



UNITED NATIONS
SECURITY
COUNCIL



Distr.
GENERAL

S/11597
15 January 1975
ENGLISH
ORIGINAL: ENGLISH/FRENCH/
SPANISH

SPECIAL REPORT OF THE SECURITY COUNCIL COMMITTEE ESTABLISHED IN
PURSUANCE OF RESOLUTION 253 (1968) CONCERNING THE QUESTION OF
SOUTHERN RHODESIA ON EXTERNAL PARTICIPATION IN THE EXPANSION OF
THE RHODESIAN IRON AND STEEL COMPANY, LTD.

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INTRODUCTION

1. In April 1974, the Committee began an investigation of an extremely important case involving violations of the mandatory sanctions imposed on Southern Rhodesia.
2. The Committee's attention was drawn to the case through the publication of detailed evidence that plans had been drawn up in 1972 for the external financing of a scheme for the expansion of production by the Rhodesian Iron and Steel Company, Ltd. (RISCO), from 400,000 tons to about 1 million tons per year. The evidence suggested that the scheme had been at least partially implemented, that companies and banks in a number of countries were involved and that contracts for the export of large quantities of steel products from Southern Rhodesia had been completed. The evidence showed that the intention of those concerned in Southern Rhodesia was to secure much-needed foreign exchange on a very significant scale by exporting all or part of the increased production, thereby benefiting the economy of the illegal régime in Rhodesia.
3. The scheme was estimated to cost \$R 63.5 million, 1/ of which \$42.5 million was to be derived from external sources; repayment, which was evidently to derive from the proceeds of steel exports, was to be made between 1975 and 1980.
4. The Committee took the gravest view of this evident and serious breakdown in the implementation of mandatory sanctions. The scale and importance of the evident violations of sanctions, in particular of paragraphs 3 and 4 of Security Council resolution 253 (1968), were such that the Committee considered it necessary to lay all the information available to it before the Security Council and to submit a special report even before all the inquiries the Committee had set in train were completed. The present report was adopted on 30 December 1974.

I. SOURCES OF INFORMATION

5. The main sources of information 2/ available to the Committee were:

(a) Press reports, particularly the reports and documents published by The Sunday Times of London on 14 April 1974 and the report published by The Times of London on 25 April 1974;

(b) Documents and memoranda submitted by the United Kingdom delegation on 19 April 1974;

1/ At the rate of exchange in 1972, the Rhodesian dollar (\$R) was equal to \$US 1.475, in 1973 it averaged \$US 1.709 and in 1974 has so far averaged \$US 1.400.

2/ The full documentation is available for consultation in the secretariat of the Committee.

(c) A memorandum by the Research Group for Inter-Parliamentary Questions, Bonn, received by the Committee on 12 July 1974;

(d) Information submitted by Governments in response to the Committee's inquiries.

6. The reports mentioned in paragraph 5 (a) are contained in annex I. A full summary of the documents mentioned in paragraph 5 (b), together with a selection of the most important of those documents, is contained in annex II. The memorandum mentioned in paragraph 5 (c) is reproduced in annex III. The substantive parts of the notes received from Governments, mentioned in paragraph 5 (d), are reproduced in annex IV.

II. SUMMARY OF INFORMATION RECEIVED IN APRIL 1974

7. The documents and memoranda received by the Committee were mainly in the form of photocopies of correspondence and draft agreements regarding the external financing of the expansion of RISCO, involving companies and organizations within Southern Rhodesia and foreign financial institutions and companies (see annexes I and II).

8. The documents contained in annex II show that the plans drawn up in 1972 to construct a new plant in Southern Rhodesia included arrangements for external financing amounting approximately to \$R 42.5 million, 3/ to be provided as follows:

(a) Contractor financing of \$R 13.8 million to be provided by the Austrian company, Vereinigte Osterreichische Eisen-und Stahlwerke Aktiengesellschaft (VOEST), of Linz;

(b) Advance payments totalling \$R 9.3 million against future steel deliveries as follows: \$R 3.3 million from Getraco-Finmetal, S.A., reported as being located in Switzerland, and \$R 6 million from Neunkircher Eisenwerk in the Federal Republic of Germany, the latter in the form of a guarantee to enable RISCO to raise a loan; 4/

(c) Secured loans totalling \$R 17 million as follows: \$R 3.6 million to be provided by the Austrian bank, Girozentrale of Vienna and \$R 13.3 million to be provided by the Swiss bank, Handelskredit-Bank, A.G.;

3/ According to documents submitted to the Committee, an additional amount of \$R 2.6 million would probably be provided in the form of building financing, phased over three years, by the South African Mutual.

4/ According to documents submitted to the Committee, the over-all estimated figure of \$R 63.5 million included a shortfall of \$R 3.6 million in external financing. One proposal for meeting that shortfall called for a sales contract to Klockner and Company in the Federal Republic of Germany against advance payment by the financial institution, Mietfinanz, also in the Federal Republic of Germany.

(d) An unsecured loan of \$R 2.3 million from VOEST.

The comments on these matters of the Governments concerned are contained in annex IV.

9. It appears from the documents that a meeting held in Paris on 18 August 1972 was attended by representatives of financial institutions and companies which might become parties to a financing agreement, as well as by representatives of interested banks and companies (including RISCO) from within Southern Rhodesia. It was then that the complex arrangements necessary to feed foreign currency indirectly into Southern Rhodesia were discussed and agreed upon. It is recorded that the meeting in Paris was attended by the representatives of the following 13 organizations:

<u>Name of organization</u>	<u>Country</u>
Deutsche Bank, A.G.	Federal Republic of Germany
European American Finance (Bermuda), Ltd. (EAF)	Bermuda ^{5/}
European Banks International (Pty), Ltd.	South Africa
Vereinigte Osterreichische Eisen-und Stahlwerke Aktiengesellschaft (VOEST)	Austria
Klockner and Company	Federal Republic of Germany
Neunkircher Eisenwerk, A.G.	Federal Republic of Germany
Handelsgesellschaft in Zurich, A.G. (HGZ)	Switzerland
Arnhold Wilhelmi and Co. (Pty), Limited	South Africa
Getraco-Finmetal, S.A.	Switzerland
Reserve Bank of Rhodesia	Southern Rhodesia
The Standard Bank, Limited	Southern Rhodesia
Rhodesian Acceptances, Limited (RAL)	Southern Rhodesia
RISCO	Southern Rhodesia

The fact that the meeting took place was confirmed in the note dated 15 October 1974 from the Government of Austria (see annex IV, Austria, item (b)).

10. The original financing scheme was later adjusted, Girozentrale and Handelskredit-Bank, A.G., dropping out, and Handelsgesellschaft in Zurich in Switzerland (HGZ) offering a loan of \$R 19.3 million obtained from European American Finance (Bermuda), Ltd. (EAF), of Bermuda. The latter loan was to be guaranteed by Neunkircher Eisenwerk and by Klockner and Company, both of the Federal Republic of Germany, in proportion to the steel they each contracted to buy.

^{5/} The United Kingdom is responsible for the conduct of Bermuda's external relations.

11. Subsequent documents show that the EAF loan of \$R 19.3 million was to be transferred from HGZ to Femetco, A.G., also of Zurich, Switzerland, together with an additional loan of \$US 5.5 million. Furthermore, "to satisfy the Swiss authorities", it was found necessary to interpose a South African company to borrow the funds from Femetco, A.G., and lend them on to RISCO. Accordingly, a company called "South African Steel Corporation, (Pty.), Limited", was registered in South Africa for that purpose. The name of that company appears to have been changed subsequently to "Southern Transvaal Steel (Pty), Limited".

12. A document of October 1973 (annex II, sect. B, doc. 14) mentions that an "on-site" inspection had revealed that the RISCO project was progressing well. Materials and plant were arriving on site, and creation of some of the larger pieces of plant was under way.

III. CONSIDERATION BY THE COMMITTEE

13. The Committee started its examination of the case immediately after publication of the first press articles on it in April 1974. On receipt of the documentary evidence it was analysed, and the Committee provided full details, together with urgent requests for investigation and appropriate action, to the Governments of countries whose companies were implicated. (The texts of notes addressed to Governments by the Secretary-General of the United Nations at the Committee's request are reproduced in annex V.) On 24 June 1974, a summary of the information then available to the Committee was sent to all Member States of the United Nations so that precautions could be taken against attempts by RISCO to refinance the scheme if existing loans were withdrawn. The Committee has since continued to give high priority to the case, and it has considered replies received from Governments; further information was thought necessary, and the Committee asked that such information should be provided without delay. Supplementary inquiries were addressed by the Committee to the Governments of Austria, the Federal Republic of Germany and Switzerland.

IV. INFORMATION RECEIVED FROM NON-GOVERNMENTAL SOURCES

14. In a memorandum circulated to the Committee on 12 July 1974, the Research Group for Inter-Parliamentary Questions stated that sufficient information had come to light to ensure that the Governments of the Federal Republic of Germany and Austria could easily find sufficient proof of serious breaches of sanctions for a successful prosecution. VOEST had in its archives blueprints of two major projects undertaken for RISCO, registered under the code name SAEPIC. Comparison with VOEST projects would show that the two projects related to no legitimate VOEST projects. A similar situation existed with the company LURGI (Federal Republic of Germany), which supplied and installed special pipes for all VOEST projects. The two firms, Klockner and Company, and Neunkircher Eisenwerk, A.G., were "reported to be importing large amounts of steel from ISCOR, the South African steel corporation", and the type of steel was precisely that produced by the VOEST process at the RISCO plant (see annex III).

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V. INFORMATION RECEIVED FROM GOVERNMENTS

15. The substantive parts of all notes received from Governments in response to the Committee's inquiries are reproduced in annex IV. The substance of relevant statements made in the Committee by representatives of Governments in response to inquiries made to them are also reproduced in annex IV. Significant information contained in those notes and statements is summarized below.

16. On 10 July 1974, the representative of the United Kingdom informed the Committee that the EAF loan to Femetco had been approved by an official of a British company, the Midland Bank, Ltd., which owned 20 per cent of the European-American bank facility EAB, the parent company of EAF. The Midland Bank had two directors on the board of EAB, and one of its senior officers was a director of EAF. The official of the Midland Bank had confirmed to the United Kingdom authorities that the loan application, which had been received by post, gave no indication of the true nature of the purposes for which the funds were to be used. The application had indicated that the financing had been required for the purchase of South African steel (see annex IV, United Kingdom, item (b)). The representative of the United Kingdom informed the Committee that investigation of EAF in Bermuda was in hand and would be reported on when completed.

17. On 17 September 1974, the Government of the Federal Republic of Germany reported that, on 24 November 1973, the two firms, Neunkircher Eisenwerk and Klockner and Company, Duisberg, had concluded sales contracts with Femetco, A.G., on steel billets of South African origin, covering a period from 1 January 1973 to 31 December 1979. On the same day, the two firms had guaranteed to EAF a loan to Femetco, A.G., of \$US 29 million. Payments for deliveries of steel billets effected under the sales contracts and handled through Lourenço Marques had been made to an account with the Union Bank of Switzerland in Zurich. The two German steel companies claimed to have tried to determine the original manufacturers of the steel billets "but not to have succeeded". The Government of the Federal Republic of Germany reported that thorough investigations with the two companies had produced no evidence of dealings with Southern Rhodesia (see annex IV, Federal Republic of Germany, item (g)). A further note was received from the Federal Republic of Germany on 30 December 1974 (see annex IV, Federal Republic of Germany, item (i)).

18. On 25 September 1974, the Government of Switzerland reported that the federal authorities had "carefully examined the allegations concerning the role of certain Swiss companies" but were not led to conclude that the companies were involved in the transfer of capital to RISCO. No indication was given of any investigation having been carried out.

19. On 2 October 1974, the representative of the United States of America reported that EAB in the United States had been investigated. Investigations had not disclosed evidence of direct or indirect transactions with Southern Rhodesia by EAB in the United States. The investigations, however, "suggested the possibility of widespread international violations of sanctions outside the United States", and information had been contributed by the United States Treasury Department to the British Government (see annex IV, United States of America).

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20. On 15 October 1974, the Government of Austria reported that VOEST stated that it had no relations with any Southern Rhodesian firm and had concluded no contracts to supply goods to any Southern Rhodesian firm. VOEST had concluded a contract on 6 December 1967 to supply parts of equipment for a steel mill to the South African company SAEPIC, which VOEST stated was not a code name (see para. 14 above), before the adoption of Security Council resolution 253 (1968); deliveries had been effected to ports in South Africa and Mozambique. A representative of VOEST had participated in the meetings held in Paris in August 1972, where deliberations concerning the financing of a projected expansion of RISCO took place, which, however, were not translated into any commercial decision on the part of VOEST. VOEST had not subsequently been a member of any consortium for financing RISCO. Thorough investigation by the Austrian Government on the basis of the VOEST reply had convinced it that "since the adoption of Security Council resolution 253 (1968) no such exports have been declared to Southern Rhodesia" (see annex IV, Austria, item (b)).

VI. CONCLUSIONS AND RECOMMENDATIONS

21. After having carefully examined the matter, the Committee considered that the case was the most serious case to come before it of violation of the sanctions established by the Security Council against the illegal régime of Southern Rhodesia in terms of both the money and the number and importance of the financial institutions and industrial corporations involved.

22. The documents that were before the Committee indicated that various important financial institutions and industrial companies ^{6/} were involved in providing funds and markets to the Southern Rhodesian steel complex. Examination of the documents indicated that in some cases companies were aware that the transactions involved Southern Rhodesia. One of the substantial consequences of those acts was the strengthening of the financial and industrial structure of the illegal régime.

23. It is to be noted that the type and content of the basic documentation that the Committee had on the case (apart from information provided by the Governments concerned) were the most comprehensive, detailed and technical ever presented to the Committee. Notes received from the Governments of Austria and the Federal Republic of Germany contained information that was useful in confirming some of the data before the Committee. The Committee noted with deep regret, however, that the replies of other Governments concerned were not as useful to the Committee in its examination and investigation. Moreover, the Committee had not as yet received

^{6/} Deutsche Bank, A.G. (Federal Republic of Germany); European American Finance (Bermuda), Ltd. (EAF) (Bermuda, for the conduct of external relations of which the United Kingdom is responsible); European Banks International (Pty), Ltd. (South Africa); Getraco-Finmetal, S.A. (Switzerland); Handelsgesellschaft in Zurich, A.G. (HGZ) (Switzerland); Klockner and Company (Federal Republic of Germany); Neunkircher Eisenwerk, A.G. (Federal Republic of Germany); Vereinigte Osterreichische Eisen-und Stahlwerke Aktiengesellschaft (VOEST) (Austria); and Arnhold Wilhelmi and Co. (Pty), Limited (South Africa).

all the necessary detailed information on the investigation that it had requested Governments to carry out.

24. Members of the Committee concluded that there was no reason to doubt the authenticity of the basic documentation on the case. Various indications supported that conclusion, notably the facts that no responsible authority challenged the documents and that the crucial Paris meeting on 18 August 1972 did take place, that Mr. McIntosh (the main source of the documents) was sentenced to 14 years' imprisonment by the illegal régime and that the agents of the régime reportedly attempted to suppress the publication of the information in The Sunday Times of London.

25. In the light of the above facts, the Committee decided to bring this very important case of sanction violations to the attention of the Security Council in the form of a special report separate from its annual report.

26. The Committee therefore recommends that the Security Council should:

- (a) Call on Governments concerned to
 - (i) Co-operate effectively and positively with the Committee;
 - (ii) Provide detailed information on the investigations they have undertaken and are undertaking;
 - (iii) Exercise special vigilance in the future, in particular, to ensure that steel produced in Southern Rhodesia is not imported into their territories;
- (b) Invite the Committee itself to keep the matter under review and to keep the Security Council informed.

Annex I

PRESS REPORTS

A. Press reports published in The Sunday Times, London, 14 April 1974

RHODESIA DEAL ON JAILED BRITON

Sunday Times told: Suppress secret report and we'll cut sentence

By Peter Watson and Brian Moynahan

Kenneth McIntosh, a British subject who has just begun a five-year sentence with labour in Rhodesia for "economic espionage," has sent secret documents to The Sunday Times.

Last week, as The Sunday Times prepared a report on the documents, which describe a major sanctions evasion operation by the Smith regime, the Rhodesians sent an emissary to London to make a deal with this newspaper.

The proposition was this: if The Sunday Times would return the documents and refrain from publishing its report, the Rhodesian authorities would reduce the sentence on McIntosh to 2 1/2 years. The deal was refused by The Sunday Times. A report on some of the documents appears on page six today, and there is an editorial comment on page 14.

The documents come at a critical time for the Smith regime. They concern the expansion of the Rhodesian Iron and Steel Company's plant (Risco) at Que Que, which is one of the largest projects entered into by the country since it declared itself independent in 1965.

