Approved For Release 2009/10/06 : CIA-RDP85T00875R00160001

25X1

Secret

DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

Rhodesia: A Third Round of Sanctions

25X1

Secret

ER IM 68-71

June 1968

Copy № 88

WARNING

This document contains information affecting the national defense of the United States, within the meaning of Title 18, sections 793 and 794, of the US Code, as amended. Its transmission or revelation of its contents to or receipt by an unauthorized person is prohibited by law.

GROUP 1
Excluded from automatic downgrading and declassification

25X1

CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
June 1968

INTELLIGENCE MEMORANDUM

Rhodesia: A Third Round of Sanctions

Summary

The comprehensive sanctions imposed by the UN Security Council on 29 May 1968 against Rhodesia are unlikely to have much more effect in forcing Salisbury to relinquish its independence than have previous limited sanction efforts. So long as South Africa and Portugal refuse to comply with the Security Council's demand, Rhodesia will almost certainly be able to sell sufficient exports and obtain necessary imports to maintain its economy. Most of Rhodesia's foreign trade has been reoriented to adjust to previous sanctions and already either is with South Africa and Portugal or is carried out through disguised trade arrangements. Moreover, the country is more self-sufficient now than at the time of its Unilateral Declaration of Independence in late 1965 and is, therefore, better able to cope with the increased sanctions.

Zambia and Congo (Kinshasa) will not be able to apply trade sanctions fully against Rhodesia without bringing serious economic damage to themselves. Without Rhodesian coal, Zambian and Congo copper production would have to be cut back drastically. Moreover, Rhodesia can retaliate against sanctions by refusing to supply Zambia with electric power, which is essential to the copper industry, or by refusing to carry most of the country's imports and exports, on which the Zambian economy is dependent. Although the UN resolution requests member states to assist Zambia, there is little that can be done over the next few years to replace the essential goods and services supplied by neighboring Rhodesia.

Note: This memorandum was produced solely by CIA. It was prepared by the Office of Economic Research and was coordinated with the Office of Current Intelligence.

25X1

Sanction Efforts

1. The UN Security Council's resolution of 29 May 1968 against Rhodesia further expands the two-and-one-half-year-old economic warfare effort aimed at toppling the regime of Prime Minister Ian Smith. The initial sanctions, imposed immediately after Salisbury's Unilateral Declaration of Independence (UDI) in November 1965, consisted of a UK-sponsored embargo on trade and finance with Rhodesia. A number of other countries also voluntarily supported the UK move. By late 1966, it was clear that these efforts had failed to achieve their goal. As a consequence of increasing African pressures for stronger sanctions against Salisbury, in late 1966 Britain requested the UN to invoke selective mandatory sanctions against Rhodesia's major exports and a few strategic imports such as crude oil and petroleum products, aircraft, and motor vehicles. The 1966 effort, like the earlier one, rather than bringing down the Smith regime, strengthened its political position and increased the resolve of white Rhodesians to maintain their independent state.

2. The UN resolution is aimed at cutting nearly all of Rhodesia's direct and indirect ties with the outside world. According to the resolution, all UN member states are enjoined from trading with Rhodesia except for a few minor items such as medical supplies and educational materials. The resolution also prohibits member states from providing investment capital to Rhodesia and calls for an end to all airline service to and from the country. Rhodesian passports are no longer to be recognized, and foreign governments are urged to end consular relations with Salisbury. Non-member states, such as West Germany and Switzerland, are requested to comply with the resolution.

Implications for Rhodesia

3. The new measures are unlikely to have any significant adverse impact on the economy of Rhodesia. With the cooperation of South Africa and Portugal and the help of foreign businessmen seeking profits, Rhodesia will almost certainly be able to sell sufficient exports and obtain necessary imports to at least maintain present

economic levels. The United Kingdom and some other countries have been able to ferret out some sanctions violators, but Rhodesian businessmen are becoming more adept at circumventing sanctions.

4. Because the previous embargoes covered most of Rhodesia's exports, the new comprehensive sanctions will not have much additional effect on exports. Those goods already embargoed are being sold mainly to countries refusing to comply with sanctions -- South Africa and Portugal -- or to other nations [redacted] Newly 25X1
embargoed products are sold mostly to the nonparticipating countries and to Zambia, whose economy is dependent on a steady supply of goods. from Rhodesia.

