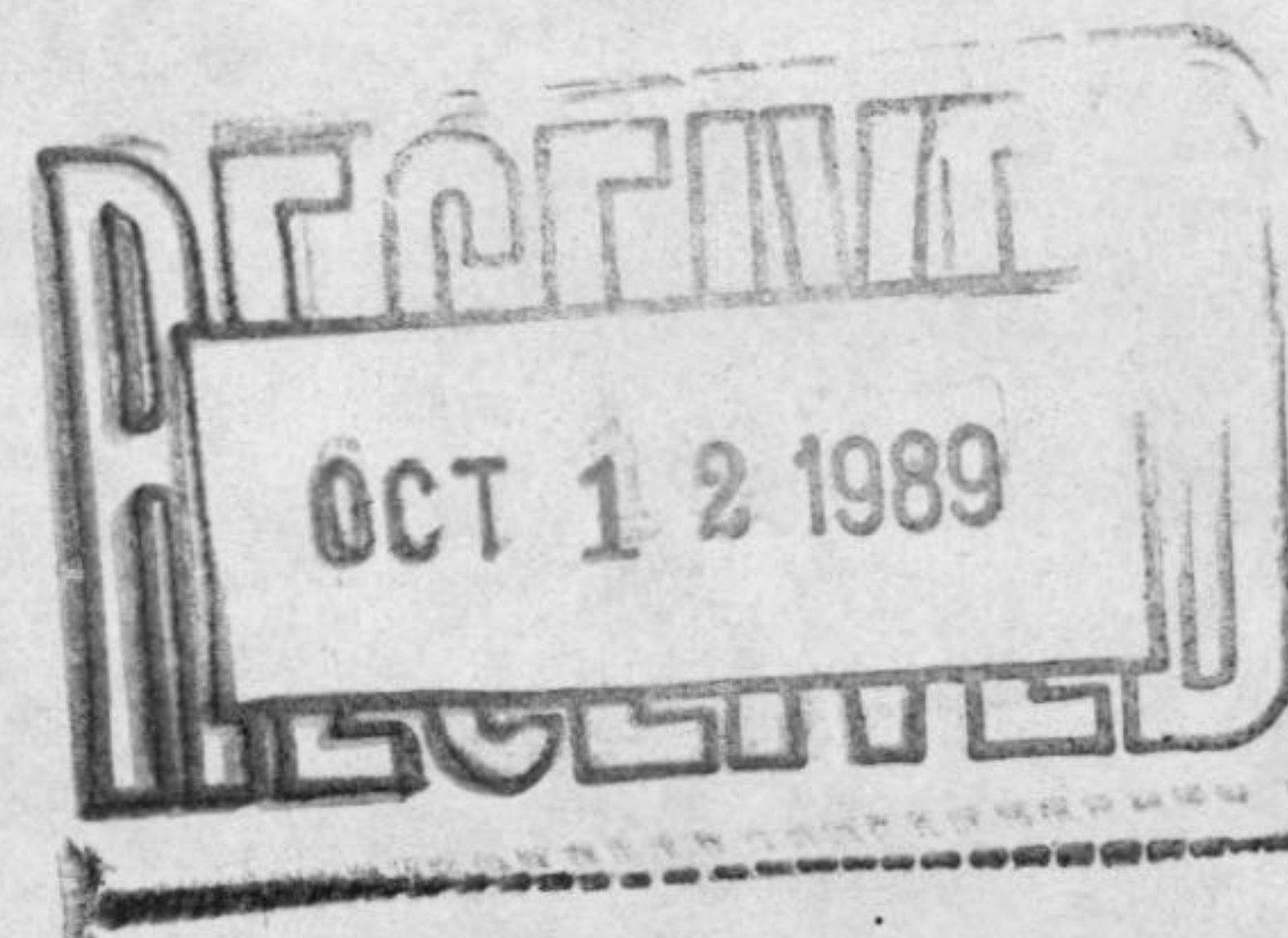


NYM/223/2270/26

6.10.89

# INTERFAITH CENTER ON CORPORATE RESPONSIBILITY



475 RIVERSIDE DRIVE, ROOM 556, NEW YORK, NEW YORK 10115 (212) 870-2293

October 6, 1989

Dear Anti-Apartheid Activist:

We had a very successful demonstration, including the arrest of 29 people who took part in civil disobedience outside MANUFACTURERS HANOVER TRUST on Oct. 4. (Parallel demonstrations took place at South Africa's other major creditor banks in London, Paris, Zurich, Frankfurt and Copenhagen.) We are ready to move on to broaden the campaign to assure that the bank exerts maximum pressure on Pretoria--rather than simply giving South Africa more time to repay its loans.

The next step is to organize actions at MANUFACTURERS HANOVER branch banks around the city. Wherever you live, there is probably a branch near you!

We will meet to launch the branch bank campaign (and to confirm court details for those who joined in the Oct. 4 civil disobedience) on

WEDNESDAY, OCT. 18  
at Local 1199 (310 W. 43rd St.)  
6th Flr. Conference Room

Agenda:

6:00 - 6:30--Coordination for court appearance of civil disobedience participants

6:30 - 8:00--MANUFACTURERS HANOVER branch bank campaign

8:00 - 8:30--Pending legislation (Intro 1137 and Financial Sanctions)

Please bring any friends who are interested in the branch bank campaign. If you cannot make the meeting but would like to be active at a branch in your community, please tear off the form below and mail it to back to us.

See you on the 18th.

In solidarity,

*Donna*

Donna Katzin, for ICCR and Mobil Out  
of South Africa Coalition

-----  
\_\_\_\_ I would like to join in the MANUFACTURERS HANOVER branch bank campaign.  
\_\_\_\_ I would like to take part in actions at my local "MHT" branch  
[location and borough of preferred branch: \_\_\_\_\_]

NAME: \_\_\_\_\_ ADDRESS: \_\_\_\_\_  
PHONE: \_\_\_\_\_ (h) or (w) \_\_\_\_\_ ZIP \_\_\_\_\_  
Please return to: ICCR S.A. Program, Rm. 566, 475 Riverside Dr., NY, NY 10115.  
BY OCTOBER 17!

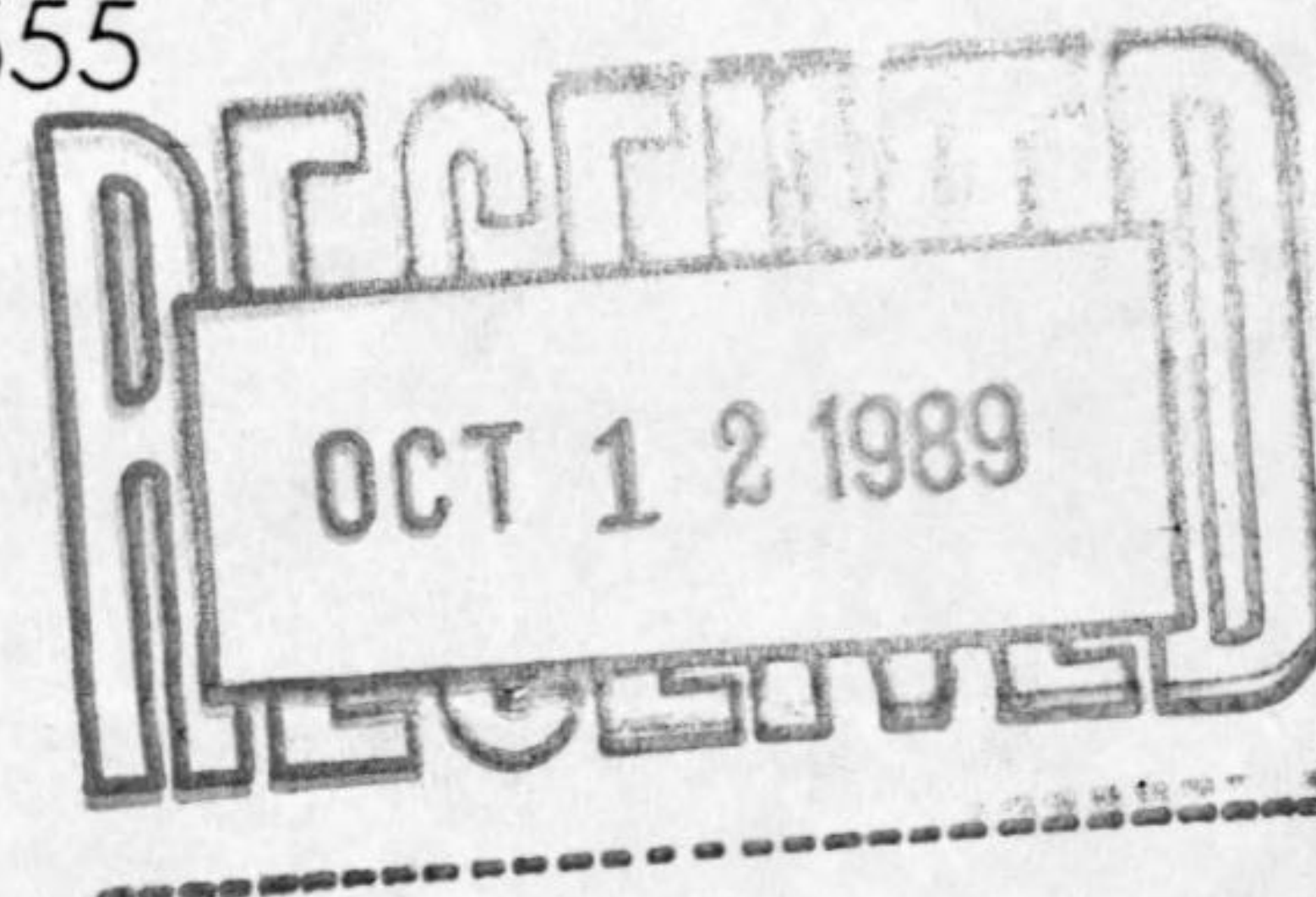




# AFRICAN NATIONAL CONGRESS

PO Box 38, 28 Penton Street, London N1 9PR, United Kingdom

Telephone: 01-837 2012 Telex: 299555



Comrades,

Enclosed is an article that appeared in the British newspaper, The Independent in September 13, 1989.