The documents suggest that at least £24m has been poured in, despite the United Nations sanctions ruling, by a complex international loan under which German companies can buy the steel. The capital came from a Swiss company which borrowed from an American-based banking consortium (in which the British Midland Bank has a 20 per cent holding). Political-risk clauses in the agreements mean that, should difficulties arise, Rhodesia could be made to repay the Swiss company.

And on Friday last, after questioning by The Sunday Times, the American-based bank told us it was withdrawing its £12m loan to the Swiss company.

If, following The Sunday Times report, and international reaction, the European governments act to reinforce sanctions, Rhodesia will be left to pay off the £24m loan and - for the time being at any rate - will be stuck with the extra steel which is intended to pay for the loan and expansion of the Risco works.

Kenneth McIntosh, aged 35, was the investment manager of Neficrho Acceptances Ltd., a Rhodesian merchant bank. He was born in London, educated in Scotland, and

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had been in Rhodesia for 10 years. He was arrested on January 19 in Malawi and illegally deported to Rhodesia where his trial was held in camera last month.

He pleaded guilty to offences under the Rhodesian Sanctions Counter Espionage Act and on April 3, when he was sentenced, the judge said that he had planned to export documents that could have endangered the Rhodesian economy "at a stroke."

McIntosh had, in fact, already sent some documents to his brother-in-law James Niddrie, headmaster of a primary school in Aberdeen. Mr. Niddrie gave the documents to The Sunday Times.

On the morning of April 4, hours after the sentencing, Mr. Niddrie was contacted by Mr. D. P. R. O'Beirne who had flown in from Salisbury and introduced himself as a solicitor acting for McIntosh. Mr. O'Beirne said he had not acted for McIntosh during the trial but was standing in for a colleague who had, and he was authorized to transmit an offer from the Deputy Attorney General of Rhodesia.

Mr. Niddrie told Mr. O'Beirne the documents were with The Sunday Times and Mr. O'Beirne visited the offices of the newspaper to see us - the reporters - and later the Editor.

Mr. O'Beirne is a partner in the firm of Atherstone and Cook, solicitors, who defended McIntosh. He travels on an Irish passport and is still a member of the Irish Bar. In the late Fifties he was a prosecuting counsel against the Mau Mau in Kenya. He told us that immediately after the McIntosh sentence he had been summoned to meet the Deputy Attorney-General of Rhodesia, Mr. Brendan Treacy, and CID officers.

They told him, he said, that two additional charges could be brought against McIntosh. The first was a further prosecution for handling documents concerned with sanctions for which, said Mr. O'Beirne, McIntosh might receive an additional and non-concurrent five or six years. The second charge would be brought under Rhodesia's Exchange Control Regulations.

Mr. O'Beirne told us: "The prosecution has indicated to me that if the documents could be returned and if further publicity is not given to matters arising out of them, then in that event the prosecution would not proceed with these charges. If they are not returned, I was told they would prosecute."

It subsequently emerged at this first meeting, also attended by McIntosh's brother-in-law, Mr. Niddrie, that a reduction in McIntosh's present sentence was possible.

Mr. O'Beirne told us, and later confirmed to the editor, that, under the maximum reduction that the Salisbury Government would consider, McIntosh would still serve 2 1/2 years. "It is considered that he has too much in his head that is potentially harming for him to be released before that," said Mr. O'Beirne. This would, in effect, be a net reduction of 10 months in his sentence since McIntosh, with good conduct, could hope to be released from the five-year sentence in three years and four months.

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Mr O'Beirne, in addition, said that the deal also depended on The Sunday Times inducing the Foreign Office not to take the matter further (since The Sunday Times had already informed the Foreign Office).

Mr O'Beirne was asked if there could be a written guarantee of the shortened sentence or official statement of intent. He said that he was not authorised to offer this.

The editor of The Sunday Times told Mr O'Beirne that, in all the circumstances, the newspaper could not enter into a transaction of this kind.

* * *

THE BRITON IN SALISBURY JAIL

Kenneth McIntosh was born in London on 4 April 1938. He was raised in Inverness and Aberdeen.

Until 1963 he was employed by the Clydesdale Bank Limited, the latter three years at the Piccadilly Circus branch. In 1963 he met his wife, Anne, who was on a working holiday as a nurse in London. She was born in Ndola, Zambia, but had spent a large part of her life in Capetown. McIntosh got a job with Nedbank Ltd in Capetown and emigrated there in September 1963. The couple were married in early 1964. They now have four children aged nine, seven, two and nine months.

In mid-1964 McIntosh was transferred to the Rhodesian Banking Corporation.

He is well-known in Rhodesian financial circles and well-liked. He was secretary of the "75" - a club for young businessmen - and was also a keen organiser of football matches.

However, while on a long leave in Britain McIntosh decided to leave Rhodesia.

He accepted a position offered by the Bank of Montreal in Vancouver and resigned the Salisbury job in November of last year, the resignation taking effect on January 15 last. Five days before this date he was called to the Reserve Bank of Rhodesia for questioning regarding "certain exchange control irregularities." He was given 24 hours to make a warned and cautioned statement to the CID.

Next morning, before the deadline expired, he took the first plane to Malawi, leaving his wife and children in Salisbury. Although he arrived safely in Blantyre he had reckoned without the Malawi special branch or the "special arrangement" between Malawi and Rhodesia. A few days later he was picked up and deported to Salisbury prison.

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SMUGGLED SANCTIONS DOCUMENTS TELL OF SECRET TALKS AND MILLION DOLLAR DEALS

By Peter Watson and Brian Moynahan with our Foreign Staff

On Christmas Eve last year Kenneth McIntosh posted from Salisbury what may have been the most damaging packet to leave Rhodesia since UDI. It was addressed through the open post - to his brother-in-law, Mr. James Niddrie, headmaster of Craighill Primary School in Aberdeen. Every page of the papers in the packet contained Rhodesian state secrets.

Iron and steel is so crucial to the Rhodesian economy that every scrap of information about its production and sale is classified. Yet the documents which McIntosh sent to Aberdeen contained details of an audacious scheme to more than double the production of Rhodesian iron and steel.

Despite the United Nations sanctions ruling, which forbids Member States to trade with the illegal Rhodesian régime, the documents describe a scheme that involves: (1) foreign banks raising a multi-currency loan worth £12 million to finance the expansion; (2) three European steel companies, one to build the new plant, the others buying the extra steel produced.

McIntosh worked in Salisbury as investment manager for a merchant bank called Neficrho Acceptances Ltd. This was one of the Rhodesian banks that helped in raising the foreign loans. As such it played only a subsidiary role but it received details of the expansion scheme. McIntosh secretly copied the relevant documents.

They show that the scheme was first floated in early 1972. On 15 March of that year Mr. J. S. Davidson, Assistant Manager of another Rhodesian merchant bank, Rhodesian Acceptances Ltd., initialled a "strictly confidential" memorandum addressed to Neficrho outlining the scheme.

The memo said that the Rhodesian Iron and Steel Corporation (Risco) was proceeding with an expansion scheme to enable production to be increased from 410,000 tons per year to one million tons.

Over the next few months the exact financing of the project was worked out and on 4 August that year (1972), Mr. L. P. Normand, managing director of Rhodesian Acceptances, sent a letter marked "secret" to Mr. N. Bruce, governor of the Reserve Bank of Rhodesia (the equivalent of the Bank of England). He enclosed details about "the Risco scheme" which showed that the "external finance" was to account for £24 million of the total deal (£12m of it from banks). This was about two thirds of the total cost of the scheme. The remainder was to be met by overdraft facilities in Rhodesia banks and building finance from Southern African building societies.

In a memorandum attached to this letter, foreign interests were named for the first time.

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A giant Austrian company was to build the new plant. A large German steel manufacturer was to buy the extra steel produced. And two banks - one Swiss, one Austrian - were to provide the money to build the new plant.

The Austrian company is named as Voest (Vereignigte Osterreichische Eisen-und-Stahlwerke Aktiengesellschaft) of Linz who were to finance their construction of the new plant at a cost of £8 million. The German company was Neunkircher-Eisenwerk, one of the biggest steel companies in the Saar. It was named as agreeing to advance £3 1/2m by way of a guarantee.

A Swiss bank was named as providing a loan of £8 million and the Austrian bank, Girozentrale, of Vienna, as providing £2m.

Meanwhile, a consortium of Rhodesian banks was stated to have promised to guarantee the foreign loans. They were Barclays Bank International, the Standard Bank, Neficrho, and Rhodesian Acceptances. The London offices of Barclays International and the Standard Bank point out that since UDI they would have no knowledge of guarantees made by, or control of, their Rhodesian subsidiaries.

Paris meeting of 13 groups

This basic finance plan got the formal go-ahead on August 8, 1972, from the governor of the Rhodesian Reserve Bank. After this the organisation of the foreign side to the deal speeded up, and more foreign organisations apparently came into the picture.

Later that month, according to a further memorandum by J. S. Davidson, of Rhodesian Acceptances, another German steel manufacturer, Klöckners of Duisberg, and a major German bank had become involved, at a meeting held in Paris on Friday, August 18. The documents report that it was attended by representatives of 13 organisations and it was then that the complex arrangements necessary to feed foreign currency indirectly into Rhodesia were first discussed, and agreed with the parties to the sanctions-evading operations.

Because of the UN sanctions ruling, all the companies represented at the meeting would have been acting illegally if directly helping the Rhodesian project - except for the Swiss and South African companies. (Switzerland is not a member of the UN and South Africa has specifically rejected the UN ruling.)

At this stage, according to the documents, three other new organisations appear and they feature prominently in later documents. These organisations were:

* European-American Finance (Bermuda) Ltd., an off-shore subsidiary of European-American Banking, which is a New York bank jointly owned by six European banks, including Britain's Midland Bank.

* European-Banks International, the Brussels-based administrative head of European-American Banking, which has a representative in Johannesburg; and

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* Handelsgesellschaft in Zurich AG, a Swiss trading company, referred to in the documents as HGZ.

At the Paris meeting of these and other groups, according to the memo, it was agreed that Voest's role would stay unchanged - it would build the plant for £8 million.

European American Finance (Bermuda) Ltd. would provide a £12 million multi-currency loan to Risco "through the medium of Handelsgesellschaft of Zurich." This loan was to be guaranteed by the two German steel manufacturers, Neunkircher and Klöckner, who had agreed to buy the extra Rhodesian steel.

The notes to the documents also state that the two German firms had asked Risco to consider offering them shares in the Rhodesian firm "when it became legally possible to do so."

Three weeks later on 14th and 15th September there was a meeting in Redcliff, Rhodesia, to discuss the details of ensuring that the loan could go through. Redcliff is the home town of K. K. E. Kuhn, managing director of Risco. According to the documents, this meeting was attended by, among others, a Dr. Fuchs, who was described in a covering letter as representing the Swiss trading company HGZ; Mr. Claus Lubotta, representing European American Finance; and Mr. Kuhn, of Risco.

The minutes of the meeting record that agreements were to be finalised whereby the Swiss firm HGZ would buy 100,000 tons of steel from Risco in 1973/74 and 400,000 tons a year after that for five years. They would "resell" this steel to the two German steel manufacturers, taking a commission.

At this stage there was an addition to the Swiss connection. In October 1972 a company called Femetco was registered at an accommodation address in Zug, near Zurich (along with 5,000 others). Femetco, we have established, shares with HGZ the same managing director, Dr Rolf Egli. The bank loan from European American Finance was made to Femetco rather than direct to HGZ.

"It is now off our books, thank God"

The story so far has been based on the documents. We have also contacted the principals mentioned in the documents and asked for their comments. This checking work has occupied The Sunday Times for the last three weeks and has produced a remarkable sequel.

In New York on March 22 we spoke with Mr Claus Jacobs, the manager of European-American Banking, the parent company of European American Finance, mentioned in the documents as providing the money. He confirmed that his company had lent £12 million to the Swiss company, Femetco in Zug.

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In London the Midland Bank, which has a 20% share in EAB, also confirmed this loan to Femetco. But what happened to the loan thereafter is contentious.

Mr Bruce Smith, Overseas Manager of the Midland, says that it is bank policy not to acquiesce in any lending that is known to be, or could conceivably go towards, sanctions breaking. Mr J. Hendley, a director, says that the loan was a simple transfer to Switzerland.

Mr Jacobs said the money was paid near the turn of 1972/3 on behalf of "some German and Austrian steel companies of the highest quality." He also said that he played a part in the negotiations, but that he did not ask what the money was for. He declined to name his clients. He said he knew some of the people mentioned in the McIntosh documents but denied any knowledge of the meetings described.

Mr Jacobs also stated that he has "never heard of Handelsgesellschaft. /HGZ the Swiss trading company./ The loan was made to Femetco, who are known to us." We asked Mr Jacobs whether he knew Dr Egli, who is the managing director of both HGZ and Femetco. He said he "could not remember."

The day after we first spoke to Mr Jacobs we were telephoned by Casimir Johannes, Prinz zu Sayn - Wittgenstein - Berleburg. Prince Wittgenstein has a business colleague, Dr Fuchs, who the documents say, had gone to see the Rhodesian steel chief on behalf of HGZ.

The Prince, phoning us from Germany, said that he was ringing on behalf of Mr Jacobs, an old friend, to see if he could help "clear up the present matter." Prince Wittgenstein stated that he knew Dr Egli, the man Mr Jacobs could not remember. Later he agreed he knew of HGZ, the Swiss firm that Mr Jacobs had not heard of.

On Friday last - two weeks after our first talks with Mr Jacobs and the Prince - Mr Jacobs telephoned our New York office. He said: "Following your inquiries, we made investigations. This is a situation which we do not like to be associated with. We demanded that the loan should be repaid and this was done this week. The bank is out of it. It is off our books, Thank God. Both the capital and the interest have been repaid in full by a European bank which I will not name acting on behalf of Femetco."

On April 2 we went to Zurich to question another man named in the secret documents, Dr Egli, managing director of both Femetco and Handelsgesellschaft (HGZ). We met him in his office overlooking the lake where he told us: "Gentlemen, be very careful. What you are doing is very dangerous."

Dr Egli stated that he had no instructions from "his clients" to talk to us. By his "clients" it emerged that he meant the two companies of which he is managing director.

His observations on the documents, one containing the signature of someone representing one of his companies, were that they were forgeries and that in his

view his companies had been selected, presumably by the Rhodesians, as a front to disguise other companies actually carrying out the deal.

By the time Mr. Jacobs had telephoned us last Friday to say that he did not now want to be associated with the loan to Dr. Egli's company, we were told Dr. Egli had left on a skiing holiday and was unavailable for further comment.

So much for the banking side. We next asked the steel companies. Both the German steel companies denied their involvement in the scheme.

Dr. Klaus Eckart, secretary to the board of directors for Neunkircher, said he had no recollection or knowledge of any deal with Risco. He added: "I know that we were considering buying some steel from outside producers following a reorganization of our own firm which will not be complete until later this year. Someone might have mentioned that a steel works was being built in Rhodesia and that their production might be useful to us to replace existing suppliers. I suppose a bank might have suggested a deal to us over a cocktail sometime. But in any event, nothing materialised."

He rang back an hour later to issue an official, absolute denial that the company was involved in any way.

The other German steel firm, Klöckner, gave us a "flat denial of ever having had any discussions over or with Rhodesian Iron and Steel".

The directors of Voest, the Austrian firm which the documents say, were arranging to build the plant, also denied that the company is executing any order for Risco "either directly or through any intermediary firm". They said that it would be "virtually impossible" for them to deliberately break UN sanctions because Austrian steel is nationalised. They, too, said the documents "must be forgeries".

A highly placed director of Girozentrale, the Austrian bank named in the documents, admitted to The Sunday Times that a meeting did take place, in Vienna, in May 1972 attended by at least, representatives of Girozentrale and Voest and that, before the meeting, "Voest had indicated that a substantial order from the Rhodesian Iron and Steel Corporation was in the offing and would include a new blast furnace using the LD system, a Voest patent".

The Girozentrale bank director told us that at this meeting his bank told the others that, for political reasons - among them the fact that Kurt Waldheim, an Austrian, is Secretary-General of the United Nations - they would not underwrite any financial guarantee. And it is evident from the documents that Girozentrale took no further part in the negotiations.

Crunch clause in agreement

What nobody can deny is that the Risco plant at Que Que in Rhodesia has expanded. Since the plant has to be imported - there is no steel plant industry in

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Rhodesia - a large amount of foreign currency must have been needed, wherever it may have come from.

The Rhodesians, however, have a lot to lose from the disclosures in the McIntosh documents. In November 1972 "overseas guarantors" for the £12 million loan apparently insisted on inserting a "political risk" clause into the loan agreement. The Rhodesians were reluctant to accept this clause - the last one in the agreement - and it was the subject of lengthy discussion. Eventually, however, they had no choice.

