this effort, and look for full backing from the President and all executive agencies to implement this program as a first step toward developing a more positive policy toward Africa.

As stated at the first hearing on April 13, the purpose of the hearing is to assess the implications of U.S. policy for continued U.S. access to Rhodesian resources. Certainly a majority rule government is not likely to view the United States with favor if our Government is perceived as supporting the minority regime presently in control.

Specifically, we hope that today's hearing will relate to the following key areas: Any transfer or crediting of funds to or for the benefit of the illegal Ian Smith regime in Rhodesia; the means by which the Rhodesian Information Office in the United States receives funds; the U.S. fulfillment of its U.N. obligations with respect to Rhodesia, in particular, paragraph (f) section (1) of Executive Order 11419 prohibiting the transfer, directly or indirectly, of funds or other economic or financial resources to Rhodesia; steps being taken to amend Executive Order 11419 and regulations issued pursuant thereto to accord with the U.S. obligation under the April 6, 1976, Security Council resolution expanding sanctions against Rhodesia; all commodities in value thereof by year of import into the United States under the so-called Byrd amendment from its passage to date; specific recommendations for U.S. policy with respect to Rhodesia.

We are particularly concerned with the Treasury Department's policy of licensing tourists to expend funds for their hotels and meals, transportation and similar expenses in Rhodesia. This is especially critical in view of the prohibition against the transfer, directly or indirectly, of funds or other economic or financial resources, to Rhodesia.

and the significance of tourism as a source of badly needed foreign exchange for the Smith regime.

We hope during the course of today's hearings to learn more about the policy of the Department of Treasury with respect to that matter, and other matters.

We have, as our first witness, Mr. Stanley L. Sommerfield, Acting Director, Office of Foreign Assets Control, Department of the Treasury.

Without objection, the biography of Mr. Sommerfield will be inserted in full in the record immediately prior to the gentleman's testimony.

Suffice it to say that he holds that position against a background of distinguished service to the Department.

Mr. Sommerfield, you have submitted to the subcommittee a prepared statement. You may proceed, sir.

**STATEMENT OF STANLEY L. SOMMERFIELD, ACTING DIRECTOR,
OFFICE OF FOREIGN ASSETS CONTROL, DEPARTMENT OF THE
TREASURY**

Mr. Sommerfield was born in Syracuse, New York. He received his B.A. from Syracuse University in 1940 and his J.D. from that university in 1942. He was admitted to the New York Bar in 1942. From 1942-1963 he served as an attorney-adviser in the international legal office of the Department of the Treasury, assigned primarily to Foreign Funds Control work and its successor agency, the present Office of Foreign Assets Control. From 1963-1976 he has served as Chief Counsel of the Office of Foreign Assets Control, Department of the Treasury. From 1971 to date he has also served as the Acting Director of that Office.

Mr. Sommerfield is the author of "Treasury Regulations Affecting Trade with the Sino-Soviet Bloc and Cuba," 19 Bus. Law 861 (1964). In addition, he has authored another law review article entitled "Treasury Regulations of Foreign Assets and Trade," soon to be published in Lawyers Guide to International Business Transactions.

Mr. Sommerfield received the Treasury Department Meritorious Service Award in 1968 and the Treasury Department Exceptional Service Award in 1976.

Mr. Sommerfield is married to the former Fay Cario of Hong Kong and has two children.

Mr. SOMMERFIELD. Thank you, Mr. Chairman.

My name is Stanley L. Sommerfield. I am the Acting Director of the Office of Foreign Assets Control, Department of the Treasury.

Under the supervision of the Assistant Secretary of the Treasury for Enforcement, Operations, and Tariff Affairs, my office administers the Rhodesian Sanctions Regulations (31 CFR part 530). These regulations implement Executive Orders Nos. 11322 and 11419. The orders were issued by the President to carry out U.S. obligations in connection with U.N. Security Council Resolutions 232 and 253. The Security Council Resolutions call on all U.N. members to impose economic sanctions on the illegal Rhodesian regime.

The Treasury regulations prohibit, among other things, unlicensed remittances to Rhodesia; unlicensed imports of goods of Rhodesian origin; unlicensed expenditures of Rhodesian funds in the United States; and, other forms of economic relations between Americans and Rhodesia.

One of the purposes of the sanctions is to prevent Rhodesian accruals of foreign exchange from Americans. Accordingly, the regulations prohibit all unlicensed transfers of funds from Americans to Rhodesia. Investments in Rhodesia are prohibited; sending funds to support the day-to-day activities of business in Rhodesia is prohibited; sending funds to friends and relatives there is prohibited, as are most other types of remittances.

There are, however, certain exceptions to the ban on remittances. The United Nations sanctions themselves contain an exception permitting remittances for pensions, and for medical, humanitarian, or educational purposes, or for the provision of news material—Security Council Resolution 253, paragraph 4.

In order to have the most effective possible regulations, the Treasury's regulations contain a blanket prohibition against all unlicensed remittances for any purpose whatever. Then the regulations contain a general license permitting payments to Rhodesia for books, publications, and documentary or news films—section 530.510.

A similar general license exists for expenditures by news gathering agencies such as the Associated Press or the television news agencies. In addition, specific licenses are issued on a case-by-case basis to church, missionary, and similar organizations to authorize the sending of funds for medical, humanitarian, and educational purposes, as permitted by U.N. Resolution 253.

The dollar funds which accrue to Rhodesia from these authorized remittances are credited to Rhodesian bank accounts in the United States, and are usable for any purpose not illegal under other U.S. laws. They are used by Rhodesia to fund the Rhodesian Information Office in Washington.

Other expenditures which are licensed for Rhodesia are travel expenditures by American tourists. It is legal under American law for an American to travel to Rhodesia. Equally, the United Nations sanctions do not apply to travel by tourists in Rhodesia.

Under these circumstances, it is Treasury policy to license tourists to expend funds for their hotels, meals, transportation, and similar expenses in Rhodesia. The licenses specifically caution travelers that they may not import any gifts, souvenirs, or other Rhodesian goods. This ban on imports extends even to big-game trophies shot by Americans while on hunting safaris in Rhodesia.

As I noted earlier, all of these remittances are permissible under the U.N. resolutions. There exists, however, one other type of remittance which goes from Americans to Rhodesia, namely, remittances in payment of strategic goods imported under the Byrd amendment. Since its enactment in 1971, \$130.8 million worth of strategic goods have been imported into the United States. A list of the commodities imported under that statute is appended, with the annual value thereof.

On April 6, 1976, the U.N. Security Council, as you know, passed a resolution calling for a ban by member nations on insurance of Rhodesian imports or exports, a ban on insurance of business undertakings in Rhodesia, and a ban on franchising Rhodesians to use trade names, trademarks, and registered designs.

The Treasury has always interpreted the 1968 Security Council resolution as applying to insurance of Rhodesian imports and exports,

and insurance of business activities in Rhodesia which are in any way related to import or export activities.

Thus, the United States has banned this type of insurance since 1968, and we welcome the fact that other nations will now be expected to apply the same level of controls as the United States in this area of economic sanctions.

The other portion of the April 6 Security Council resolution deals with franchises. The United States has not, since the 1968 resolution, permitted any new franchise contracts to be entered into by Americans with Rhodesian firms. There were in existence in 1968, before the passage of resolution 253, three franchise agreements related to Rhodesia. Of the three, one was canceled in July 1974. We have written the other two firms instructing them to cancel their franchise agreements promptly, and we assume there will be no problem in securing full compliance.

In summary, Mr. Chairman, I think it fair to say that the United States has taken effective measures to carry out the United Nations mandatory sanctions since their inception and, with the exception of the imports of strategic goods under the Byrd amendment, we are in full compliance with all of the requirements of the sanctions program.

I might add to this prepared statement, Mr. Chairman, that since its preparation we have been informed by one of the two firms to whom we wrote recently, after passage of the resolution, that they are in the process of canceling their franchise agreement. I assume the other firm will proceed along the same line.

I have an affirmative answer from one.

Mr. DIGGS. What are the names of those two firms?

Mr. SOMMERFIELD. Avis and Holiday Inns. Avis is canceling.

Mr. DIGGS. The one that had already canceled?

Mr. SOMMERFIELD. Hertz. They canceled in 1974.

Mr. DIGGS. Thank you, Mr. Sommerfield.

I was interested in these exceptions. As you indicated, the prohibition that is involved in Executive Order 11419, section 1(a), the prohibition against dealing in commodities or products shall not apply to such commodities prior to the date of the order of July 1968.

I wanted to know if we could be provided with a list of such commodities or products that are included in the exception.

Mr. SOMMERFIELD. Do you mean what products other than the Byrd amendment products have been imported? None. None, except those which were bought and paid for before the sanctions went into effect.

Mr. DIGGS. What about American television shows, Mr. Sommerfield?

It is our understanding that on Rhodesian television you can see up-to-date current shows, "All in the Family," "Rhoda," "That Girl," "Hawaii Five-O," "Soul Train." The Muhammed Ali fight was on TV, specials such as Smothers Brothers and American movies, and so on.

Would this constitute a violation of section 3(d) of the Security Council Resolution 253 that talks about member states preventing the sale or supply by their nationals or from their territories of any commodities or products, whether or not originating in the territory.

Mr. SOMMERFIELD. I cannot really speak to that question, Mr. Chairman. You are talking about television programs and films, which are

produced in the United States. As such, they are not under my jurisdiction. All goods exported from the United States are under the jurisdiction of the Department of Commerce, Office of Export Administration.

I can tell you from personal knowledge that in all of our other embargoes at least it has been the policy to permit the export of such items to any embargoed country, no matter how we felt about it, even North Vietnam, to take an example. The reason is that we felt that it was to the national advantage to let the American way of life be shown there and hope that we could perhaps persuade them to see things our way.

Mr. DIGGS. There are American companies engaged in manufacturing in Rhodesia?

Mr. SOMMERFIELD. Not to my knowledge. No American company is engaged in manufacturing, with the exception that there are subsidiaries of American companies which are not under the control of the American companies.

Mr. DIGGS. Lever Brothers, Colgate-Palmolive, and Coca-Cola?

Mr. SOMMERFIELD. I am not familiar with any of those cases. I know some of the mines have been seized. I know a sewing machine company had an operation over there, a sales office type of thing. To the extent that an American company has control of the action of its subsidiaries, it is directed by the Treasury to see that the subsidiary neither imports nor exports. If the subsidiary produces for local consumption in Rhodesia with local materials, then we do not regard that as supplying a resource to Rhodesia. The resource is already there.

Mr. DIGGS. These things are there, of course. They have been referred to by at least a couple of Members of Congress whom I know are against the repeal of the Byrd amendment. One wonders why these products, how these products are allowed within the spirit of the laws.

Mr. SOMMERFIELD. When you are talking about exports from the United States, it would be within the jurisdiction of the Department of Commerce. I know from personal knowledge that Commerce would not license the export of any of those items to Rhodesia.

If they were indeed illegally exported from the United States, I am sure action would be taken by the Commerce Department. If they were produced in foreign countries, such as England or France or Japan, wherever it happens to be, by an American subsidiary, it would be the basic and primary responsibility of the foreign country—which also adheres to the sanctions—to control the export into Rhodesia. It would not be our responsibility initially, and indeed, our regulations do not apply to subsidiaries as such.

Mr. DIGGS. What American companies have sales or other activities in Rhodesia? For example, Kodak or Xerox?

Mr. SOMMERFIELD. I do not know of any companies that would have sales offices. I do not know of any companies that maintain sales offices for the purpose of selling imported products. There is, as I indicated earlier, at least one case of a firm which has a sales office to sell locally produced sewing machines. Whether you happen to sell it under the American label or not doesn't make any difference. It is produced right there.

Certainly, it does not make a resource available to Rhodesia. The resources are already there. Nothing is exported or imported in that situation.

The only thing I know about Xerox is that we have authorized Xerox to send copies, microfilm copies I believe, of things like the New York Times to universities and schools there. Again, Xerox would not be authorized to export any reproduction machines or anything like that from the United States. If it were manufactured abroad, presumably the foreign country where it was manufactured would see to it that it was not exported into Rhodesia.

Mr. DIGGS. Did the table which you included in your testimony include imports of ferrochrome produced in other countries from Rhodesian ore or concentrates?

Mr. SOMMERFIELD. I would assume not. I am not sure how that chart was compiled. However, ferrochrome produced in another country, like South Africa or Japan, from Rhodesian chrome would not be regarded as a commodity of Rhodesian origin. It would be regarded as goods of South African or Japanese origin, depending on where it was produced. Thus, it would not be entered into the United States as a product of Rhodesia.

I presume that the attached report refers only to Rhodesian-produced ferrochrome.

Mr. DIGGS. Do you have any information about American companies reinvesting profits resulting from the Byrd amendment, to expand their Rhodesian operations?

Mr. SOMMERFIELD. No, sir, I do not believe that is possible. We would regard that as a violation, since I would believe that would be a foreign exchange investment. If you happen to own an apartment building there, and you receive rentals in Rhodesian sterling, we would permit you to invest that in a piece of land or something like that. But we would not permit anyone to send foreign exchange in at all for any investment purpose. If you have unusable sterling, you can keep it in a bank account there. Or else you can invest it in a non-export-related business, or a non-import-related business. We would not permit sterling to be invested in any business where some outside resources were being made available to Rhodesia.

Mr. DIGGS. How do you insure compliance? Do you scrutinize the operations of U.S. corporations inside Rhodesia?

