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The 15 pages that follow this letter are a fax copy of the four briefings we arranged: an overview, financial sanctions, disinvestnent, and gold.

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In a great rush on Friday evening. I sent neat originals of the taut briefings by DBL, to you c/o Randall Robinson. with luck they will have.prrived today (Monday), or else they should arrive by tomorrow morning. If they come in time. would you request,Mr Robinson’s office to make copies of then for your three colleagues (and for anyone else who may be interested)? Otherwise, you can copy the fax.

I have not had a glimpse of the new Chamber of nines survey. At a guess, the major point I would make about it is this: nearly since the beginning of the debate. it has been clear that the most popular option in black public opinion is for an intermediate or conditional position on disinvestment and santtions, 1.0. in which they are supported until the gOVernment abandons apartheid and repression, and are then lifted. This conditional position is also espoused by the church and union federations. Surveys which do not pose the issue in a three-way fashion accordingly abuse the opinions they claim to tap. That they insistently continue to do so, for the sake of the . fallacious results they are known to generate, shows their ideological partisanship. They are expensive propaganda exercises. They Warrant derision, not discussion.

In some cases (we shall have to see if this applies to the new Chamber of Mines effort) they also include scare-clauses about uhemployment. Firstly. respondents’ unemployment attitudes do not indicate their orientation to sanctions but rather the intensity of their prior orientation. Secondly. we know that disinvestment-related unemployment has been negligible, and that sanctions-related unemployment will be small compared to th8’250,000 new we k-seekers each year and the historical backlog of more than 3.5 million black unemployed - both of which are the outcome of apefthoid. not sanctions.

The Chamber-of Hines study may well report (probably using an illegitimate two-way question) that a certain proportion of blacks support sanctions regardless; and a further proportion support them if they themselves are not directly hit. It follows from my argument that most of the latter proportion will in actuality support sanctions.

With best regards.

Yours,

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F.H. ORKIN
DIRECTOR

Overview

1 Types of sanctions

fSanctions’ ere of many types. They can be imposed (e) on trade. in the sense of the import and export of materiel goods. (b) on finance; in the form of credit and loans. (e) on investment in the sense of ownership. (d) on invisible trade such as technology. management and skille, end (e) on other trees euch es diplomacy. transport. culture. These briefings focus on important economic sanctions. Three of . . them deal with measures other than trade. This particular briefing ,therefoge provides some background on import and export of material goods. before posing some points for consiaeretion on economic . sanctions as e whole. ’ ,

The different types of sanctions cannot be considered in isoletIOn from each other. The other briefings show how. for example; loan repayments require a Surplus of exports over imports. Th1: ettetn on the belence of payments ney depress the rate of exchange, which . improves local earnings from gold unless that is separately under pressure..i end so on. Hence the importance of comprehensive and mandatory sanctions as e regulatlve goal, e reminder that measures have t? be Introduced on e broad front if they are to to complement rather then undercut each other.

2 The SA economy .

2.1 Key features of the SA economy

SA’s economy is dependent on obtaining capital googs from the rest of the world and supplying it with primary or intermediate goods. In 1986 gold accounted for over a_thtrd of SA’s $24bn exports and 70! of the remainder were also either mineral or egr1Cu1tural. On the other hand, about BOt of total imports were in the form of capital and intermediate goods.(1) South Africa is also dependent on the outside world for the ipdustrial techqg$ogy and knowledge necessary to run these machines. South Africa’s eveloped industrial economy and her . reliance on imports of capital goods decrease the chances of her enjoying an internal growth phase after the widespread imposition of sanctions (as happened for e short while in Rhodesia after UDI).

242 Patterns of Import and export.

By 1986 the 12 EC meibers accounted for kli of SA exports and 39t of imports, the US and Canada for 19t of exports and llt of imports and Japan and four Pecifte NICs (newly industrialised countries) for 22t of exports and 16t of imports. i er

The Big Five countries -- the US. Japan. West Germany. Italy and k the UK -- together took 65! of SA’: exports the supplied 52$ of her imports. The Big Five elso bought virtually all SA’s exports of gold, platinum and diamonds, which together account for nearly e third of SA’: merchandise trade. Other products -- especially agricultural -- had I more dispersed narket.(2)

2.3 Changing patterns of trhde.

Sanctions have changed the patterns of trade over the last few years. Imports from the US fell by 40$, or US$860m between 1985 end 1987 slene. Taiwan, which has consistently increased contact with South Africa. more than doubled its export: in four years. And Turkish 'imports of steel quadrupled between 1982 and 1986, no doubt on theif way to further destinations. Japan, West Germany, Italy and Spain also increased their trade by significant amounts.(3h But trade with the 'rest of the world will ultimately be much more important for these countries than trade with South Africa. If knock-on legislation in the US forced the US's trading partners to choose between the US and South Africa; they will have a simple choice. ' '

Without constant pressure, however, other countries will also increase trade. Trade with the UK increased by 18% in the first nine months of 1988, protected by Thatcher's anti-senctions stance.(h)

2.4 Unemployment and inflation

Unemployment continues to grew in South Africe. Meth estimates that there were 3 million Africans alone who were unemployed at the end of 1988. South Africa's inflation is also much higher than that of her trading partners. The official rate was 1&%. A recent academic estimate put it at 31%.(5) But high unemployment and inflation rates were not caused by sanctions. They have been part of the South African economy at least since the 19705.