The clause, all 15 paragraphs of it, states in essence that, if at any time during the currency of the loan a risk situation shall exist, Femetco (the Swiss company) has the right to demand immediate payment of the full balance of capital then outstanding, together with interest. A risk exists if political, economic, military or financial disturbances take place "which create a serious risk of real and lasting financial loss by or impossibility of transfer to, Femetco".

Today's revelations come at a critical moment for the Rhodesians. The extra steel produced by the loans is just about to flow in quantity - but if national governments make things awkward for their companies so that they could not receive the steel, they could still be able to get their money back from the Rhodesians. At one step, therefore the Rhodesians would lose £12 million of foreign currency and be landed with thousands of tons of steel they could not sell. Friday's withdrawal of the European-American bank will look ominous in Salisbury.

And that is probably the real reason why the Rhodesians have tried so hard to stop publication.

* * *

THE SANCTIONS GAME

We publish today documents which describe a major exercise in international buccaneering. They record several European firms collaborating with Rhodesia to double the size of the Rhodesian steel industry, against the spirit of the United Nations sanctions resolution. These include the nationalized Austrian steel company, German steel manufacturers and Swiss trading companies. The documents describe an agreement to finance and build the steel plant and buy its products, on a scale which could vitally enrich Rhodesia's economy and her supply of foreign exchange. Some of the firms have denied all knowledge of the deal, others obstructed efforts to inquire into it. But already this weekend, learning what its money was to be used for, the biggest single financier, the European-American Bank, which is partly owned by the Midland Bank, has withdrawn its £12 million loan.

Any doubt about the nature and importance of this evasion of sanctions was removed by the Rhodesian Government's attempt to suppress the story. An emissary arrived here to offer, in exchange for non-publication, remission of sentence for the man who sent the incriminating documents out of Rhodesia, Kenneth McIntosh.

Ten days ago...
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Ten days ago Mr. McIntosh, a British subject, was sent to prison for five years for breaking Rhodesian security laws. Salisbury offered us not his immediate release, but merely the halving of his sentence to two and a half years.

Mr. McIntosh has performed a service to the world by sending out the evidence. But it is a service which can only be completed, as he intended, by publicity and the subsequent actions by Governments which publicity should induce. The Rhodesian offer put a moral obligation on us to consider withholding the story, especially for the sake of Mr. McIntosh's wife and children. To have done so, however, would have involved us in making two important assumptions. The first is that Salisbury could be trusted; not a proposition supported by history. The second is that it would be right, for the sake of one man's conjectural and much-delayed freedom, to suppress evidence which could materially benefit the millions of Rhodesian Africans in whose interest the sanctions policy exists.

Neither assumption is acceptable, and so we decided to publish. Had we not done so, it would still have been open to the Foreign Office to exploit the story, of which we had at once naturally informed it and before the Rhodesian proposal for suppression, Mr. McIntosh, although a very different character, follows Judith Todd, Peter Niesewand and others into the ranks of pawns in British-Rhodesian relations. He must be a prime subject of pressure and concern in all future dealings between the Governments. Meanwhile it is up to the Foreign Office, and the United Nations, to invite Bonn and Vienna, with some asperity, to investigate the actions of businesses within their jurisdiction.

* * *

B. Press reports published in The Times, London, 25 April 1974

RHODESIA'S STEEL PLANTS NEARLY SELF-SUFFICIENT

From our correspondent, Salisbury, 24 April

Research, design and development projects worth millions of pounds have been carried out by the Rhodesian Iron and Steel Company. The company has released details of the development with the obvious aim of showing that recent disclosures by The Sunday Times of sanctions breaking by senior officials of the company in collusion with West German, Swiss and Austrian businessmen may not necessarily stunt the growth of the organization.

The chairman, Mr. E. S. Newson, said that several projects costing between 3m Rhodesian dollars (£2,130,000) and 4m Rhodesian dollars (£2,840,000) were planned and constructed entirely by the company's employees. The company now has become largely self-sufficient. One of the principal developments has been the improvement in blast furnacing facilities, with the result that the output of molten iron has increased by 70 per cent and the daily output from the main blast furnace alone is now in the region of 930 tonnes.

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Mr. Newson disclosed that over the years the local staff had developed and improved sectors of the company and the spending of large sums of valuable currency had been justified by recent production figures. What they had achieved in the face of difficulties might not be in the miracle class, but it represented "a major contribution to the continuing expansion of the Rhodesian economy".

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Annex II

SUMMARY OF THE DOCUMENTS SUBMITTED BY THE UNITED KINGDOM
DELEGATION ON 19 APRIL 1974 AND SELECTION OF THE MOST
IMPORTANT OF THOSE DOCUMENTS

/...

A. SUMMARY OF THE DOCUMENTS SUBMITTED BY THE UNITED KINGDOM
DELEGATION ON 19 APRIL 1974

Plans for the external financing of a scheme for the expansion
of the Rhodesian Iron and Steel Company, Ltd. (RISCO)

1. The information available to the Security Council Committee established in pursuance of resolution 253 (1968) concerning the question of Southern Rhodesia, much of which is in the form of photocopies of draft agreements, represents only a partial record, which, if verified, constitutes a major exercise in international sanctions violations.

2. The documents available to the Committee describe agreements to finance the expansion of Rhodesian Iron and Steel Company, Ltd. (RISCO), and to buy its products on a scale which could vitally enrich the economy of Southern Rhodesia and her supply of foreign exchange. It appears from the documents that, by mid-1972, plans for expansion of the RISCO plant, estimated to cost 68.5 million Rhodesian dollars had been drawn up. ^{1/} The amounts were to be provided as follows:

	\$R (million)
Contractor finance	30.0
Foreign loans	22.0
RISCO	16.5
Total	<u>68.5</u>

3. The documents record what appears to be a close collaboration of several firms with Southern Rhodesia against the provisions of the United Nations sanctions resolutions. The documentation indicates that the original plan was that:

(a) A large steel company in the Federal Republic of Germany, Neunkircher Eisenwerk, was to buy the extra steel produced and agreed to advance \$R 6 million by way of a guarantee;

(b) The Austrian company, Vereinigte Osterreichische Eisen-und Stahlwerke Aktiengesellschaft (VOEST), of Linz, was to finance the construction of the new plant at a cost of \$R 16.1 million;

(c) The Austrian bank, Girozentrale, of Vienna, was to provide \$R 3.7 million;

(d) That the Swiss bank, Handelskredit-Bank, A.G., was to provide \$R 13.3 million.

^{1/} At the rate of exchange in 1972 the Rhodesian dollar (\$R) was equal to \$US 1.475, and, in 1973, to \$US 1.709.

4. The plans appear to have been amended by August 1972. The total cost was then estimated at \$R 63.5 million, the external financing requirements being given as \$R 42.5 million. The plan detailed in the document was for:

(a) Contractor finance of \$R 13.8 million from Vereinigte Osterreichische Eisen-und Stahlwerke Aktiengesellschaft (VOEST);

(b) Advance payments of \$R 9.3 million from Getraco-Finmetal, S.A., and Neunkircher Eisenwerk (in the form of a guarantee);

(c) Loans of \$R 17 million from Girozentrale and Handelskredit-Bank, A.G.;

(d) An unsecured loan of \$R 2.3 million from VOEST.

The external finance represents about two thirds of the total cost of the scheme. The remainder was to be met by building finance from southern Africa building societies and overdraft facilities in Rhodesia. These latest figures are the ones on which over and under expenditures were calculated. The documents indicate that the Rhodesian régime, as well as the Governor of the "Reserve Bank of Rhodesia", in Salisbury approved this scheme.

5. It appears from the documents that a meeting held in Paris (France) on 18 August 1972 was attended by representatives of financial institutions and companies which might become parties to a financing agreement, as well as by representatives of interested banks and companies (including RISCO) from within Southern Rhodesia. It was then that the complex arrangements necessary to feed foreign currency indirectly into Rhodesia were discussed and agreed to by the parties. It is recorded that the meeting in Paris was attended by the representatives of the following 13 organizations:

<u>Name of organization</u>	<u>Country</u>
Deutsche Bank, A.G.	Federal Republic of Germany
European American Finance (Bermuda), Ltd. (EAF)	Bermuda (United Kingdom)
European Banks International (Pty), Ltd.	South Africa
Vereinigte Osterreichische Eisen-und Stahlwerke Aktiengesellschaft (VOEST)	Austria
Klockner and Company	Federal Republic of Germany
Neunkircher Eisenwerk, A.G.	Federal Republic of Germany
Handelsgesellschaft in Zurich, A.G. (HGZ)	Switzerland
Arnhold Wilhelmi and Co. (Pty), Limited	South Africa
Getraco-Finmetal, S.A.	Switzerland
Reserve Bank of Rhodesia	Southern Rhodesia
The Standard Bank, Limited	Southern Rhodesia

/...

<u>Name of organization</u>	<u>Country</u>
Rhodesian Acceptances, Limited (RAL)	Southern Rhodesia
RISCO	Southern Rhodesia

6. It is recorded that the financing arrangements of the expansion scheme of RISCO were discussed and agreed upon in Paris. They are summarized as follows:

<u>Finance</u>	<u>\$R</u>	
A. <u>External</u>		
(a) VOEST		
(i) Contractor finance	13 800 000	
(ii) Extended terms on escalation, fixed interest and delivery payments	<u>2 000 000</u>	
Total VOEST		15 800 000
(b) Loans		
(i) Secured		
a. EAF via HGZ	19 333 000	
b. HGZ (VOEST guarantee)	<u>3 667 000</u>	
Total secured	23 000 000	
(ii) Unsecured		
Getraco-Finmetal, S.A.	<u>3 333 000</u>	
Total loans		<u>26 333 000</u>
Total external finance		42 133 000
B. <u>Local finance</u>		
(a) Overdrafts		
(i) The Standard Bank, Ltd.	6 000 000	
(ii) Barclays Bank International, Ltd.	<u>6 000 000</u>	
Total overdrafts	12 000 000	
(b) Housing finance		
(i) South Africa Mutual	2 400 000	
(ii) Central African Building Society	1 200 000	
(iii) Founders Building Society	<u>1 200 000</u>	
Total housing finance	4 800 000	
(c) Cash flow (shortfall)	<u>3 867 000</u>	
Total local finance		<u>20 667 000</u>
Grand total		<u>62 800 000</u>

/...

7. The contractor finance etc. from VOEST was to be covered by the guarantee of the Standard Bank, Ltd. The documents also indicate that the European-American Finance (Bermuda), Ltd. (EAF), was to make available secured multicurrency loans to RISCO through HGZ in the sum of \$US 29 million, i.e., \$R 19.3 million. The loan was to be guaranteed by Neunkircher and Klockner in proportion to the amount of steel they each were to contract to purchase. HGZ, in turn, was to lend the money to RISCO against guarantees from Rhodesian banks. The basic terms of the \$R 19.3 million multicurrency loan were to be as follows:

(a) Draw-down over two years between October 1972 and October 1974;

(b) Repayment in 10 equal semi-annual instalments, commencing in 1975 and ending not later than December 1980;

(c) Currency expressed and valued in United States dollars, but the loan could be made available in other currencies;

(d) Interest to be charged at 1 per cent per year above the London Euro-currency Interbank rate;

(e) Consent and jurisdiction: The borrower agrees that any legal action or proceeding with respect to the agreement might be brought in the courts of the borrower or of the State of New York, or of the United States of America for the Southern District of New York, as the EAF might elect.

8. The documents indicate that Klockner and Neunkircher have asked RISCO to consider offering them the opportunity to purchase a participation in the equity of RISCO when it becomes legally possible to do so.

9. Documents of a subsequent date available to the Committee show that the EAF loan was to be transferred from HGZ to Femetco (Switzerland), together with an additional separate loan of \$US 5.5 million. Furthermore, the documents indicate that, to satisfy the Swiss authorities, it was found necessary to interpose a South African company to borrow the funds from Femetco and lend them on to RISCO. Accordingly, a newly registered South African company, South African Steel Corporation, (Pty.), Limited, was to undertake the responsibility of rerouting the funds to RISCO. The name of this company appears to have been changed subsequently to Southern Transvaal Steel (Pty.), Limited. The main features of the loan by Femetco to Southern Transvaal Steel were similar to the terms of the EAF loan to HGZ/Femetco, but the main difference was that the interest rate was to be 2 per cent above the relevant London Euro-currency Interbank rate.

10. A document of October 1973 mentions that an "on-site" inspection had revealed that the project was progressing well. Materials and plant were arriving on site, and erection of some of the larger pieces of the plant was under way.

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B. SELECTION OF THE MOST IMPORTANT OF THE DOCUMENTS SUBMITTED BY
THE UNITED KINGDOM DELEGATION ON 19 APRIL 1974

Document 1

Notes for the information of Merchant Bank of Central Africa Limited
and Neficrho Acceptances Limited, dated 15 March 1972

NOTES FOR THE INFORMATION OF:

MERCHANT BANK OF CENTRAL AFRICA LIMITED
NEFICRHO ACCEPTANCES LIMITED

STRICTLY CONFIDENTIAL

R.I.S.Co.

1. Risco is proceeding with an expansion scheme estimated to cost Rhod. \$68 474 000. Estimates have varied from time to time but this latest figure is the one on which over and under expenditure will be calculated.
2. The scheme will enable production to be increased from 410 000 t to 1 000 000 t per annum. Contracts have not been signed for the sale of the additional production but "letters of intent" indicating a price of \$71,00 per tonne have been received from consumers in respect of 350 000 t of the increased production.
3. While accurate figures have not been obtained at this stage the finance is being provided in approximately the following amounts:-

Contractor finance	. . .	\$30 000 000
Foreign loan	. . .	\$22 000 000
Risco	. . .	\$16 474 000
		<u>\$68 474 000</u>

The cash flow charts indicate that Risco will require substantial local overdraft facilities and we understand that, with the approval of the Reserve Bank of Rhodesia, the Standard Bank will be providing the necessary facilities.

4. Mr. E. S. Newson arranged with the Union Bank of Switzerland to provide the foreign loan through a banking syndicate.

<u>Amount:</u>	Sw.Francs 120 000 000
<u>Interest:</u>	8 1/4% per annum fixed
<u>Repayment:</u>	2 equal payments at the end of 1975 and 1976 respectively

/...

5. The Standard Bank has agreed to guarantee approximately 50% of the foreign loan.
6. Mr. Newson has advised that negotiations have commenced with the I.D.C. (South Africa) to obtain a 6 1/2% per annum loan to cover the major portion of the finance required for South African goods. I.D.C. is investigating the matter but it will be some considerable time before the value of the "South African content" is known. If these negotiations are successful, and there is no reason at this stage to suppose that they will not be, the need for the equivalent of about Rhod. \$6 000 000 from Swiss sources will fall away.

Figures are constantly changing but it looks as if Risco will be short of approximately Rhod. \$5 000 000 in respect of guarantees on the Swiss loan and has enquired if Rhodesian Acceptances would form a consortium of merchant banks to provide such a guarantee or advise what lesser amount could be provided.

7. Rhodesian Acceptances will, therefore, approach Merchant Bank of Central Africa Limited and Neficrho Acceptances Limited with a view to their participating in a guarantee in the sum of Rhod. \$1 666 000 each. Rhodesian Acceptances would participate to the extent of \$1 668 000.
8. 50% of the liability under the guarantee will expire on 31st December, 1975 and the remainder on 31st December, 1976. These dates are based on the terms of the Swiss loan.
9. It is understood that the Reserve Bank of Rhodesia has given its approval for the issue of these guarantees but confirmation will be sought directly in due course, in need.
10. Should the Merchant Bank and Neficrho agree in principle to participate in this guarantee details of the financial arrangements for the Risco expansion scheme will be provided together with a copy of the company's latest Balance Sheet.

/Signature/

J.S. DAVIDSON

15th March. 1972

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Document 2

Joint letter dated 4 August 1972 from the General Manager of the Standard Bank Limited and the Managing Director of Rhodesian Acceptances Limited to the Governor of the Reserve Bank of Rhodesia

August 4, 1972.

The Governor,
Reserve Bank of Rhodesia,
Bank Chambers,
Jameson Avenue,
SALISBURY.