It is unfortunate that the media is resorting to this kind of speculative reporting about our president's state of health. It is not only undermining our organisation but is giving our enemy the opportunity to mislead our supporters worldwide. The impression being created is that president Tambo would not be able to resume his official duties and that the ANC is being forced to appoint a new president.

To counter this situation and on the grounds of medical advice from medical specialists it has been decided to schedule a major press conference in London on Friday 29 September. President Tambo himself will appear and answer any questions by journalists. On this day it will also be announced that comrade Tambo will resume his presidential duties on 2 October 1989 but will be assisted by comrade Thabo Mbeki. As such much of the presidents workload will be taken over by comrade Mbeki but comrade Tambo will be able to provide the strong and decisive leadership our organisation has become used to.

To ensure that this message effectively reaches our supporters worldwide you are requested to alert journalists and relevant



file  
misinfo



parties to these facts. As such we can put a stop to all kinds of rumours circulating and also illustrate that the African National Congress is as ready as ever before to unitedly confront the apartheid regime by intensifying the struggle on all fronts.

*M. Msimang*

Mendi Msimang

Chief Representative

ANC Mission to the United Kingdom and Ireland

*Spoke to Cde Mendi  
on Oct. 12th. This  
letter is a forgery*  
*[Signature]*



# Spasm means Tambo is unable to talk, says doctor

By our  
Medical Reporter

The brain spasm apparently suffered by ANC president Oliver Tambo is one of three causes of a stroke and it could have left him speechless, a leading London neurologist has said.

An ANC spokesman said in London on Wednesday that Mr Tambo (71) had had what doctors described as a spasm on the left side of the brain and this had impaired movement on the right side of his body.

## THREE CAUSES

The neurologist interviewed said it sounded as though one of the major blood vessels leading to the brain had constricted for a few seconds, blocking off flow and damaging brain tissue.

This was one of three causes of what was commonly known as a stroke, she said. A clot or a ruptured blood vessel were the other causes.

The consequences varied according to the severity of the stroke and what caused it. The neurologist said that if the stroke occurred on the left side of the brain, which is where the speech centre is housed, Mr Tambo may not be able to speak or his speech may be impaired.

If the stroke occurred on the brain's left side,

the right side of the body would be affected. Mr Tambo could suffer paralysis, a drooping mouth and impaired vision.

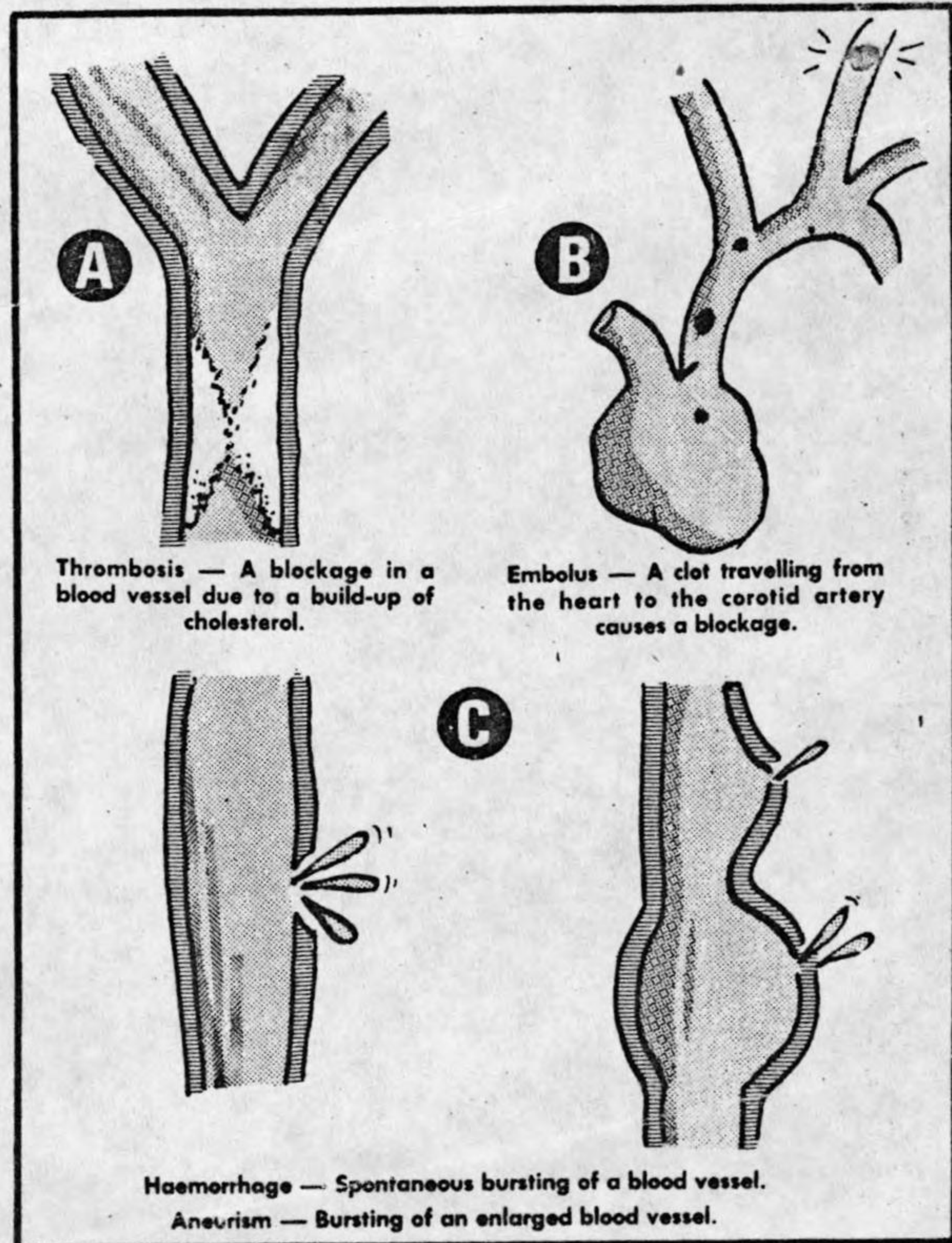
Former State President Mr P W Botha suffered a mild stroke on the right side of his brain in January. He suffered slight paralysis of the left side of the body but has apparently recovered completely.

The neurologist says that because of Mr Tambo's hypertension and extreme stress he was subject to, the chances

of him having another stroke was "theoretically" good.

Recovery time depends on the severity of the attack and may be anything from 10 days to months and even years.

Doctors advise all stroke victims to slow down and take things easy for at least three months no matter how mild the attack may have been. There is always the possibility of a second stroke.

