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BREAKING NEW GROUND: ANTI-APARTHEID STRATEGIES FOR THE 1990’s

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BREAKING NEW GROUND: ANTI-APARTHEID STRATEGIES FOR THE 1990'S

As the last decade of the 20th century begins the edifice of apartheid is beginning to crumble. As South Africa's mass democratic and liberation movements have gained ground within the country, international measures have progressively isolated Pretoria. Economic pressures in particular have begun to shake the very foundations of the apartheid state.

At the same time, the white minority regime has attempted to counter these efforts and maintain its hegemony at all costs. In this context, and in the interests of demolishing apartheid as quickly and peacefully as possible, it is critical to maximize the immediate impact of international pressures. By sharpening the focus of specific strategies and broadening the scope of our campaign, the international community can hasten the demolition of apartheid, and the construction of a non-racial, united and democratic South Africa.

Goals and Objectives

The broad goal of exerting maximum economic pressure on Pretoria to promote peaceful negotiations for ending apartheid has three principal objectives:

1. Accelerating the disinvestment of companies from South Africa;
2. Severing non-equity ties to South Africa, including license, franchise, technology, distribution and other agreements, as well as trade;
3. Terminating international financial support for South Africa, including loans, credits (including trade credits), extensions or renewals of credit, "routine" financial transactions and correspondent banking relations.

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Both the successes and shortcomings of recent international strategies must be viewed within South Africa's current economic and political context. Apartheid, viewed as an antiquated system of racial capitalism, is proving increasingly to be an economic disaster. The drain of maintaining duplicative parallel social institutions (such as education, health care and governmental systems) is exacerbated by politically-inspired pay raises to reward the employees of apartheid's bureaucracies, in an effort to consolidate political stability.(1)

These expenses are dwarfed by the social and economic costs of structural unemployment (estimated by the Congress of South African Trade Unions to be approaching between 45% and 50%) and underemployment in the Black community.(2) One study in 1980 found

50% of South Africa's total population living below subsistance levels. For the country's African population the proportion was two-thirds, while in the reserves, to which half the country's Blacks are confined, at least 81% of the people were estimated to be living in dire poverty. Of these, thousands die from preventable diseases and. malnutrition.(3) The coefficient of inequality between the standard of living of blacks and whites is reported to be higher in South Africa than any of 57 other countries in the world reporting data on income distribution.(4)

The crippled production and consumption of the country's majority population have all taken their toll on South Africa's economy. Added to these are the enormous costs of the country's police and other repressive institutions, which reinforce white minority control at home, and its military apparatus which has been used to occupy neighboring Namibia and wage war on the frontline states. In all, a recent ILO report estimates the direct and indirect costs of apartheid total R78 billion (nearly $28 billion). Leading South African businessmen project that the country's gross national product, without apartheid, would have been 50 per cent higher than its current 1evel.(5)

Since 1980, the unrest and resistance born of apartheid have further undermined the economy, as uneasy South African and international businessmen have sought safer and more productive countries in which to invest their capital.(6)

international Economic Pressures

Enter sanctions. Beginning with measures such as the voluntary international oil embargo endorsed by the United Nations General Assembly in 1977, economic measures to isolate South Africa have multiplied. By 1988 it was clear that sanctions were having a pronounced impact on the South African economy.

Disinvestment, for one thing, was taking its toll. By the end of 1988, 40% of the South African subsidiaries of foreign corporations had been sold by their corporate parents.(7) As of July 1989, 186 U.S. corporations alone had disinvested.(8) As an increasing sum of South African capital was absorbed in the purchase of these subsidiaries (and in subsequent payment of taxes on their operations) these funds became less available for investment in local industry, either to infuse capital or to create jobs. Dr. Andre du Pisani, director of research at the South African Institute of International Affairs at Witwatersrand.University, reported in June that disinvestment and sanctions are making the country's manufacturing sector increasingly uncompetitive.(9)

Disinvestment and sanctions have also cut into South Africa's foreign trade, which accounts for 60% of that economy's annual gross domestic product.(10) Following the 1986 Anti-Apartheid Act in the U.S. and trade restrictions and reductions by EEC, Nordic and Commonwealth countries and Japan, South African sales abroad plummeted by $469 million during the first nine months of 1987 alone, according to a report by the U.S. General Accounting 0ffice.(11) This reflects an estimated loss of 7 per cent of South Africa's traditional exports.(12)

While international sanctions imposed to date have been incomplete and have allowed for the majority of disinvesting companies to retain non-equity ties, they threaten to sap South Africa of the imported technology upon which it depends to grow and remain competitive. The technology drain is predicted to have a particularly marked impact on the country's computer and "high-tech" industries which, by extension, may have damaging long-term repercussions in South Africa's manufacturing sector.