Dear Mr. Governor,

The Rhodesian Iron & Steel Company Limited

We much appreciate your affording us the opportunity to discuss with you on 1st August, 1972 the paper, "Summary of Revised Financing Proposals", dated 1st August, 1972 previously submitted to you by Mr. E.S. Newson. For ease of reference we attach a copy of the paper and summarise below the proposals, expressing figures in terms of Rhodesian dollars:-

External Finance:

Contractor finance	...	...	\$13 800 000
Advance payments from steel buyers		...	\$ 9 333 000
<u>Loans:</u>			
Secured	...	\$17 000 000	
Unsecured	...	<u>\$ 2 333 000</u>	
			<u>\$19 333 000</u>
			\$42 466 000

Local Finance:

Overdrafts	...	...	\$12 000 000
Building finance	...	...	<u>\$ 5 334 000</u>
			\$59 800 000
Shortfall (External)	...	...	<u>\$ 3 666 000</u>
			<u>\$63 446 000</u>

Notes:

- (a) The contractor finance by Vereinigte Osterreichische Eisen-und Stahlwerke Aktiengesellschaft (VOEST) has been guaranteed by the Standard Bank Limited.

/...

(b) The steel buyers have not requested any form of guarantee. The advance payments will be provided by:

Getraco-Finmetal S.A.	...	...	\$ 3 333 000
*Neunkircher Eisenwerk	...	...	\$ 6 000 000

*This assistance will be provided in the form of a guarantee to enable RISCO to raise a loan.

(c) The secured loans will be guaranteed by:

The Standard Bank Limited	...	\$11 000 000
Rhodesian Acceptances Limited (R.A.L.)		\$ 6 000 000
		<u>\$17 000 000</u>

The main contractor, VOEST, is providing the unsecured loan of \$2 333 000.

The guarantees required will cover loans from:

Handelskredit-Bank A.G.	...	...	\$13 333 000
Girozentrale, Vienna	...	...	\$ 3 667 000
			<u>\$17 000 000</u>

For convenience sake the guarantee from the R.A.L. syndicate will most probably be issued in respect of the loan from Handelskredit-Bank, the terms of which are still subject to final negotiations but are broadly as follows:

Amount: U.S.\$20 million or equivalent in Swiss Francs and/or Deutsche Marks.

Term: Minimum 5 years with the possibility of obtaining an additional 2 years term.

Interest: 1% above ruling inter-bank rate. Maximum 8% per annum.

(d) Local overdraft facilities will be provided by:

The Standard Bank Limited	...	\$ 6 000 000
Barclays Bank International Ltd.	...	\$ 6 000 000
		<u>\$12 000 000</u>

(e) Building finance which will be phased over the next 3 years will probably be provided as follows:

/...

South African Mutual	...	...	\$ 2 666 000
Central Africa Building Society		...	\$ 1 334 000
Founders Building Society		...	<u>\$ 1 334 000</u>
			<u>\$ 5 334 000</u>

You confirmed that, provided all financial facilities offered come to fruition and the guarantees required meet with the approval of the Reserve Bank, the scheme has the approval of the Reserve Bank. You further confirmed that in the event of the Rhodesian banks involved being unable to meet overdraft commitments to RISCO because of lack of resources, the Reserve Bank will offer the necessary assistance as lender of last resort. On the question of resources for building finance you indicated that the phasing of the borrowings (and other factors known to you) will ensure that the institutions involved will not find it unduly difficult to meet RISCO's requirements.

We are pleased to advise that the syndicate of banks organised by Rhodesian Acceptances Limited has agreed in principle to participate in a guarantee as follows:

Rhodesian Acceptances Limited	\$ 1 500 000
Merchant Bank of Central Africa Limited	\$ 1 500 000
Neficrho Acceptances Limited	\$ 1 500 000
Barclays Bank International Limited	\$ 1 500 000
	<u>\$ 6 000 000</u>

The Standard Bank Limited has also agreed, in principle, to provide the additional guarantee of \$11 000 000. The formal agreement of all the local banks involved covering the guarantees is subject to the terms of the required guarantees being satisfactory to you and them.

We shall be grateful if you will, for our records, kindly furnish us with your written confirmation that our understanding of the position, as stated, insofar as the Reserve Bank is concerned, is correct.

Yours sincerely,

for THE STANDARD BANK LIMITED

for RHODESIAN ACCEPTANCES LIMITED

/no signature/

/signature illegible/

General Manager

Managing Director

Enc.

/...

Document 3

RISCO: Summary of revised financing proposals dated 1 August 1972 from
the Standard Bank Limited and the Rhodesian Acceptances Limited to the
Reserve Bank of Rhodesia

Total cost exclusive of non-capitalised interest (now withdrawn from guarantee requirements by agreement) and domestic content paid for out of normal cash flow U.S.\$74 000 000.

To be financed by:	<u>U.S.\$</u>
Guarantees	25 500 000
Cash	<u>49 000 000</u>
	<u>\$74 500 000</u>
<u>Guarantees</u>	
Standard Bank	16 500 000
R.A.L. Consortium	<u>9 000 000</u>
	<u>\$25 500 000</u>
<u>Cash</u>	
Standard and Barclays	18 000 000
Advance payment of future steel deliveries	9 000 000
Getraco-Finmetal	5 000 000
Handels Credit Bank	20 000 000
Credit Girozentrale	5 500 000
Voest	<u>3 500 000</u>
	61 000 000
Housing finance	<u>8 000 000</u>
	<u>\$69 000 000</u>
Shortfall	<u>\$ 5 500 000</u>

The Handels Credit Bank loan will be used to pay cash to those suppliers who otherwise would have to be furnished with South African guarantees. (Details set out in Voest's letter of 24 July, 1972 and totalling U.S.\$20 000 000).

The shortfall of U.S.\$5 500 000 can be met in a number of ways.

1. Direct loan from European American Bank (see telex and I am meeting Mr. Lubotta on Thursday).

/...

2. Sales contract to Klockners against advance payment from Mietfinanz.
(Discussions have taken place with both parties who have expressed great interest.)
3. In case of absolute need economies in the expansion programme could be effected up to a total of U.S.\$8 000 000 but these are not desirable as they would add to the costs of production, reduce production flexibility, add to labour difficulties and reduce to some extent net foreign exchange earnings.

There is to be a summit meeting at Vienna on the 8th August next to finalise all matters relating to the foregoing arrangements. All interested parties will be present.

It is hoped the Governor of the Reserve Bank can attend preferably himself as his influence would be invaluable but failing him an authorised representative.

Should the Governor authorise the foregoing proposals and undertake in writing that such of Risco's foreign exchange earnings from its increased production as will be required to meet its redemption and interest payments shall be reserved to it than the Standard Bank and Rhodesian Acceptances will send representatives to the meeting.

Risco will of course bear all costs of such representation.

It is intended agreement in principle only can be achieved (actual details of guarantees might take a little longer). In addition on the advice of the Standard Bank, I shall endeavour to persuade Voest to leave their existing S.A. guarantee as it is and not provide Standard Bank S.A. with a cause for withdrawing from the existing one.

LSM/RD

1st August, 1972.

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Document 4

Reply dated 8 August 1972 from the Governor of the Reserve Bank of Rhodesia to the joint letter of 4 August 1972 by the Standard Bank Limited and the Rhodesian Acceptances Limited

PERSONAL AND CONFIDENTIAL

8th August, 1972.

The Managing Director,
Rhodesian Acceptances Limited,
Rhodesian Acceptances House,
67, Jameson Avenue,
Salisbury.

Dear Sir,

I have received your letter of the 4th August, 1972, in which you and The Standard Bank Limited have placed on record your understanding of the Bank's reaction to the various financial arrangements proposed by The Rhodesian Iron and Steel Company Limited in connection with their expansion programme.

I would thank you for your detailed advices of the arrangements which you and the other participating banking institutions have arrived at and have agreed to in principle. These arrangements and the arrangements for obtaining external credit, the particulars of which are contained in your letter and the "Summary of Revised Financing Proposals" of the 1st August, 1972; which was prepared by Mr. E.S. Newson, are acceptable to the Bank from an Exchange Control point of view and I confirm having advised you accordingly at our meeting on the 1st August, 1972, subject to the proviso that all the proposals in question are implemented as envisaged. Furthermore, I also confirm that if the local participating banks should find themselves short of the necessary resources to meet their overdraft commitments to RISCO, the Bank will be prepared to assist, as lender of last resort. Such assistance, if required, will in all probability be granted by rediscounting acceptable paper for the banks concerned at the then ruling rates for such instruments. I also stated that in our view the institutions to whom RISCO will look for building finance should be able to meet these needs having regard to the amounts required and the phasing of these borrowings.

Finally, it is agreed, as stated in your letter that the terms and conditions of the guarantees to be issued by the Rhodesian banking institutions involved will require the prior approval of the Bank.

It is hoped that the various agreements which have been accepted in principle will be implemented and that the Rhodesian Iron and Steel Company Limited will be able to proceed with their development programme in the near future.

Yours faithfully,
/signature illegible/
Governor

S/11597
English
Annex II
Page 14

Document 5

Letter dated 25 August 1972 from the Assistant Manager of the
Rhodesian Acceptances Limited to Neficrho Acceptances Limited

25th August, 1972

STRICTLY CONFIDENTIAL

Attention ... Mr. Rompelman

Neficrho Acceptances Limited,
Netherlands House,
Speke Avenue,
SALISBURY

Dear Sirs,

The Rhodesian Iron and Steel Company Limited

Further to previous correspondence and our telephone conversation yesterday we enclose a copy of a Memorandum setting out the up-to-date position on the financing of the Risco expansion scheme. You kindly indicated that you would be prepared, subject to your Board's approval, to increase your participation to \$2 000 000 in the guarantee required from the banking syndicate.

We have also approached the other members of the syndicate who (with ourselves) have also indicated verbally that they would be prepared to increase their participation subject, of course, to Board approval. In respect of the shortfall of approximately \$333 000, National and Grindlays Bank Limited has expressed interest and will furnish us with its answer as soon as possible.

You will observe from the Memorandum that the basis of the external financing arrangements has changed. In view of the direct involvement of Neunkircher, Klockner and the Deutsche Bank associate, all substantial concerns, we feel you will agree that the arrangements are more favourable than those originally contemplated.

We look forward to hearing from you in due course and shall be pleased to provide any additional information you may require. Your ready co-operation in this matter is much appreciated.

Yours faithfully,
for RHODESIAN ACCEPTANCES LIMITED

/signature illegible/

Assistant Manager

/...

Document 6

Memorandum dated 24 August 1972 setting out the up-to-date position on the financing of the RISCO expansion scheme

THE RHODESIAN IRON AND STEEL COMPANY LIMITED

ANALYSIS OF SHAREHOLDINGS AND DEBENTURES

Share Capital:

The capital structure of the company is as follows:-

Authorised Capital	... ..	\$ 9 000 000
in 4 500 000 ordinary shares of \$2,00 each		
Issued Capital	... ..	\$ 5 500 000
in 2 750 000 ordinary shares of \$2,00 each		

Shares Unissued
 1 750 000 ordinary shares of \$2,00 each

The issued shares are held by the following or their nominees:-

	<u>No. of shares</u>	<u>% of issues</u>
Anglo American Corporation of South Africa Limited - Group	620,394	22,6
The British South Africa Company Investments Limited	200	
Tanganyika Properties Rhodesia Limited	180 516	6,6
Lancashire Steel Corporation	392 593	14,3
The Messina (Transvaal) Development Company Limited	667 407	24,2
Rhodesian Selection Trust Limited - Group	196 297	7,0
Stewarts and Lloyds Limited	392 593	14,3
Rhodesia Government	300 000	11,0
	<u>2 750 000</u>	<u>100,0</u>

/...

Loan Capital:

(a) 6 1/2% First Series First Debenture Stock:

This stock of the company is held by the following, or their nominees:-

	<u>R\$ Stock Units</u>	<u>%</u>
Anglo American Rhodesia Development Corporation	1 131 430)	
Security Nominees	1 302 852)	65
Tanganyika Properties	1 165 716	31
Mining Industries Pension Fund	171 430	4
	<hr/>	
	\$3 771 428	100%
	<hr/>	

(Secured by a first mortgage bond in favour of the trustee over the company's immovable property).
 Redemption at par January, 1982.

(b) 4% Second Debenture Stock \$8 635 870:

Held by the Rhodesia Government.

(Secured by a second mortgage bond over the company's immovable property and also a second Deed of Hypothecation over the company's mining claims).

Redemption at par by 31st December, 1986.

(c) Loans \$2 500 000 - Rhodesia Government:

Repayment is to be made in full on or before 12th May, 1974.

(d) Bank Overdraft:

The company has overdraft facilities with both the Standard Bank Limited and Barclays Bank International Limited:

Standard Bank Limited (unsecured) \$ 3 000 000

Barclays Bank International.

Secured by a notarial general bond of
 \$3 000 000 over the company's movable
 assets \$3 000 000

BALANCE SHEET

A copy of the company's Balance sheet at 31st December, 1971, is attached.

/...

DIRECTORS

E S Newson O.B.E. (Chairman)
K K E Kuhn (Managing)
C A Bott
T P M Cochran, C.B.E.
O J Connolly
W N Menzies-Wilson
D G Nicholson
W R Perry
W I Spence

1. The company is proceeding with an expansion scheme to increase its steel production from 410 000 tonnes per annum to 1 000 000 tonnes per annum.
2. The total cost of the scheme is estimated to be in the region of \$63 000 000.
3. A scheme of this size will have far-reaching effects on the Rhodesian economy and the banking system in particular. The scheme has been thoroughly investigated by a firm of consultants of international repute.

The Rhodesian Government has approved the scheme and the Governor of the Reserve Bank, Mr. N H B Bruce, has confirmed to us that, provided all the financial facilities offered come to fruition and the guarantees requested meet with the approval of the Reserve Bank, the scheme also has the approval of the Reserve Bank. He further stated that in the event of the Rhodesian Banks involved being unable to meet overdraft commitments to Risco because of the lack of resources the Reserve Bank would be prepared to consider offering assistance as lender of last resort. A copy of the Governor's letter dated 8th August 1972, in this connection is attached.

4. A meeting was held in Paris on Friday 18th August. Those attending represented:-

Deutsche Bank A.G.
European American Finance (Bermudas) Ltd. (EAF) Associates of
European Banks International (Pty.) Ltd.) Deutsche Bank A.G.
Vereingigte Osterreichische Eisen-und
Stahlwerke Aktiengesellschaft (VOEST)
Klockner & Company
Neunkircher Eisenwerk A.G.
Handelsgesellschaft in Zurich A.G. (HGZ)
Arnhold Wilhelmi & Co. (Pty.) Limited
Getraco-Finmetal S.A.
Reserve Bank of Rhodesia
The Standard Bank Limited
Rhodesian Acceptances Limited (RAL)
RISCO.

The financing arrangements discussed and agreed are summarised in paragraph 5 below.

/...

5. The expansion scheme will be financed as follows:-

External finance:

i) VOEST

Contractor finance	\$13 800 000	
Extended terms on escalation, fixed interest and delivery payments	<u>\$ 2 000 000</u>	\$15 800 000

ii) Loans

<u>Secured</u> - EAF via HGZ	\$19 333 000	
HGZ (VOEST guarantee)	<u>\$ 3 667 000</u>	
	\$23 000 000	
<u>Unsecured</u> - Getraco	<u>\$ 3 333 000</u>	\$26 333 000
		<u>\$42 133 000</u>

Local finance:

Overdrafts	\$12 000 000	
Housing finance	<u>\$ 4 800 000</u>	
	\$16 800 000	
Cash flow	<u>\$ 3 867 000</u>	\$20 667 000
		<u>\$62 800 000</u>

Notes:

- a) The contractor finance, etc. from VOEST is covered by the guarantee of The Standard Bank Limited.
- b) EAF has offered to provide secured multi-currency loans to RISCO through the medium of HGZ in the sum of US\$29 000 000, i.e. ±\$19 333 000 Rhod. The loan is to be guaranteed by -

Neunkircher and Klockners

in proportion to the amount of steel they each contract to purchase.

/...

HGZ will in turn lend the money to RISCO against guarantees from Rhodesian banks. To date, and subject to final approval of the form of guarantee etc., the following guarantees are available from Rhodesia:-

The Standard Bank Limited \$11 000 000

Syndicate:

RAL	\$1 500 000	
Merchant Bank of C.A. Ltd.	\$1 500 000	
Neficrho Acceptances Ltd.	\$1 500 000	
Barclays Bank International Ltd.	<u>\$1 500 000</u>	
		<u>\$ 6 000 000</u>
		<u>\$17 000 000</u>

There is, therefore, a shortfall of approximately \$2 333 000.

The members of the syndicate have indicated that each is sympathetically disposed towards increasing its participation to \$2 000 000. The increase of \$500 000 will be subject to the approval of the Boards of Directors of the Banks and to the provisos applicable to the existing commitment.

Details of the proposals are being made available to National and Grindlays Bank which has expressed interest in participating in the guarantee for the balance of approximately \$333 000.