5. Rhodesian exports, after declining by about 35 percent in 1966, remained about constant in 1967 despite the imposition of mandatory sanctions. The initial drop reflects mainly a reduction in sales to Britain and Zambia, which together in 1965 accounted for about 40 percent of Rhodesia's exports. Direct sales to the united Kingdom have virtually ceased, while exports to Zambia have declined by about one-half. Tobacco has been especially hard hit by sanctions, and sales are down by about one-half. Most of this drop represents the cessation of British purchases. Exports of manufactured goods, mainly to Zambia, and of sugar have also been sharply reduced.

6. Although the new sanctions prohibit virtually all sales to Rhodesia, in practice, the country will probably be able to purchase most of its needs. Because Rhodesia's import requirements are such a minute portion of world trade, effective measures to enforce an embargo would be difficult. At present, about three-quarters of Rhodesia's imports come directly from southern African countries or via disguised trade channels. Although statistics of almost all major exporting countries indicate sharp declines in sales to Rhodesia, large amounts of goods, including items already nominally subject to sanctions, are reaching Rhodesia. According to official British figures, for example, exports to Rhodesia during 1967 totaled less than $3 million. Salisbury, however, claims it purchased some $20 million in British goods. The difference

consisted of British goods purchased by Rhodesia through third countries.

7. Imports in 1967 totaled about $262 million, some 10 percent above the 1966 level and about one-fifth below that of 1965. While there are some shortages, particularly of luxury items, most requirements are being met. For example, imports of petroleum products, which have been embargoed since late 1965, have continued to flow into the country via South Africa and Mozambique, and Rhodesian POL consumption now almost matches the pre-UDI level. Moreover, there are sufficient stocks on hand to maintain consumption for at least six months if the government returns to the more stringent rations that existed in 1966.

8. Rhodesia's progress over the past few years in diversifying its production has further reduced the country's limited dependence on imports. Even in 1965, the country essentially fed itself and produced a wide assortment of manufactured goods. Import controls, in effect since UDI, have encouraged local firms to produce a large number of additional goods for the domestic market. This trend of import substitution is expected to continue. Rhodesia will not, however, escape some detrimental effects of the new sanctions on imports. There will probably be temporary shortages of some goods, especially consumer items not already produced locally, but this will not lead to any significant reduction in white living standards. Also, imports of machinery and equipment will become more expensive and more difficult to obtain, and consequently economic development will be slowed somewhat.

9. The performance of Rhodesia's economy since UDI reflects its overall strength and its ability to cope with increased sanctions. After a small decline in 1966, overall economic activity returned to pre-UDI level. In 1967, gross national product in real terms was probably 2 percent higher than in 1965. Foreign exchange reserves fell by less than $2 million in 1967, to roughly $25 million. Although the current account showed a deficit last year, this was almost completely offset by a sharp rise in private foreign investment. There was a net capital inflow of $25.5 million in 1967, primarily from South Africa, compared to an outflow

of $5.3 million in 1966. The government has easily financed its operations despite increased emergency spending, and monetary stability has been maintained. During 1968, overall economic activity will probably not increase much above the 1967 level, not because of new sanctions but as a consequence of a decline in agricultural output caused by a severe drought.

10. The expanded sanctions will almost certainly result in stronger economic ties between Rhodesia and South Africa and Portuguese Africa. South Africa has replaced the United Kingdom as Rhodesia's most important trading partner. South African investments are giving an important boost to Rhodesia's mining industry; development of large nickel deposits is expected to result in exports valued at more than $20 million annually beginning in 1969. South African interests are also involved in a $47 million fertilizer plant, which, when completed, will result in foreign exchange savings of about $10 million annually.

Implications for Zambia and Congo (Kinshasa)

11. Zambia will not be able to fully participate in the sanctions effort without bringing economic disaster on itself. Despite costly efforts to break its economic ties with Salisbury, Zambia is still heavily dependent on Rhodesian goods and services to operate the modern sector of its economy and particularly the all-important copper industry. Without coal from Rhodesia's Wankie colliery, for example, copper production would have to be cut back drastically. Efforts to develop domestic coal supplies have moved very slowly, and it will be at least two years before self-sufficiency is achieved. Current coal supplies are adequate to maintain copper production for about six months. Zambia also needs many products produced in Rhodesia, especially construction materials, to carry out its development program.