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3 Considerations --'feasibility and efficiency

When assessing the effectiveness of specified sanctions we need to distinguish three aspects. The first is feasibiIiEy .- whether it is possible to impOSe the sanction and probable that it will be broadly implemented. In the case of gold, feasibility is limited, as discussed in another briefing. In the case of coal, on the other hand, where there are many other suppliers only too eager to avoid SA competition, possibilities ere much great . Even where sanctions are partial, however, the cost of finding new supplier or markets imposes a 'premium' that adds to the strain on the economy.

The second aspect,is efficiency. Efficient sanctions obtain maximum impact on the regime and its allies or supporters, at minimum cost to the oppressed (end with minimum unevenness in its regional or sectoral distribution).

A separate briefing argues the considerable merits, in respect of feasibility and efficiency. of financial sanctions. Here we briefly compare oil. coal. fruit. and arms.

A mandatory international oil embargo was imposed in 1977. South Africa has continued to obtain international oil since that time. But PW Botha himself has acknowledged that the 'premium' has cost the cauntry an extra R22bn between 1973 and 198A -- 10$ of total export earnings.(6) The SA government has invested large amounts of money in strategic energy projects such as the SASOL oil-from-coal. nuclear plants and Mossel Bay offshore oil. The price has been paid in higher taxes. recurrent stiff petrol increases. and high inflation rates as business passes on their high energy costs. Oil sanctions have thus been both feasible and efficient.

Fruit sanctions, by contrast, would unequally effect particular region: of South Africa and particular groups of workers, and would also have a much smaller effect on the economy because of the low value relative to exports to a whole. Although fruit-releted eXports as a whole accounted for 4% of total exports in 1987, this was divided lemons many different commodities,(7) each of which had a different o pattern of buyers and each of which would haVe to be separately tergetted. South African agricultural commodities also remain relatively competitive with products from other countries (both because of the poor exchange rate end because they are produced less. capital-intenslvely). Thus widespread fruit sanctions are neither very , feasible nor very efficient. (They have a different merit, of enabling populat participation abroad). ,

Coal sanctions lie somewhere in betwien. In 1987'coalltahked second only to gold, accounting for 8! of total exports. or $1391m.(8) Sanctions would exert a serious pressure on the economy. But they would also affect a sizeablo and concentrated particular arcup of workers. _

The international mandatory arms embargo of 1977 has prowed to be even more feasible than oil. and unexpectedly efficient. South Africa developed an internal arms industry in an attempt to achieVe self-sufficiency. But recent developments in AngOIa suggest that current SouthtAfrican equipment is no match for that of her 'enemles'. And thel cost has been enormous. Military goods and oil together account for almost one-third of SA's 1mports.(9)

4 One perspective

Virtually all proponents of sanctions are asking that they be comprehensive and mandatory. But energies could initially be concentrated on areas seen as most feasible and efficient.

Restrictions on trade credit are possible. They would cost the world little and would act to limit SA's access to credit in general and her ability to trade. Financial sanctions on debt have been applied in the past and had 3N3?rked effect on the economy and on apartheid's rulers confidence. .

As regards trade, sanctioning of 40% of export value is probably the maximum that can be expected -- 1.e. excluding sanctions on gold, diamonds and precious'mlnerals as being barely feasible. Coal is more possible because of the existence of competing and eager suppliers. Sanctions on SA exports other than minerals, 8.5. fruit, would be relatively easy for other countries to bear. They would also, because of much smaller Volume and Value, have less impact on the economy. But they would put pressure on influential groups such as farmers, and would exacerbate the weakness of the econOmy.

Sanctions raise the price of apartheid -- the 'epartheid premium'. Disinvestment and e lessening in trade have already occurred without government intervention and legislation. Legislation increases the impact. both by Catching stragglers and by generally lessening business confidence in South Africa. The more comprehensive this legislation and the stronger its policing mechanisms, the less chance there is for evasion, and the greater the hope of quicker change. As the dislnvestment brief makes clear. legislation should also provide a,

for consultation with the dppi355ed in South'Africa so as to afford them maximum possible protection.
'COmprehenSIVeness should be incer-national as well as sectoral: in this, gtvan the pre-eminence of tho Us market. even the prospect of US 'knock on' sanctions legislation is especially important in inhibiting other countries from sanctions-busting.

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