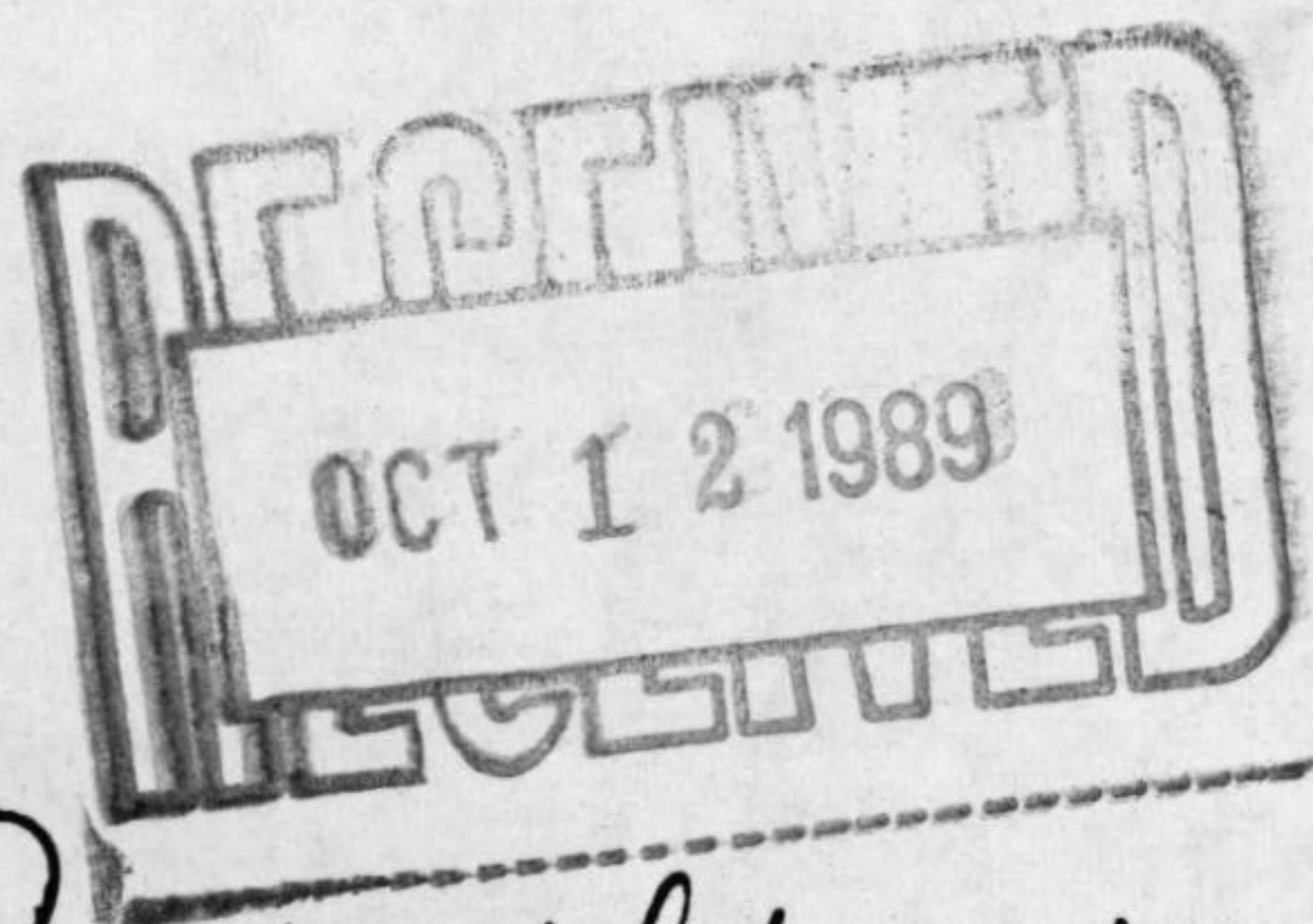


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Evangeline W. Kim

October 9, 1989

Thabo Mbeki  
Minister of International Affairs  
The African National Congress

Dear Minister,

I hoped to have the chance to see you during your visit here. Roy Stacy urged me to meet you, but alas, it seems you were in New York only momentarily according to Brother Victor at the U. N. office. As brief introduction about myself I'm including some background info with this letter. You may also be aware that I've been working with Maxana Tshabalala on various business projects for the Soweto Chamber of Commerce for the past few years.

Over the past 15 years of my development work throughout Africa I must say I've derived the greatest sense of accomplishment by finding solutions to end the despair of oppression and neo-colonialism, nowhere more rampant today than in South Africa.

In this respect I seek your counsel on a related topic. As you may have heard I'm helping organize a Southern African tour



2.

in March 1990 for the Burning Spear reggae group. The man himself, Winston Rodney, "Spear," is truly one of the greatest revolutionary musicians of our time. Other freedom fighters as Thomas Mpanfumo and Lucky Dube have both told me in what great esteem they hold Spear as a historical and continuous source of inspiration in the struggle for liberation. Over the past 20 years his conscious lyrics have roused the protest and resistance of millions of people throughout the world against the immorality of racism and violation of international human rights. At the same time the profoundness of his thinking has illuminated great spiritual strength and a keen appreciation of African ethnic awareness among all his audiences. There is a strong possibility that the cornerstone of the tour could be an Operation Hunger benefit concert to be held in Soweto. With much respect to the cultural boycott, if the ANC approves of and supports the concert I believe the following reactions will ensue: 1) that the ANC is taking a much more proactive position in challenging the regime's denial of the rights and the dignity of black South African people; and 2) that the cultural boycott is meant to isolate the apartheid regime; that indeed, culture itself can be turned into one of the



3.

most effective and progressive weapons against apartheid. Most important would be the overriding philosophy of the unity of all African people whether Mappumo from Zimbabwe, Dube from South Africa and certainly Spear from Jamaica. That there is a common history of colonial tyranny, that nevertheless, African roots are strong and very much alive and that black African history rules the rightful culture of South Africa. These are musical prophets of the people who give voice to their deepest feelings and aspirations.

Independence is coming very soon to South Africa. This is evident and clear. What better harbinger of liberation than a benefit of hope for the down trodden and hungry in the region to be held in that most symbolic city of legendary, courageous people: Soweto. This will certainly help change and affect matters within the country when least expected.

I am very keen to hear your views on this. I really regret not having the opportunity to speak with you directly. There are many other matters which I hope to discuss with you in the not too distant future.



I look forward to hearing from you.

Yours sincerely,  
Evangeline Kim

cc: M. Tshabalala, President, The Greater  
Soweto Chamber of Commerce and Industries  
- African National Congress U. N. office, N. Y.

My address: 23 Waverly Place 3P  
New York, N. Y. 10003  
tel. (212) 673-5207



REPORT TO THE CONGRESS PURSUANT TO SECTION 501 OF THE  
COMPREHENSIVE ANTI-APARTHEID ACT OF 1986

EXECUTIVE SUMMARY

Pursuant to Section 501 of the Comprehensive Anti-Apartheid Act of 1986 (the Act), herewith is transmitted to the Speaker of the House of Representatives and the Chairman of the Committee on Foreign Relations of the Senate a report on the extent to which significant progress has been made toward ending the system of apartheid. Included are recommendations on which additional measures, if any, should be imposed on South Africa.

The report concludes that the additional U.S. economic sanctions mandated by the Act have not to date been successful in moving the South African Government toward the goals outlined in Title 1 of the Act, goals that are shared by the Administration and Congress. However, recent events, including the September 6 election mandate for change claimed by President de Klerk and subsequent government/opposition cooperation in the holding of peaceful demonstrations, give some reason for hope that the opportunity for a peaceful end to apartheid has not yet been lost. The report reaches the conclusion that further sanctions are not needed at this time and would be counterproductive in view of steps being taken within South Africa and the region to bring about change through peaceful means.

While only the beginnings of possible progress have been observed, the report concludes that the current pattern of political evolution in South Africa merits attention and that the effect of sanctions has been mixed and is difficult to assess. The slowing of the South African economy as the result of sanctions has clearly demonstrated that the economic well-being of the white minority will depend increasingly on reaching a political accommodation with the black majority. However, the economic slowdown is not without negative effects, political and social. The conclusion of the report is that imposing additional measures now could be counterproductive in view of developments within South Africa and in the region. Accordingly, no additional sanctions are recommended at this time.

The Administration believes that U.S. policy must be built around sustained commitment to use U.S. influence with all elements of South African society on behalf of change, while making clear our unswerving dedication to the achievement of a nonracial and democratic South Africa. U.S. willingness to stay involved in South Africa and to facilitate dialogue among South Africans is the best approach to helping South Africans peacefully resolve their country's profound political problems at the present time.



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Herewith is transmitted to the Speaker of the House of Representatives and the Chairman of the Committee on Foreign Relations of the Senate the report required by section 501 of the Comprehensive Anti-Apartheid Act of 1986 (the Act) for the period from October 3, 1988, to October 2, 1989.

Background

Executive Order 12571 directed all affected Executive departments and agencies to take all steps necessary, consistent with the Constitution, to implement the requirements of the Act. They have implemented the Act fully and faithfully.

Section 101 of the Act states that it and other actions of the United States are intended to encourage the Government of South Africa to take the following steps:

- Bring about reforms leading to the establishment of a nonracial democracy in South Africa.
- Repeal the present state of emergency and respect the principle of equal justice under law for citizens of all races.
- Release Nelson Mandela, Govan Mbeki, and Walter Sisulu, black trade union leaders, and all political prisoners.
- Permit the free exercise by South Africans of all races of the right to form political parties, express political opinions and otherwise participate in the political process.
- Establish a timetable for the elimination of apartheid laws.
- Negotiate with representatives of all racial groups in South Africa the future political system in South Africa.
- End military and paramilitary activities aimed at neighboring states.

This report assesses the extent to which the South African Government has taken steps toward ending the system of apartheid, moving toward a nonracial democracy, and reaching



negotiated settlement of the South African conflict. At the end of the report is a recommendation on which additional measures, if any, should be imposed on South Africa.

The Status of Apartheid: October 1988 to October 1989

Despite recent positive signs, we are unable to report tangible progress towards the end of apartheid and the establishment of a nonracial democracy in South Africa during the period under review. There have as yet been no major changes in the present constellation of apartheid laws despite official suggestions that such may occur. Nor have negotiations with legitimate representatives of the black majority yet begun. Politically, economically and socially, apartheid remains intact. However, the last few months have seen encouraging developments which give some reason to hope that a process of change might be beginning. Chief among these was the July meeting between then-President P.W. Botha and Nelson Mandela and the statements made by President F.W. de Klerk since his election to the effect that he has been given a mandate for change. President de Klerk also asserted that the "door is open" to dialogue and, contrary to the practice of previous governments, he allowed peaceful political demonstrations to take place in Cape Town and Johannesburg the week following the election. However, during this same period, detention of political activists again increased and no actual process of dialogue has yet begun. It is still too early to say whether the first incomplete steps of the new government will lead to a process of dialogue and an end to the State of Emergency.