Mr. SOMMERFIELD. Well, we have no particular way of scrutinizing directly in Rhodesia, on an official basis. We do what you do with almost any regulation where we do not have direct representatives of the U.S. Government in the foreign country. That is, you rely on competitor's complaints, for example. If they think somebody is getting away with something, they will complain. You rely on press reports; you rely on other countries that make information available to you. You rely on intelligence sources. We have contact with the intelligence agencies for this purpose. That is the best you can do.

Mr. DIGGS. So that actually it is difficult for you to measure the effectiveness of compliance under the circumstances, relying upon these extralegal sources.

Mr. SOMMERFIELD. You cannot give a specific measurement. I can say that I am confident that there is virtually no violation by Americans for a number of reasons. A simple one is that it is not to anybody's interest—well, I should not say "anybody's." It is not to the interest of any sizable corporation of the type which is most likely to have a subsidiary in Rhodesia to deliberately and willfully violate. The sanctions we impose are pretty severe.

Corporations do not find it profitable in public relations, or relations with their stockholders, to get into that sort of thing. We have occasions where we run into fly-by-night operations where somebody operates out of an office in his hat. That is a more likely situation where you find a violation.

We have not found any extensive number of violations. There have been three or four criminal cases and three or four cases where we forfeited goods which were willfully purchased for commercial purposes. That is about it.

It is pretty safe to say, if there is anything sizable, you would hear about it. Our sources are unofficial, and they are spread around. It is not easy for a violator to escape attention. In that sense, you hear about violations.

Mr. DIGGS. Do they have to fill out some sort of form? Do they have to certify that they are in compliance at all?

Mr. SOMMERFIELD. A firm would not, or a person would not, certify that he was in compliance with regard to whatever is going on inside Rhodesia. I cannot see where that would be needed.

Mr. DIGGS. If you discovered later that they were not, would they be in violation, in contempt?

Mr. SOMMERFIELD. They are in violation anyway. If they are in violation, they are in violation. We prosecute them if we think it is willful.

We have prosecuted a number of firms.

Mr. DIGGS. Do you have any investigations underway at the present time?

Mr. SOMMERFIELD. At the present time, involving Rhodesia, none that I can think of, no, sir.

Mr. DIGGS. None that have been suspected, or none that have been reported to you?

Mr. SOMMERFIELD. I have not looked at the Enforcement Section's reports for a while, by that I mean since the last quarterly report that they made to me. I do not recall anything sizable going on in Rhodesia.

The last case of any size I can recall was a criminal case where an art dealer imported, as you may know, some statuary, stone carvings from Rhodesia, willfully in violation. A certification would not do any good in such a case.

What did do good was to prosecute him. He was indeed convicted. He pleaded guilty, I believe.

Mr. DIGGS. What about unlicensed imports from Rhodesia. Mr. Sommerfield, unlicensed current and capital transfers to Rhodesia, unlicensed exports to Rhodesia from a third country?

These prohibitions are under your responsibility.

Mr. SOMMERFIELD. That is correct, sir. To the best of my knowledge there are none, no such transactions.

Mr. DIGGS. Has your Department taken any steps to enforce the U.N. prohibition regarding the building up of Rhodesia's financial or economic resources?

Mr. SOMMERFIELD. The way to stop that is through the licensing requirements. In other words, no one can send money to Rhodesia without permission: thus, there can be no buildup, except to the extent an exception is authorized under the terms of the U.N. sanctions, such as missionary remittances.

Rhodesia cannot export to the United States, and cannot earn funds that way. Nor can an American send money, let us say, from South Africa or any other country into Rhodesia. It would not be permitted.

Again, there is no way of being certain that everything in the world is caught in any enforcement activity. I think it is pretty certain that if there were anything noticeable going on that we would hear about it.

These things tend to get brought to our attention by somebody.

Mr. DRIGGS. How about the expansion of Rhodesian subsidiaries of U.S. companies? Would you have any information on that?

Mr. SOMMERFIELD. We would not permit any expansion of a subsidiary by the parent's funding it from abroad. Now, to the extent that a subsidiary is out of our control and out of its parent's control, because the Rhodesian Government has put a Rhodesian Government employee in charge of it, we cannot stop what they may do. They may earn money, for example, from exporting chrome or something else. They may use the money they earn to expand. We have no way to stop that.

We cannot tell a parent: Do not let your subsidiary expand. A subsidiary is not going to pay any attention if it is under mandate from the Rhodesian authorities. The official managers of the subsidiary says: "Do it, or you are going to jail." There is nothing to stop the Rhodesian Government from doing what it wants to in Rhodesia under its own laws. We can only stop the situation where an American parent is in effective control, and there we would stop it.

Mr. DRIGGS. Do you monitor the role that South Africa might play in connection with sanction evasions by U.S. nationals?

What about U.S. business transactions with South Africa that might be a cover for a sanctions evasion?

Mr. SOMMERFIELD. Anything indirect is illegal. Again, I am reasonably confident that it would come to our attention.

There have been instances, for example, where we found somebody who was soliciting advertising. A sub of an American firm had an office in Rhodesia and was soliciting advertising of products. That was stopped, to the extent it was solicited advertising for imported products, because the payment for the advertisement would have been made from the foreign country.

South Africa itself does not adhere to the U.N. sanctions. That is public knowledge. Again, there is not any practical likelihood that there is any substantial evasion of U.S. sanctions by American subs in South Africa. The risk is, as I say, too great when you are talking about the parent being involved in the violation.

We do not control or regulate the foreign subsidiary itself. It is not subject to our jurisdiction under our regulations. Therefore, a sub in South Africa would be perfectly free to do anything it wanted to do with respect to Rhodesia, whether it is an American sub or a British sub, or anybody else's sub, for that matter. But the parent cannot be involved.

Mr. DRIGGS. I assume that you reviewed the testimony of the Department of 1973 when we had this kind of exercise. Assistant Secretary Hennessey appeared. He said then that Barclay's Bank and the Standard Bank, Ltd., were the banks involved in connection with the New York accounts of Rhodesia of the Smith regime.

Is this still the case?

Mr. SOMMERFIELD. Yes, sir.

Mr. DIGGS. Does the regime have any other accounts in the United States that you know of?

Mr. SOMMERFIELD. Those are the only free accounts they have which they can use for purposes which are not illegal under any other law. The funds that they earn from missionary remittances go into those accounts.

They may have indeed, and undoubtedly do, have blocked or suspense accounts which would be frozen by the American bank holding the account. There would be no transactions through such an account without permission.

Mr. DIGGS. I assume that you are aware that the Rhodesian Information Office, the expense money that is remitted monthly, or whenever the periodic payments take place, is remitted by telegraphic money order direct to Riggs National Bank here in Washington, D.C. I assume you are aware of that.

Mr. SOMMERFIELD. I was not aware it came by money order. I know they do fund it. I know they are permitted to fund it from these free accounts in New York. Whether they send the funds by telegraphic money order, cashier's check, or money order, I have no idea.

I could find out if I wanted to, but it would not make a lot of difference.

Mr. DIGGS. Do you know anything about the payments that have been made in both directions in connection with the Standard Bank, Barclay Bank New York account?

Mr. SOMMERFIELD. We have, from time to time, obtained monthly reports or summaries of transactions through the account, just to see what was going on. We never found anything wrong, except minor clerical errors, so that we do not scrutinize the banks intensively on a daily basis.

The bank, for reasons of its own self-interest and its own feeling of responsibility to comply with our laws, has not violated knowingly.

Mr. DIGGS. Your testimony on pages 1 and 2 points out that the Treasury regulations prohibit, among other things, unlicensed remittances to Rhodesia, unlicensed imports of goods of Rhodesian origin, unlicensed expenditures of Rhodesian funds in the United States and other forms of economic relations between Americans and Rhodesia.

Could you elaborate on these other forms of economic relations between Americans and Rhodesians?

Mr. SOMMERFIELD. The regulations are so comprehensive they apply to everything. A contract is prohibited. If it is a contract between an American and a Rhodesian for a transfer of property, whether it is a transfer of a bank account or a transfer of a stock or a security or bond, any form of transfer or contract for transfer is prohibited. Any way we can visualize that Rhodesia would earn foreign exchange is prohibited under those regulations.

If it would not be prohibited as the regulations now exist, I assure you they would be rewritten, but nobody has ever convinced me that there is some type of transaction which is not covered.

Mr. DIGGS. How do you obtain information on violations of these matters, since you indicate that they are very comprehensive?

Mr. SOMMERFIELD. We rely primarily on the banks that hold Rhodesian accounts to police the Rhodesian accounts in accordance with our

regulations. We rely primarily on banks, and secondarily on the business community, to live up to the law, just as we rely on anybody to live up to the law.

You get back to the point again that you cannot undertake to police every single transaction that might theoretically occur. You have no idea of them all.

What you do is to rely on the bank or business firm to live up to the law. First of all, it wants to; second of all, it has to. And if there is an occasional violation—I cannot say it never has happened, because it has—an occasional violation, it comes to our attention. There is no way of putting a control over every single banking transaction in the United States on the theory that one out of many billions of transactions daily might conceivably involve Rhodesia.

Mr. DIGGS. Are there any investigations going on regarding any such transactions?

Mr. SOMMERFIELD. No, sir. There have been no such transfer that I can recall in recent times.

Mr. DIGGS. On page 3, you talk about the dollar funds which accrue to Rhodesia from authorized remittances, and are credited to Rhodesian bank accounts in the United States, and are usable for any purpose not illegal under other U.S. laws.

Could you tell us what specific purposes under our laws or for what—I should say, for what specific purposes under U.S. law would the use of these funds be illegal?

Mr. SOMMERFIELD. They could not use them, for example, for transfer to Cuba or transfer to South Vietnam or transfer to North Korea. They could not use them for illegal export of any commodity to Rhodesia that the U.S. Commerce Department would not permit to go to Rhodesia.

Mr. DIGGS. What is your monitoring mechanism there?

Mr. SOMMERFIELD. Again, we rely basically on the New York banks involved to watch it, to see how it is used, to satisfy themselves that it is all right.

We have checked from time to time to see whether there were any unauthorized or improper uses. We have not found anything, at least beyond clerical errors.

Mr. DIGGS. I would like to get your comment, Mr. Sommerfield, on your Department's investigation of the following violations, suspected, reported, of sanctions:

A report by the Carnegie Endowment of International Peace entitled, "Business As Usual: Transactions Violating Rhodesian Sanctions, 1973," states:

Despite the sanctions, if you live in the United States, you can number one, read paid advertisements from Rhodesian firms and investment opportunities printed in American newspapers, particularly the Journal of Commerce.

Mr. SOMMERFIELD. I think it is a misstatement to say those were violations. It would be a violation if anybody were to take advantage of the investment opportunities or take advantage of the act and buy Rhodesian goods. Very clearly, we would investigate and prosecute that, but we do not regard reading the Journal of Commerce as a violation, and we do not regard the publication of an ad as being a violation if it is funded from the free funds that the Rhodesians accrue from these authorized remittances.

We would not let them use their frozen accounts, or anything like that, but the mere publication of an ad is not a violation. The violation lies in transacting business, such as import-export business, not merely advertising.

Mr. DIGGS. They also refer to paying for an air ticket, or something like that, with any number of American credit cards.

Mr. SOMMERFIELD. Well, as I said in my statement, it is legal for Americans to go to Rhodesia. There is no passport restriction. There is even a question of whether you could constitutionally stop an American from going to Rhodesia, if he chose to go without a passport.

In any event, once you come to the point where you feel it is legal for him to go, it is completely unimportant whether the American pays for the travel in currency (greenbacks) whether he pays for it with a check, whether he pays for it by a credit card or whatever mechanism he uses.

The point of the matter is, Rhodesia will earn a certain amount of foreign exchange from tourists; that is obvious. They are going to earn foreign exchange if anybody goes there.

The form it takes—whether credit card form or paying for an airplane ticket by check on a personal bank account, does not make any real, practical difference from a foreign exchange point of view.

Mr. DIGGS. Do you have any idea of how much foreign exchange is generated in Rhodesia by these American tourist's expenditures?

Mr. SOMMERFIELD. No; I do not have any idea, sir. I do not think that travel to Rhodesia is a major preoccupation of American tourists. I think it is somewhat off the beaten path.

As a result, if there are not a large number of tourists, there is not going to be too much foreign exchange accruing, in comparison with the Bahamas, for instance.

On the other hand, people do have to pay for their hotel bills, rooms, food, and everything else in Rhodesia. There is a certain amount of foreign exchange earned.

The best we can do—the State Department cautions people that it is against American policy to visit Rhodesia. Treasury prevents the accrual of foreign exchange to Rhodesia from tourist purchases. We put a notice in the passport—there is a statement on the back of each passport that there are Treasury restrictions applicable to Rhodesia. Also, there is a pamphlet called, "Customs Hints for Departing Travelers," which cautions tourists that you cannot bring anything back from Rhodesia.

When you apply for a passport, the Passport Division tells you that you will need a Treasury license. They hand out a mimeographed sheet.

Treasury then tells you, in the license you receive, that Treasury will not permit the import of any purchases, souvenirs, or anything else, from Rhodesia. We have gotten in touch with the American Society of Travel Agents on two or three occasions and cautioned them, first of all, that tourists should not go to Rhodesia. Next, we cautioned that if tourists nevertheless choose to go, we would not allow anything to be imported. They are out of luck and they will lose at a minimum the right to import, and we could forfeit their purchases in appropriate cases.

We are currently talking to a magazine publication that specializes in hunting and safari information. We are going to get them to caution people, first of all, that they should not go and second, if you do go, you cannot bring your trophy back. You would therefore be well-advised not to go.

Mr. DIGGS. What has been the reaction of the association and this publication to these entreaties?

Mr. SOMMERFIELD. The travel agents published the information. They distributed it to their members. They do not control individual members. It is just a trade group. They were very happy to publish and disseminate the information.