Restrictions on South Africa's foreign trade, including international sanctions and embargoes, have further retarded the country's economic growth, by absorbing billions of dollars in non-productive strategic stockpiles.(13) Measures like the oil embargo have forced Pretoria to pay costly premiums on imported embargoed products. The white minority government has sunk billions more into highly capital-intensive and non-economical projects like Mossel Bay, in an attempt to reduce its dependency on imported oil.

Perhaps the most striking blow to the economic stability of the apartheid state was dealt by South Africa's international creditors in 1985, when they called in their short-term loans. Under the ensuing interim rescheduling agreements of 1986 and 1987, South Africa scrupulously met its payment obligations in an effort to maintain its credit-worthiness in the eyes of foreign lenders. By paying interest to keep loans on its creditors' books "performing," Pretoria has attempted, at a high cost, to protect its potential access to international capital.

In February, 1989, the Governor of the South African Reserve Bank, Gerhard de Rock admitted that sanctions, including the creditors' pressures, had contributed to a net flow of more than R25 billion ($10.39 billion) out of the country, of which roughly half went to pay the overdue loans.(14)

Repayment of these loans has become more difficult with the reduction of international capital and foreign exchange reserves. New foreign investment in South Africa declined sharply during the 1980's in response to political and economic instability, particularly after the rebellions in the townships during 1984 and 1985. New loans have been minimal since 1985, with the exception of trade-related lending.

Furthermore, Pretoria has been forced to sell off gold and foreign exchange reserves which, further depleted by the lack of new investment, fell by R1.2 billion to R3.7 billion--a level

reported to be substantially below that of Botswana.(15)
In the face of diminishing reserves, South Africa has attempted to generate a current account surplus sufficient to repay its debt under the 1986 and 1987 standstill agreement by maintaining a positive balance of payments. The white minority regime has sought to hold down the demand for imports by taxing them at the rate of up to 60% and by placing a 3% ceiling on economic growth. In the process the bank interest rate has risen to 17%, while the prime lending rate rose from 12.5% to 18% in 1988, and was pegged at 20% by May, l989.(16) Despite these efforts, South Africa’s current account surplus plummeted from R6.15 billion in 1987 to R2.93 billion in 1988.
These pressures were exacerbated by the erosion of South Africa’s traditional economic supports, such as revenues from gold exports. As the price of gold sank below $400 an ounce, income from gold sales could no longer mask the structural weaknesses of the apartheid economy or the undeniable impact of sanctions.
Overall, South Africa’s economy has begun to show signs of long-term stagnation in domestic savings and investment. Its growth rate, which rose slightly in 1988, remains well below the estimated four to five percent level necessary to keep pace with the country’s expanding Black work force.(17)
Political antext: ngptatign, Coersion or Change?
In the international arena, South Africa’s need to repay its debts has made it increasingly difficult for Pretoria to finance assaults on frontline states such as Angola and Mozambique, and to underwrite its illegal occupation of Namibia.
On the domestic front, internal rebellion and international isolation have both divided South Africa’s white minority and induced Pretoria to attempt to project a reformist image to the world. As the plummeting rand(18), soaring import surcharges, inflation and mortgage rates have raised the price whites pay for Pretoria’s policies, the Conservative Party has gained ground in some areas. Other South African whites, including a growing number of business, academic and community leaders, have responded by calling for the need for constitutional reform. A growing number have flocked to Lusaka in recent months for talks with the African National Congress.
Launched on April 18, 1989, South Africa’s new Democratic Party (DP) represents the merger of three liberal Parliamentary groups. Among its supporters are members of the business community, anxious to alleviate international constraints on South Africa’s deteriorating economy. While the DP aims to replace the Conservative Party (CP) as the official opposition to the National Party in the all-white House of Assembly, it is not likely to win a majority of white voters in the near future. Nonetheless, such

political pressure, and the distinct possibility of stronger sanctions by the United States and Commonwealth countries, the pending debt rescheduling and deeply rooted resistance within the country have forced the ruling party publicly to acknowledge the need for change.