Section 101 (b) Progress or Lack thereof

Bring about reforms leading to the establishment of a non-racial democracy in South Africa. There have been no developments in this area in the past twelve months. Much of the petty apartheid legislation having already been rescinded, with the exception of the Separate Amenities Act, the remaining areas of legislated apartheid -- the Group Areas Act and the Population Registration Act -- are central to the entire system of apartheid. Their abolition would essentially end social and economic apartheid. There is no indication thus far that the South African government is considering such fundamental change. However, the new government may act to remove remaining petty apartheid strictures.

Repeal the present state of emergency and respect the principle of equal justice under law for citizens of all races. The State of Emergency has not been repealed and was renewed again this year. The South African legal system, as well as the judiciary, continues to allow some recourse from the arbitrary power of the State under its emergency regulations. The acquittal of trade union leader Moses Mayekiso in April on the



charge of treason for engaging in nonviolent community organization was particularly noteworthy in this regard. However, and especially under the State of Emergency, the combination of the white-controlled police and judiciary basically prejudices the system against non-whites. Unfortunately, it is therefore impossible to say that South Africa respects the principle of equal justice for all.

Release Nelson Mandela, Govan Mbeki, and Walter Sisulu, black trade union leaders, and all political prisoners. Nelson Mandela and Walter Sisulu have not yet been released. Many other political prisoners and detainees also remain in custody. However on November 26, 1988, Zeph Mothopeng was released from imprisonment. Govan Mbeki, released in 1987, was allowed to meet with Assistant Secretary Herman Cohen in July of this year despite being under restriction. Also, during the course of the year, Mandela was given somewhat improved quarters and met with then-President P.W. Botha in July. A significant development has been the emergence of Mandela's release as the central issue in the nascent dialogue over possible negotiations between the government and the opposition. Botha's decision to meet with Mandela implicitly recognized that real negotiations must include credible leaders like Mandela and, eventually, the African National Congress (ANC) of which Mandela is, after years of imprisonment, still the national and international symbol. Noteworthy in this regard is the reported understanding on the part of the South African government that Mandela's release cannot be an isolated act and that dialogue with other legitimate black leaders must be on the immediate agenda. Unfortunately, the government's release early this year of detainees, largely in response to their determined hunger strike, was mostly undone by restrictions placed on the persons freed and by new detentions of many of the same people in the election period.

Permit the free exercise by South Africans of all races of the right to form political parties, express political opinions and otherwise participate in the political process. There has been limited progress in meeting this goal. The September 6 election called attention to the fact that the South African government is chosen on the basis of an unequal and non-representative poll of the South African people. The UDF was virtually banned early this year, joining the unfortunately long list of peaceful, political organizations denied free and open existence. However, as one of the first acts of his new government, President de Klerk departed from past procedure and allowed peaceful demonstrations in Cape Town and Johannesburg during the week of September 11. Earlier in the year, the South African government allowed Albertina Sisulu and other banned UDF leaders to travel to the U.S. to meet with President Bush. It is too early to know if this represents a permanent change of government policy in favor of allowing peaceful



political expression. If so, it would be an important first step, but only a first step.

Establish a timetable for the elimination of apartheid laws. President de Klerk has said repeatedly since his election that he wants a South Africa free of domination and oppression. In his inauguration speech he also indicated that his government would work "urgently" on the removal of discriminatory laws. But so far the new government has not begun to turn these words into action. We are unaware of any South African government discussions of a "timetable" for the elimination of apartheid laws, although there may have been some.

Negotiate with representatives of all racial groups in South Africa the future political system in South Africa. Many more South Africans, inside and outside of South Africa, are now talking about the need for negotiations. Also, as shown by the meeting between President Botha and Mr. Mandela and the many meetings between white and black South Africans that have been occurring in various places inside and outside South Africa, dialogue has begun. However, negotiations per se have not yet begun. There remain many potential obstacles that may prevent the nascent dialogue from blossoming into substantive discussions between the government and legitimate opposition leaders on how to proceed towards genuine negotiations over the future of South Africa. These obstacles include negative attitudes towards change in segments of both the white and black communities as well as lack of experience on the part of both sides in talking with each other.

End military and paramilitary activities aimed at neighboring states. The past year has been a largely peaceful one along South Africa's borders. De Klerk met with Mozambican President Chissano and with Zambian President Kaunda. De Klerk reconfirmed to Chissano the South African government's commitment to ending aid to RENAMO and to helping obtain peace in Mozambique. Perhaps most noteworthy, the South African government agreed last December to the implementation of UNSCR 435 on independence for Namibia and, since implementation began, has carried out its obligations in an acceptable manner. However, South Africa does not have normal and stable relations with its neighbors and there have been some cross-border incidents during the year.

#### Economic Measures Against South Africa

South Africa's real gross domestic product is expected to grow between 1 and 2 percent in 1989. This is a significant drop from the 3.2 percent rate recorded in 1988, and remains far below the country's economic potential and needs. The South African economy has been subjected to numerous international economic sanctions for over 25 years. Leading South African



economists and government officials have highlighted the role international pressures have played as a major factor in limiting South Africa's economic growth during the past year. Current economic sanctions against South Africa are broadly classified as either trade or financial.

South Africa has reacted aggressively, and with considerable success, to international trade sanctions by developing new domestic industries to provide key products, by locating new external suppliers and markets, and by stockpiling key imports and raw materials such as petroleum. (One of the sad legacies of trade sanctions imposed against South Africa is the success of South Africa's sophisticated armaments industry. Once a major arms importer, South Africa is now, following 25 years of arms embargoes, one of the world's major arms exporters -- a tribute of sorts, to "embargoes".)

South Africa's ability to circumvent sanctions is explained in part by the character of its exports. Over sixty percent of the nation's export earnings come from low bulk, high value commodities such as gold and other precious metals. When gold prices were declining, South Africa's export earnings fell, but the effects of this decline were moderated by increasing revenues from other major exports including primary minerals like ferrochrome, coal, iron ore, and copper, and from "unclassified" exports including arms. Agricultural export earnings have also remained strong.

An area in which economic pressures have impacted more heavily on South Africa has been its ability to attract sufficient foreign capital to both fuel economic growth and permit repayment of outstanding international debt. Sanctions-related restrictions coupled with shaky business confidence have virtually eliminated all new foreign lending, greatly reduced foreign investment, and forced South Africa to rely more heavily on maintaining large trade surpluses. Current debt repayment and the prospect of ballooning foreign debt payments in 1990 and 1991, combined with other capital outflows, have forced the South African government to restrict domestic growth and impose controls on imports.

Reduced economic growth rates and a lack of new investments have affected all segments of South Africa's population. For many white South Africans, deteriorating economic conditions have helped focus attention on the relationship between long-term white economic well-being and positive political change. Nevertheless, sanctions-related hardships have mostly hurt white poor and middle classes through ever-increasing taxes, rising inflation and high interest rates. Many white voters reacted angrily to these pressures during the 1989 parliamentary elections by almost doubling the number of seats controlled by the staunchly pro-apartheid Conservative Party.



One result of sanctions has therefore been a stronger, more vocal conservative opposition to the government's stated agenda for positive change away from apartheid. (It should be noted however, that a considerable proportion of voters picked the progressive Democratic Party, increasing the mandate for political, social and economic change away from apartheid.)

An economic growth rate of 1-2 percent is far short of the 5 percent needed to create jobs for an estimated 350,000 new job seekers each year, most of whom are black. This has led to drastically reduced expenditures on education and housing, thus exacerbating the gross structural inequalities that deny South Africa's majority the education, skills and opportunities it will need to successfully participate in a post-apartheid society.

#### Political and Diplomatic Measures

The U.S. has sought to further the goals of Section 101(b) through the application of appropriate political and diplomatic measures. The Administration has, in the context of a now completed review of policy, begun to enunciate publicly the principles and objectives of our approach to South Africa. U.S. policy is based on unequivocal abhorrence of apartheid and a commitment to promote negotiations between the South African government and legitimate black leaders aimed at achieving a nonracial and democratic South African society. We have made our principles clear:

- A commitment to end apartheid;
- Assistance to black South Africans;
- Active U.S. diplomacy to resolve conflicts and support economic development in southern Africa;
- Consultations with our allies;
- Working with Congress to develop a bipartisan approach towards South Africa.

Active opposition to apartheid is the unambiguous policy of the United States. We totally reject South Africa's system of race-based minority rule. As long as that system endures, relations with the United States will not be normal. We have clearly stated this to both the government and the people of South Africa, underscoring our belief that the most important first step in the process of change is dialogue among South Africans. We have also begun to make clear our view of the conditions under which this dialogue can begin. They include:



- The release of all political prisoners, including Nelson Mandela and Walter Sisulu, and the return of political exiles;
- Lifting the state of emergency and associated restrictions on political activity and freedom of association for the black opposition;
- The unbanning of all political organizations, including the ANC; and
- an end to violence from all sources.

We have therefore called on the new South African government to move quickly to begin creating the conditions for dialogue and for all parties to take advantage of the opportunity to pursue negotiations on a peaceful process of constitutional change. This has sent a powerful message, widely noted, of where the U.S. stands and what sort of peace process we are ready to support. We have also increased the tempo and deepened the level of our contacts with the black opposition inside and outside South Africa. The meetings between such black opposition leaders as Albertina Sisulu, the Rev. Allan Boesak, and Archbishop Desmond Tutu with the President, highlighted the Administration's new policy in this regard. This sends a signal that the world is not simply standing by waiting for Pretoria to act.