Mr. DIGGS. I was interested in the publication. They were not resentful about being so advised?

Mr. SOMMERFIELD. They sought out the fullest possible explanation from us.

Mr. DIGGS. On a related matter, do you know anything about this \$50 million ferrichrome plant that we hear Union Carbide is building in South Africa?

Mr. SOMMERFIELD. No, sir.

Mr. DIGGS. Are there any American aircraft companies, in particular the Beech Aircraft Corp. in Wichita, Kans., that has distributorship or operations of any type in Rhodesia?

Mr. SOMMERFIELD. You are talking about the export of an aircraft from the United States? That would be under the jurisdiction of the Department of Commerce. We together with the Department of Commerce looked into one or two incidents of planes becoming available to Rhodesia. Beech was one of them I remember very specifically.

I think what was found was that somebody had bought an aircraft, some pilot had bought an aircraft and ferried it over for the licensed destination of South Africa. We then smuggled it across the border to Rhodesia. It had only been licensed to go to South Africa. He was not in any way a representative of the aircraft company. They had no way of controlling it in advance.

Mr. DIGGS. You can still make a reservation to fly into Rhodesia from an American airline, I assume?

Mr. SOMMERFIELD. No; that has been stopped. The Federal Aviation Administration stopped that.

Mr. DIGGS. What about a hotel reservation, or a rental car through a representative here in the States?

Mr. SOMMERFIELD. You can make a hotel reservation, I am reasonably certain, by going to any travel agency that has the facilities to communicate with Rhodesia.

Rental cars you are talking about Hertz or Avis. Hertz canceled out. Avis canceled—is canceling, is in the process of canceling out.

Holiday Inns was stopped—even though the franchise itself was legal, as a preexisting franchise—a couple of years ago just before the motel opened, from accepting reservations in the computer system because it was making a service available to Rhodesia and was a violation, as we saw it.

Mr. DIGGS. To what extent do you monitor the finances of the Rhodesian Information Office?

Mr. SOMMERFIELD. We do not monitor it at all, sir. Again, we have checked once or twice. They are cautious to stay within the law. They

do not want to be expelled or prosecuted, and thus there is no particular reason to monitor them.

We have a very limited investigations section. We try to devote their efforts to things that are likely to be crimes, or sizable offenses.

Obviously, if we felt, or had any clue, that they were doing anything wrong we would take the necessary action. On the contrary, everything that we have seen from any investigation we have run is that they are cautious to stay within the limits of what they are allowed to do.

Mr. DIGGS. Do you know how much might be generated for Rhodesia as a result of licenses to the church, the missionary, and similar organizations?

Mr. SOMMERFIELD. I do not know the information off the top of my head. We keep a running total.

Mr. DIGGS. Would you provide that for the record?

Mr. SOMMERFIELD. I will provide that for the record.

[The information requested follows:]

The total amount of all remittances authorized for these purposes between July 29, 1968 and April 30, 1976 was \$30,626,738.

Mr. DIGGS. In May of 1973, Mr. Hennessey testified at that time that \$18 million worth of foreign exchange were transferred and generated by our religious organizations here in the United States to carry forward humanitarian, medical, educational activities, provide the basis for the funding of the Rhodesian Information Office.

Is that still the case?

Mr. SOMMERFIELD. Yes, plus the additional fact that they get free exchange from sales of strategic goods, which they also could use, if they wanted to, for this purpose. They do not need to do so, they can use the other humanitarian source of free funds.

Either way, they get free exchange for legitimate use.

Mr. DIGGS. All right, Mr. Sommerfield.

We have some followup questions that we will submit to you so that you can respond in writing.

Mr. SOMMERFIELD. I would be happy to.

Mr. DIGGS. Does minority council have any questions at this point?

Mr. Fox. No. Mr. Chairman.

Mr. DIGGS. Our next witness is Mrs. Goler Butcher, an attorney for the firm of White, Fine, and Verville.

Mrs. Butcher, do you have a statement that you would like to read?

Mrs. BUTCHER. Yes, I do.

Mr. DIGGS. You may proceed.

STATEMENT OF GOLER T. BUTCHER, ATTORNEY, WHITE, FINE, AND VERVILLE

Born: Philadelphia, July 13, 1925.

Married: 4 children.

Education: Philadelphia High School for Girls—1943. Recipient of Latin prize, Greek prize, Phi Beta Kappa award: A.B.—University of Pennsylvania, 1946, with Major Honors: Phi Beta Kappa; LL.B.—Howard University, 1957, Summa cum Laude, Editor-in-Chief Howard Law Journal; and LL.M.—University of Pennsylvania, 1958. Major concentration: International law. Master's thesis: "The Choice of Law Rules Applied to International Sales Transactions."

Employment—Former positions:

Law Clerk for Judge William Hastie, Court of Appeals for 3d Circuit, September 1958–May 1959.

Legal Aid Society, Attorney, 1960–1962.

Library of Congress, Legislative Reference Service, February 1962–October 1963; Legal analyst; Assistant to Editor of Revised edition of *Constitution Annotated*; and Fair Employment Practices Counselor.

Office of the Legal Adviser, Department of State, Attorney Adviser (International)—1963–May 1971; as an attorney in the Office of the Legal Adviser: for the Bureau of Near Eastern and South Asian Affairs (1963–1967); for the Bureau of Educational and Cultural Affairs (1967–71); and for the Bureau of African Affairs (1969–71).

House Foreign Affairs Committee—Consultant and Counsel to the Subcommittee on Africa—May 1971 to April 1974.

Present position:

Private law practice with White, Fine & Verville, Washington, D.C. 20005.

Adjunct Assistant Professor of Law, School of Law, Howard University—1973, 1974: Course taught: International Commercial Transactions.

Professional Memberships:

American Society of International Law, Former Member of the Executive Council of the Society.

Bar of the District of Columbia.

Federal Bar Association.

Federal Communications Bar Association.

Affiliations:

Member, Democratic Foreign Affairs Task Force.

Cochairman, Democratic Study Group on Africa.

Member, Board of Trustees, Lawyers Committee for Civil Rights Under Law; Member, Africa Legal Assistance Project Subcommittee.

Member, Committee on Social Responsibility, Executive Council of the Episcopal Church.

Member, the Disciplinary Board of the Bar of the District of Columbia.

Member, International Advisory Council, African-American Institute.

Member, National Conference of Black Lawyers.

Member, National Association of Black Women Attorneys.

Member, Executive Board, American Committee on Africa.

Mrs. BUTCHER. Mr. Chairman, I would like to express appreciation for the invitation to appear before the subcommittee. After commenting on the Secretary's Lusaka speech, I wish to set forth suggestions for concrete action which the United States can take toward the resolution of the Southern Rhodesian impasse, actions which the United States can take if it is serious in the position so eloquently stated by the Secretary of support for majority rule, and if it realizes the enormity and the immediacy of the problem confronting us as well as the consequences of a wrong choice, not only to our political position on the African Continent but on the ability to assure ourselves access to the many critical raw materials which southern Africa and the rest of Africa provide our source of supply.

This brings me to a major concern on the Lusaka speech of Secretary Kissinger. Of course his speech was welcome. For an administration that has placed Africa at the bottom of its priorities; for an administration that has not only had a devious policy, as finally revealed in NSSM-39 of actual support of the status quo and hence of the minority regimes in Africa, but has had the conviction that the white regimes are here to stay; for an administration which has had the insensitivity to appoint an official of some 30 years almost of high position with Union Carbide to the second highest position in the Department of State; and for an administration under which the former campaign manager for the President visited Rhodesia and endorsed the normalization of relations with the illegal Smith regime, this speech is certainly welcome.

But we are constrained to recall that the Secretary of State also made a landmark speech at an OAU dinner last fall during the General Assembly and that the very day after, when the Byrd amendment vote was on the floor, calls for assistance to the White House were unavailing.

Hence our welcome is perforce tinged with a wait and see attitude.

But a more serious concern lies in the premise of the speech. The Secretary said we support self-determination, majority rule, equal rights, and I quote, "in the name of moral principle, international law, and world peace." I am glad he said this, but I believe that the difficulties with this new departure in policy, as reflected in the Wall Street Journal editorial of a couple of days ago and other criticisms and editorials around the country arise partially because the United States, like all other sovereign states, act not because of morality or international law but to protect its own interests, and the American people must be given the facts on the U.S. stake in Africa.

Secretary Kissinger did, of course, note that southern Africa is richly endowed with minerals, agricultural, and hydroelectric potential, but he did this in the context of Africa's potential "to overcome the human failure"—and I quote—"of racial strife to achieve bright prospects for all its people."

The link between the resources of Africa and a U.S. policy designed to assure access to these resources was not made, and I believe that this is crucial if we are to bring along persons who are not sensitive to particular issues of African concerns, but who are of course sensitive to our own needs.

From such legitimate self-interest, it is then given that a U.S. policy of cooperation and interest in African problems is mandatory, if the United States is to preserve, not only access to raw materials and energy, but to protect U.S. trade and markets, to protect long-term investments in Africa and to protect our strategic interests respecting Africa.

Africa has vast, untapped resources—indeed, the vastness of these resources is largely unknown; and the international competition to gain access is intensifying.

U.S. policy on issues of concern to Africa cannot but affect U.S. access to these resources. The critical fact is U.S. dependency on Africa not only for needed minerals, but for certain vitamin-minerals, such as vanadium, for which there are either no substitutes, or the cost of the substitute is prohibitive.

Africa is a major supplier of crude oil to the United States, with Nigeria alone accounting for 25 percent of our crude oil imports. Nigeria, of course, is our single largest supplier of crude oil.

Africa has the world's largest hydroelectric capacity and Africa's gas resources remain largely untapped. The U.S. imports from Africa 43 percent of its antimony, 83 percent of its chromite, 72 percent of its cobalt, 14 percent of its copper, 51 percent of its manganese, 28 percent of its platinum, 85 percent of its uranium-oxide. Africa has 60 percent of the world's known reserves of gold, not to mention the agricultural commodities provided by Africa, such as 56 percent of our cocoa and 29 percent of our coffee imports.

U.S. trade with Africa is of increasing importance. From 1962 to 1975, our exports to Africa increased more than 600 percent, and

our imports from Africa increased more than 1,100 percent. Further, U.S. trade with Africa is assuming increased overall importance, with our exports to Africa increasing in the last period for which we have statistics, 1974 to early 1975, nearly four times as much as our exports to the rest of the world; and our import trade with Africa has gone up 27 percent at the same time that our import trade with the rest of the world dropped about 3 percent.

This shows that Africa's importance to the United States is accelerating rapidly. The U.S. public has got to be brought around to face these facts and to confront the reality of interdependence.

The United States, notwithstanding any big stick blustering in the United Nations, or even on the campaign trail, is not strong enough to assure to the people of the United States the kind of life, the material goods, the technological functioning of our society, or even our global security, without the friendship of the rest of the world. In this respect, Africa, not only because of its key geographical position, its abundance of raw materials, and natural resources, but also because of the very fact of its one-third of a billion people in Africa and its vast land resources is a place whose friendship the United States needs.

Even more, the United States simply cannot afford to hand this area over to Communist influence. I should say to try to hand over, because the resistance of Africa to communism and its independent nature is well known.

The hard facts of U.S. economic, strategic, and political needs with respect to Africa as distinguished from U.S. dedication to moral principles must be made known.

It follows, then, that the Secretary's commitment to the repeal of the Byrd amendment is also welcome, but it is not enough. Repeal of the Byrd amendment, though, is certainly something which the United States must do for its own self-respect, because it has made us an international outlaw. We must also do it because its repeal would be a real sign to Smith that the United States is in earnest.

But there are other steps which must be taken to effect the Secretary's commitment of "unrelenting opposition to the Salisbury regime until a negotiated settlement is achieved" and also to effectuate his commitment, as 1 of his 10 elements, to fulfill completely our obligations to carry out economic sanctions against Rhodesia.

The tightening of sanctions far beyond the repeal of the Byrd amendment is necessary if the objective is to bring about the conditions to force the Smith regime to come to realistic policy terms with the African majority. Real economic pressure should be applied.

Prof. Abraham Chayes of the Harvard Law School, formerly the legal adviser, has given in his book, "International Legal Process," which he authored with Thomas Ehrlich and Andreas Lowenfeld, the following example and question. "General Motors has substantial operations in South Africa assembling and servicing GM automobiles and trucks, and as we have seen, after sanctions were imposed in December of 1965, the principal supplies of fuel for Rhodesia came through South Africa largely over land by truck, and he posed the question, is there any obligation on General Motors-South Africa, a wholly owned subsidiary of General Motors, to exercise control over the use of the trucks it sells?"

This example brings us to a basic problem with our implementation of sanctions, not with the Security Council Resolution, but with the "Rhodesian Sanctions Regulations" which are the pertinent regulations implementing sanctions. For these regulations, unlike those implementing sanctions against Cuba, or North Vietnam or North Korea, are constructed so that the embargo applies to all U.S. corporations, and all their subsidiaries, are constructed so that they apply only to U.S. corporations or to their subsidiaries, in Rhodesia.

That is, our Rhodesian regulations do not even apply to U.S. subsidiaries in South Africa, and that, I believe, is the clue to some of the answers that Mr. Sommerfield was giving, because anything which an American subsidiary does outside of Rhodesia or the United States is not considered, under our regulations, a violation of sanctions.

They would, of course, apply to branch offices of U.S. subsidiaries, but if GM or Ford or other U.S. corporations have locally incorporated subsidiaries in South Africa or London or West Germany or other places, as, in fact, is the custom of U.S. companies, then these subsidiaries can operate completely oblivious to and in violation of sanctions.