- c) The basic terms of the \$19 333 000 multi-currency loan, which will be extended on a 6-monthly "roll-over" basis, to be guaranteed by the Rhodesian banks are as follows:-
- i) Draw-down over two years (October 1972 - October 1974).
 - ii) Repayment in 10 equal semi-annual instalments commencing in 1975, the last instalment due not later than December 1980.
 - iii) The guarantee/undertaking of the Reserve Bank of Rhodesia will be required regarding the availability and transferability of foreign exchange to meet the repayment commitments.
 - iv) The Rhodesian Government must undertake through the Reserve Bank that permission will be granted for the exportation of the "steel-semis" at all times during the period of the steel sales contracts.
 - v) Interest will be charged at 1% per annum above the London Euro-Currency Interbank rate.
- d) A copy of the Cash Flow Statement is attached.

/...

- e) Klockners and Neunkircher have asked RISCO to consider offering them the opportunity to purchase a participation in the equity of RISCO when it becomes legally possible to do so.
- f) Foreign contractors other than VOEST will be paid on a cash basis.
- g) Local overdraft facilities will be provided by:-

The Standard Bank Limited	\$ 6 000 000
Barclays Bank International Ltd.	<u>\$ 6 000 000</u>
	<u>\$12 000 000</u>

- h) Building finance which will be phased over the next three years is to be provided as follows:-

S.A. Mutual	\$ 2 400 000
C.A.B.S.	\$ 1 200 000
Founders	<u>\$ 1 200 000</u>
	<u>\$ 4 800 000</u>

JSD/hfw

/...

Document 7

Letter dated 18 September 1972 from the Assistant Manager of the
Rhodesian Acceptances Limited to the Managing Director of
Neficrho Acceptances Limited

September 18, 1972

STRICTLY CONFIDENTIAL

The Managing Director,
Neficrho Acceptances Limited,
Netherlands House,
Speke Avenue/First Street,
SALISBURY

Dear Sir,

THE RHODESIAN IRON & STEEL COMPANY LIMITED

We enclose for your information a Protocol of a meeting held on the 14th and 15th September, 1972 at Redcliff.

It will be observed that it is hoped that all agreements and documents will be signed by the 6th October in Paris.

Dr. Fuchs, representing Handelsgesellschaft in Zurich (HGZ), and Mr. Lubotta of European Banks International, Johannesburg, representing European American Finance (EAF), have indicated that any amendments to the draft of the final Loan Agreement between HGZ and the Producer would more conveniently be discussed and settled in Zurich after the 27th September (see paragraph 7 of the Protocol). We are advised that the guarantee which the Rhodesian banks will sign will be in a standard form but you will appreciate, of course, that the liability assumed by RISCO and guaranteed by the banks will be set out in the relative Loan Agreement. It seems to us, therefore, that it will be necessary for any representative of the banks (who will have to have the banks' Power of Attorney) to be authorised to negotiate, settle and execute the terms of the guarantee. This authority will, of course, imply that the representative will have power to agree to amendments to the Loan Agreement between HGZ and RISCO.

It is unlikely that the draft Loan Agreement and the relative guarantee will be available until 22nd September 1972 at the earliest. In the meantime, however, we enclose a photocopy of the draft Loan Agreement between EAF and HGZ. We shall be happy to discuss the terms of the Loan Agreement with you in due course. The Loan Agreement between HGZ and RISCO will be in substantially the same terms as the Loan Agreement between EAF and HGZ with the following main exceptions:

/...

- (a) RISCO will be required to produce regular monthly financial/technical progress reports.
- (b) It is hoped that promissory notes will not be required.
- (c) The Agreement will be subject to the jurisdiction of Swiss courts.
- (d) To avoid RISCO incurring any penalty in terms of Section 19, an additional clause providing for RISCO to receive advice by registered airmail will be inserted.

It will be noted from paragraph 7 of the Protocol that the Agreement will cover the mechanics for the disbursement of funds. It was originally felt by the lenders that HGZ should handle the disbursement of funds on behalf of RISCO. In order to protect RISCO and the local banks we have insisted that the funds be handled jointly by HGZ and RISCO. We have, therefore, arranged that on amounts being drawn down and paid to a banking account in the name of HGZ, HGZ cannot pay the funds out without its instructions being confirmed by RISCO. The funds will be channelled through the Union Bank of Switzerland (UBS) and we shall, therefore, on behalf of RISCO authenticate all instructions given by HGZ, to UBS. We feel that this procedure will adequately protect the local banks and ensure that the funds disbursed are in fact being applied in payment of contracts, etc.

The Loan Agreement covers a multi-currency loan and EAF have insisted that any necessary switching of currencies be done by them.

In order to facilitate the execution of the timetable laid down each of the banks in the syndicate will require to attend to the following matters:-

- (i) A certified extract from the Minutes of a meeting of the Board of Directors of each bank authorising the issue of the guarantee. The relative resolution should also cover the appointment of a representative from Rhodesian Acceptances Limited (RAL) who will be authorised to negotiate the terms of, execute and sign the guarantee.
- (ii) It will be necessary for the banks to receive a counter-indemnity from RISCO and your approval of the terms of such an indemnity will be required.
- (iii) RISCO is requesting Mr. Jeremy Broome of Gill, Godlonton & Gerrans to be its legal representative at all of the forthcoming discussions. It will be appreciated that Mr. Broome will be protecting the interests of RISCO and we enquire if you would have any objection to his appointment as legal advisor to the Rhodesian banks in these discussions.

It will, at some stage, be necessary for a Rhodesian Lawyer to give a "Certificate of Validity" regarding the Loan Agreement and guarantees. These Certificates of Validity usually state that the documents as executed are legal in terms of Rhodesian law and are enforceable against the parties thereto. You will appreciate that it will save time if Mr. Broome can give this Certificate when all other documents are being exchanged.

/...

We are apprising the Governor of the Reserve Bank of the position reached and we shall keep you fully advised at developments in this connection. In the meantime it is hoped that a meeting of the Banks involved can be arranged as soon as possible to settle any outstanding points.

Yours faithfully,
for RHODESIAN ACCEPTANCES LIMITED

/no signature/

Assistant Manager

JSD/hfw
Encs.

/...

Document 8

Protocol of a meeting held on 14/15 September 1972

Attended by: Dr. Fuchs
Mr. Lubotta
Mr. Preuss
Mr. Davidson
Mr. Kuhn
Mr. Davies
Mr. Carstens

The question of finance and long term sale was discussed in detail and it has been agreed that a date of 5th to 6th October should be aimed at by which time all agreements and documents could be signed in Paris.

The following documents have to be prepared during the period up to that date:

1. Sales Agreement between HGZ and Klöckner and HGZ and Neunkircher respectively for 100 000 + per year 1973/1974 and 400 000 + thereafter for five years to be divided up in accordance with Klöckner/Neunkircher requirements from HGZ. Negotiations will commence next week attended by the Sales Manager, Mr. Darroch, the Manager, Production Planning, Process and Quality Control, Mr. Towell, and representative of HGZ, Mr. Preuss. - Final negotiations should be conducted on 27th September to finalise both agreements (ESN, Mr. Kuhn). The producer will be assisted on the legal side by Mr. J. Broome. EAF has nominated Dr. Pelzer as their legal representative to examine the final draft.
2. To finalise Sales Contract between the producer and HGZ including sales commission etc., on the basis of the Sales Contracts between HGZ and Klöckner and Neunkircher respectively, including HGZ's participation in the sale regarding shipments etc. It is intended to conclude this contract immediately after HGZ/Klöckner/Neunkircher contracts have been finalised (27th/28th September 1972).

Final negotiations - ESN, Mr. Kuhn and Dr. Fuchs. Documentation will be prepared by Mr. Darroch, Mr. Broome, Dr. Fuchs, Dr. Pelzer and Mr. Preuss.
3. Finalisation of financial agreements between the Buyers and EAF on the basis of Sales Contracts covering the total of U.S. \$29 million. Negotiations should commence immediately after Sales Contracts have been finalised, i.e. 28th September 1972.

/...

Participants - Mr. Lubotta, Dr. Fuchs, Mr. Mehr, Mr. Davies, Dr. Pelzer, Mr. Davidson and representatives of the Buyers.

Certain aspects of the Loan Agreement should also be discussed - text of guarantees, drawdown dates, drawdown procedure, disbursement of drawdowns to suppliers on instruction of the producer, accumulation of sales proceeds to be used for loan repayment, equity participation (letter of the Chairman).

4. Loan/Guarantee Agreement between Voest and EAF to cover U.S. \$5,5 million, directly dealt with by Mr. Lubotta, Dr. Fuchs, Mr. Mehr, Mr. Davies and Voest followed up by an agreement between Voest and the Producer supporting this arrangement which will include postponement of payments and the waiving of a guarantee for the Continuous Casting Machine.
5. Loan Agreement to be prepared between HGZ and EAF for U.S. \$29 million. The final draft will be submitted latest 24th September 1972 by courier to all participants for submission to the Reserve Bank and local banks, negotiated and vetted by EAF (Mr. Jacobs, Mr. Lubotta, Dr. Pelzer,) Mr. Egli, Mr. Mehr and Dr. Fuchs, representatives of the local banks and representatives of the Producer, Mr. Kuhn, Mr. Davies and Mr. Broome, and representatives of the Reserve Bank. To be finalised 5th October 1972.

HGZ to obtain approval of the Swiss authorities for the transaction.

6. Loan Agreement between HGZ and EAF for U.S. \$5,5 million covered by Voest guarantee as mentioned above to be finalised and signed on 5th October.
7. Loan Agreement between HGZ and the Producer to be negotiated immediately after completion of negotiations with the Buyers for the total amount of U.S. \$34,5 million (on the basis of the Loan Agreements between HGZ and EAF and the Financial Agreement between HGZ and the Buyers) for submission to the Reserve Bank and local banks. A draft of this will be submitted, together with the other Loan Agreements, on 24th September. To be further discussed after 27th September by Mr. Lubotta, Dr. Fuchs, Mr. Mehr, Mr. Davies, Mr. Davidson and Dr. Pelzer and finalised on the 5th October. The original draft to be prepared by Dr. Pelzer (legal advisor of EAF).

The Agreement will cover mechanics of disbursement of funds under the agreement, accumulation of sales proceeds for the purpose of repayments and progress reports by the Producer. The Agreement should take cognisance of the fact that the Buyers as well as the local banks must be protected in the spirit of co-operation when the mechanics and administration of these funds are being considered.

A statement from the Reserve Bank will be required permitting the export of semis during the duration of the Loan Agreement. An undertaking by the Reserve Bank that if the Reserve Bank will put the local banks in a position to meet the foreign exchange commitments of the Producer and the local banks in terms of the agreement and that the Reserve Bank will, if necessary, provide facilities as Lender of last resort to enable the local banks and other Institutions to meet their commitments.

/...

8. Guarantees by local banks in respect of U.S. \$29 million in favour of HGZ. Draft of these guarantees will be sent together with a loan agreement on the 24th September prepared by Dr. Pelzer for submission to the Reserve Bank and the local banks.
9. Local banks to prepare Counter Indemnity in respect of their guarantees to HGZ to be vetted by the Producer and finalised and signed on 5th October, 1972.
10. Loan Agreement to be prepared between Getraco/Raphaely and Nedco in respect of U.S. \$5 million of which a draft has already been given to Getraco/Raphaely. However, this is to be revised in the light of Mr. Lubotta's suggestions for utilising funds at an earlier stage in accordance with a utilisation of the loan money as submitted by Mr. Lubotta. Also to be discussed after 27th September and finalised and signed before 5th October 1972.
11. Letter Agreement in respect of local finance in the form of an overdraft in terms of the cash flow, U.S. \$18 million, which will be submitted by the Banks before 26th September, 1972..

[signatures illegible]

KKEK/JM
15th September, 1972.

DISTRIBUTION:

Producer	:	ESN, KKEK and RJD
HGZ	:	ZSW, PHW, Dr. Fuchs and HPP
Klößner	:	Mr. Seegers
Neunkircher	:	Dr. Scheider
Voest	:	Mr. Apfalter, Dr. Froehlich
Local Banks	:	6 copies (Mr. Davidson)
Reserve Bank	:	Mr. Bruce
CBA	:	Dr. Treichel
EAF	:	Mr. Jacobs, Dr. Pelzer
EBI	:	Mr. Lubotta

/...

Document 9

Letter dated 6 November 1972 from the Assistant Manager of the Rhodesian
Acceptances Limited to Neficrho Acceptances Limited

November 6, 1972

STRICTLY CONFIDENTIAL

The Managing Director,
Neficrho Acceptances Limited,
Netherlands House,
Speke Avenue/First Street,
SALISBURY

Attention Mr. O. Rompelman

Dear Sirs,

The Rhodesian Iron & Steel Company Limited

With reference to our letter of 27th October, 1972 we advise that further discussions have taken place between RISCO, the overseas lenders and guarantors.

To satisfy the Swiss authorities it has been necessary to interpose a South African company to borrow the funds from Femetco and lend them on to RISCO. A suitable South African company is being registered, South African Steel Corporation (Pty.) Limited. It has been necessary to re-draft the Loan Agreement and the proposed Guarantee and we enclose the latest draft of each for your perusal. We are submitting a copy of those documents to the Reserve Bank.

You will observe that several amendments have been made, e.g. promissory notes will no longer be required. The overseas guarantors have insisted on inserting a "political risk" clause - paragraph 23. The clause was the subject of lengthy discussions and it is felt that the clause eventually agreed should be accepted in view of the provisions made for arbitration.

We also enclose for your information copies of the following draft letters:

- (a) From S.A. Steel Corporation (SAS) to RISCO recording that Femetco loans of US\$34,5 million are for account of RISCO;
- (b) Consent of Rhodesian banks to the cession by SAS to RISCO of all liabilities re US\$ 29 million of /word illegible/;

/...

Neficrho Acceptances Limited

November 6, 1972

- (c) From SAS to Femetco recording that the loans of US\$34,5 million are for account of RISCO; and
- (d) From Femetco to SAS consenting to the assigning of the loan rights, etc. to RISCO.

It may be necessary to mention letters (a) and (b) above in the body of the comprehensive indemnity we are requesting from RISCO. We have, therefore, consulted Mr. Broome of Gill, Godlonton and Gerrans with a view to his advising on the necessary amendments to the draft indemnity. We mentioned that in view of the comprehensive nature of the indemnity there is some doubt about whether it would escape Stamp Duty if it were brought back to Rhodesia. To avoid duty it has been suggested that the document be lodged in safe custody in South Africa and only returned to Rhodesia if absolutely necessary.

We mentioned that the difficulties created by the overseas guarantors caused RISCO and ourselves to explore the possibilities of obtaining alternative acceptable security. Although we are proceeding with the completion of all documentation for the original scheme there is a possibility that some alteration will take place in the external documentation. We shall, however, keep you apprised of developments.

You will appreciate that the changes will require the execution of a fresh Power of Attorney in favour of our representative. When we have the final details we shall advise you accordingly.

Yours faithfully,
for RHODESIAN ACCEPTANCES LIMITED

/signature illegible/

Assistant Manager

Encs.

/...

Document 10

Draft letter of consent by various financial institutions to the cession and assignment by South African Steel Corporation (Pty) Limited to the Rhodesian Iron and Steel Company Limited of all the liabilities of South African Steel Corporation (Pty) Limited in terms of certain loans to South African Steel Corporation (Pty) Limited by Femetco A.G.

RBB:JGL

CONSENT

We,

THE STANDARD BANK LIMITED,
RHODESIAN ACCEPTANCES LIMITED,
BARCLAYS BANK INTERNATIONAL LIMITED,
MERCHANT BANK OF CENTRAL AFRICA LIMITED,
NATIONAL AND GRINDLAYS BANK LIMITED
and
NEFICRHO ACCEPTANCES LIMITED

do hereby formally consent to the cession and assignment by South African Steel Corporation (Pty) Limited to the Rhodesian Iron and Steel Company Limited of all the liabilities of South African Steel Corporation (Pty) Limited in terms of certain loans to South African Steel Corporation (Pty) Limited by Femetco AG in amount of

U.S. \$ 29 million

in terms of our guarantee of the said loan dated the day of 1972.

It therefore follows that our liability in terms of the said guarantee is in no way affected by the cession and assignment of the said loan to the Rhodesian Iron and Steel Company Limited.

DATED at this day of 1972.

.....
for and on behalf of NATIONAL
AND GRINDLAYS BANK LIMITED

.....
for and on behalf of THE STANDARD BANK
LIMITED

.....
for and on behalf of NEFICRHO
ACCEPTANCES LIMITED

.....
for and on behalf of RHODESIAN ACCEPTANCES
LIMITED

.....
for and on behalf of BARCLAYS BANK
INTERNATIONAL LIMITED

.....
for and on behalf of MERCHANT BANK OF
CENTRAL AFRICA LIMITED

Document 11

Draft letter from South African Steel Corporation (Pty) Limited to
the Rhodesian Iron and Steel Company Limited

JGL

From: South African Steel Corporation
(Pty) Limited

To: The Rhodesian Iron and Steel
Company Limited

Dear Sirs,

With reference to two loans being made to us by Femetco AG of
for amounts of

U.S. \$ 29 million and

U.S. \$ 5.5 million

respectively, we wish to place on record that these loans have been taken by us
at the request of, and for the sole account and benefit of yourselves.