Some moves are promising, such as outgoing president P.W. Botha's meeting with Nelson Mandela, and incoming president F.W. de Klerk's proclaimed goal of a new constitution providing political participation for all South Africans. But a closer analysis reveals cause for skepticism as critics differentiate between Pretoria's proposals on the one hand for Black economic "betterment schemes" and political reform (such as the proposed formation of a National Statutory Council to draft a new constitution)--and a genuine commitment to end apartheid on the other.

Pretoria's reformist strategy of cooptation to divert additional external pressures and to win internal support contrasts sharply to its intensifying official repression and encouragement of paramilitary violence against its perceived critics, including children.(19) Since imposing the State of Emergency in 1986, the white minority regime has continued to ban and restrict opposition organizations--numbering 32 by the end of 1988.

Within this period South Africa's police state apparatus has been consolidated into the National Security Management System (NSMS). Established in secret to combat opponents of the state, the system is headed by a cabinet-level State Security Council and dominated by the military. It continues to parallel official state structures at every level, and often sets policy for controlling "local unrest."(20)

Furthermore, Pretoria has intensified its tactics for intimidation through the use of press censorship, forced removals, vigilantes and assassins, detentions, torture and executions, and assaults on major opposition institutions including the Congress of South African Trade Unions, the South African Council of Churches and the Southern African Catholic Bishops Conference.

Neither cooptation nor coersion, however, has deterred the resistance within South Africa. As many organizations have been banned and their leaders jailed or silenced, they have reorganized, many more deeply rooted than ever in their own constituencies. Together they have moved ahead into even broader coalitions of anti-apartheid forces. Strategies such as recent stay-aways, hunger strikes, ongoing rent boycotts, defiance campaigns and election boycotts within the Black community, and detainees support and anti-conscription campaigns (compounded by draft evasion and mutinies) within the white community bear witness to Pretoria's inability to cripple its critics. Instead South Africa's liberation and mass democratic movements, with substantial trade union and religious support, have continued to gain ground.

Ihe Expanding Leagership of the Religious Community

Like the rest of South African society, the religious community manifests both deep divisions and rising resistance. While the institutional church has not chosen to challenge the regime, it has recently taken some small steps toward criticizing apartheid. When the three racially denominated branches of the country's Dutch Reformed Church met in March, 1988, the white church, which includes an estimated 80% of government legislators, declared apartheid a sin for the first time and asked forgiveness for its support of such policies.

The synod reinforced its distance from the Black and mixed-race churches, however, by only endorsing the statement with reservations, and declining to declare apartheid a "heresy" as did the black churches more than ten years ago. The white synod further failed to call for Pretoria to lift the state of emergency or release all detainees without charge. Rev. Allan Boesak, leader of the mixed-race Dutch Reformed Mission Church, noted then that this shortcoming would "seriously jeopardize our relationship, and their integrity will be seriously in question."(21)

With the exception of the white branch of the Dutch Reformed Church, however, the Protestant and Catholic communities have given increasing voice to the demands of the mass democratic movement within South Africa,particu1ar1y as such organizations lose their visibility through bannings and other forms of repression. In so doing the church has taken greater leadership in the campaign for international economic pressures to hasten the end of apartheid with a mimimum of violence.

In response to the bombing of the the South African Council of Churches' (SACC) Khotso Hosue and the arson attack on the Southern African Catholic Bishops' Conference (SACBC Khanya House in 1988, the Council and the Conference called on international partners to intensify their campaign for comprehensive, mandatory sanctions designed to hasten the process of peaceful negotiations for a new South Africa. In the United States, religious organizations responded to this call on Soweto Day, June 16, by nationwide lobbying for comprehensive sanctions and a major rally, featuring Rev. Boesak, in Washington, D. C.