The excuse, or rather the explanation, which is often given when and if it is brought to the attention of the Government, particularly Treasury, that violations may be occurring or that certain actions may be carried out inconsistently with U.N. sanctions by U.S. subsidiaries, is that the country in which the subsidiary is operating is responsible for enforcement.

Now, this may be theoretically justifiable, but practically, it is nonsense.

This position also, notwithstanding the really serious efforts which the Government and the Treasury Department have made to enforce sanctions under the regulations as they stand, raises the question of the good faith of the U.S. Government to use sanctions to apply real economic pressure and thus actually to force the regime to rethink its policies.

The simple fact is that a country such as the United States with widespread foreign investments and multinationals operating abroad as locally incorporated subsidiaries has no choice if it is serious, but to extend sanctions to all companies organized under the laws of the United States or of any State, territory or possession of the United States, or having its principal place of business in the United States or owned or controlled by a U.S. corporation. This last is vital.

Second, the United States must enforce paragraph 4 of Security Council Resolution 253 to which you referred earlier, Mr. Chairman. This is the provision which prohibits the making available to the Smith regime of any financial or economic resources.

First, there should be a prohibition on all capital transfers to Rhodesia from the United States or from any entity owned or controlled by U.S. persons or corporations. Therefore, not just U.S. parent companies, but their subsidiaries, such as U.S. subsidiaries or those in London or South Africa, should not be permitted to make those transfers, and also I have difficulty with the Treasury position that they exercise control by only permitting licensed transfers; but the licensing of such transfers should be prohibited.

Also, the Security Council Resolution extends to tourist undertakings. Here, the Secretary's speech appeared somewhat weak in his

statement that American travelers will be advised against entering Rhodesia. I thought that this had already been done. It would certainly appear to be called for under applicable Security Council resolutions.

But even more, it has been the policy as shown by Treasury's answers during the hearing before the Subcommittee on Africa, International Organizations Movement of 1973, for Treasury to license transfers of funds for living and traveling expenses of American tourists. Now, you will notice that in Mr. Sommerfield's statement he says that it is legal for Americans to go to Rhodesia and therefore it is Treasury's policy to license tourists to expend funds in Rhodesia. Note, the position is not that Treasury must excise these expenditures.

I submit this policy should be ended, if we are serious.

Similarly, there have been quite a few regulations, beginning, I think, with a study by Tony Lake, when he was with the Carnegie Foundation, of transfers to airlines and other entities of funds. Here, I would like to submit a followup statement and supplement my remarks; for this is a loophole which must be closed. The sanctions regulations should be amended to include the provisions of the new Security Council Resolutions of April 1976, particularly those prohibiting the giving of any franchise or the use of trade names or trades mark or registered design.

Just the other day I was sitting at a Holiday Inn and I happened to look at a Holiday Inn brochure, and there was a Holiday Inn listed for Rhodesia. This new Security Council resolution, I believe, clearly lays an obligation on member states to prohibit this kind of activity.

Next, the Executive should immediately undertake a study toward the implementation of trade discrimination against both countries and companies breaching sanctions with a view toward putting into effect if necessary movement toward settlement has not been made.

There should be publicity both on foreign companies and foreign countries breaking sanctions—a sort of reverse honor roll or blacklist.

With respect to the Security Council Resolution of March 1970, Security Council Resolution 277, the United States has never acted to implement the provision that member states shall "immediately interrupt any existing means of transportation to Rhodesia." In fact, the truth is that when this resolution was passed, the United States made it clear that it might not comply with this.

But the time has come, especially given the new commitment of the Government, when the United States should use its best efforts towards this end.

Next, I would like to turn to the question of military recruitment, because there is a problem of mercenaries fighting in Rhodesia. Here again, I would like permission to submit for the record materials documenting some of these recruitment efforts.

As pointed out in the hearings of this subcommittee on Angola, there are provisions of U.S. law prohibiting such recruitment. These must be implemented for, notwithstanding present indications that the fight in Rhodesia will not use foreign troops on the African side, the injection of mercenaries may change this projection and lead to the introduction of great power involvement and a heating up of the situation toward a conflagration involving us and the Soviets—per-

haps through surrogates, or whatever, one that is in our interests to avoid.

Therefore, we must seek ourselves, and we must confer with the British on this to prevent the introduction of mercenaries. We must implement the provisions of title 18, United States Code, sections 959 and 960; providing penal sanctions against anyone within the United States either recruiting for or enlisting in the service of a foreign entity.

Sanctions have to be tightened also with respect to the exception loopholes which are in paragraph 4, Security Council Resolution 253 that you referred to earlier on prohibiting the transfer of any financial or economic resources that includes an exception for the remission funds, as payment "exclusively for pensions or for strictly medical, humanitarian, or educational purposes or for the provision of materials or in special humanitarian circumstances, foodstuffs."

This must be tightened considerably, not only by the United States, but by other countries; and we must be helpful in this regard. It is well known that some very questionable shipments of food have gone to Southern Rhodesia under the guise of the humanitarian exception for foodstuffs.

Further, the provision under which the United States acquiesces in the presence of the Rhodesian Information Office, here, which you referred to in your question, on our permitting the transfer of funds and permitting that office to obtain the funds that have come to it as contributions from church people all over the United States for missionaries working in Rhodesia is very questionable.

I know that the Subcommittee on Africa brought this to light earlier in hearings on the Rhodesian Information Office, but the Treasury Department appeared unconcerned, as it did today, I am afraid, of exploring any other means of getting the moneys to the church people in Rhodesia, and it may be that what we need is a review of this policy and a determination that given the prices there and the serious implications for the United States that we just can't afford to be engaging in this kind of thing anymore.

Discussion of the Rhodesian Information Office brings us to the fact that a serious consideration by this country of its obligations under the Security Council resolution would bring it to the realization that the activities of the Rhodesian Information Office in this country raise a very serious question as to whether we are put in violation of our obligation under paragraph 3(b) of the resolution.

I am referring to the paragraph which prohibits any member state from permitting activities in its territory which would promote or are calculated to promote the export of any commodities or products from Southern Rhodesia, and our acquiescence in permitting the Rhodesian Information Office to carry on these activities, I believe may well put us in violation ourselves under the resolution.

I particularly have in mind the rather superficial, I believe, explanation that the State Department and the Justice Department gave for not refusing further permission to stay in this country to the officers of the Rhodesian Information Office through—a clearly dubious reading of the provision 5(b) of the Security Council resolution which requires all states to take all measures to prevent the entry into their territories

by persons whom they have reason to believe to be ordinary residents in Rhodesia and to be furthering or encouraging the unlawful actions of the illegal regime in Southern Rhodesia or activities calculated to evade the sanction provisions.

Clearly the explanation that the officers have already entered is not acceptable. You see, the resolution says "each state is to prevent the entry of Rhodesians" and the State Department says "well, they have already entered"—a transparent dodge.

It is unacceptable when it is considered that the Deputy Director of the RIO did not even have the pretense of a valid immigration status in this country. But by virtue of an apparent acquiescence of the U.S. Government, he has been placed on involuntary departure.

So complacent is the Justice Department on this, that as I recall, the subcommittee at one point was advised that the Deputy Director, Mr. Hooper, was in "permanent voluntary departure status," a complete anomaly which the Department of Justice retracted after further subcommittee communications with them.

Next, Secretary Kissinger said that his policy for a just and durable Rhodesian solution includes the element of assuring that there are no misconceptions on the part of the leaders of the minority in Rhodesia and that he will communicate clearly and directly to the Salisbury regime.

In view of the fact, Mr. Chairman, that it is South Africa which provides the lifeline for Rhodesia, I believe communication must be made to South Africa and economic leverage must be applied.

In a sense, sanctions have had a profound negative impact on the regime, but much more is needed. To avoid the catastrophe of real warfare, we must use economic warfare, that is, all available economic pressures, and I think this is the key.

The United States should undertake immediate bilateral consultations with South Africa advising it of a firm U.S. Government decision to take all available unilateral actions to bring about a resolution in Southern Rhodesia. South Africa's present negative economic indicators, combined with a sense of political realism, should provide the impetus for voluntary South African cooperation in a program of economic pressure on Southern Rhodesia.

The goal must be to cause South Africa to use economic leverage to bring Smith to a more realistic view so that South Africa at least cuts off that lifeline and at least cuts off the transportation link of the direct railroad, the one direct railroad that goes up to Rhodesia. If South Africa does not cooperate, the United States must first use its own economic leverage, but no limitation on the leverage that we will use down the line, and I am thinking now of appropriate U.N. measures.

In this regard, Congressman Andrew Young has often indicated the judicious quiet diplomacy with business that in the end was the key to changing the recalcitrance of the South. I think that we have got to realize now that business may well be a key element.

There must also be consideration and implementation if necessary, of the cutting off of the rail link between South Africa, Rhodesia, Botswana, and Mozambique, and if the United States really intends to curb the mounting crisis in Southern Rhodesia, the President could quietly through a meeting with the executives of the 300 firms in South

Africa, use his considerable leverage with U.S. business, and particularly U.S. banks and banking institutions, to cut back on new investment and credit and banking facilities in South Africa.

In fact, just the holding of a meeting where (1) the Executive expresses concern over the developing situation in southern Africa, and in Southern Rhodesia in particular, (2) where he expresses concern over the grave portents of U.S. economic interests in the area to business and to our raw material needs, and (3) where the Executive holds exploratory conversations about ways in which businesses could begin to retrench and cut back in the area and signal both Smith and Vorster: Smith that the United States is serious and Prime Minister Vorster that he has no choice but to cut off the lifeline which South Africa holds out to Southern Rhodesia.

One brief word on the emphasis of the Secretary on the protection of minorities. Of course, this is laudable. The only concern there relates to a basic feeling of wonder that the Secretary, who has been so long impervious to the protection of the majority, can almost before he could get the words spoken as to our dedication now to "seeing to it that the majority becomes the ruling power in Rhodesia" underscored his concern on the protection on minority rights, and our preparedness to devote some of our assistance programs to the objective that the constitutional structure both establishing majority rule and protecting minority rights.

Finally, I would like to turn to a matter—

Mr. DIGES. In that regard, if the gentlewoman would yield, despite the fact that the Secretary was late in coming around to that point, I would like to know what she feels about the substantive issue itself. You are not suggesting that minority rights should not be looked out for?

Mrs. BUTCHER. No, all rights, everyone—and I have said this is laudable.

Finally, I wish to turn to a matter which is becoming increasingly reflected in the columns appearing on the editorial pages in newspapers throughout this country and in some editorials themselves. This is the question of human rights in majority-ruled countries of Africa.

I believe some of the allegations that are bandied around arise out of misconceptions and the tendencies of all of us to take a few examples and to attribute them heedlessly to others. This is what is done here when excesses in a few countries are then attributed to 40-some African States.

I think that we should encourage a foundation and other interested groups, possibly the International Commission of Jurists or other objective bodies to look at the human rights situation throughout Africa and to make an objective appraisal so that it is there to document the situation of human rights and refute the totally misconceived claims that the human rights of Africans are better protected in Ian Smith's Rhodesia and apartheid South Africa than in majority-ruled African countries.

In fact, no other place in Africa, or in the world, are the liberties and fundamental freedoms available to a newborn baby at birth, or to him as he progresses through childhood to youth and maturity, dependent and determined solely on the basis of his race and color than in Southern Rhodesia and South Africa.

Temporary excesses, political persecution at times, or even tribal repressions simply do not begin to reach the order of the daily injustice and basic violations of fundamental human rights as are found for every one of the millions of Africans in Rhodesia and the other minority-ruled areas.

I think a simple, decent respect for facts on the basis of a documented objective study would expose the falsity and hypocrisy of these statements.

The gravity of the situation in southern Africa is so clear, though, I think that it is not sufficient to point to bilateral efforts by this country to South Africa and efforts with respect to the businesses. We have to be prepared to use all appropriate U.N. machinery, including the extension of chapter VII sanctions to South Africa if South Africa does not cooperate actually to apply the necessary economic pressure, and we must be willing to go to pro tanto sanctions.

In closing, I wish to turn to the political realities of the American scene. How feasible are the suggestions made here, given the fact of the primary campaigns?

First, the tightening of sanctions to apply to U.S. subsidiaries through amendment of the Rhodesian regulations to conform with similar trade restrictions, such as the foreign assets control regulations and the Cuban assets control regulations is a simple administrative task and should not heat up the political atmosphere.

The closing of loopholes and exceptions is even more routine.

The Byrd amendment is different. It may require some consideration as to time and other factors for optimum White House pressure.

Quiet diplomacy with South Africa is not so constrained, however. It should be possible, given South Africa's worsening economic situation, its balance of payments problem, high inflation, the dropping GDP growth rate, the credit crunch—a worsening situation, not only for plain economic reasons, but as foreign capital, beginning with the Swiss, takes flight from South Africa following the Angola debacle.

Therefore, simple, quiet diplomacy may be sufficient for South Africa to close the border. Even if South Africa's economic situation continues to worsen by itself, I think South Africa may be constrained to act.

Executive leverage with respect to American businesses again should be done in a quiet manner.

The real point here, however, is that this is a time when leadership is needed. We cannot rest with the comfort that this administration may deserve the plight in which it finds itself in southern Africa, for it is the United States that is the victim.

What is needed is the development of a bipartisan approach to the urgent need for prompt resolution of the Rhodesian situation to the end that we can avoid the awful price of our failure to develop credible support for the bringing about of majority rule, namely, the jeopardizing of access to necessary resources. This is the price we would have to pay, and the handing over, by our own default of this economically critical and strategically important area of southern Africa to Soviet influence and the consequent cost to be paid later by all of us.