Accordingly we hereby, with the consent of Femetco, cede and assign to you all our
liability to Femetco in respect of the said loans and would be glad if you would
kindly confirm in the manner indicated below that you accept such cession and
assignment.

Yours faithfully,

SOUTH AFRICAN STEEL CORPORATION (PTY) LIMITED

We, the Rhodesian Iron and Steel Company Limited, represented herein by
he being duly authorised, hereby
accept the within written cession and assignment.

DATED this day of 1972.

THE RHODESIAN IRON AND STEEL COMPANY
LIMITED

/...

Document 12

Draft letter from South African Steel Corporation (Pty) Limited
to Femetco A.G.

DRAFT

JRBB:JGL

From: South African Steel Corporation,
(Pty) Limited.

To: Femetco AG

Dear Sirs,

With reference to a loan being made to you by European American Finance (Bermuda)
Limited for an amount of

U.S. \$34.5 million

we wish formally to place on record that this loan has been taken by you at the
request of, and for the sole account and benefit of this Company, a Company which
is not domiciled or resident in, and does not carry on business in Switzerland.

Yours faithfully,

SOUTH AFRICAN STEEL CORPORATION (PTY) LTD.

/...

Document 13

Letter dated 14 November 1972 from the Assistant Manager of the
Rhodesian Acceptances Limited to the Managing Director of
Neficrho Acceptances Limited

November 14, 1972.

STRICTLY CONFIDENTIAL

The Managing Director,
Neficrho Acceptances Limited,
Netherlands House,
Speke Avenue/First Street,
SALISBURY.

Attention: Mr. O. Rompelman

Dear Sir,

The Rhodesian Iron and Steel Company Limited

We refer to our letter of 6th November, 1972 and are pleased to deal seriatim below with the various matters outstanding some of which require your kind attention:

1. Power of Attorney

The South African intermediary company has now been registered as Southern Transvaal Steel (Pty) Limited (STS). (It will be 80% owned by RISCO and 20% by a company in the Wilhelmi Group). We are, therefore, returning the Power of Attorney originally executed and shall be glad if you will kindly arrange to issue a letter authorising Mr. J.S. Davidson to sign the guarantee in favour of Femetco in respect of a loan granted to STS. Kindly advise us when the letter is ready for signature and we shall arrange for a Notary to call. Please keep the bound original intact as this will simplify the Notary's task.

2. Consent

The letter of consent from the banks has been prepared and is being circulated for signature. In the meantime we enclose a copy thereof for your records.

We are advised that it will be in order to date the consent at the time of signing the other relative documents.

3. Indemnity

The draft form of indemnity required from RISCO has been brought up to date. Kindly furnish us as soon as possible with any comments you may have on the document in order that we may prepare the final document for signature in Paris next week.

Neficrno Acceptances Limited

November 14, 1972

4. Cash Flow

We enclose for your information and records a copy of the Cash forecast at 8th November, 1972. RISCO's Chairman has made the following comments:-

"It will be noticed that in 1975 the bank overdraft is shown as exceeding the stipulated maximum of \$12 000 000 by \$1 686 000. This sum will in fact be provided by the non-banking sector (Insurance Companies, Building Societies, etc.) but although negotiations are proceeding satisfactorily arrangements have not been finalised yet as selection of the most favourable terms offered has still to be made."

5. Guarantee

No further changes seem, as yet, to be necessary to the draft submitted under cover of our letter of 6th November.

6. Loan Agreement

We understand that minor technical amendments have been requested by the overseas lawyers but it is said that these will not affect the liability of the Banks under the guarantee.

A meeting to complete all the formalities has been arranged for the 24th November in Paris and the writer will be leaving on Sunday 19th. Your kind co-operation in assisting us to complete the documentation on time will be very much appreciated.

Yours faithfully,
for RHODESIAN ACCEPTANCES LIMITED

/signature illegible/

Assistant Manager

Encs: 4

/...

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Document 14

Letter dated 4 October 1973 from the Assistant Manager of the
Rhodesian Acceptances Limited to the Managing Director of the
Neficrho Acceptances Limited

4th October, 1973.

STRICTLY CONFIDENTIAL

The Managing Director,
Neficrho Acceptances Limited,
Netherlands House,
Cnr. Speke Avenue/First Street,
SALISBURY.

Dear Sir,

THE RHODESIAN IRON AND STEEL COMPANY LIMITED

You will have received our letter dated 28th September, 1973, setting out details of the latest position applicable to your participation in the guarantee relative to the U.S.\$29 000 000 multi-currency roll-over loan granted to the Rhodesian Iron and Steel Company Limited.

An "on site" inspection has revealed that the project is progressing well. Materials and plant are arriving on site and erection of some of the larger pieces of plant is under way. Some difficulty has been experienced in obtaining steel supplies from South Africa for some of the buildings but this is not likely to upset the programme. Steps are being taken to avoid the possibility of delays arising from shortages of certain skilled workers needed for the project.

The examination of the company's cash forecasts shows that the company will have sufficient foreign and domestic finance to cover approved capital expenditure, working capital and interests. Forecast cash receipts will enable Risco to make repayments in accordance with the relative Loan Agreement.

We shall keep you apprised of developments.

Yours faithfully,
for: RHODESIAN ACCEPTANCES LIMITED

/signature illegible/

Assistant Manager

/...

Annex III

MEMORANDUM BY THE RESEARCH GROUP FOR INTER-PARLIAMENTARY QUESTIONS, BONN,
RECEIVED BY THE COMMITTEE ON 12 JULY 1974

SUBJECT: Evidence on Austrian and German companies' involvement in the
RISCO deal (Rhodesian Iron and Steel Corporation).

We wish to give you prior notification of articles on the above subject which are to appear in the European press starting Monday, 1 July. Following intensive investigations by a research team working for two members of the Bundestag, Dieter Schinzel and Uwe Lambinus, sufficient information has come to light to ensure that the Governments of Germany and Austria could easily find sufficient proof of serious breaches of sanctions for a successful prosecution and conviction. The basic information is as follows:

The Austrian steel company, VOEST, has in its archives the original blueprints of the two major projects undertaken by it for RISCO, namely, the extension of the existing steel plant (RISCO I) and the construction of a new plant (RISCO II). RISCO I is already completed, and RISCO II is nearing completion. The code-names under which the blueprints are registered are SAEPIC and can easily be inspected by the authorities, especially if they obtain a search warrant. Having obtained the blueprints, they can then be compared with the actual installations in Southern Rhodesia. They will fit no other similar project - and this can if necessary be verified by on-the-spot investigations of other VOEST projects.

In connexion with this, a similar situation exists with the German company LURGI, which designs, supplies and installs the special pipes for all VOEST projects. The code-names here would also be SAEPIC I and II. The same procedure as regards examination of the firm's registry can be followed as in the case of VOEST.

The two companies named in the documents as importing Southern Rhodesian steel, namely Klockner and Neunkircher-Eisenwerk, are reported to be importing large amounts of steel from ISCOR, the South African steel corporation; the kind of steel involved is precisely that which is produced by the VOEST process installed at the RISCO plant.

A case reported last year in the press, the supply of equipment for the Bulawayo telephone exchange by Siemens of Germany, can also now be investigated by an examination of the firm's registry and blueprints. The code-name for the project in this case is Johannesburg I/II.

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Annex IV

SUBSTANTIVE PARTS OF NOTES ADDRESSED TO GOVERNMENTS BY
THE SECRETARY-GENERAL AT THE REQUEST OF THE COMMITTEE
AND OF COMMUNICATIONS RECEIVED FROM GOVERNMENTS

NOTE DATED 24 JUNE 1974 FROM THE SECRETARY-GENERAL TO
MEMBER STATES OF THE UNITED NATIONS AND MEMBERS OF
SPECIALIZED AGENCIES

The Secretary-General of the United Nations ... at the request of the Committee established in pursuance of Security Council resolution 253 (1968) concerning the question of Southern Rhodesia, has the honour to invite him to bring the following information to the attention of his Government.

The Committee has received information indicating that a scheme for a major expansion of the production of iron and steel in Southern Rhodesia had been drawn up in 1972 and that companies and banks in a number of countries, in violation of Security Council resolutions on sanctions, were financing the expansion. Apparently, the scheme has been executed at least in part. The scheme was evidently intended to expand the production of the Rhodesian Iron and Steel Company from about 400,000 tons per year to about 1,000,000 tons per year. The information in the possession of the Committee indicates that it was probably the intention of those concerned in Southern Rhodesia to export all or part of the increased production, thereby securing valuable foreign exchange and benefiting the economy of the illegal régime.

The import of iron and steel products originating in Southern Rhodesia would clearly be contrary to mandatory sanctions imposed by the Security Council. Paragraph 3 of Security Council resolution 253 (1968) imposes an obligation on States to prevent such imports.

Acting on the evidence, which is at present the object of investigation, and according to which loans may have been made to Southern Rhodesia, the Secretary-General has, at the Committee's request, asked certain Governments to make urgent inquiries and to ensure that any activities of a kind which Security Council resolution 253 (1968) requires to be prevented are promptly terminated.

If any loans which may have been made to the Rhodesian Iron and Steel Company should now be recalled, an attempt may be made to refinance the borrowings by obtaining loans from other sources outside Southern Rhodesia. In order to assist Governments to take any precautionary measures they may deem necessary to ensure that any such attempt is frustrated, the Committee transmits the enclosed note 1/ describing the plans that appear to have been made in 1972 for the external financing of the scheme for the expansion of the Rhodesian Iron and Steel Company. The attached note is intended to illustrate the methods and procedures that may have been followed in the past and may be followed in the future.

The Committee is confident that His Excellency's Government intends to fulfil its obligations and that it would not permit the provision of funds for investment, or any other financial or economic resources, to undertakings in Southern Rhodesia

1/ For the text of the attached note, see annex II, sect. A, of the present report.

or the import into its territory of iron and steel products originating in Southern Rhodesia. But, in the light of the information outlined in this note, the Committee requests that His Excellency's Government take all necessary measures to ensure that the utmost vigilance is exercised by the proper authorities throughout its territory.

In view of the information set forth above, the Committee is making a serious study of this case and has decided that it will be the subject of a special report to the Security Council at a time to be decided.

AUSTRIA

(a) Statement made by the representative of Austria at the 192nd meeting of the Committee on 1 May 1974

My delegation views the matter with great concern not only because it is a major case involving a large economic transaction but also because one of the firms involved is a nationalized Austrian company. My Government, which has already begun all necessary action, pledges its fullest co-operation with the Committee in the matter and hopes to report soon on the first results of its investigation.

Lest there be any misunderstanding, I wish to inform the Committee that, while the company in question is a nationalized Austrian firm, this does not imply that the Government has direct control over its business management. That management is independent, and my Government therefore, in its investigation, faces the same difficulties that it would with any other firm.

(b) Note dated 15 October 1974 from Austria

/Original: English/

The Permanent Representative of Austria to the United Nations ... has the honour to communicate to the Secretary-General the following:

(1) Responding to a request by the Austrian Federal Government to VOEST-ALPINE A.G. concerning the question of an alleged participation of VOEST in the expansion of a steel mill of RISCO Ltd., VOEST-ALPINE has given a reply, the full text of which follows:

It has to be stated at the outset that there have never existed any legal relations whatsoever between VOEST (or VOEST-ALPINE A.G., the successor in title of the former VOEST) and Southern Rhodesia or any Southern Rhodesian firm; nor does such a relation now exist. VOEST, resp. VOEST-ALPINE A.G., has not concluded any contracts concerning the delivery or the supply of goods either with Southern Rhodesian authorities or with any Southern Rhodesian firm, and consequently VOEST resp. VOEST-ALPINE A.G. has had no business

/...

relation with the Rhodesian Iron and Steel Co. Ltd. ("RISCO") mentioned in the note of the Secretary-General of the United Nations of June 24, 1974.

Concerning the supplying of equipment for a steel mill, allegedly carried out under the code name "SAEPIC", it is to be pointed out that "SAEPIC" is not a code name but a company properly registered in the Republic of South Africa, the full company name being "South African Engineering Projects and Industrial Installations Consortium". With this company, respectively with CISCO STEEL SALES CO. (PTY) LTD., Johannesburg, VOEST concluded on December 6, 1967 a contract for the supplying of parts of equipment for a steel mill. On the basis of this contract, deliveries had to be effected C.I.F. Port Elizabeth, Durban (both South Africa) and Lourenço Marques (Mozambique).

This contract does not contain any clause concerning the resale or the forwarding of the steelmill equipment, once delivered; neither was there, however, any clause stipulating a prohibition of the forwarding of the steelmill equipment into another country, in particular Southern Rhodesia.

That VOEST did not insist on the insertion of such a clause is to be explained by the fact that at the time of the conclusion of the contract - December 6, 1967 - Resolution 253 of the Security Council of the United Nations of May 29, 1968, did not yet exist and that an earlier resolution of the Security Council, Resolution 232 of December 16, 1966 was not considered relevant for the supplies in question, since no military goods nor equipment to manufacture or to maintain military goods were involved.

Since the contract called for payment in cash for the deliveries, which were shipped, as scheduled, via the ports of Port Elizabeth, Durban and Lourenço Marques, VOEST did not claim for this contract any state guarantee, by the Republic of Austria.

As concerns the "plans for the external financing of a scheme for the expansion of the Rhodesian Iron and Steel Company, Ltd. (RISCO)" mentioned in the note of the Secretary-General of the United Nations of June 24, 1974, it is not denied that a representative of VOEST has participated as observer in the meeting held on August 18, 1972, in Paris, mentioned in that note. At that meeting, to which VOEST was invited by an international finance committee, certain deliberations concerning the financing of a projected expansion of the steel mill of the Rhodesian Iron and Steel Co. Ltd. (RISCO) took place which however were not translated into any commercial decision on the part of VOEST. The financing scheme reproduced in the annex to the note of the Secretary-General, in which VOEST appears as a member of a financing consortium, was neither negotiated with VOEST in concrete terms nor put into effect and has therefore to be regarded as a working paper without any obligation. A protocol for the above mentioned meeting never reached VOEST. This fact, namely that the deliberations which took place within the consortium concerning a financing scheme never had any bearing

/...

on commercial transactions by VOEST follows from the refusal of VOEST to participate in any transactions with Southern Rhodesian firms, in view of Security Council Resolution 253 of May 29, 1968.

(2) Intensive and thorough investigations made on the basis of the reply of VOEST have convinced the Austrian Government that since the adoption of Security Council resolution 253 (1968) no such exports have been declared to Southern Rhodesia and no State guarantee for commercial transactions with Southern Rhodesia has been granted by any governmental agency. This result therefore confirms the declarations of VOEST in this respect as correct.

(3) Concerning the questions of the legal relationship between the Republic of Austria, as owner of the shares of the former VOEST, and the management of this nationalized company, a question which has been raised in the Security Council Committee established in pursuance of resolution 253 (1968) concerning the question of Southern Rhodesia, it is stated that even when a stock corporation is owned by the Republic of Austria, the owner of shares (shareholder) has, according to the Austrian law on stock companies, no direct influence on decisions made by the management. The board of managers, even of stock companies owned by the Republic of Austria, therefore takes commercial decisions in the same way as in a private enterprise, that is, solely under their own responsibility.

(4) The Federal Government of Austria wishes to reiterate, as it had stated through its representative in the Security Council Committee established in pursuance of resolution 253 (1968) concerning the question of Southern Rhodesia on 1 May 1974, its pledge of fullest co-operation with the Committee.

(c) List of questions concerning RISCO prepared by various delegations and submitted to the delegation of Austria in accordance with the decision taken by the Committee at its 216th meeting on 27 November 1974

The Committee was informed that a meeting in Vienna was planned for 8 August 1972. Those scheduled to attend, in addition to representatives of RISCO, included representatives of GIROZENTRALE of Vienna. Have inquiries been made about that meeting, e.g., of GIROZENTRALE and VOEST, which was shown to be heavily involved in the planning at that stage?

A letter of 4 August 1972 indicated that, in addition to contractor finance being provided by VOEST, GIROZENTRALE was to provide a loan of \$3,667,000. 1/

The "Summary of revised financing proposals" shows GIROZENTRALE as providing \$US 5,500,000. 2/

1/ See annex II, sect. B, document 2.

2/ Ibid., document 3.