South African church leaders have also sought to sharpen international strategies within the context of comprehensive sanctions by calling for escalating financial pressures on Pretoria. Anticipating the 1990 expiration of South Africa's standstill agreement, Archbishop Desmond Tutu, Rev. Allan Boesak, Dr. Beyers Naude and Rev. Frank Chikane issued a call, paralleled by leaders of the Mass Democratic Movement and the African National Congress, for South Africa's creditor banks not to renew their outstanding loans when they come due in 1990. They clarified the political context of this demand, specifying that South Africa's frozen debt should not be renewed until the South African government takes "the following preliminary steps, without which negotiations cannot begin:

t To lift the State of Emergency,

t To release all detainees and political prisoners and to allow exiles to return home,

t To unban the African National Congress, the Pan Africanist Congress and all other banned and restricted political organizations,

i To guarantee free political activity and to amend the Internal Security Act and all other laws accordingly,

t To repeal the Population Registration Act, the Separate Amenities Act, the Group Areas Act and all other laws which organise South African society on the basis of race."(22)

By defining these conditions, similar to those set by the major organizations within the Mass Democratic Movement and the African National Congress, the religious leaders further underscored their leadership in the movement for genuine negotiations to establish a non-racial, democratic South Africa.

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The growing resistance within South Africa, and the successes of initial international efforts to isolate the apartheid economy have increased Pretoria’s vulnerability if not openness to change. At the same time, however, the minority regime’s resolve to preserve its privileges and resist power-sharing--strengthened by the short-comings of international measures--continue to prolong the agonies of apartheid. As a result, the international anti-apartheid movement must fine-tune its strategies in order to have a decisive impact on South Africa while peaceful change there is still possible.

1) ’ ’ i ’ ’ ’ t?

Since the days when Rev. Leon Sullivan advocated "responsible" corporate conduct in South Africa (buttressing the Reagan administration’s platform of "constructive engagement"), the anti-apartheid community has clarified its call for disinvestment from South Africa. As a result, 73 public funds with a combined portfolio value of $206 billion in the United States alone have adopted policies limiting institutional investments in or purchases from companies with operations in South Africa.(23) The 1986 Anti-Apartheid Act in the United States supported this approach by outlawing new investments in South Africa, with the exception of several loopholes.

As a steady stream of corporations disinvested from South Africa, however, it became clear that the non-equity ties these and other companies retained to South Africa provided an equally critical economic lifeline to the apartheid economy. The trend was clear. A four-year study by the Investor Responsibility Research Center in Washington, D. C. revealed that 40% of disinvesting companies retained agreements with South African entities for the continuing supply of products, services, distribution networks and technology. (24) These agreements have effectively protected the South African economy from the immediate impact of a cut-off of necessary imported products, services and technology. In some cases selling their asssets has even enabled companies to expand their markets in South Africa. While computer firms like IBM are prohibited by U. S. sanctions from supplying the South African government, the company' s former South African subsidiary (and sole South African distributor), ISM, has recently become partners with Reunert Computers. This subsidiary of Barlow Rand has sister subsidiaries, such as Reutech, with enjoy major military contracts from the South African government. The new structure further increases the likelihood that IBM products may find their way into the hands of the regime. At the company' 5 annual shareholder meeting in 1988, chief executive officer John Akers acknowledged, "We cannot guarantee our products in South Africa do not end up where we do not want them to."

Other disinvested companies, like General Motors and Ford, admit that their former subsidiaries (which still make GM and Ford vehicles) supply their products to the apartheid police and military. Following GM's sale of its South African operations, the new Managing Director of General Motors South Africa (renamed Delta Motors), Keith Butler-Wheelhouse, stated that the company had lifted its ban on sales to the military and police, originally set in compliance with the U. S. Anti-Apartheid Act. He stated that GM had thereby secured a "vote of confidence" as well as "significant" orders from two or three major government departments. He predicted that Delta would do more government business in 1987 than GM did in the previous five years.(25)

In a meeting with Michigan state officials a year ago, Ford representatives estimated that 10% of Ford vehicles produced by the company' s former subsidiary, SAMCOR, were supplied to the South African government, with one to two percent allocated for the security forces.(26)

Other corporate disinvestments have revealed the inadequacy of most of the criteria further prohibiting these kinds of license and franchise agreements. When Mobil Oil sold its South African assets in June, 1989, for example, it did not retain agreements to supply its purchaser, Gencor with products or services in exchange for ongoing royalties. Instead Mobil agreed that its one-time sale price would include authorization to use the Mobil name and products in South Africa for an additional five years. Such agreements are likely to keep companies like Mobil from excessive public scrutiny, at least until disinvestment criteria catch up with corporate manoeuvres. They also protect those firms’ South African markets and assure an uninterrupted supply of their products to the apartheid economy.