Mr. Diggs. Thank you very much, Mrs. Butcher, for your contribution and your analysis and your continuing concern.

I have some questions, but you have answered most of them during the course of your testimony.

I was particularly interested in your analysis of Mr. Sommerfield's position, in addition to your own views, and you have already answered the principal questions that there were in my mind.

You raised a point at the end of your testimony about the political dimensions that face us if we are realistic in anticipating and implementation of Secretary Kissinger's statement. There are political realities, and I know that you have been active in several groups, non-partisan groups, in connection with this particular matter, namely the repeal of the Byrd amendment.

I wonder in view of these realities, whether the groups with which you are identified feel encouraged to assume the campaign or is your enthusiasm or resumption of the campaign contingent on new initiatives taken by the administration and by the leadership of the administration in terms of introducing the repeal themselves, or whether or not you think the exercise should be resumed whether they take the initiative or not.

Mrs. BUTCHER. I can't speak for the groups that have worked daily to try to do something about the Byrd amendment, but I can say that I feel that this is a very sensitive issue, and if we were to fail this time it would give completely wrong signs to both Smith and to the Africans, a sign that we cannot afford to give.

For that reason, I would think that there would have to be close cooperation between the highest levels of the Executive and the Congress before any initiative is seriously started, and an assurance that whatever has to be done by the White House will be done.

Now, if this means delaying action until some of these political realities are out of the way, we might have to do that.

Mr. DIGGS. Well, following the Secretary's speech on this subject, I sent a telegram to the President applauding the initiatives that they have taken in this regard and talking about the question of implementation and suggesting that the difficulties that we have had in connection with its repeal the last time certainly could be overcome if the legislation required were actually introduced by the leadership in the administration, in the Congress.

And I sent letters to Mr. Rhodes, the minority leader, to Mr. Michel and Conable and John Anderson, the four leaders on the minority side of the House and also the Senate, to my own Senator, Bob Griffin, who, as you know, is the minority whip, Hugh Scott, the minority leader, and Senator Tower, who is head of the policy committee in that body asking them if they plan on introducing the necessary legislation to repeal it consistent with the position that the President had taken through the Secretary of State.

I have heard from Mr. Anderson on the House side who reminded me that he was a cosponsor of the repealer and spoke on behalf of the Byrd amendment in the last debate.

I have not heard from the other gentlemen involved, so the question I raised is that some advocates' enthusiasm, or whose serious evaluation of Kissinger's position would only be guided, by a move, by an initiative of that type.

So I am curious as to whether or not you and the organizations and the people with whom you have been identified for so long in the ranks of this exercise concur that this would really constitute the litmus test of seriousness on the part of the administration.

Mrs. BUTCHER. I would think it would. I just can't speak for other groups. But I certainly would feel that way, and as I have indicated, I think that it would be somewhat perilous—in fact, it would be indeed perilous to proceed down that course again if we didn't do it.

I would think that if it is at all politically possible that the Secretary will try to get that initiative underway, because he has made his commitment on this, and this has been, if anything, the basic plank of his Lusaka speech.

But I want to reiterate very strongly that that is not enough. Now, I am sure that our Government knows this, and nobody knows what they may be doing quietly, but it always helps people, even to do more quietly, if they are aware that other people know the facts, too.

Mr. Diggs. Mr. Gilman?

Mr. GILMAN. Thank you, Mr. Chairman.

Mrs. Butcher, I am sorry that I missed the earlier part of your testimony. We were engaged in floor debate on another issue.

What is your opinion of the recent actions by the Smith government to place several black leaders in his Cabinet? Do you think that will be helpful?

Mrs. BUTCHER. Mr. Congressman, I was reading the paper yesterday. I believe the New York Times, and it was very sad to realize that there was absolutely no acceptance in Salisbury, in the Parliament, of these people by even the people that the regime may have felt would have been appeased.

Of course, the whites there were angry about it. The blacks felt that it is an obvious strategem. And then, the concluding sentence of the article in the Times was a reference to an indication by the regime that these people were going to be given very limited duties in connection with education and other problems in the tribal areas only.

In other words, they are not even really what they are said to be.

I think that gives you my answer.

Mr. GILMAN. Do you see any possible solution to the Rhodesian question, short of armed conflict?

Mrs. BUTCHER. Yes; I do, that is short of a heating up of the armed conflict.

I believe that the United States is in a peculiar position to assert the kind of leverage that will make the difference, and if, in this political year, we can sum up the leadership and the bipartisan support and an understanding of the people of this country of our need for Africa for hard, cold, economic, practical realities, I think we can then exert the leverage on South Africa to help us and on Smith to actually do what is necessary.

I also think that this is true with respect to Namibia. I think that we hold a key position, if we would exercise it.

Mr. GILMAN. Do you think that anything could force a change in heart or in outlook on the part of Mr. Smith and his fellow Rhodesian whites?

Right now, he appears to be locked into his way of thinking.

Mrs. BUTCHER. Yes; but the thing is that the economic life in Salisbury must go on to a certain extent, in Rhodesia. As long as the growth rate is slowing down, as long as things are not too bright and so forth, they can continue. But once, as I have heard the expression used, "the water is cut off," Smith has no choice. And this could be done.

Mr. GILMAN. Mrs. Butcher, Secretary Kissinger's Zambia address on U.S. policy presented a nine-point position on U.S. efforts to bring about majority rule. You may have touched on this in your earlier remarks. I am not certain.

He concluded by stating that he would consult closely with the Presidents of Zambia, Tanzania, and Mozambique. What is your reaction to that statement, and to the speech in general?

Mrs. BUTCHER. I welcomed the speech. I thought it was realistic.

Mr. GILMAN. Do you think that it will do some good if we pursue that policy?

Mrs. BUTCHER. The only thing that is going to do some good in southern Africa is our confronting the fact that we have no choice but to use every available leverage to bring about majority rule there, and are doing something about it, or otherwise there is going to be a violent conflict, and although the timetable is not clear, the result is certain.

Mr. GILMAN. Do you think that the Russians and the Cubans will intervene in Rhodesia if there is some hostility?

Mrs. BUTCHER. I am not a good evaluator of it, but I can tell you what other people have projected, namely that as it looks now, the Africans will probably do their own fighting, and it is going to be a local situation.

I referred to this, I think, a little before you came in. If mercenaries come in on the side of the white regime, they are already in there—if they come into a serious extent, this may lead to Soviet involvement, possibly the introduction of surrogates, I do not know.

This would bring about the great power involvement we do not want, therefore, it is critical that we and the British stop those mercenaries.

Mr. GILMAN. What do you think about the British tie to the white minority in Rhodesia?

Mrs. BUTCHER. I guess the question is what the British really thought about it. You know, since 1965, the British have taken certain efforts, but not wholehearted efforts, to be true to, I believe, that tie, and to protect those people.

When you consider the population facts in Southern Rhodesia and the whole situation there, it is clear that any commitment to the white minority in Southern Rhodesia means a helping of the situation toward majority rule as quickly as possible.

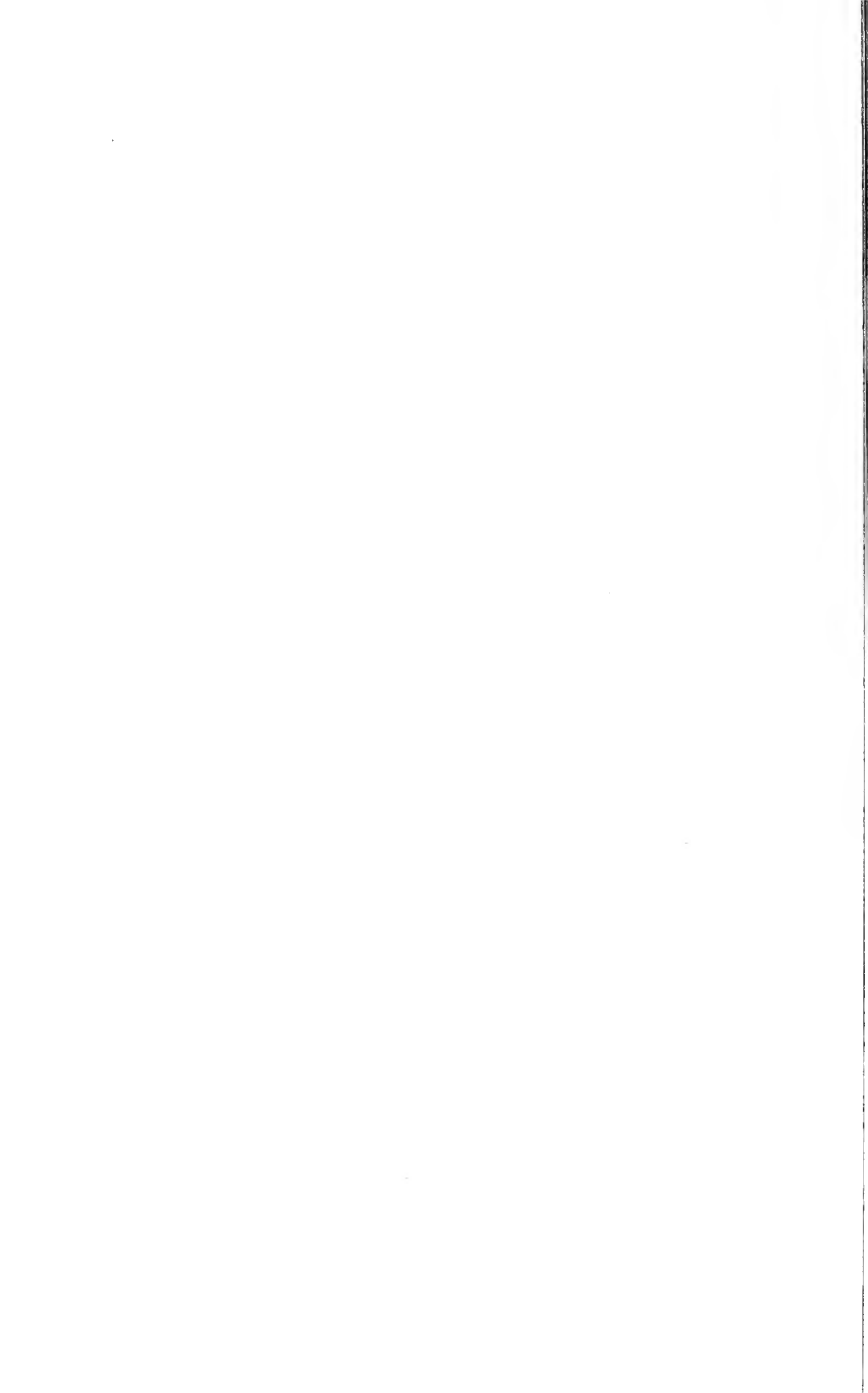
Mr. GILMAN. Thank you, Mrs. Butcher.

Thank you, Mr. Chairman.

Mr. Diggs. Thank you, Mrs. Butcher.

The subcommittee will stand adjourned.

[Whereupon, at 4:15 p.m. the subcommittee adjourned:]



APPENDIX 1

STATE DEPARTMENT RESPONSES TO ADDITIONAL WRITTEN QUESTIONS SUBMITTED BY CONGRESSMAN DIGGS

Question 1. How would you describe the compliance (or non-compliance) of E.E.C. states with U.N. sanctions against Rhodesia?

Answer. Our impression is that the level of compliance by the E.E.C. states has been generally good and that a continuing effort is being made to improve and strengthen their enforcement of sanctions.

Question 2. What is your analysis of the economic and military effects of the closure of the Mozambican border with Rhodesia? The president of the Association of Rhodesian Industry is quoted (March 6 *Johannesburg Star*) as having said that the economic effects of the closure will be of lesser magnitude than the possible military and political effects.

Answer. The economic effects of the Mozambican border closure, while certainly not devastating to Rhodesia, will result in higher costs for Rhodesian imports and exports and, possibly, in the loss of some export earnings as well. Since rail links from Rhodesia to the various South African ports are substantially longer than the routes from Rhodesia to the Mozambican ports of Beira and Maputo, freight charges on Rhodesian exports and imports will cost the Rhodesian economy a minimum of several millions of dollars per year. Moreover, the limited bulk handling facilities in South African ports may result in bottlenecks which could prevent or delay the exportation of certain Rhodesian bulk commodities such as ores or agricultural produce.

Insofar as the political and military effects are concerned, it would appear that the president of the Association of Rhodesian Industry was simply making an observation that the closing of the Mozambican border to further economic relationships would probably be accompanied by the opening of the border to increased activity by Rhodesian nationalist guerrillas. Recent reports certainly indicate that there has been a substantial increase in guerrilla activities in the Rhodesian-Mozambican border areas since the border closure in March.

Question 3. What effort is the United States making to see to it that South Africa refrains from further Angola-type interventions, stays out of the conflict in Rhodesia, and enforces sanctions against the Smith regime?

Answer. American support for peaceful solutions to the problems of southern Africa has been made clear to all states, including South Africa. South Africa has supported our efforts to bring about a transition to majority rule in Namibia and Rhodesia and these efforts are designed to avoid foreign military intervention of any kind.

With regard to Rhodesia, we believe South Africa has used its influence constructively to help bring about the substantial measure of progress which has been achieved in recent weeks.

Question 4. On page 3 you refer to the possibility of a "long-term" guerrilla war in Rhodesia. What is meant by "long-term"? What estimates do you have?

Answer. The phrase "long-term" was meant to imply simply a situation in which there would be growing guerrilla activity over an extended and indefinite period of time. We have no ready estimate of how long that period might last.