Has this evidence been investigated with GIROZENTRALE? Whether or not GIROZENTRALE withdrew from any scheme which may have been drawn up at that time, GIROZENTRALE officials and records might provide evidence relevant to the alleged involvement of VOEST. What relation exists between GIROZENTRALE and HGZ or European American Finance which might be relevant to this case? In particular, do the records show that there were any loans or other financial dealings between GIROZENTRALE and either HGZ or European American Finance on or about the time of the RISCO expansion in amounts similar to those mentioned?

The protocol of the meeting held at Redcliff in Southern Rhodesia on 14/15 September 1972, which indicated deep involvement in the scheme on the part of VOEST, specifically indicated that RISCO was obtaining from VOEST a "Continuous Casting Machine". 3/ Has any attempt been made to trace such machines exported by VOEST in the period between late 1972 and early 1974 and, if so, with what results?

Had VOEST provided contractor finance and loans as indicated in the documents, the fact would probably be apparent on examination of the relevant accounts of the company, whether or not the ultimate beneficiary was immediately apparent. Have the relevant accounts been examined? Have VOEST's accountants and its financial director been examined? What relation if any exists between VOEST and European American Finance which might be relevant to this case?

The documents 4/ indicate that VOEST was to provide equipment etc. to RISCO to a value of several million dollars. Such a contract would have occasioned considerable documentation. Have VOEST's documents been examined? If so, with what result? Have the records of the VOEST Board of Directors, or relevant Committees, been examined for 1972-1973? If so, with what results?

If VOEST supplied equipment etc. as indicated in the documents, goods to the value of several million dollars would have been exported to southern Africa. Have all such exports in 1973-1974 been documented? If so, have ultimate destinations been traced?

Ref. para. 1 of the VOEST reply 5/

In 1972-1973, what contracts etc. were concluded with, or goods delivered to, enterprises in the Republic of South Africa in connexion with the construction of steel works? What indications are there that any such contracts related to, or any such goods were delivered to, sites within the Republic of South Africa? In particular what relations, if any, exist between VOEST and either of the dummy companies registered in South Africa to which the documents refer?

3/ Ibid., documents 7 and 8.

4/ See annex II of this report.

5/ See annex IV: Austria, item (b) above.

Ref. paras. 2-5 of the VOEST reply 6/

When were deliveries effected under the contract concluded on 6 December 1967? Have the Austrian authorities taken steps to establish the ultimate destination of goods delivered under it? If any deliveries were made after May 1968, and if the ultimate destination was Southern Rhodesia, what action was taken by the Austrian authorities in the light of Austria's obligations under paragraph 7 of resolution 253 (1968)?

What dealings have VOEST had with SAEPIC? Can all contracts with SAEPIC in relation to the supply or construction of steel mills be accounted for by actual constructions within the Republic of South Africa?

Ref. para. 6 of VOEST reply 7/

Have VOEST, since 1 January 1973, received any payments to their bank accounts within or outside Austria from European American Banking or European American Finance (Bermuda), Ltd., on behalf of Femetco, A.G. of Zurich, Switzerland? If so, in respect of what goods or services were such payments made?

Ref. para. 2 of the Austrian reply 8/

Even if no exports of the sort alleged "have been declared to Southern Rhodesia", have any been made via South Africa or Mozambique (see above)? In the light of resolution 253 (1968) Austria's obligations would seem to extend to ensuring that they had not, or taking all appropriate action if they had, and not merely to satisfying the authorities as to the declaration of exports.

It would appear that inquiries were made of VOEST and "intensive and thorough investigations made on the basis of the reply". It might have been appropriate for officials of VOEST to be closely questioned and for all its relevant documentation to be impounded for close inspection (see above). Was such action taken? If so, with what results?

VOEST admits having attended the meeting in Paris in August. Can the Austrian authorities obtain from VOEST details of who else attended and what was discussed and decided at the meeting? How does VOEST explain that, in paragraph 5 of document 6 (contained in sect. B of annex II), which summarizes the conclusions of the meeting, VOEST is included as a major financier of the RISCO expansion?

VOEST denies having received a protocol of the Paris meeting. However, the protocol which it appears was sent to Messrs. Apfalter and Froehlich of VOEST was of the Redcliff meeting and not of the Paris meeting. This meeting they did not attend.

6/ Ibid.

7/ Ibid.

8/ Ibid.

/...

Did VOEST participate in a meeting on or about 5 or 6 October in Paris on the RISCO expansion or related matters, as is indicated in the first paragraph and item 4 of the protocol of the Redcliff meeting?

EL SALVADOR

Note dated 16 July 1974 from El Salvador

/Original: Spanish/

The Chargé d'affaires, a.i., of El Salvador to the United Nations ... has the honour to acknowledge receipt of /the Secretary-General's/ note No. PO 230 SORH (1-2-1), Case No. 171, of 24 June 1974, transmitted at the request of the Committee established in pursuance of Security Council resolution 253 (1968) concerning the question of Southern Rhodesia.

The Chargé d'affaires, a.i., of El Salvador to the United Nations wishes to inform the Secretary-General of the United Nations that he has forwarded the document in question to his Government ...

FEDERAL REPUBLIC OF GERMANY

(a) Note dated 3 May 1974 from the Secretary-General to the Federal Republic of Germany

The Secretary-General of the United Nations ... at the request of the Security Council Committee established in pursuance of resolution 253 (1968) concerning the question of Southern Rhodesia, has the honour to transmit photocopies of the following documents:

(a) A press report, published by The Sunday Times of London on 14 April 1974 concerning an alleged arrangement for the provisions of a loan from various non-Rhodesian sources to the Rhodesian Iron and Steel Corporation.

(b) Correspondence and memoranda apparently relating to that transaction and to arrangements for the sale to various interests outside Southern Rhodesia of products of the Rhodesian Iron and Steel Corporation.

The Committee considers that the enclosed photocopies constitute very strong evidence that funds for investment or other financial resources have been or are intended to be made available to commercial, industrial or public utility undertakings in Southern Rhodesia and that commodities and products originating in Southern Rhodesia and exported therefrom have been or are intended to be imported into the territories of States Members of the United Nations and other States. The documents clearly indicate that nationals of and persons within the territory of the Federal Republic of Germany are or have been involved in these transactions.

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The Committee takes the gravest possible view of this matter. The enclosed documentation clearly suggests a serious breakdown in the implementation of Security Council resolution 253 (1968), in particular, paragraphs 3 and 4 thereof.

The Committee, which is authorized to seek information regarding the effective implementation of sanctions for the proper discharge of its duty to report to the Security Council, has requested the Secretary-General to remind the Government of the Federal Republic of Germany of its obligations to implement effectively the mandatory resolutions of the Security Council concerning sanctions against Southern Rhodesia. The Committee would be grateful if the Government of the Federal Republic of Germany were to investigate with the utmost urgency all activities by any of its nationals or any person within its territory that appear to be connected with the transactions to which the enclosed documents point. In view of the very serious nature of this matter, the Committee looks to the Government of the Federal Republic of Germany to conduct inquiries with diligence and, where necessary, to ensure that any activities of a kind which Security Council resolution 253 (1968) requires to be prevented are promptly terminated.

The Committee would be grateful to receive from the Permanent Representative of the Federal Republic of Germany, within one month of the date of this note, the comments of His Excellency's Government. It would be glad to know what inquiries have been instituted as a result of this communication and what results have been achieved to date.

The Committee requests the Permanent Representative to regard this communication as having been made, for the time being, in confidence. It is conscious that additional publicity at this stage might enable the illegal régime in Southern Rhodesia to take further repressive measures against persons whom they suspect of being instrumental in bringing these matters to light.

(b) Note dated 8 May 1974 from the Federal Republic of Germany

/Original: English/

The Permanent Representative of the Federal Republic of Germany to the United Nations ... has the honour to acknowledge receipt of /the Secretary-General's/ note PO 230 SORH (1-2-1), Case No. 171, of 3 May 1974, which has been brought to the attention of the Government of the Federal Republic of Germany.

The Federal Government was informed about an alleged co-operation between the Rhodesian Iron and Steel Corporation and certain German banks and companies two weeks ago and immediately took measures to verify the charges. As soon as an answer is received from Bonn, the Permanent Representative will inform the Secretary-General without delay. Should the charges prove to be justified, the Federal Government will do its utmost to ensure that all activities which do not comply with Security Council resolution 253 (1968) are promptly terminated.

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(c) Note dated 19 June 1974 from the Federal Republic of Germany

/Original: English/

The Acting Permanent Representative of the Federal Republic of Germany to the United Nations ... with reference to /the Secretary-General's/ note of 3 May 1974 and further to his own note of 8 May 1974, has the honour to inform the Secretary-General of the following:

Initial investigations at the firms allegedly involved in co-operation with the Rhodesian Iron and Steel Corporation have been concluded. The preliminary results do not support the data made available by the Security Council Committee Established in Pursuance of Resolution 253 (1968) but have produced only transactions in South Africa.

The investigations are, however, continuing. As soon as the final result is available it will be conveyed promptly.

(d) Note dated 9 July 1974 from the Federal Republic of Germany

/Original: English/

The Acting Permanent Representative of the Federal Republic of Germany to the United Nations ... has the honour to acknowledge receipt of /the Secretary-General's/ note PO 230 SORH (1-2-1), Case No. 171, of 25 June 1974 concerning the Rhodesian Iron and Steel Company which has been brought to the attention of the Government of the Federal Republic of Germany.

In this connexion, the Acting Permanent Representative, referring to his own notes of 8 May and 19 June 1974, respectively, wishes to inform the Secretary-General that he is not in the position to provide the Security Council Committee with new evidence. However, should the continuing investigations prove the charges to be justified, the Federal Government will spare no efforts to terminate all activities inconsistent with Security Council resolution 253 (1968).

(e) Note dated 22 August 1974 from the Secretary-General to the Federal Republic of Germany

The Secretary-General of the United Nations ... at the request of the Security Council Committee Established in Pursuance of Resolution 253 (1968) concerning the question of Southern Rhodesia, has the honour to inform /the Permanent Representative of the Federal Republic of Germany/ of the following:

The Committee has received the text of a memorandum addressed by the "Research Group for Inter-parliamentary Questions". The Committee understands that the same memorandum was addressed to the Ministry of Foreign Affairs of the Federal Republic of Germany in Bonn.

/...

A copy of this memorandum is enclosed herewith for ease of reference.

Since this memorandum deals with the involvement of a company registered in the Federal Republic in the activities of the Rhodesian Iron and Steel Company, the Committee considered that it would be most useful if His Excellency's Government could examine its contents and transmit its comments on the matter.

The Committee also indicated that it would appreciate receiving a reply at the earliest convenience, if possible within one month.

(f) Note dated 27 August 1974 from the Federal Republic of Germany

/Original: English/

The Acting Permanent Representative of the Federal Republic of Germany to the United Nations ... has the honour to acknowledge receipt of /the Secretary-General's/ note of 22 August 1974 PO 230 SORH (1-2-1), Case No. 171, concerning the question of Southern Rhodesia.

The contents of the note and its enclosure have been transmitted to the Government of the Federal Republic of Germany. As soon as an answer is received from Bonn, the Mission will not fail to inform the Secretary-General about the result of the investigations.

(g) Note dated 17 September 1974 from the Federal Republic of Germany

/Original: English/

The Permanent Representative of the Federal Republic of Germany to the United Nations ... has the honour to inform the Secretary-General that thorough investigations conducted with Neunkirchener Eisenwerke and Kloeckner and Co., Duisburg, produced no evidence of dealings with Southern Rhodesia.

In detail, the investigations brought to light the following transactions:

On 24 November 1973, the firms mentioned above concluded sales contracts with Dr. Rolf Egly of Femetco A.G., Zurich, Hofwiesen Str. 3, legally domiciled in Zug, Switzerland, Post Str. 4, on steel billets in standard specifications of South African origin covering a period from 1 January 1973 to 31 December 1979. On the same day, Neunkirchener Eisenwerke and Kloeckner and Co. guaranteed to European-American Finance (Bermuda) Ltd., P.O. Box 1545, Hamilton (Bermuda), a loan of \$US 29 million given to Femetco A.G. The address of European-American Finance is given as c/o European-American Banking Corporation, 10 Hanover Square, New York, New York 10005 (USA). United States payments for deliveries of steel billets effected under the sales contracts and handled through the port of Lourenço Marques were effected to an account with the Union Bank of Switzerland in Zurich.

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Neunkirchener Eisenwerke und Kloeckner Co., Duisburg, claim to have tried to find out the original manufacturers so as to avoid the go-between, Femetco, but not to have succeeded. Mr. Seegers and Dr. Schneider, representatives of the firms, deny having participated in a meeting in Paris on 14 and 15 September 1972 and to have received the protocol published by The Sunday Times.

(h) Note dated 19 November 1974 from the Secretary-General to the Federal Republic of Germany

The Secretary-General of the United Nations ... at the request of the Security Council Committee Established in Pursuance of Resolution 253 (1968) concerning the question of Southern Rhodesia, has the honour to inform /the Permanent Representative of the Federal Republic of Germany/ that the Committee has considered His Excellency's note of 17 September about the investigation of evidence to the effect that two firms from the Federal Republic were involved in dealings with the Rhodesian Iron and Steel Company (RISCO).

The Committee was glad to receive the assurance contained in the note of 17 September that thorough investigations had been conducted with Neunkirchener Eisenwerke and Kloeckner and Co. of Duisburg. It would, however, be grateful if it could be informed by the Federal authorities of the detailed conclusions of that investigation and the grounds on which the authorities apparently accepted that there was no evidence of dealings with Southern Rhodesia.

Messrs. Seegers and Schneider deny participating in a meeting in Paris in September 1972, although it is not alleged that they did so. The meeting concerned took place in Southern Rhodesia (see document J of the dossier forwarded to the Federal authorities). The Committee has now, moreover, received further evidence of the holding of the meeting in August 1972 referred to in the documents originally forwarded to the Mission of the Federal Republic. In a note dated 15 October, the Austrian Government has informed the Committee that it is not denied that a representative of the Austrian state-owned VOEST participated as an observer in the meeting, held on 18 August 1972 in Paris. It is this meeting which it is alleged that representatives /whose names do not appear in the record/ of the two firms concerned attended. The Committee would be grateful if this matter were investigated. (The Committee will, of course, also be seeking information from the Austrian authorities as to the full list of participants in the meeting.) The Committee would, in addition, be particularly interested in how Messrs. Seegers and Schneider account for the presence of their names on the distribution list of the meeting on 14 and 15 September 1972.

The Committee was altogether unwilling to accept the statement that Neunkirchener Eisenwerke and Kloeckner and Co. had tried to find out the original manufacturer of the steel billets they contracted to buy but had not succeeded. The Committee assumed, from the final paragraph of the note of 17 September, that the Federal authorities were equally skeptical of this claim. Since the transactions admittedly entailed the two companies guaranteeing loans totalling \$US 29 million, the claim seemed impossible to accept.

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The Committee wished to recall, in this connexion, the information (in documents L and M in the dossier forwarded to the Federal authorities) regarding the establishment of two South African "dummy" companies, called "South African Steel Corporation (Pty) Ltd." and "Southern Transvaal Steel (Pty), Ltd.". The Committee would wish the Federal authorities to investigate closely any relationship between either or both of these so-called South African companies and the two Duisburg firms mentioned above.

The Committee concluded that the explanations offered to it in no way threw doubt on the validity of the evidence originally received and forwarded to the Government of the Federal Republic. Rather, they served to confirm it, bearing in mind the regular use by the Rhodesian business community of spurious documentation to cover sanctions-breaking. Moreover, the conviction in the courts of the illegal Rhodesian régime of the person from whom the written evidence was obtained and his sentence of 14 years imprisonment for divulging that information was further powerful circumstantial proof of its validity. The Committee therefore decided to call on the Government of the Federal Republic of Germany to undertake its own investigation of this case and to prosecute it with the utmost vigour.

Finally, the Committee has noted the contract concluded on 24 September by the two firms with Dr. Egly of Femetco, A.G., for steel billets in the period 1 January 1973 to 31 December 1979. It will not have escaped the notice of the Federal authorities that the evidence forwarded by the Committee indicated that Dr. Egly and Femetco were involved in the RISCO transaction. The Committee was therefore particularly concerned that the steel billets which were referred to in His Excellency's note were, in all probability, not in fact of South African origin but originated in Southern Rhodesia and were the product of RISCO. It assumes that the Federal authorities have taken the most stringent precautions to ensure that no steel billets of Southern Rhodesian origin can be imported into the territory of the Federal Republic. The Committee took the view that there was a clear and urgent obligation on the Federal Government to institute specific precautions with regard to these particular steel billets, and it would be grateful for detailed confirmation of the measures taken.

The Committee is now preparing a report in this extremely significant case of sanctions evasion for presentation to the Security Council. It hopes that a further and fuller report by His Excellency's Government on its investigations will be made available in the near future.