Corporations like Minorco have drawn attention to other loopholes in criteria prohibiting loans to South African entities. When Minorco attempted its acquisition of Consolidated Goldfields, one of its syndicated lenders, Chemical Bank, argued that Minorco (60% owned by Anglo American Corporation and De Beers Consolidated Mines Ltd.) was based in Luxembourg. As such, stated bank representatives, there was no reason Minorco should not receive a substantial syndicated loan.

This loophole in current criteria is likely to become increasingly immportant as a growing number of South African transnationals attempt to protect and increase the return on their capital by investing it abroad. The International Confederation of Free Trade Unions has documented the foreign subsidiaries of 89 South African companies, excluding those acquired through disin--vestments by foreign corporations.(27) The list is liable to lengthen as South African companies seek to invest in higher growth and lower risk economies, and to circumvent sanctions.

Finally, most provisions banning loans to South Africa failed to anticipate that banks would convert their short-term debt into ten-year loans by exercising the option offered under Section 12 of the 1987 interim rescheduling agreement. When Citibank revealed at the end of 1988 that it had converted "virtually all" its South African outstandings--to the tune of $670 million--into such exit-loans, a number of anti-apartheid organizations found that such a move was the functional equivalent of calling in current debt and providing a new, longer term loan to the apartheid state. It appears now that $3.5 billion of South Africa’s estimated $11 billion in short-term debt under the rescheduling agreement have been converted into these exit loans.(28) Some banks which have converted "a modest amount" to date, like Manufacturers Hanover, have acknowledged that they are open to additional such conversions.

These kinds of corporate and bank strategies highlight the need for international and anti-apartheid organizations to amplify criteria for severing economic and financial links to South Africa. As institutions and local governments broaden definions of ties supporting apartheid, they should add the following categories to traditional definitions:

non-equity ties resulting from license, franchise, management, distribution or technology agreements;

non-equity ties assuring the use of a name or trademark or ongoing supply of products or services resulting from an agreement of sale;

sales and purchases by foreign companies which have never held or have sold their South African assets, with or without

formal agreements;
loans to, and joint ventures and partnerships with companies financed (more than 10%) by South African capital;
extensions of time to repay outstanding loans, including lengthening maturities of prior loans to South African entities.

2) Targeteg Sanctions: gQQstitute or Supplement for Comprehensive Sanctions?

While some anti-apartheid activists have questioned whether it is advisable to pursue both comprehensive and targetted sanctions simultaneously, there is growing recognition that the two approaches can complement each other in several significant ways. First, when circumstances in South Africa (such as the 1990 debt rescheduling) provide significant time-limited opportunities, sanctions impacting the sectors in question may become an immediate priority within the broader campaign. Second, certain targetted sanctions may strengthen more general legislation and increase their impact on particular sectors such as the computer industry. Third, they may also permit greater international collaboration on particular campaigns such as the oil embargo. It is given, of course, that while international campaigns pursue the goal of severing all ties to apartheid, political constraints and possibilities in particular countries may argue for one strategy or combination of them at a given time.

Sanctions are likely to magnify their impact by exacerbating South Africa’s two most troubling economic problems: Repaying the foreign debt and maintaining a positive balance of payments. The newly-appointed governor of South Africa’s Reserve Bank, and continuing chairman of the Debt standstill Co-ordinating Committee, Chris Stals, cited the country’s low level of reserves and isolation from foreign capital markets as major difficulties.(29) In this context it is useful to examine the contribution and interdependence of financial, trade, technology and commodity sanctions.

a) Financial gangtions

Financial sanctions are a logical complement to comprehensive sanctions on trade and investment. Their goal is to cut off the flow of foreign capital and credits to South African entities, and thereby deprive Pretoria of the funds and flexibility it needs to compensate for and combat existing sanctions in order to maintain white minority rule. Leaders of South Africa’s religious organizations, and mass democratic and liberation movements advocate effective financial sanctions at this time. They hold this strategy as key to forcing Pretoria to capitulate and create conditions necessary for genuine constitutional negotiations.