On the diplomatic side, we are consulting with our allies and other states in southern Africa. Most importantly, we have maintained an active diplomacy focused on achieving peaceful resolution of regional conflicts, particularly in Angola and Mozambique. We are continuing our efforts to ensure that Namibia achieves its independence in accordance with UN Security Council Resolution 435/78. We have worked actively with all the parties, including the South African government, to keep this process on track. A successful transition to independence in Namibia, coupled with the removal of Cuban troops from Angola, removes a continuing source of regional tension and instability. Negotiated settlements in Angola and Mozambique, in the wake of a successful transition in Namibia, would enhance the prospects for negotiations in South Africa itself.

#### Presidential Recommendations

Section 501(c) of the Act states that if the South African Government has not made significant progress in ending apartheid and establishing a nonracial democracy, the President shall include in this annual report recommendations on the imposition of additional measures from among the five listed in that subsection. Section 101(c) states that the United States will adjust its actions towards South Africa to reflect the



progress or lack of progress made toward the establishment of a non-racial democracy.

At present, there is no negotiated settlement for the end of apartheid nor any negotiations. By only this yardstick, there has been no apparent progress over the last 12 months nor since 1986. Yet for the first time since enactment of the Act, it is possible to be somewhat hopeful that a negotiation process may be just beyond the horizon. Certainly, the great pressures, internal and external, on South African whites to accept a change in their unjustly privileged status are growing. But talk of "forcing" South Africa into negotiations misses the point. "Negotiations" are between willing parties.

Existing pressures, including market forces and other sanctions, have played a role in helping convince the South African government that it must move beyond its current position and accept change. The election of the de Klerk government in the face of determined Conservative efforts to pull South Africa backwards, and the growth in popularity of the Democratic Party, suggest de Klerk is right in noting that 70% of South African whites voted their acknowledgment that change must come. Of course there is no way of knowing how much agreement exists on the nature and pace of change. De Klerk has indicated that he will move at moderate pace consistent with maintaining the confidence of the white community. However, he appears fully committed to pursuing a negotiated solution.

Despite the current defiance campaign and deep black distrust of the government, there is movement by blacks towards dialogue. The ANC has been developing a negotiating position while conducting consultations with supporters inside and outside South Africa. Supporters of the Mass Democratic Movement are also debating the subject of negotiations. United Democratic Front leaders are reportedly ready to meet with the South African government and vice-versa. Groups of whites have traveled to Lusaka and elsewhere to talk with the ANC and whites and blacks within South Africa have never been totally estranged. The historic meeting between President Botha and Nelson Mandela put the government in the middle of all this "talk about talk."

There is therefore reason to believe that the opportunity for a peaceful end to apartheid has not yet been lost. Over the next several months, the focus of attention should be on events "on the ground" in South Africa. All the parties need time to sort out their positions and reach out to each other in dialogue. In this context and at this time, further sanctions would be inappropriate and confusing. For our part, we intend to help facilitate wherever possible the development of dialogue between South Africans by keeping up contact with all parties.



The comprehensive sanctions enacted in the Act are being fully implemented. Existing U.S. sanctions on South Africa are the toughest of any of South Africa's active trading partners. The slowing of the South African economy as the result of market forces and sanctions, ours and others, has clearly demonstrated that the economic well being of the white minority will depend increasingly on reaching a political accommodation with the black majority. Pressure for change has come from inside South Africa as well. The fact that many in South Africa are now talking about reform, negotiation and an end to white rule shows that these pressures have not been without some effect. But it is difficult to be certain how much of this change is due to sanctions or how further sanctions now would alter the mix of incentives, disincentives, fears, hopes and concerns that are in play among South Africans. It seems better for the moment therefore to allow South Africans an opportunity to negotiate their own solutions.

A review has been conducted of the suggested additional measures listed in Section 501 (c) in light of what the U.S. hopes to achieve in South Africa as well as the impact of measures already taken. For the reasons cited above, despite the lack of significant progress towards the abolition of apartheid thus far, no additional sanctions are recommended at this time.



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- Permit the free exercise by South Africans of all races of the right to form political parties, express political opinions and otherwise participate in the political process.
- Establish a timetable for the elimination of apartheid laws.
- Negotiate with representatives of all racial groups in South Africa the future political system in South Africa.
- End military and paramilitary activities aimed at neighboring states.

This report assesses the extent to which the South African Government has taken steps toward ending the system of apartheid, moving toward a nonracial democracy, and reaching



negotiated settlement of the South African conflict. At the end of the report is a recommendation on which additional measures, if any, should be imposed on South Africa.

The Status of Apartheid: October 1988 to October 1989

Despite recent positive signs, we are unable to report tangible progress towards the end of apartheid and the establishment of a nonracial democracy in South Africa during the period under review. There have as yet been no major changes in the present constellation of apartheid laws despite official suggestions that such may occur. Nor have negotiations with legitimate representatives of the black majority yet begun. Politically, economically and socially, apartheid remains intact. However, the last few months have seen encouraging developments which give some reason to hope that a process of change might be beginning. Chief among these was the July meeting between then-President P.W. Botha and Nelson Mandela and the statements made by President F.W. de Klerk since his election to the effect that he has been given a mandate for change. President de Klerk also asserted that the "door is open" to dialogue and, contrary to the practice of previous governments, he allowed peaceful political demonstrations to take place in Cape Town and Johannesburg the week following the election. However, during this same period, detention of political activists again increased and no actual process of dialogue has yet begun. It is still too early to say whether the first incomplete steps of the new government will lead to a process of dialogue and an end to the State of Emergency.

Section 101 (b) Progress or Lack thereof

Bring about reforms leading to the establishment of a non-racial democracy in South Africa. There have been no developments in this area in the past twelve months. Much of the petty apartheid legislation having already been rescinded, with the exception of the Separate Amenities Act, the remaining areas of legislated apartheid -- the Group Areas Act and the Population Registration Act -- are central to the entire system of apartheid. Their abolition would essentially end social and economic apartheid. There is no indication thus far that the South African government is considering such fundamental change. However, the new government may act to remove remaining petty apartheid strictures.

Repeal the present state of emergency and respect the principle of equal justice under law for citizens of all races. The State of Emergency has not been repealed and was renewed again this year. The South African legal system, as well as the judiciary, continues to allow some recourse from the arbitrary power of the State under its emergency regulations. The acquittal of trade union leader Moses Mayekiso in April on the



charge of treason for engaging in nonviolent community organization was particularly noteworthy in this regard. However, and especially under the State of Emergency, the combination of the white-controlled police and judiciary basically prejudices the system against non-whites. Unfortunately, it is therefore impossible to say that South Africa respects the principle of equal justice for all.

Release Nelson Mandela, Govan Mbeki, and Walter Sisulu, black trade union leaders, and all political prisoners. Nelson Mandela and Walter Sisulu have not yet been released. Many other political prisoners and detainees also remain in custody. However on November 26, 1988, Zeph Mothopeng was released from imprisonment. Govan Mbeki, released in 1987, was allowed to meet with Assistant Secretary Herman Cohen in July of this year despite being under restriction. Also, during the course of the year, Mandela was given somewhat improved quarters and met with then-President P.W. Botha in July. A significant development has been the emergence of Mandela's release as the central issue in the nascent dialogue over possible negotiations between the government and the opposition. Botha's decision to meet with Mandela implicitly recognized that real negotiations must include credible leaders like Mandela and, eventually, the African National Congress (ANC) of which Mandela is, after years of imprisonment, still the national and international symbol. Noteworthy in this regard is the reported understanding on the part of the South African government that Mandela's release cannot be an isolated act and that dialogue with other legitimate black leaders must be on the immediate agenda. Unfortunately, the government's release early this year of detainees, largely in response to their determined hunger strike, was mostly undone by restrictions placed on the persons freed and by new detentions of many of the same people in the election period.

Permit the free exercise by South Africans of all races of the right to form political parties, express political opinions and otherwise participate in the political process. There has been limited progress in meeting this goal. The September 6 election called attention to the fact that the South African government is chosen on the basis of an unequal and non-representative poll of the South African people. The UDF was virtually banned early this year, joining the unfortunately long list of peaceful, political organizations denied free and open existence. However, as one of the first acts of his new government, President de Klerk departed from past procedure and allowed peaceful demonstrations in Cape Town and Johannesburg during the week of September 11. Earlier in the year, the South African government allowed Albertina Sisulu and other banned UDF leaders to travel to the U.S. to meet with President Bush. It is too early to know if this represents a permanent change of government policy in favor of allowing peaceful



political expression. If so, it would be an important first step, but only a first step.

Establish a timetable for the elimination of apartheid laws. President de Klerk has said repeatedly since his election that he wants a South Africa free of domination and oppression. In his inauguration speech he also indicated that his government would work "urgently" on the removal of discriminatory laws. But so far the new government has not begun to turn these words into action. We are unaware of any South African government discussions of a "timetable" for the elimination of apartheid laws, although there may have been some.