In view of the seriousness and urgency of this matter and the decision of the Committee to refer it to the Security Council, the Committee would be grateful if the Secretary-General were to receive an early reply to this note.

(i) Note dated 20 December 1974 from the Federal Republic of Germany

/Original: English/

The Permanent Representative of the Federal Republic of Germany to the United Nations ... with reference to /the Secretary-General's/ note of 19 November 1974 PO 230 SORH (1-2-1), Case No. 171, has the honour to communicate to him the following:

1...

The Federal Government would like to emphasize that the thorough investigations in the Federal Republic of Germany are being conducted with the utmost vigour. The offices of the companies involved have been inspected by virtue of search warrants.

The Federal Government has endeavoured in its notes of 24 June and 17 September 1974 to provide to the Sanctions Committee speedy and clear information on the facts ascertained during the investigations. The Federal Government, too, assumes that the records made available to it constitute a basis for inquiries. It is also of the opinion that the conviction of Mr. McIntosh to 14 years' imprisonment for divulging information establishes a certain presumption of the authenticity of the documents. Since, however, the smuggling of any commercial documents, whether authentic or forged, out of the country obviously constitutes an offence under Southern Rhodesian law, the Federal Government would be grateful for copies of authentic reports on the trial. According to press reports, the question of the validity of the documents was not examined during the trial.

In the case of the sales contracts concluded with FEMETCO and the guarantees of the loan provided by European-American-Finance Ltd., the German investigation authorities have been able to ascertain a certain degree of conformity of some of the documents made available to them by the Sanctions Committee with those confiscated during the investigation. The Sanctions Committee was informed about this. As far as the other documents are concerned, however, the German authorities were unable to find any corresponding records which would or could furnish evidence of transactions by German companies with Southern Rhodesia.

The representatives of the companies concerned stated during the interrogations that they had never received the incriminating protocols. This is obviously in conformity with the results of the Austrian and Swiss interrogations. The representatives of the Germany company have stated further that they did not take part in any talks on the subject of an expansion of the Southern Rhodesian steel industry. According to the information so far available, the Swiss partners have said the same. Only the statement by the Austrian witness can provide further evidence. The German authorities therefore approached the Austrian Government in order to obtain a formal declaration on who from the German side had been present and whether all participants knew that the talks concerned transactions with Southern Rhodesia.

The representatives of the German companies have stated that, to their knowledge, the manufacturer of the steel was a South African group of firms which maintains and operates several companies and plants in South Africa. Before more thorough investigations are made in South Africa, the German investigation authorities should be informed about what FEMETCO has to say concerning its sources of supply and the use of the loan. It is known from previous experience that investigations in South Africa are extremely difficult and do not have any prospect of success unless all data available have been collected beforehand and unless such investigations are conducted on a selective basis. The Federal Government would be grateful in this connexion if the Sanctions Committee could inform it of

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the evidence on which the Committee based its communication that Southern Transvaal Steel (Pty.) Ltd. is, in fact, a Rhodesian dummy company.

In the course of their investigations the German authorities came across bankers' references concerning FEMETCO and the South African group behind it. The German companies were obviously under the impression that they offered a guarantee for FEMETCO and for that group and not for a Southern Rhodesian company. Upon remonstrations that this manner of providing security for payment was unusual, the companies pointed out that for them to undertake this guarantee, under which no claim had so far been made against them, was much more favourable in terms of cost than to arrange for letters of credit.

In view of the doubts expressed concerning the origin of the steel billets, the Federal Government has given instructions for a thorough investigation to be made and for samples to be taken from the imported steel. The Federal Government has already approached competent research institutes in the Federal Republic with a view to obtaining a chemical analysis of the steel. Since the German institutes have certain doubts as to whether it will be possible to determine the origin of the steel billets, the Federal Government would be grateful for the names of internationally renowned experts who are able reliably to distinguish Southern Rhodesian from South African steel.

During the investigations the firm Lurgi, which was mentioned in a memorandum, has also been closely examined. An intensive search of all relevant documents and an interrogation of the members of the staff involved did not bring to light any indication of supplies or services of any kind to Southern Rhodesia. Nor was it possible to find any reference to supplies or services to the Austrian company VOEST for projects in Southern Rhodesia.

The German authorities will continue to examine the case with the utmost care and precision. In order to be able to sever unlawful economic relations between German companies and Southern Rhodesia, the German investigation authorities must first of all furnish evidence of their existence. Punishment would require the additional proof that the possible Southern Rhodesian source of supply of the steel was known to the German companies and that they were not deliberately deceived by foreign business partners.

The Federal Government would be pleased if the Sanctions Committee continued to assist it in its investigations and is prepared, on its part, to continue to co-operate fully with the Committee.

GABON

Note dated 17 July 1974 from Gabon

/Original: French/

The Permanent Representative of the Gabonese Republic to the United Nations ... with reference to the question of Southern Rhodesia, informs /the Secretary-General/

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that his letter PO 230 SORH (1-2-1) of 24 June 1974 has been duly transmitted to the Gabonese Government.

The Permanent Representative is confident that his Government will extend suitable co-operation in this matter ...

KENYA

Note dated 24 July 1974 from Kenya

/Original: English/

The Permanent Representative of the Republic of Kenya to the United Nations ... has the honour to inform that the Government of the Republic of Kenya has taken due note and will exercise utmost vigilance to ensure it does not import into its territory iron and steel products originating in Southern Rhodesia as a result of the plans made in 1972 for the external financing of the expansion of the Rhodesian Iron and Steel Company.

The Government of Kenya has stated its stand very clearly regarding the illegal régime in Southern Rhodesia and undertook to terminate all commercial and communication activities with that régime.

MALAWI

Note dated 6 December 1974 from Malawi

/Original: English/

The Permanent Mission of the Republic of Malawi to the United Nations ... has the honour to refer to /the Secretary-General's/ communication No. PO 230 SORH (1-2-1), case No. 171, dated 24 June 1974.

The competent authorities have advised that the Republic of Malawi will do nothing to help Rhodesia to secure the investment it is seeking to expand its steel production but that, as it was made clear to the United Nations, it will continue to conduct traditional trade with Rhodesia.

OMAN

Note dated 14 August 1974 from Oman

/Original: English/

The Permanent Mission of Oman to the United Nations ... has the honour to inform that the Government of the Sultanate of Oman would like to assure the

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Secretary-General there is no provision of funds for investment, or any other financial or economic resources, which will participate in the plans for the external financing scheme for the expansion of the Rhodesian Iron and Steel Company Limited.

REPUBLIC OF VIET-NAM

Note dated 20 September 1974 from the Republic of Viet-Nam

/Original: French/

The Permanent Observer of the Republic of Viet-Nam to the United Nations ... has the honour to inform /the Secretary-General/ that the Government of the Republic of Viet-Nam has just taken a decision to ban the import of all iron and steel products originating in Southern Rhodesia.

SWITZERLAND

(a) Note dated 3 May 1974 from the Secretary-General to Switzerland

The Secretary-General of the United Nations ... at the request of the Security Council Committee Established in Pursuance of Resolution 253 (1968) concerning the question of Southern Rhodesia, has the honour to transmit copies of the following documents:

(a) A press report, published by The Sunday Times of London on 14 April 1974 concerning an alleged arrangement for the provisions of a loan from various non-Rhodesian sources to the Rhodesian Iron and Steel Corporation;

(b) Correspondence and memoranda apparently relating to that transaction and to arrangements for the sale to various interests outside Southern Rhodesia of products of the Rhodesian Iron and Steel Corporation.

The Committee considers that the enclosed documents constitute very strong evidence that funds for investment or other financial resources have been or are intended to be made available to commercial, industrial or public utility undertakings in Southern Rhodesia and that commodities and products originating in Southern Rhodesia and exported therefrom have been or are intended to be imported into the territories of States Members of the United Nations and other States. The documents clearly indicate that nationals of and persons within the territory of Switzerland are or have been involved in these transactions.

The Committee takes the gravest possible view of this matter. The enclosed documentation clearly suggests a serious breakdown in the implementation of Security Council resolution 253 (1968), in particular, paragraphs 3 and 4 thereof.

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The Committee, which is authorized to seek information regarding the effective implementation of sanctions for the proper discharge of its duty to report to the Security Council, has requested the Secretary-General to remind the Government of Switzerland of its obligations to implement effectively the mandatory resolutions of the Security Council concerning sanctions against Southern Rhodesia. The Committee would be grateful if the Government of Switzerland were to investigate with the utmost urgency all activities by any of its nationals or any person within its territory that appear to be connected with the transactions to which the enclosed documents point. In view of the very serious nature of this matter, the Committee looks to the Government of Switzerland to conduct rigorous inquiries and, where necessary, to ensure that any activities of a kind which Security Council resolution 253 (1968) requires to be prevented are promptly terminated.

The Committee would be grateful to receive from the Permanent Observer of Switzerland, within one month of the date of this note, the comments of His Excellency's Government. It would be glad to know what inquiries have been instituted as a result of this communication and what results have been achieved to date.

The Committee requests the Permanent Observer to regard this communication as having been made, for the time being, in confidence. It is conscious that additional publicity at this stage might enable the illegal régime in Southern Rhodesia to take further repressive measures against persons whom they suspect of being instrumental in bringing these matters to light.

(b) Note dated 24 June 1974 from Switzerland

/Original: French/

The Permanent Observer of Switzerland to the United Nations ... has the honour to refer to /the Secretary-General's/ note of 3 May 1974 relating to the report published by The Sunday Times of London on 14 April 1974 concerning alleged arrangements for the provision of foreign loans to the Rhodesian Iron and Steel Corporation and the sale outside Rhodesia of the products of this Corporation.

On the basis of the documentation provided to them, and within the framework of their lawful powers, the federal authorities are currently investigating the alleged involvement of Swiss companies in the above-mentioned transactions.

The results of the investigation will be communicated to the Secretary-General as soon as possible.

(c) Note dated 25 September 1974 from Switzerland

/Original: French/

The Permanent Observer of Switzerland to the United Nations ... has the honour to inform /the Secretary-General/ of the following:

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On the basis of the documentation provided by the Secretary-General, the Federal authorities have carefully examined the allegations concerning the role of certain Swiss companies, mentioned in the British weekly, The Sunday Times of 14 April 1974, in financial transactions in favour of the Rhodesian Iron and Steel Corporation.

Neither the documents provided nor the information received from the Swiss companies concerned lead the Federal authorities to conclude that the companies in question were indeed involved in the transfer of capital to the Rhodesian Iron and Steel Corporation.

The Federal authorities remain prepared to reconsider this case in the event that the Secretary-General is able to transmit to them some supplementary documentation which would indicate that the conclusion they have reached is incorrect.

(d) Note dated 18 November 1974 from the Secretary-General to Switzerland

The Secretary-General of the United Nations ... at the request of the Committee Established in Pursuance of Resolution 253 (1968) ... has the honour to inform /the Permanent Observer of Switzerland/ that the Committee has considered His Excellency's note of 25 September about the alleged involvement of Swiss firms and individuals on arrangements to transfer financial resources to the Rhodesian Iron and Steel Company (RISCO).

The Committee was disappointed that the Federal authorities had apparently been unable to take effective action on the basis of the information and documentation made available to them; this information was not confined to material published in the press.

Since communicating with His Excellency, the Committee has been informed as follows by the Government of the Federal Republic of Germany (September 1974). On 24 November 1973, Neunkirchener Eisenwerke and Kloeckner and Co., Duisburg, concluded sales contracts with Dr. Rolf Egly of Femetco, A.G., Zurich, Hofwiesen Str. 3, legally domiciled in Zug, Switzerland, Post Str. 4, on steel billets in standard specifications of South African origin covering a period from 1 January 1973 to 31 December 1979. On the same day those two firms guaranteed to EAF (Bermuda), Ltd., a loan of \$US 29 million given to Femetco, A.G. Payments for deliveries of steel billets handled through the port of Lourenço Marques were effected to an account with the Union Bank of Switzerland in Zurich. This further information seems to provide powerful circumstantial evidence in support of the evidence already forwarded to the Swiss authorities.

The Committee wished to recall the statement (in a letter of 6 November 1972, from Rhodesian Acceptances, Limited, to NEFICRHO Acceptances, Limited, which was document L in the dossier forwarded to the Swiss authorities) that "To satisfy the Swiss Authorities it has been necessary to interpose a South African company to

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borrow the funds from Femetco and lend them on to RISCO". The inference might be drawn from this statement that the Federal authorities themselves were in some way implicated in the affair. The Committee expected that those authorities would wish to clarify their position.

The Committee wished to remind the Swiss authorities also that two South African "dummy" companies were established, called "South African Steel Corporation (Pty) Ltd." and "Southern Transvaal Steel (Pty) Ltd.". The Committee would be grateful if the Swiss authorities would closely investigate any relations between Femetco, A.G., and either or both of these so-called South African companies.

The Committee would also like to draw to the attention of the Swiss Government the recent conviction in the courts of the illegal régime of the person who supplied the documentary evidence which the Committee forwarded to the Swiss authorities and his sentencing to 14 years' imprisonment. This is an additional strong indication of its authenticity.

The Committee, likewise, noted that this case was not the first to come to its attention which involved allegations concerning the activities of Dr. Egly of Zurich and the firm Handelsgesellschaft of Zurich, of which Femetco, A.G., is a close associate.

In view of the very serious nature of this case and the well-documented nature of the evidence, the Committee decided to call upon the Government of Switzerland to review the case once more. In doing so, it is bound to express its surprise and disappointment that the Federal authorities had apparently done no more, in response to the request addressed to them five months earlier, than examine the allegations. The Committee hoped that they would now conduct their own most rigorous investigations and looked to them to do so now without further delay.

In view of the particular scale and importance of this case, the Committee is preparing a special report to the Security Council on it. It therefore hopes that the detailed results of investigations by the Swiss authorities will be made available to the Secretary-General in the very near future.

UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND

(a) Statement made by the representative of the United Kingdom at the 192nd meeting of the Committee on 1 May 1974

I can ... report that investigation is already under way to establish whether any United Kingdom or Bermudan parties broke domestic sanctions controls. We will report to the Committee as soon as possible.

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(b) Statement made by the representative of the United Kingdom at the 202nd meeting of the Committee on 10 July 1974

Inquiries were instituted by the United Kingdom Government immediately on receipt of the information which was put to the Committee. These inquiries concerned the activities of European-American-Finance (Bermuda), Ltd. (EAF), and extended also to the possibility of the involvement of companies in the United Kingdom itself.

The inquiries made by the United Kingdom Government have established that the Midland Bank has the following connexion with EAF. It owns a 20 per cent shareholding in the European American Banking Corporation (EAB), which is itself the parent company of EAF. It has two directors on the board of EAB, and, in addition, one of the senior officers of the Midland Bank is a director of EAF. Despite the fact that the Midland Bank is therefore clearly not itself responsible for the activities of EAF, the United Kingdom Government thought it right to make inquiries to ascertain whether the Midland Bank or any of its officials had reason to think, at any relevant time, that any loan by EAF to Femetco was in furtherance of economic activity in Rhodesia. Accordingly, following the matter's first being raised at the United Nations, the United Kingdom Government, acting through the Treasury and Bank of England, questioned the Midland about their actions.

The Midland Bank have from the outset denied that they had any knowledge of the loan's true purpose. In particular, the senior bank official, who is a director of EAF and who approved the loan application when it was received in the normal way through the post, has confirmed this and has supplied the authorities with copies of the loan application. This document, which does not give any indication of the true nature of the purpose for which the funds were to be used, lends support to the Midland Bank's statement that at no stage was this known to their representatives who were concerned with the matter. In fact, the loan application indicated that the financing was required for the purchase of South African steel. When the Midland Bank learnt the true purpose of the loan they at once made representations to EAB and successfully demanded, despite the fact that they have only a minority interest, that the loan to Femetco be called immediately. On the basis of all the information at present available to them, the United Kingdom Government have no reason to doubt the account of events given by the Midland Bank during the investigation.

Investigation of the activities of EAF itself have been put in hand in Bermuda and elsewhere. These investigations, which are not yet complete, are being vigorously pursued, and the outcome will be reported to the Committee as soon as possible.

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UNITED STATES OF AMERICA

Statement made by the representative of the United States of America at the
210th meeting of the Committee on 2 October 1974

The United States Department of the Treasury has conducted an investigation of the European-American bank facility in the United States. Investigation did not disclose evidence of direct or indirect transactions with Southern Rhodesia by that facility or that any prohibited transactions were in progress. The investigation, however, suggested the possibility of widespread international violations of sanctions outside the United States. The Department of the Treasury has contributed information arising from its investigation to the British Government to assist it in its ongoing investigations of the RISCO case.