12. Moreover, Rhodesia retains the capacity to retaliate against Zambia by refusing to allow Zambian goods to move through Rhodesia and by cutting off electric power supplies. The Zambian copper industry gets almost all of its electric power from the jointly owned Kariba power station located on the Rhodesian side of the Zambezi River

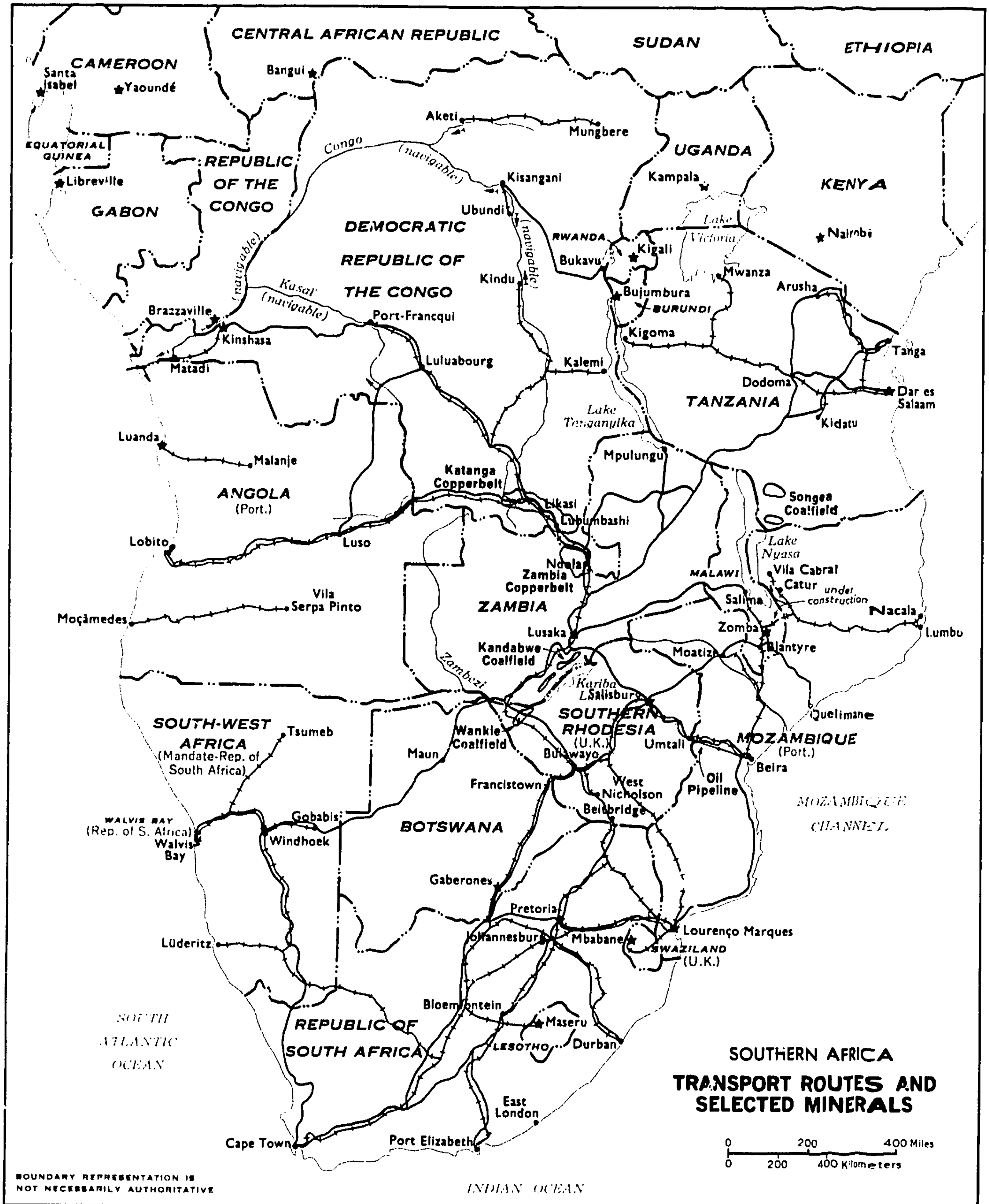
and controlled entirely by Rhodesia. Although Zambia is planning to build its own hydroelectric powerplant on the Kafue River, this plant would not be completed until 1972 at the earliest. Existing thermal stations in Zambia could meet only a small portion of the country's requirements.