Negotiate with representatives of all racial groups in South Africa the future political system in South Africa. Many more South Africans, inside and outside of South Africa, are now talking about the need for negotiations. Also, as shown by the meeting between President Botha and Mr. Mandela and the many meetings between white and black South Africans that have been occurring in various places inside and outside South Africa, dialogue has begun. However, negotiations per se have not yet begun. There remain many potential obstacles that may prevent the nascent dialogue from blossoming into substantive discussions between the government and legitimate opposition leaders on how to proceed towards genuine negotiations over the future of South Africa. These obstacles include negative attitudes towards change in segments of both the white and black communities as well as lack of experience on the part of both sides in talking with each other.

End military and paramilitary activities aimed at neighboring states. The past year has been a largely peaceful one along South Africa's borders. De Klerk met with Mozambican President Chissano and with Zambian President Kaunda. De Klerk reconfirmed to Chissano the South African government's commitment to ending aid to RENAMO and to helping obtain peace in Mozambique. Perhaps most noteworthy, the South African government agreed last December to the implementation of UNSCR 435 on independence for Namibia and, since implementation began, has carried out its obligations in an acceptable manner. However, South Africa does not have normal and stable relations with its neighbors and there have been some cross-border incidents during the year.

#### Economic Measures Against South Africa

South Africa's real gross domestic product is expected to grow between 1 and 2 percent in 1989. This is a significant drop from the 3.2 percent rate recorded in 1988, and remains far below the country's economic potential and needs. The South African economy has been subjected to numerous international economic sanctions for over 25 years. Leading South African



economists and government officials have highlighted the role international pressures have played as a major factor in limiting South Africa's economic growth during the past year. Current economic sanctions against South Africa are broadly classified as either trade or financial.

South Africa has reacted aggressively, and with considerable success, to international trade sanctions by developing new domestic industries to provide key products, by locating new external suppliers and markets, and by stockpiling key imports and raw materials such as petroleum. (One of the sad legacies of trade sanctions imposed against South Africa is the success of South Africa's sophisticated armaments industry. Once a major arms importer, South Africa is now, following 25 years of arms embargoes, one of the world's major arms exporters -- a tribute of sorts, to "embargoes".)

South Africa's ability to circumvent sanctions is explained in part by the character of its exports. Over sixty percent of the nation's export earnings come from low bulk, high value commodities such as gold and other precious metals. When gold prices were declining, South Africa's export earnings fell, but the effects of this decline were moderated by increasing revenues from other major exports including primary minerals like ferrochrome, coal, iron ore, and copper, and from "unclassified" exports including arms. Agricultural export earnings have also remained strong.

An area in which economic pressures have impacted more heavily on South Africa has been its ability to attract sufficient foreign capital to both fuel economic growth and permit repayment of outstanding international debt. Sanctions-related restrictions coupled with shaky business confidence have virtually eliminated all new foreign lending, greatly reduced foreign investment, and forced South Africa to rely more heavily on maintaining large trade surpluses. Current debt repayment and the prospect of ballooning foreign debt payments in 1990 and 1991, combined with other capital outflows, have forced the South African government to restrict domestic growth and impose controls on imports.

Reduced economic growth rates and a lack of new investments have affected all segments of South Africa's population. For many white South Africans, deteriorating economic conditions have helped focus attention on the relationship between long-term white economic well-being and positive political change. Nevertheless, sanctions-related hardships have mostly hurt white poor and middle classes through ever-increasing taxes, rising inflation and high interest rates. Many white voters reacted angrily to these pressures during the 1989 parliamentary elections by almost doubling the number of seats controlled by the staunchly pro-apartheid Conservative Party.



One result of sanctions has therefore been a stronger, more vocal conservative opposition to the government's stated agenda for positive change away from apartheid. (It should be noted however, that a considerable proportion of voters picked the progressive Democratic Party, increasing the mandate for political, social and economic change away from apartheid.)

An economic growth rate of 1-2 percent is far short of the 5 percent needed to create jobs for an estimated 350,000 new job seekers each year, most of whom are black. This has led to drastically reduced expenditures on education and housing, thus exacerbating the gross structural inequalities that deny South Africa's majority the education, skills and opportunities it will need to successfully participate in a post-apartheid society.

#### Political and Diplomatic Measures

The U.S. has sought to further the goals of Section 101(b) through the application of appropriate political and diplomatic measures. The Administration has, in the context of a now completed review of policy, begun to enunciate publicly the principles and objectives of our approach to South Africa. U.S. policy is based on unequivocal abhorrence of apartheid and a commitment to promote negotiations between the South African government and legitimate black leaders aimed at achieving a nonracial and democratic South African society. We have made our principles clear:

- A commitment to end apartheid;
- Assistance to black South Africans;
- Active U.S. diplomacy to resolve conflicts and support economic development in southern Africa;
- Consultations with our allies;
- Working with Congress to develop a bipartisan approach towards South Africa.

Active opposition to apartheid is the unambiguous policy of the United States. We totally reject South Africa's system of race-based minority rule. As long as that system endures, relations with the United States will not be normal. We have clearly stated this to both the government and the people of South Africa, underscoring our belief that the most important first step in the process of change is dialogue among South Africans. We have also begun to make clear our view of the conditions under which this dialogue can begin. They include:



- The release of all political prisoners, including Nelson Mandela and Walter Sisulu, and the return of political exiles;
- Lifting the state of emergency and associated restrictions on political activity and freedom of association for the black opposition;
- The unbanning of all political organizations, including the ANC; and
- an end to violence from all sources.

We have therefore called on the new South African government to move quickly to begin creating the conditions for dialogue and for all parties to take advantage of the opportunity to pursue negotiations on a peaceful process of constitutional change. This has sent a powerful message, widely noted, of where the U.S. stands and what sort of peace process we are ready to support. We have also increased the tempo and deepened the level of our contacts with the black opposition inside and outside South Africa. The meetings between such black opposition leaders as Albertina Sisulu, the Rev. Allan Boesak, and Archbishop Desmond Tutu with the President, highlighted the Administration's new policy in this regard. This sends a signal that the world is not simply standing by waiting for Pretoria to act.

On the diplomatic side, we are consulting with our allies and other states in southern Africa. Most importantly, we have maintained an active diplomacy focused on achieving peaceful resolution of regional conflicts, particularly in Angola and Mozambique. We are continuing our efforts to ensure that Namibia achieves its independence in accordance with UN Security Council Resolution 435/78. We have worked actively with all the parties, including the South African government, to keep this process on track. A successful transition to independence in Namibia, coupled with the removal of Cuban troops from Angola, removes a continuing source of regional tension and instability. Negotiated settlements in Angola and Mozambique, in the wake of a successful transition in Namibia, would enhance the prospects for negotiations in South Africa itself.

#### Presidential Recommendations

Section 501(c) of the Act states that if the South African Government has not made significant progress in ending apartheid and establishing a nonracial democracy, the President shall include in this annual report recommendations on the imposition of additional measures from among the five listed in that subsection. Section 101(c) states that the United States will adjust its actions towards South Africa to reflect the



progress or lack of progress made toward the establishment of a non-racial democracy.

At present, there is no negotiated settlement for the end of apartheid nor any negotiations. By only this yardstick, there has been no apparent progress over the last 12 months nor since 1986. Yet for the first time since enactment of the Act, it is possible to be somewhat hopeful that a negotiation process may be just beyond the horizon. Certainly, the great pressures, internal and external, on South African whites to accept a change in their unjustly privileged status are growing. But talk of "forcing" South Africa into negotiations misses the point. "Negotiations" are between willing parties.

Existing pressures, including market forces and other sanctions, have played a role in helping convince the South African government that it must move beyond its current position and accept change. The election of the de Klerk government in the face of determined Conservative efforts to pull South Africa backwards, and the growth in popularity of the Democratic Party, suggest de Klerk is right in noting that 70% of South African whites voted their acknowledgment that change must come. Of course there is no way of knowing how much agreement exists on the nature and pace of change. De Klerk has indicated that he will move at moderate pace consistent with maintaining the confidence of the white community. However, he appears fully committed to pursuing a negotiated solution.

Despite the current defiance campaign and deep black distrust of the government, there is movement by blacks towards dialogue. The ANC has been developing a negotiating position while conducting consultations with supporters inside and outside South Africa. Supporters of the Mass Democratic Movement are also debating the subject of negotiations. United Democratic Front leaders are reportedly ready to meet with the South African government and vice-versa. Groups of whites have traveled to Lusaka and elsewhere to talk with the ANC and whites and blacks within South Africa have never been totally estranged. The historic meeting between President Botha and Nelson Mandela put the government in the middle of all this "talk about talk."

There is therefore reason to believe that the opportunity for a peaceful end to apartheid has not yet been lost. Over the next several months, the focus of attention should be on events "on the ground" in South Africa. All the parties need time to sort out their positions and reach out to each other in dialogue. In this context and at this time, further sanctions would be inappropriate and confusing. For our part, we intend to help facilitate wherever possible the development of dialogue between South Africans by keeping up contact with all parties.



The comprehensive sanctions enacted in the Act are being fully implemented. Existing U.S. sanctions on South Africa are the toughest of any of South Africa's active trading partners. The slowing of the South African economy as the result of market forces and sanctions, ours and others, has clearly demonstrated that the economic well being of the white minority will depend increasingly on reaching a political accommodation with the black majority. Pressure for change has come from inside South Africa as well. The fact that many in South Africa are now talking about reform, negotiation and an end to white rule shows that these pressures have not been without some effect. But it is difficult to be certain how much of this change is due to sanctions or how further sanctions now would alter the mix of incentives, disincentives, fears, hopes and concerns that are in play among South Africans. It seems better for the moment therefore to allow South Africans an opportunity to negotiate their own solutions.