Question 5. Also, on page 3, you state that "the spread of guerrilla activity along the length of the Mozambican and Zambian borders or a significant quantitative increase in guerrilla numbers could pose a severe strain on Rhodesia's manpower resources and on the limited equipment the security forces possess." What is your assessment of the equipment available to Rhodesia's security forces? (Estimates were given in your statement for the guerrilla forces, but not for the minority regimes forces).

Answer. While detailed information concerning the Rhodesian security forces is unavailable, the following estimates compiled by the London-based International Institute of Strategic Studies, are generally regarded as accurate:

Army—4,500 regulars, 10,000 territorials (reserves), including 1 SAS¹ squadron, 1 artillery battery, 20 Ferret scout cars. No heavy armor.

Air Force—40 combat aircraft including Canberras, Hunters and Vampires. One helicopter squadron of 16 Alouette III's.

Para-Military Forces—(British South Africa Police) 8,000 actives, 35,000 reserves.

The standing Rhodesian army is about 40 percent black.

Question 6. Have any foreign-based subsidiaries of U.S. companies been carrying on any activities in Rhodesia?

Answer. According to the Department of Treasury, if the subsidiary is incorporated in the host country and has no American citizens as officers or directors or in other types of managerial positions, the subsidiary is not covered by the U.S. Treasury Department's regulations concerning transactions with Rhodesia. Therefore we do not control the activities of such firms and have no information available on the extent of any transactions in which they may be engaged involving Rhodesia. They would of course be subject to the laws of the host country regarding such transactions.

Question 7. With respect to your statement on page 7 that "these investments have been under control of the Rhodesian regime and the U.S. investors receive no benefits from them," does the regime run the operations of these companies on behalf of the American owners? Will the benefits, earnings, or moneys received inure in any way to the benefit of the American companies/owners? How is this?

Answer. The Rhodesian regime operates former U.S. investments in Rhodesia without any involvement by the American parent companies. The Rhodesian Government did not actually nationalize these investments, and the U.S. parent companies do retain nominal ownership. However, the American firms involved derive no profits or other monetary benefits from this nominal ownership. The remission of any such funds to the U.S. parent firm would in any case require a license from the U.S. Department of Treasury. The Rhodesian regime presumably finances operations and new investments from current earnings. The disposition of profits, if any, is not known.

Question 8. Is any U.S. assistance, direct or indirect, in any way being channeled to or for the benefit of the minority regime in Rhodesia?

Answer. No. Any U.S. Government assistance to the minority regime would be contrary to U.S. policy, law and Security Council resolutions binding upon the USG.

Question 9. Please submit figures on detentions and arrests by the Smith regime over the past four years.

Answer. We do not have nor are we able to obtain detailed statistics on detentions and arrests in Rhodesia. Our general magnitude estimate is that some 600 to 900 persons were under some form of restriction or detention over the past four years. This is based primarily upon estimates by church and other organizations, including Amnesty International. At the present time the number would appear to be closer to 900 as a result of the reported increase in arrests in Rhodesia following the breakdown of the Victoria Falls settlement conference in August 1975.

Question 10. The February 28 Johannesburg *Star* indicated a drastic shortage of camera film in Rhodesia. What other shortages, particularly of manufactured goods and spare parts, exist in Rhodesia? Please elaborate as to the extent and cause(s) of such shortages, as well as the implication.

Answer. Items such as gasoline, razor blades, light bulbs, black pepper, certain toiletries and some gourmet foods are reportedly in short supply in Rhodesia. We are not aware of any shortages in key manufactured goods and spare parts, although such goods probably sell at inflated prices in Rhodesia. The enforcement of sanctions by many countries and the recent closure of the Mozambican ports and rail systems to Rhodesian traffic are doubtlessly responsible for the difficulties encountered by the Rhodesians in obtaining certain products.

Question 11. What can you tell us of the activities of an American businessman, Richard Vissers, who reportedly is forming an American-South African commerce association to promote trade between the United States and South Africa, and who has reportedly travelled in Rhodesia?

Answer. On February 13 the South African newspaper *Die Beeld* carried an article on the presence in South Africa of Richard H. Vissers who was reportedly in South Africa to negotiate the establishment of a South African/United States

¹ Special Air Services.

trade association. The article stated that Mr. Vissers was an American businessman from Los Angeles and that he had visited other southern African countries. We have contacted the Department of Commerce as well as various private U.S. business organizations but have been unable to obtain any additional information on Mr. Vissers.

Question 12. What contact does he and other American businessmen have with the U.S. Government regarding Rhodesia? What advice and assistance does the Department of State render in such cases?

Answer. Mr. Vissers has never contacted the Department of State on Rhodesia. We do, however, receive occasional inquiries from American businessmen concerning doing business in or with Rhodesia. In such cases we advise the businessmen of current U.S. policy toward Rhodesia, the existence of the United Nations sanctions toward that country and pertinent U.S. laws and Treasury Department regulations.

Question 13a. To what extent are U.S. companies or persons based elsewhere, namely in Japan, West Germany and South Africa in particular, trading with Rhodesia?

Answer. My answer to question 6 above covers the operations of subsidiaries of U.S. firms and their American personnel operating in foreign countries. Individual U.S. citizens overseas are, of course, subject to U.S. Treasury Department regulations concerning trading with Rhodesia.

Question 13b. (a) Air Rhodesia's general managers, as quoted in the Johannesburg Star (January 31, 1976) referred to that company's "recent introduction of Boeing Aircraft on the Johannesburg-Victoria Falls Route". How were these aircraft attained by Air Rhodesia? *(b)* What communication(s) has the executive had with Boeing and other U.S. companies on the attainment of American goods by Rhodesian companies, by the Rhodesian "regime", and by any other parties, entities, or individuals in Rhodesia. What advice is given by the executive in each such instance?

Answer. It should first be noted that the aircraft in question (three Boeing 720's) were not sold to Air Rhodesia by the Boeing Company or any other American company.

In April 1973, a Swiss Company, Jet Aviation (Basel) sold the aircraft, which it had acquired from a West German Air Charter Company, to Mr. Mervin Eyett (a Southern Rhodesian and the General Manager of Air Rhodesia) who was posing as an agent representing a South African Air Charter Firm.

There is no conclusive evidence that at the time of the sale, Jet Aviation had been aware of Mr. Eyett's connection with Air Rhodesia. Nonetheless, after an investigation by the Department of Commerce, it was determined that Jet Aviation (which also had sold Air Rhodesia spare parts and equipment for these aircraft) had violated the U.S. Export License issued for the export of these spare parts to Switzerland. Accordingly, the Department of Commerce moved to suspend the station license of Jet Aviation and of a related firm, Jet Aviation (Geneva) S.A.

Any future applications by either of these firms to buy U.S. products would have to be fully documented and would undergo careful scrutiny.

There is no evidence which would suggest that the Boeing Company knew of or was in anyway involved in the sale of either the 720's or the spare parts to Air Rhodesia.

Under Export Control Regulations, no U.S. company, or individual, may export material to Southern Rhodesia without an explicit export license from the Department of Commerce. No such license is granted except on medical, educational and exceptional humanitarian grounds—as provided for by Security Council Resolution 253 and our own implementing regulations. All U.S. companies and other potential exporters to Southern Rhodesia are informed of this.

Question 14. On page 6 of your testimony, you state that the United States has "investigated all cases of alleged violations (of sanctions) that have come to our attention." What initiatives is the United States taking in this respect?

Answer. If the results of such investigations reveal evidence of actual sanction violations appropriate legal action is initiated. As was also noted in the testimony, four persons in California were prosecuted and fined on March 29 for having imported objects of Rhodesian African art under a false certificate of origin.

Question 15. Specifically, regarding the operation of American hotel and tourist businesses, what initiatives has the United States taken? What action does the United States plan in this regard?

Answer. The only U.S. tourist or hotel undertakings in Rhodesia have been franchise operations which involve one hotel group (Holiday Inn) and two car rental services (Avis and Hertz). These three franchises were in effect prior to the imposition of comprehensive economic sanctions by the United Nations against Rhodesia in 1968 and were permitted to continue. Since 1968 no new U.S. franchises have been established in Rhodesia. Subsequently, in 1974, Hertz cancelled its Rhodesian franchise, and in April 1976, following the U.N. resolution opposing the use of foreign franchises and trade names in Rhodesia, the U.S. Department of Treasury contacted the head offices of Avis and Holiday Inns in the United States and asked them to withdraw their franchises from Rhodesia. Both firms have stated that they will comply with Treasury's request.

Question 16. I would like a detailed report on the extent to which American oil companies, either directly or indirectly, such as through their subsidiaries in South Africa, are/have been channelling oil products, including petroleum, into Rhodesia.

Please provide a list of all companies involved in such activities. Also for each company involved, I would like figures on the amount of all such oil products by type of product and by dollar value, 1970-to-date.

Answer. The Department of State has no information concerning reports that American oil companies are channelling oil products into Rhodesia. The Treasury Department, as the appropriate enforcement agency, is currently studying such allegations against one American company to determine what action, if any, needs to be taken.

Question 17. I would like a comprehensive and specific statement on what steps are being taken to amend Executive Order 11419 and regulations issued pursuant thereto, to accord with our expanded obligations with respect to sanctions against Rhodesia under the April 6 Security Council resolution.

Answer. Since it is felt that the authority of Executive Order 11419 and the regulations issued pursuant thereto is sufficiently broad enough to cover our expanded obligations under the April 6 Security Council resolution, we do not believe it necessary to amend either.

Question 18. Discuss the present security situation in Rhodesia, including an analysis of the status of the war there, and the extent and frequency of Rhodesian incursions into neighboring countries, such as Botswana and Mozambique.

Answer. As was noted in the testimony, particularly since the collapse of the settlement talks in March, there has been a general step-up of nationalist guerrilla activity against Rhodesia—concentrated along the Mozambican border area but also including deeper penetrations into the interior of Rhodesia itself.

Given the Rhodesian regime's announced policy of "hot pursuit" in combatting the nationalist forces, it is likely that there will be, during the period of escalating guerrilla activity, a corresponding increase in the number of incursions by the Rhodesian security forces into those neighboring countries which provide sanctuary for the nationalist forces.

Question 19. Please submit the figures for aid, military or other assistance for (a) 1974, (b) 1975, (c) 1976 to date and (d) present projections for the remainder of this year and Fiscal Year 1977 to: Rhodesia and South Africa by Saudi Arabia, Jordan, Iran, Israel, Brazil, and by South Africa to Rhodesia.

Answer. With the partial exception of South African aid to Rhodesia, any aid which might have been given to South Africa or Rhodesia by the countries you have listed would almost certainly have been given on a basis of strict confidentiality. As a consequence, we have received only episodic and unverifiable rumors of such arrangements, which makes evaluation impossible.

With regard to South African assistance to Rhodesia, the SAG has publically acknowledged that this has included military supplies and equipment, training of Rhodesian forces, and the stationing of South African personnel in Rhodesia. This has included the stationing of South African police units in the Zambezi valley. These units first began to arrive in 1967 and, when they were withdrawn in 1975, numbered several hundred. At their peak they probably numbered between one thousand and two thousand. South African crews manned a number of helicopters provided Rhodesia by the South African Government, and provided training for Rhodesian crews as well. The South Africans assigned with the helicopter units were withdrawn in 1976.

Our knowledge of South African-Rhodesian arrangements does not permit us to specify the total amount of aid provided. However, we do not believe the military assistance continues on any significant level.

Question 20. Please submit information on all aid and military related assistance patterns to Rhodesia and South Africa.

Answer. We are unable to enlarge upon our response to Question 19 on the basis of the information available to us at this time.

Question 21. South Africa's defense spending reportedly is to be increased by about 42 percent in the coming year (Johannesburg Star, April 3).

To what extent is the situation and war in Rhodesia reflected in this budget? How much military and other assistance does South Africa send to Rhodesia? I would like figures for the past three years to date and a breakdown by type of assistance, including such assistance as provision of petroleum and military training, for the record.

Answer. The significant increase in South African defense spending is probably the result of a number of factors which have altered the security situation in southern Africa as seen by the South African Government. The crisis in Rhodesia is no doubt one of these. We are unable to provide quantitative data regarding South African security and other assistance to Rhodesia. Such information is not published by South Africa.

Question 22. Are there at present any South African military, para-military or police forces in Rhodesia? Is it anticipated or expected that any such South African forces will be sent to Rhodesia?

Answer. As far as we know, there are no such forces in Rhodesia. We are unable to predict whether any such forces might be sent there in the future.

APPENDIX 2

DEPARTMENT OF COMMERCE RESPONSE TO RECOMMENDATIONS MADE BY ATTORNEY GOLER BUTCHER, BEFORE THE SUBCOMMITTEE, DURING THE MAY 6, 1976 HEARING ENTITLED "RESOURCES IN RHODESIA: IMPLICATIONS FOR U.S. POLICY."

1. RECOMMENDATION

If the objective of the United States is to bring about the conditions to force the Ian Smith regime to come to realistic policy terms with the African majority, the United States must tighten sanctions far beyond the repeal of the Byrd amendment.

COMMENT

Since 1966, the United States Government has controlled trade and other transactions with Southern Rhodesia in support of economic sanctions imposed against that country under United Nations Security Council resolutions of December 16, 1966 and May 29, 1968. Pursuant to those resolutions, U.S. Executive Orders Numbers 11322 of January 5, 1967 and 11419 of July 29, 1968, were issued, delegating responsibility to the Department of Commerce for enforcement of controls on U.S. exports to Rhodesia. The Department of the Treasury was delegated similar responsibilities with respect to imports as well as controls over financial transactions.

The Department of Commerce implements an across-the-board embargo on U.S. exports and re-exports to Rhodesia. The only exception to this are those goods clearly intended for humanitarian purposes, pursuant to the U.N. resolutions.