13. While Zambia has made some progress in developing alternative transport routes that avoid Rhodesia, most of its imports and exports still transit that country. In 1967, more than 40 percent of Zambia's copper exports and nearly 90 percent of its general goods imports were moved by Rhodesia Railways. Oil is the only import that is shipped completely over non-Rhodesian routes, but this item accounts for less than 10 percent of the volume of Zambia's foreign trade.

14. Although the UN resolution requests member states to assist Zambia, there is little they can do to supply the country with even its minimal needs should access to Rhodesian transport routes be cut off. Existing alternate transport facilities could not make up the difference, and emergency steps such as an airlift could fill only a small part of Zambia's essential import requirements. There is no way to substitute for the electricity supplied from the Kariba power station. As a consequence of Zambia's dependence on Rhodesian goods and services, Lusaka is almost certain to disregard the new sanctions whenever necessary. Rhodesia, for its part, will probably refrain from taking action against Zambia in order to maintain its foreign exchange earnings.

15. Congo (Kinshasa) will also be seriously hurt if it imposes full trade sanctions against Rhodesia. The Congo's important mining industry, which is concentrated in the southern province of Katanga, normally imports about 100,000 tons of Rhodesian coal a year to operate its smelters. Another 200,000 tons are required to meet the needs of the railroads and other Katangan consumers. Although alternate sources of coal are available -- at more than double the cost of Wankie coal -- from the United States, Europe, and South Africa, transportation bottlenecks would almost certainly preclude obtaining adequate supplies. Serious difficulties already plague Congolese transport

routes, and it is unlikely that they could handle an additional 300,000 tons of coal a year. Moreover, Katanga imports a large quantity of foodstuffs and general merchandise from Rhodesia, which if purchased elsewhere would cost considerably more.


SOUTHERN AFRICA
TRANSPORT ROUTES AND SELECTED MINERALS
0 200 400 Miles
0 200 400 Kilometers
BOUNDARY REPRESENTATION IS NOT NECESSARILY AUTHORITATIVE
CENTRAL AFRICAN REPUBLIC
SUDAN
ETHIOPIA
CAMEROON
Santa Isabel
Yaoundé
Bangui
EQUATORIAL GUINEA
Libreville
GABON
REPUBLIC OF THE CONGO
Aketi
Mungbere
Congo (navigable)
Kisangani
UGANDA
Kampala
KENYA
Nairobi
Ubundi
DEMOCRATIC REPUBLIC OF THE CONGO
RWANDA
Kigali
Bukavu
Lake Victoria
Mwanza
Kindu
Arusha
Bujumbura
BURUNDI
Kasai (navigable)
Brazzaville
Port-Francqui
Kinshasa
Kigoma
Tanga
Matadi
Luluabourg
Kalemi
Dodoma
Dar es Salaam
Lake Tanganyika
TANZANIA
Kidatu
Luanda
Malanje
Mpulungu
Katanga Copperbelt
ANGOLA (Port.)
Likasi
Lubumbashi
Songea Coalfield
Lobito
Luso
Lake Nyasa
Ndola
Zambia Copperbelt
MALAWI
Vila Cabral
Catur
under construction
Vila Serpa Pinto
Moçâmedes
ZAMBIA
Salima
Nacala
Lumbo
Lusaka
Zomba
Blantyre
Kandabwe Coalfield
Moatize
Zambezi
Kariba L.
Salisbury
Quelimane
SOUTH-WEST AFRICA (Mandate-Rep. of South Africa)
Tsumeb
Wankie Coalfield
SOUTHERN RHODESIA (U.K.)
Umtali
MOZAMBIQUE (Port.)
Maun
Bulawayo
Beira
Francistown
West Nicholson
Oil Pipeline
MOZAMBIQUE CHANNEL
WALVIS BAY (Rep. of S. Africa)
Walvis Bay
Gobabis
Windhoek
BOTSWANA
Beitbridge
Gaberones
Pretoria
Lourenço Marques
Lüderitz
Johannesburg
Mbabane
SWAZILAND (U.K.)
SOUTH ATLANTIC OCEAN
Bloemfontein
Maseru
REPUBLIC OF SOUTH AFRICA
LESOTHO
Durban
East London
Cape Town
Port Elizabeth
INDIAN OCEAN

55815 3-67