A review has been conducted of the suggested additional measures listed in Section 501 (c) in light of what the U.S. hopes to achieve in South Africa as well as the impact of measures already taken. For the reasons cited above, despite the lack of significant progress towards the abolition of apartheid thus far, no additional sanctions are recommended at this time.



REPORT TO THE CONGRESS PURSUANT TO SECTION 501 OF THE  
COMPREHENSIVE ANTI-APARTHEID ACT OF 1986

EXECUTIVE SUMMARY

Pursuant to Section 501 of the Comprehensive Anti-Apartheid Act of 1986 (the Act), herewith is transmitted to the Speaker of the House of Representatives and the Chairman of the Committee on Foreign Relations of the Senate a report on the extent to which significant progress has been made toward ending the system of apartheid. Included are recommendations on which additional measures, if any, should be imposed on South Africa.

The report concludes that the additional U.S. economic sanctions mandated by the Act have not to date been successful in moving the South African Government toward the goals outlined in Title 1 of the Act, goals that are shared by the Administration and Congress. However, recent events, including the September 6 election mandate for change claimed by President de Klerk and subsequent government/opposition cooperation in the holding of peaceful demonstrations, give some reason for hope that the opportunity for a peaceful end to apartheid has not yet been lost. The report reaches the conclusion that further sanctions are not needed at this time and would be counterproductive in view of steps being taken within South Africa and the region to bring about change through peaceful means.

While only the beginnings of possible progress have been observed, the report concludes that the current pattern of political evolution in South Africa merits attention and that the effect of sanctions has been mixed and is difficult to assess. The slowing of the South African economy as the result of sanctions has clearly demonstrated that the economic well-being of the white minority will depend increasingly on reaching a political accommodation with the black majority. However, the economic slowdown is not without negative effects, political and social. The conclusion of the report is that imposing additional measures now could be counterproductive in view of developments within South Africa and in the region. Accordingly, no additional sanctions are recommended at this time.

The Administration believes that U.S. policy must be built around sustained commitment to use U.S. influence with all elements of South African society on behalf of change, while making clear our unswerving dedication to the achievement of a nonracial and democratic South Africa. U.S. willingness to stay involved in South Africa and to facilitate dialogue among South Africans is the best approach to helping South Africans peacefully resolve their country's profound political problems at the present time.



REPORT TO THE CONGRESS PURSUANT TO SECTION 501 OF THE  
COMPREHENSIVE ANTI-APARTHEID ACT OF 1986

Herewith is transmitted to the Speaker of the House of Representatives and the Chairman of the Committee on Foreign Relations of the Senate the report required by section 501 of the Comprehensive Anti-Apartheid Act of 1986 (the Act) for the period from October 3, 1988, to October 2, 1989.

Background

Executive Order 12571 directed all affected Executive departments and agencies to take all steps necessary, consistent with the Constitution, to implement the requirements of the Act. They have implemented the Act fully and faithfully.

Section 101 of the Act states that it and other actions of the United States are intended to encourage the Government of South Africa to take the following steps:

- Bring about reforms leading to the establishment of a nonracial democracy in South Africa.
- Repeal the present state of emergency and respect the principle of equal justice under law for citizens of all races.
- Release Nelson Mandela, Govan Mbeki, and Walter Sisulu, black trade union leaders, and all political prisoners.
- Permit the free exercise by South Africans of all races of the right to form political parties, express political opinions and otherwise participate in the political process.
- Establish a timetable for the elimination of apartheid laws.
- Negotiate with representatives of all racial groups in South Africa the future political system in South Africa.
- End military and paramilitary activities aimed at neighboring states.

This report assesses the extent to which the South African Government has taken steps toward ending the system of apartheid, moving toward a nonracial democracy, and reaching



negotiated settlement of the South African conflict. At the end of the report is a recommendation on which additional measures, if any, should be imposed on South Africa.

The Status of Apartheid: October 1988 to October 1989

Despite recent positive signs, we are unable to report tangible progress towards the end of apartheid and the establishment of a nonracial democracy in South Africa during the period under review. There have as yet been no major changes in the present constellation of apartheid laws despite official suggestions that such may occur. Nor have negotiations with legitimate representatives of the black majority yet begun. Politically, economically and socially, apartheid remains intact. However, the last few months have seen encouraging developments which give some reason to hope that a process of change might be beginning. Chief among these was the July meeting between then-President P.W. Botha and Nelson Mandela and the statements made by President F.W. de Klerk since his election to the effect that he has been given a mandate for change. President de Klerk also asserted that the "door is open" to dialogue and, contrary to the practice of previous governments, he allowed peaceful political demonstrations to take place in Cape Town and Johannesburg the week following the election. However, during this same period, detention of political activists again increased and no actual process of dialogue has yet begun. It is still too early to say whether the first incomplete steps of the new government will lead to a process of dialogue and an end to the State of Emergency.

Section 101 (b) Progress or Lack thereof

Bring about reforms leading to the establishment of a non-racial democracy in South Africa. There have been no developments in this area in the past twelve months. Much of the petty apartheid legislation having already been rescinded, with the exception of the Separate Amenities Act, the remaining areas of legislated apartheid -- the Group Areas Act and the Population Registration Act -- are central to the entire system of apartheid. Their abolition would essentially end social and economic apartheid. There is no indication thus far that the South African government is considering such fundamental change. However, the new government may act to remove remaining petty apartheid strictures.

Repeal the present state of emergency and respect the principle of equal justice under law for citizens of all races. The State of Emergency has not been repealed and was renewed again this year. The South African legal system, as well as the judiciary, continues to allow some recourse from the arbitrary power of the State under its emergency regulations. The acquittal of trade union leader Moses Mayekiso in April on the



charge of treason for engaging in nonviolent community organization was particularly noteworthy in this regard. However, and especially under the State of Emergency, the combination of the white-controlled police and judiciary basically prejudices the system against non-whites. Unfortunately, it is therefore impossible to say that South Africa respects the principle of equal justice for all.

Release Nelson Mandela, Govan Mbeki, and Walter Sisulu, black trade union leaders, and all political prisoners. Nelson Mandela and Walter Sisulu have not yet been released. Many other political prisoners and detainees also remain in custody. However on November 26, 1988, Zeph Mothopeng was released from imprisonment. Govan Mbeki, released in 1987, was allowed to meet with Assistant Secretary Herman Cohen in July of this year despite being under restriction. Also, during the course of the year, Mandela was given somewhat improved quarters and met with then-President P.W. Botha in July. A significant development has been the emergence of Mandela's release as the central issue in the nascent dialogue over possible negotiations between the government and the opposition. Botha's decision to meet with Mandela implicitly recognized that real negotiations must include credible leaders like Mandela and, eventually, the African National Congress (ANC) of which Mandela is, after years of imprisonment, still the national and international symbol. Noteworthy in this regard is the reported understanding on the part of the South African government that Mandela's release cannot be an isolated act and that dialogue with other legitimate black leaders must be on the immediate agenda. Unfortunately, the government's release early this year of detainees, largely in response to their determined hunger strike, was mostly undone by restrictions placed on the persons freed and by new detentions of many of the same people in the election period.

Permit the free exercise by South Africans of all races of the right to form political parties, express political opinions and otherwise participate in the political process. There has been limited progress in meeting this goal. The September 6 election called attention to the fact that the South African government is chosen on the basis of an unequal and non-representative poll of the South African people. The UDF was virtually banned early this year, joining the unfortunately long list of peaceful, political organizations denied free and open existence. However, as one of the first acts of his new government, President de Klerk departed from past procedure and allowed peaceful demonstrations in Cape Town and Johannesburg during the week of September 11. Earlier in the year, the South African government allowed Albertina Sisulu and other banned UDF leaders to travel to the U.S. to meet with President Bush. It is too early to know if this represents a permanent change of government policy in favor of allowing peaceful



political expression. If so, it would be an important first step, but only a first step.

Establish a timetable for the elimination of apartheid laws. President de Klerk has said repeatedly since his election that he wants a South Africa free of domination and oppression. In his inauguration speech he also indicated that his government would work "urgently" on the removal of discriminatory laws. But so far the new government has not begun to turn these words into action. We are unaware of any South African government discussions of a "timetable" for the elimination of apartheid laws, although there may have been some.

Negotiate with representatives of all racial groups in South Africa the future political system in South Africa. Many more South Africans, inside and outside of South Africa, are now talking about the need for negotiations. Also, as shown by the meeting between President Botha and Mr. Mandela and the many meetings between white and black South Africans that have been occurring in various places inside and outside South Africa, dialogue has begun. However, negotiations per se have not yet begun. There remain many potential obstacles that may prevent the nascent dialogue from blossoming into substantive discussions between the government and legitimate opposition leaders on how to proceed towards genuine negotiations over the future of South Africa. These obstacles include negative attitudes towards change in segments of both the white and black communities as well as lack of experience on the part of both sides in talking with each other.