The U.S. Government retains its overall commitment to the sanctions program and has renewed previous commitments to assist the U.N. Sanctions Committee in its efforts.

2. RECOMMENDATION

The United States should use its best efforts to implement Security Council Resolution 277 of March 1970 with respect to its provision that member states shall "immediately interrupt any existing means of transportation to and from Rhodesia".

COMMENT

In accordance with FAA regulations, 14 CFR, Part 91, Special Federal Aviation Regulation 21, U.S. airlines are specifically prohibited from movement to and from Rhodesia and are also enjoined from issuing tickets which involve connecting flights on Air Rhodesia. In addition, U.S. offices of foreign airlines and their ticket agents are also subject to this prohibition.

APPENDIX 3

RESPONSE BY DEFENSE SECURITY ASSISTANCE AGENCY TO ADDITIONAL WRITTEN QUESTIONS SUBMITTED BY CONGRESSMAN DIGGS

Question 1. The April 8, 1976 *Christian Science Monitor* states: "The Army has awarded a contract for 1,729 armored troop carriers, which will be sold to Zaire, Holland, Morocco, Spain, Ethiopia, the Philippines, Turkey, Israel and Iran." Please give all specifics of this contract, i.e., the amount of the contract, the type of troop carriers, the number of carriers going to each country, the end-use and function/purpose of the carriers in each case, and name of contractor. Is there any indication that these carriers will be channeled to Rhodesia or indirectly through another country, i.e., South Africa to Rhodesia? What safeguards is the Department undertaking to assure that in each case, the carriers will be used for the purpose(s) specified in the contract?

Answer. [Security deletion.]

Question 2. Please provide, for the record, data on all other contracts awarded over the past two years by the Department of Defense (and any of its components) to Saudi Arabia, Jordan, Iran, Israel, and Brazil, and to any other country whose pattern of assistance to Rhodesia or South Africa has or is projected to change. I would like all specifics of these contracts, including the purposes and end-uses of the contracts, the contractor, and the terms of the contracts.

Answer. [Security deletion.]

Question 3. The Department has said it would testify on Part III of the questions I submitted in writing to the Department. However, no mention has been made of Section 6 under Part III which requests complete data on U.S. aid, military and other assistance for 1974, 1975, 1976 to-date, and projections for the remainder of this year and FY 1977 to any other Third World country whose pattern of assistance to Rhodesia or South Africa has or is projected to change.

I would like you to list for the subcommittee now those countries which receive, have received, or are projected to receive U.S. assistance whose pattern of assistance to Rhodesia or South Africa has or is projected to change.

Then, please provide, for the record, the complete data on U.S. assistance to those countries, as requested.

Answer. [Security deletion.]

Question 4. With respect to the data provided in your statement, is there any other assistance that is provided by the Department of Defense, either direct or indirect, to the countries mentioned?

Answer. There is no other military assistance provided to Saudi Arabia, Jordan, Iran, Israel and Brazil other than the figures contained in my statement.

Question 5. You indicate that the MAP data includes costs of the International Military Education and Training Program. I would like a breakdown of the specific amounts, in each case, for this program.

Answer. The following is a breakdown of the cost of the International Military Education and Training Program (IMETP) involved in MAP costs in each case:

[In thousands of dollars]

Fiscal year	Total MAP value	IMETP value
Saudi Arabia:		
1974.....	173	173
1975.....	38	38
Jordan:		
1974.....	40,704	628
1975.....	69,852	1,011
1976 to date.....	33,731	645
1976 balance projected.....	66,269	155
1977 projected.....	70,800	800
Brazil:		
1974.....	936	693
1975.....	901	901
1976 to date.....	616	616
1976 balance projected.....	504	504
1977 projected.....	1,100	1,100

Question 6. In each case, where applicable, please submit complete information on the activities included under the International Military Education and Training Program.

Answer. Activities under the International Military Education and Training Program consist primarily of formal training courses at various military facilities, which includes flying, operations, communications/electronics, maintenance, logistics, administrative, professional, missile training, plus a few orientation tours/visits.

Question 7. Additionally, I would like complete information on the kinds of training given and the purposes in each case.

Answer. The kinds or categories of training provided in each case are:

Saudi Arabia: Operations, communications/electronics, maintenance logistics, administrative, professional and missile training.

Jordan: Flying, operations, communications/electronics, maintenance, logistics, administrative, professional, missile and orientation training.

Brazil: Flying, operations, communications/electronics, maintenance, logistics, professional training and orientation tours/visits.

In each case, the primary purpose of providing this training is to continue developing professional and technical experience and upgrade in-country training and maintenance facilities, and thereby further the countries efforts toward self-sufficiency.

Question 8. Please provide complete data on the purposes and scope of the MAP materiel program for Jordan. What types of equipment are included?

Answer. [Security deletion.]

Question 9. To what extent has the pattern of assistance provided by Saudi Arabia, Jordan, Iran, Israel, and Brazil to Rhodesia and South Africa changed or projected to change for 1974, 1975, and 1976 to date?

Answer. We are not aware of any change or projected change in the pattern of assistance provided by Saudi Arabia, Jordan, Iran, Israel, and Brazil to Rhodesia and South Africa in 1974, 1975 or 1976.

APPENDIX 4

RESPONSE BY DEPARTMENT OF THE TREASURY TO ADDITIONAL WRITTEN QUESTIONS SUBMITTED BY CONGRESSMAN DIGGS

DEPARTMENT OF THE TREASURY,
Washington, D.C., September 10, 1976.

Hon. CHARLES C. DIGGS, Jr.,
Chairman, Subcommittee on International Resources, Food, and Energy, House
of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Your letter of June 28, 1976, requests our position on a number of recommendations relating to economic sanctions against Rhodesia, particularly in the areas of trade with Rhodesia by foreign subsidiaries of American firms, tourism, and remittances to Rhodesia.

Before commenting on the individual recommendations, it would be useful to review the policies on which the sanctions regulations are based. As you know, the sanctions program is not a unilateral U.S. program. It is a program of the United Nations, which has 144 member nations. Each member nation is required to implement the agreed sanctions as they apply to specifically proscribed activities by all elements within its boundaries, including any subsidiaries of U.S. firms. Each member nation is expected to adhere to the agreed sanctions even though there are economic burdens imposed on its nationals as a result.

If the sanctions were in fact fully enforced by all United Nations members, the purpose of the United Nations resolution would be carried out. However, it is apparent that these multilateral sanctions are not in fact adhered to fully by all members of the United Nations. South Africa publicly does not adhere to them. Other United Nations members adhere to a greater or lesser degree—as is evidenced by the fact that Rhodesia continues to export its products, and purchase its requirements, more or less successfully. Nevertheless, in these countries, native businesses and U.S. subsidiaries are placed under the same constraints.

The significant point is that the United Nations sanctions are a multilateral undertaking to be applied by each member within its own territory. The United States should comply fully with its international responsibilities, and we do so (apart from the "Byrd Amendment"). We do not, however, unilaterally go beyond what the United Nations Resolutions call for, nor do we unilaterally impose sanctions measures which other major United Nations members do not themselves impose. Unilateral application of extraterritorial sanctions would be inconsistent with the national policies of many of the other major U.N. powers, and would not be consonant with the intentions of the sponsors of the U.N. sanctions program. Indeed, we ourselves have modified our controls over trade with Cuba by U.S. subsidiaries in the light of this principle.

Boycotting other U.N. members because we may feel they do not adhere to the sanctions is not at all what the sponsors of the U.N. sanctions program intended when the sanctions were instituted. Such a unilateral boycott could only result in severe damage to American interests and diversion of legitimate trade with the boycotted countries to competitor nations who do not subscribe to such an interpretation of the intent of the U.N. At the same time, such a third country boycott would not result in any significant damage to the Rhodesian economy.

Furthermore, unilateral extension of our controls beyond those imposed by the other U.N. members would not only be unfair to American business, it would be inequitable to American tourists visiting Rhodesia and to American missionaries working in Rhodesia, and it would not achieve the objective of the sanctions in any event. The U.S. cannot by its own unilateral economic measures overturn the illegal Rhodesian regime. To achieve this result requires effective sanctions measures by all United Nations members.

In the light of this analysis, I believe the United States should parallel the sanctions enforcement of other countries. I do not, however, believe it is de-

sirable for the Treasury to expand the scope of its sanctions regulations outside United States territory above and beyond the scope of comparable sanctions regulations issued by other United Nations members. Since some United Nations members object strongly, as a matter of principle, to "extraterritorial" controls over subsidiaries in third countries, we should not institute such controls unilaterally. Again, if the other United Nations members do not regulate their nationals' travel to Rhodesia as tourists, we should not do so. Similarly, if the sanctions themselves authorize remittances to Rhodesia for educational and humanitarian reasons, we should not impose stricter requirements on these remittances than the United Nations resolutions mandate.

I want to emphasize that this does not mean that the United States opposes multilateral measures to expand and improve the economic sanctions. It means only that I do not believe the United States should go beyond what other major United Nations powers are willing and able to do in this economic area. Of course, in addition to our participation in the multilateral sanctions, the United States is vigorously attempting to promote, through diplomatic means, a political resolution of the Rhodesian problem.

Within this framework, there follow our comments on the specific recommendations in your letter of June 28, 1976.

Question 1. If the objective of the U.S. is to bring about the conditions to force the Ian Smith regime to come to realistic policy terms with the African majority, the U.S. must tighten sanctions far beyond the repeal of the Byrd Amendment.

Answer. The United States is committed to the Rhodesian sanctions program and to the full implementation and strict enforcement of the sanctions measures specified by the Security Council. The repeal of the Byrd Amendment would bring the United States into full compliance with the United Nations program. A tightening of sanctions "far beyond the repeal" to force the Smith regime to deal realistically with the African majority would constitute a unilateral extension of sanctions by the United States.

I have pointed out the foreign policy considerations and the considerations of fairness to United States citizens which make it desirable for the Treasury to parallel the policies of other United Nations members, but make it undesirable for the Treasury to expand the scope of its sanctions regulations beyond the scope of comparable sanctions regulations issued by other United Nations members.

Question 2. The "Rhodesian Sanctions Regulations", which are the pertinent regulations implementing sanctions against Rhodesia, are constructed so that they apply only to U.S. corporations in the United States or to their subsidiaries in Rhodesia; they do not apply even to U.S. subsidiaries in South Africa, West Germany, the United Kingdom or other places, which can operate completely oblivious to and in violation of sanctions. If the United States Government is serious in using sanctions as applying real economic pressure on the Smith regime, the U.S. must extend sanctions to all companies organized under the laws of the United States, or of any state, territory, or possession of the United States, or having its principal place of business in the United States, or owned or controlled by a United States corporation.

Answer. The U.S. does extend sanctions to all companies organized under the laws of the United States, or of any state, territory, or possession of the United States, or having their principal place of business in the United States. This means that we apply U.S. sanctions to subsidiaries of foreign firms doing business or organized in the United States. We merely do not apply U.S. sanctions extraterritorially. The Rhodesian embargo is a mandatory obligation of all United Nations members and it is, therefore, the primary obligation of the country in which a company is organized or doing business to prevent, within its own territory, that company from doing business with Rhodesia. If the United Kingdom, West Germany, and other countries adhere fully to the sanctions, there is no possibility that United States subsidiaries in those countries could trade with Rhodesia.

As explained above, it would be inappropriate, for the United States to extend its regulations extraterritorially on a unilateral basis, while other United Nations members do not do so and in fact object as a matter of principle to doing so. However, the Treasury regulations provide that United States citizens who are officers, directors, or principal managerial personnel of American-owned or controlled foreign firms are subject to the prohibitions. This ruling has the practical effect of precluding most American-controlled firms abroad from trading with Rhodesia.

Question 3. The U.S. must enforce paragraph four of Security Council Resolution 253 providing that states "shall not make available to the illegal regime in Southern Rhodesia or to any commercial, industrial, or public utility undertaking, including tourists enterprises, in Southern Rhodesia, any funds for investments or any other financial or economic resources and shall prevent their nationals and any persons within their territory from making available to the regime or to any such undertaking any such funds or resources and from remitting any other funds to persons or bodies within Rhodesia" under certain humanitarian exceptions. Specifically, the U.S. should :

(a) Prohibit all capital transfers to Rhodesia from the United States or from any entity owned or controlled by U.S. persons or corporations?

(b) Not provide the mechanism whereby Americans insisting on traveling to Rhodesia are able to finance the visits, absent urgent humanitarian circumstances. The U.S. then should terminate its policy of licensing transfers of funds for living and traveling expenses of American tourists traveling to Rhodesia.

(c) Terminate transfers of funds or the facilitation thereof to airlines and other entities.

Answer. (a) This Department's Rhodesian Sanctions Regulations prohibit all capital transfers to Rhodesia from the United States except that remittances are permitted on a specific licensing basis for medical, humanitarian, or educational purposes. This licensing policy conforms to the exemptions for such payments in paragraph 4 of United Nations Security Council Resolution 253 (May 29, 1968), and paragraph 1(f) of Executive Order 11419 (July 29, 1968).

(b) In Mr. Sommerfield's testimony before the subcommittee, he explained that it is legal under American law for an American to travel to Rhodesia and that the United Nations sanctions do not prohibit tourist travel. Under these circumstances, Treasury licenses tourists to expend funds in Rhodesia for hotels, meals, transportation, and similar items. As long as the United Nations program and United States passport law remain as they are, the Treasury policy of licensing travel expenses is the only possible position to take.

(c) The Regulations presently prohibit the unlicensed transfers of funds from Americans to a Rhodesian business, including, of course, a Rhodesian airline. Thus, an American is prohibited from unlicensed purchase of a ticket for travel to Rhodesia from a Rhodesian airline, and is prohibited from purchasing a through ticket to Rhodesia from a U.S. carrier where part of the travel is to be performed by a Rhodesian carrier. Furthermore, under the FAA Regulations, American airlines and travel agents may not sell interline bookings on Rhodesian carriers.

Question 4. The sanctions regulations should include the provisions of the new Security Council Resolution of April, 1976, particularly those prohibiting the giving of any franchise or the use of trade names or trademarks or registered designs.

Answer. The Sanctions Regulations of this Department have, since their issuance, prohibited Americans from granting new franchises or the right to the use of trade names, trademarks, or registered designs to persons in Rhodesia. There were in existence, however, prior to the date of the 1968 United Nations Resolution, three franchise agreements related to Rhodesia. This Department was of the view that the United Nations Resolution of May 29, 1968, did not require termination of such preexisting agreements, since there was no financial or commercial benefit to Rhodesia resulting from these agreements after the United Nations sanctions became effective. Accordingly, we did not object to continuation of the existing franchises, provided no new benefit was provided to Rhodesia after the effective date of the sanctions. However, with the passage of the United Nations Resolution of April 1976, this Department advised the American firms in question that we objected to the continuation of the agreements, and that they were now required by our Regulations to cancel the agreements. One of the franchise agreements had previously been canceled in 1974. We have been advised by the other two companies that they have now cancelled their agreements. Thus, the U.S. has fully carried out its responsibilities under the April 1976, resolution.

Question 5. The United States should immediately undertake a study on the implementation of trade discrimination against both countries and companies breaching sanctions against Rhodesia with a view towards putting this into effect if necessary movement towards settlement is not made.

Answer. For the reasons set forth at the outset of this letter, we believe a U.S. boycott of other U.N. members would be highly undesirable and counter-productive in this situation.

Question 6. The United States should use its best efforts to implement Security Council Resolution 277 of March 1970, with respect to its provision that member states shall "immediately interrupt any existing means of transportation to and from Rhodesia."

Answer. We defer to the Commerce Department on this recommendation since it relates to matters within that Department's primary jurisdiction.

Question 7. The exception included in paragraph four of the Security Council Resolution 253 which applies to the remission of funds as payment "exclusively for pensions or for strictly medical, humanitarian or educational purposes or for the provision of materials or in special humanitarian circumstances, foodstuffs" should be tightened considerably by the United States and by other countries so that questionable shipments do not go to Rhodesia under the guise of this humanitarian exception for foodstuffs. The United States should use its good offices and endeavor to be helpful with respect to other countries' tightening of this exception.

Answer. In keeping with U.S. policy of strictly enforcing the sanctions program, appropriate steps are taken to prevent potential evasions of the sanctions by way of humanitarian exceptions. The United States attempts to prevent abuse of the humanitarian exception and to prevent illegal shipments from going to Rhodesia under the guise of that exception. The U.S. also endeavors to support other countries' efforts to enforce their sanctions programs, including a strict interpretation of the humanitarian exception to prevent its misuse.

Question 8. Finally, the provision under which the U.S. acquiesces in the presence of the Rhodesian Information Office here by permitting that Office to obtain the funds that have come as contributions from church people all over the United States for missionaries working in Rhodesia is very questionable. The U.S. should explore other means of getting these monies to church people in Rhodesia. Further, given the present crisis in Southern Rhodesia, the U.S. should give serious consideration to stopping the remission of these funds regardless, and consequently end financing of the Rhodesian Information Office.

Answer. There is no method of sending funds from persons in the U.S. to persons in Rhodesia for humanitarian purposes which would not result in foreign exchange accruals to Rhodesia. Admittedly, this activity does make a financial resource available to Rhodesia, but this is inherent in and stems directly from the exceptions authorized by the United Nations Resolutions.

Other countries which make foreign currency remittances to Rhodesia must of necessity likewise make a financial resource available to Rhodesia. If the Rhodesians are not able to expend these funds for the support of information offices, they will then spend the funds in the remitting country on other activities, or transfer them to third countries. For example, they might decide to spend the foreign exchange so accrued in third countries in payment of arms purchases, or in Rhodesia to pay mercenary salaries, or to purchase essential goods from Switzerland, South Africa, or elsewhere.

With regard to your suggestion that we terminate these humanitarian remittances altogether, I certainly do not agree that it would be desirable for the U.S. to put an end to the missionary work conducted for many years in Rhodesia by American church groups. These activities primarily benefit the black Rhodesian population rather than the illegal Smith regime, and I do not believe we should halt them merely because the dollars involved are used to a small extent for the support of the RIO.

Following are our answers to the additional questions you sent relative to the Department's testimony before the subcommittee:

Question 1. The then Assistant Secretary for International Affairs, John Hennessy, testified in 1973 before the former subcommittee on Africa that the general license implementing the Byrd Amendment issued in January 1972, by direction of the President authorizes the importation of chromium ore and concentrates of Southern Rhodesian origin as well as ferrochrome produced in any country from such chromium ore or concentrates. Please submit figures by type of ferrochrome (i.e., low or high carbon) by year and by country, of the U.S. imports of ferrochrome produced in other countries from Rhodesian chrome ore or concentrates.

Answer. There are no figures available with respect to imports of ferrochrome produced in other countries from Rhodesian chrome ore or concentrates. All ferro-

chrome imported from South Africa and Japan was subjected to laboratory analysis up until the time it became legal to import chrome ore from Rhodesia pursuant to the Byrd Amendment.

Question 2. In response to questioning as to whether Union Carbide was reinvesting its profits, Assistant Secretary Hennessey replied in a March 15, 1973, letter, in part:

"... Union Carbide's Rhodesian subsidiary presumably does make profits from its sales to Univex, which resells the ore to foreign countries... However, the subsidiary is under "mandate" from Rhodesia. In this situation the minister of mines can direct the subsidiary to reinvest its profits as he sees fit...".

(a) What figures do you have on the amount of profits made by American subsidiaries in Rhodesia as a result of the Byrd Amendment?

(b) Has the Minister of Mines directed these subsidiaries to reinvest their profits? In what manner?

Answer.

(a) This Department does not have figures on the amount of profits made by American subsidiaries in Rhodesia as a result of the Byrd Amendment. We do not know whether United States parent firms are able to obtain this information from subsidiaries under "mandate" from Rhodesia.

(b) We have no information as to whether the Rhodesian Minister of Mines has directed subsidiaries under mandate to reinvest their profits.

Question 3. In which Rhodesian subsidiaries of U.S. companies have operations been expanded? What steps are taken to prevent these subsidiaries from expanding their operations out of retained earnings?

Answer. We do not have any information as to whether Rhodesian subsidiaries of United States companies have expanded their operations. We are not in a position to prevent mandated subsidiaries from expanding their operations out of retained earnings.

Question 4. What humanitarian and other exemptions to the sanctions regulations have been made to date, with the reasons for licensing in each case?

Answer. Between July 29, 1968, and April 30, 1976, the total for humanitarian remittances to Southern Rhodesia licensed by this Office was \$30,626,738. Approximately 1,500 licenses have been issued. The reasons for their issuance fall into the following categories: 1) family support, 2) educational expenses, and 3) missionary support, including schools, hospitals, and relief work.

Question 5. You state on Page 3 that "it is Treasury policy to license tourists to expend funds for their hotels, meals, transportation and similar expenses in Rhodesia".

(a) How much foreign exchange is generated in Rhodesia by these expenditures? (Please submit figures to date, by type of expenditure.)

(b) Do not these expenditures by tourists contribute substantially to the financial and economic resources of Southern Rhodesia?

Answer.

(a) This Department maintains a record of how many licenses have been issued to tourists for expenditures in Rhodesia. We do not, however, require reports of the amounts spent. However, based on the number of tourists who have visited Rhodesia under these licenses and the type of expenditures licensed, we would estimate that total expenditures could amount to \$600,000 or more.

(b) Tourist expenditures do admittedly make some contribution to the financial and economic resources of Southern Rhodesia.

Question 6. If, as Assistant Secretary Hennessey stated (1973, before the Subcommittee on Africa), Treasury does no special monitoring of RIO's books or their transactions, how can Treasury hold RIO accountable to the applicable laws? (In the absence of some kind of monitoring or surveillance, as Mr. Hennessey stated, currency could be illegally smuggled in and provided to the RIO.)

Answer. Treasury can and does hold RIO accountable to the applicable laws in the same manner that it holds other persons subject to the jurisdiction of the United States accountable. In any event, there is no reason for currency to be smuggled into the RIO for, as our answer to the next question will indicate, it has legal sources of foreign exchange available to it. Under its enforcement and licensing powers, the Treasury possesses the authority to acquire information concerning financial resources available to the RIO and, in fact, keeps abreast of the status of the organization and its activities. However, we see no need for special monitoring or surveillance at this time.

Question 7. Is the RIO dependent for its financing on the money available in its free account, which Treasury has described as "containing funds accruing from remittances authorized under U.N. Security Council Resolution 253"?

Answer. The RIO is not exclusively dependent for its financing on the money available in this account. It could use the proceeds of sales of Rhodesian chrome in the United States under the Byrd Amendment.

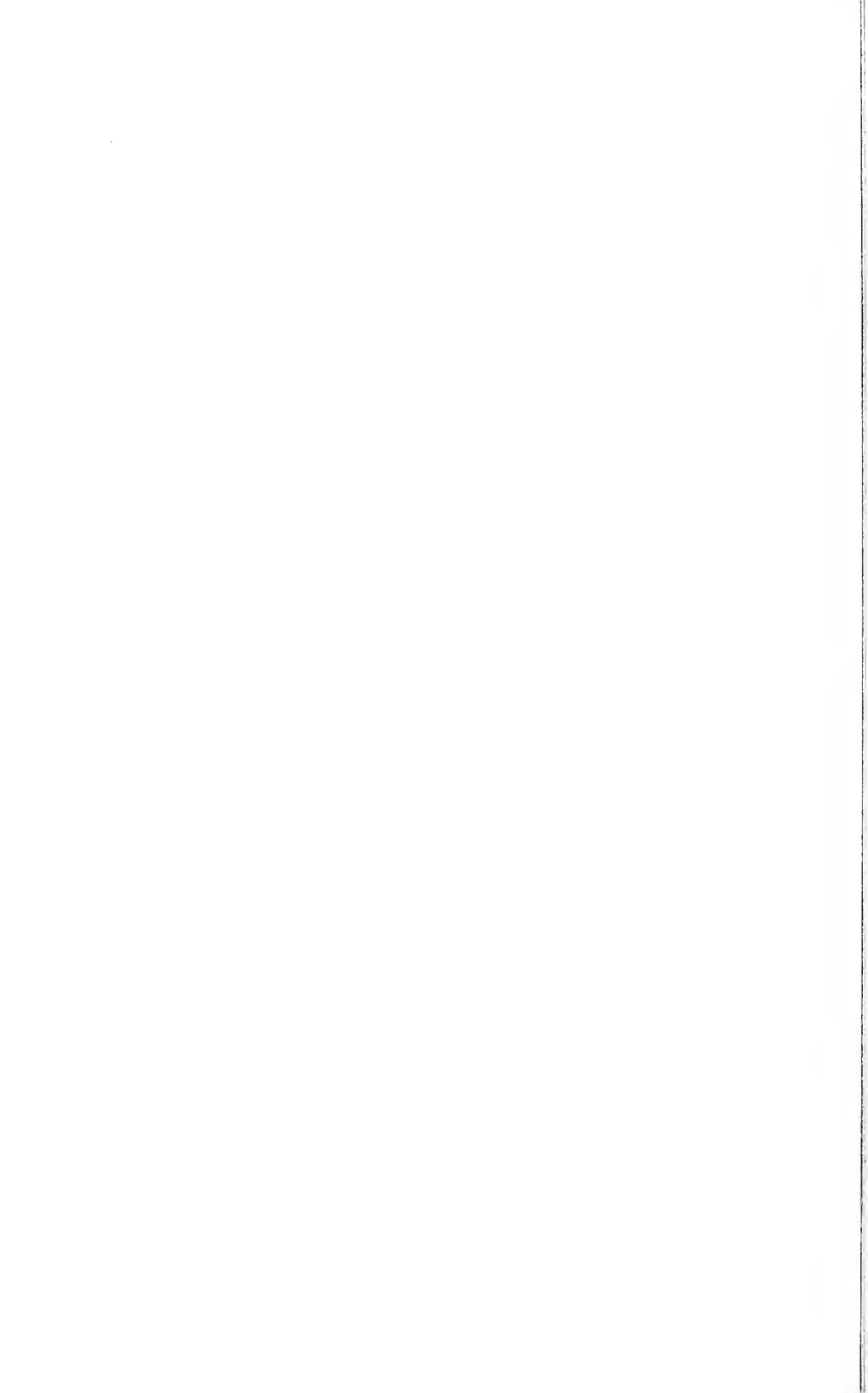
Question 8. Paragraph four of Resolution 253 prohibits making available any financial and economic resources to the Rhodesian regime or to the RIO which is registered as an agent of the so-called government of Rhodesia. While the humanitarian exception relates specifically to the providing of certain types of materials to persons in Rhodesia, has Treasury concentrated on the issue of whether making available to the RIO these monies in the free account is not making available to the regime financial and economic resources? How do other countries which do not have an RIO which can draw on free accounts in their country manage to make money available to their local church workers in Rhodesia?

Answer. For our answer to this question, please refer to our comments on your Recommendation 8 above.

Sincerely yours,

DAVID R. MACDONALD,
Assistant Secretary
(*Enforcement, Operations and Tariff Affairs*).







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