End military and paramilitary activities aimed at neighboring states. The past year has been a largely peaceful one along South Africa's borders. De Klerk met with Mozambican President Chissano and with Zambian President Kaunda. De Klerk reconfirmed to Chissano the South African government's commitment to ending aid to RENAMO and to helping obtain peace in Mozambique. Perhaps most noteworthy, the South African government agreed last December to the implementation of UNSCR 435 on independence for Namibia and, since implementation began, has carried out its obligations in an acceptable manner. However, South Africa does not have normal and stable relations with its neighbors and there have been some cross-border incidents during the year.

#### Economic Measures Against South Africa

South Africa's real gross domestic product is expected to grow between 1 and 2 percent in 1989. This is a significant drop from the 3.2 percent rate recorded in 1988, and remains far below the country's economic potential and needs. The South African economy has been subjected to numerous international economic sanctions for over 25 years. Leading South African



economists and government officials have highlighted the role international pressures have played as a major factor in limiting South Africa's economic growth during the past year. Current economic sanctions against South Africa are broadly classified as either trade or financial.

South Africa has reacted aggressively, and with considerable success, to international trade sanctions by developing new domestic industries to provide key products, by locating new external suppliers and markets, and by stockpiling key imports and raw materials such as petroleum. (One of the sad legacies of trade sanctions imposed against South Africa is the success of South Africa's sophisticated armaments industry. Once a major arms importer, South Africa is now, following 25 years of arms embargoes, one of the world's major arms exporters -- a tribute of sorts, to "embargoes".)

South Africa's ability to circumvent sanctions is explained in part by the character of its exports. Over sixty percent of the nation's export earnings come from low bulk, high value commodities such as gold and other precious metals. When gold prices were declining, South Africa's export earnings fell, but the effects of this decline were moderated by increasing revenues from other major exports including primary minerals like ferrochrome, coal, iron ore, and copper, and from "unclassified" exports including arms. Agricultural export earnings have also remained strong.

An area in which economic pressures have impacted more heavily on South Africa has been its ability to attract sufficient foreign capital to both fuel economic growth and permit repayment of outstanding international debt. Sanctions-related restrictions coupled with shaky business confidence have virtually eliminated all new foreign lending, greatly reduced foreign investment, and forced South Africa to rely more heavily on maintaining large trade surpluses. Current debt repayment and the prospect of ballooning foreign debt payments in 1990 and 1991, combined with other capital outflows, have forced the South African government to restrict domestic growth and impose controls on imports.

Reduced economic growth rates and a lack of new investments have affected all segments of South Africa's population. For many white South Africans, deteriorating economic conditions have helped focus attention on the relationship between long-term white economic well-being and positive political change. Nevertheless, sanctions-related hardships have mostly hurt white poor and middle classes through ever-increasing taxes, rising inflation and high interest rates. Many white voters reacted angrily to these pressures during the 1989 parliamentary elections by almost doubling the number of seats controlled by the staunchly pro-apartheid Conservative Party.



One result of sanctions has therefore been a stronger, more vocal conservative opposition to the government's stated agenda for positive change away from apartheid. (It should be noted however, that a considerable proportion of voters picked the progressive Democratic Party, increasing the mandate for political, social and economic change away from apartheid.)

An economic growth rate of 1-2 percent is far short of the 5 percent needed to create jobs for an estimated 350,000 new job seekers each year, most of whom are black. This has led to drastically reduced expenditures on education and housing, thus exacerbating the gross structural inequalities that deny South Africa's majority the education, skills and opportunities it will need to successfully participate in a post-apartheid society.

#### Political and Diplomatic Measures

The U.S. has sought to further the goals of Section 101(b) through the application of appropriate political and diplomatic measures. The Administration has, in the context of a now completed review of policy, begun to enunciate publicly the principles and objectives of our approach to South Africa. U.S. policy is based on unequivocal abhorrence of apartheid and a commitment to promote negotiations between the South African government and legitimate black leaders aimed at achieving a nonracial and democratic South African society. We have made our principles clear:

- A commitment to end apartheid;
- Assistance to black South Africans;
- Active U.S. diplomacy to resolve conflicts and support economic development in southern Africa;
- Consultations with our allies;
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Active opposition to apartheid is the unambiguous policy of the United States. We totally reject South Africa's system of race-based minority rule. As long as that system endures, relations with the United States will not be normal. We have clearly stated this to both the government and the people of South Africa, underscoring our belief that the most important first step in the process of change is dialogue among South Africans. We have also begun to make clear our view of the conditions under which this dialogue can begin. They include:



- The release of all political prisoners, including Nelson Mandela and Walter Sisulu, and the return of political exiles;
- Lifting the state of emergency and associated restrictions on political activity and freedom of association for the black opposition;
- The unbanning of all political organizations, including the ANC; and
- an end to violence from all sources.

We have therefore called on the new South African government to move quickly to begin creating the conditions for dialogue and for all parties to take advantage of the opportunity to pursue negotiations on a peaceful process of constitutional change. This has sent a powerful message, widely noted, of where the U.S. stands and what sort of peace process we are ready to support. We have also increased the tempo and deepened the level of our contacts with the black opposition inside and outside South Africa. The meetings between such black opposition leaders as Albertina Sisulu, the Rev. Allan Boesak, and Archbishop Desmond Tutu with the President, highlighted the Administration's new policy in this regard. This sends a signal that the world is not simply standing by waiting for Pretoria to act.

On the diplomatic side, we are consulting with our allies and other states in southern Africa. Most importantly, we have maintained an active diplomacy focused on achieving peaceful resolution of regional conflicts, particularly in Angola and Mozambique. We are continuing our efforts to ensure that Namibia achieves its independence in accordance with UN Security Council Resolution 435/78. We have worked actively with all the parties, including the South African government, to keep this process on track. A successful transition to independence in Namibia, coupled with the removal of Cuban troops from Angola, removes a continuing source of regional tension and instability. Negotiated settlements in Angola and Mozambique, in the wake of a successful transition in Namibia, would enhance the prospects for negotiations in South Africa itself.

#### Presidential Recommendations

Section 501(c) of the Act states that if the South African Government has not made significant progress in ending apartheid and establishing a nonracial democracy, the President shall include in this annual report recommendations on the imposition of additional measures from among the five listed in that subsection. Section 101(c) states that the United States will adjust its actions towards South Africa to reflect the



progress or lack of progress made toward the establishment of a non-racial democracy.

At present, there is no negotiated settlement for the end of apartheid nor any negotiations. By only this yardstick, there has been no apparent progress over the last 12 months nor since 1986. Yet for the first time since enactment of the Act, it is possible to be somewhat hopeful that a negotiation process may be just beyond the horizon. Certainly, the great pressures, internal and external, on South African whites to accept a change in their unjustly privileged status are growing. But talk of "forcing" South Africa into negotiations misses the point. "Negotiations" are between willing parties.

Existing pressures, including market forces and other sanctions, have played a role in helping convince the South African government that it must move beyond its current position and accept change. The election of the de Klerk government in the face of determined Conservative efforts to pull South Africa backwards, and the growth in popularity of the Democratic Party, suggest de Klerk is right in noting that 70% of South African whites voted their acknowledgment that change must come. Of course there is no way of knowing how much agreement exists on the nature and pace of change. De Klerk has indicated that he will move at moderate pace consistent with maintaining the confidence of the white community. However, he appears fully committed to pursuing a negotiated solution.

Despite the current defiance campaign and deep black distrust of the government, there is movement by blacks towards dialogue. The ANC has been developing a negotiating position while conducting consultations with supporters inside and outside South Africa. Supporters of the Mass Democratic Movement are also debating the subject of negotiations. United Democratic Front leaders are reportedly ready to meet with the South African government and vice-versa. Groups of whites have traveled to Lusaka and elsewhere to talk with the ANC and whites and blacks within South Africa have never been totally estranged. The historic meeting between President Botha and Nelson Mandela put the government in the middle of all this "talk about talk."

There is therefore reason to believe that the opportunity for a peaceful end to apartheid has not yet been lost. Over the next several months, the focus of attention should be on events "on the ground" in South Africa. All the parties need time to sort out their positions and reach out to each other in dialogue. In this context and at this time, further sanctions would be inappropriate and confusing. For our part, we intend to help facilitate wherever possible the development of dialogue between South Africans by keeping up contact with all parties.



The comprehensive sanctions enacted in the Act are being fully implemented. Existing U.S. sanctions on South Africa are the toughest of any of South Africa's active trading partners. The slowing of the South African economy as the result of market forces and sanctions, ours and others, has clearly demonstrated that the economic well being of the white minority will depend increasingly on reaching a political accommodation with the black majority. Pressure for change has come from inside South Africa as well. The fact that many in South Africa are now talking about reform, negotiation and an end to white rule shows that these pressures have not been without some effect. But it is difficult to be certain how much of this change is due to sanctions or how further sanctions now would alter the mix of incentives, disincentives, fears, hopes and concerns that are in play among South Africans. It seems better for the moment therefore to allow South Africans an opportunity to negotiate their own solutions.

A review has been conducted of the suggested additional measures listed in Section 501 (c) in light of what the U.S. hopes to achieve in South Africa as well as the impact of measures already taken. For the reasons cited above, despite the lack of significant progress towards the abolition of apartheid thus far, no additional sanctions are recommended at this time.