As Pretoria prepares to renegotiate its rescheduling agreement prior to its expiration in June of 1990, the international community has a 1unique opportunity to implement effective financial sanctions against South Africa. Coordinated international pressure on Pretoria’ s creditors to exert maximum pressures at this time could effectively starve South Africa of badly needed foreign capital. Even minimal pressure could close major financial loopholes in existing sanctions by prohibiting financial transactions, trade credits and the extension of loan maturities to middle- or long-term. Pushed to the limit it could force South Africa to choose between default and constitutional negotiations.
Under its current repayment schedule South Africa will be required to repay $1.7 billion of its frozen loans in 1989. An additional $2.1 billion and $1.5 billion, not included under the rescheduling agreement, will fall due respectively in 1990 and 1991.(30)
Pretoria’s Director General of Finance recently stated that South Africa lacks sufficient resources to meet all its obligations "’unless there is a dramatic improvement in the economy, with for example gold prices doubling.’"(31) Clearly, as Pretoria attempts to alleviate its debt burden, the coming months offer the anti-apartheid movement a unique opportunity for strategic pressure.
South Africa’s creditors are well positioned to call in their outstanding loans under the existing agreement. Though South African assets in key creditor banks may be less than bank loans frozen under the moratorium, and despite national prohibitions on new loans to South Africa by the Nordic and Commonwealth countries, the United States, Japan and other governments--the international banks enjoy several kinds of leverage.
First, since South Africa is anxious to attract additional foreign capital, it is unlikely to default on its international loans, which would brand it as a bad credit risk in the eyes of current and potential international lenders like banks in countries like England and Switzerland, which continue to lend actively to South Africa.
Second, since 60% of South Africa’s gross domestic product is trade-related, Pretoria can ill afford to antagonize international lenders, which provide ongoing trade financing. Such loans, primarily suppliers’ credits, are exempt from the standstill agreement, and are being used for finance in some cases, as other international lending instruments are increasingly subject to scrutiny and sanctions.(32)
Third, international banks provide a financial lifeline to South Africa. Some, primarily the Swiss banks, continue to supply South Africa with gold swaps and gold loans--which total a significant proportion of those banks’ reported South African exposure.

A broad network of international banks facilitate the basic operation of the South African financial system through "routine" transactions, such as correspondent banking relations facilitating sight letters of credit, clean and documentary collections and incoming/outgoing transfers, upon which South Africa depends to do business with the rest of the world.

Since the US dollar is the currency of settlement for the international foreign exchange system, making dollars the intermediary for transfers between South Africa and other countries, U.S. banks have particular leverage should they choose to use it by refusing to process transactions which begin or end in South Africa.(33)

Chris Stals noted, "If the world banking community should effectively exclude South. Africa from international trade and payment systems, it. would be a much more effective sanctions measure than the trade sanctions applied by governments. It would put us on a barter trade system overnight. That is the muscle they have on their side."(34)

With their substantial bargaining power, South Africa’s creditor banks can pressure Pretoria for political change in the following ways:

a Declaring policies of no new loans, including gold loans and gold swaps, to South Africa until conditions are met for negotiating a new constitution which will abolish apartheid (in capital-lending nations where such loans are not already prohibited);

a Halting credits for trade with South African entities and their support by national governments;

t Terminating routine financial transactions, including those subsumed under correspondent banking relations, which begin or end in South Africa;

t Barring the extension of maturities of existing South African debt;

t Demanding maximum immediate repayment of South African outstandings when they come due in 1990.

The latter provision has received the support of religious institutions in the England, France, the Federal Republic of Germany, Switzerland and the United States--home countries of the banks on the Technical Committee, responsible for renegotiaing South Africa’s frozen debt. Beginning last year they launched a coordinated campaign urging South Africa’s lead creditors not to extend the rescheduling agreement voluntarily. If obliged to reschedule involuntarily, the banks are urged to extend the agreement for no more than a year in 1990, and to accept repayment during that time of no less than 15% of the original principal of the outstanding loans.(35)

The U. S. religious community has also worked closely with the congressional House Banking Subcommittee on International Development, Finance, Trade and Monetary Policy to schedule hearings and draft legislation pertaining to financial sanctions.
The foreign ministers of the Commonwealth countries have placed broad financial sanctions at the top of their international agenda, as outlined in their August, 1988 "Statement on South Africa’ 5 Relations with the International Financial System." At their meeting in Canberra, Australia in August, the Commonwealth foreign ministers further recommended that such sweeping measures include official lobbying of international banks negotiating South Africa’ 5 foreign debt by 1990, restrictions on lending to South Africa, including new loans and tougher terms for trade financing (such as shrinking the maximum credit term to 90 days). The ministers further recommended an official body he established to monitor the ban on medium- and long- term lending to South Africa.(36)
In recent months a growing chorus of international voices has called on South Africa’s creditors to refuse to renew their loans altogether until conditions are met for constitutional negotia- tions. These include South African church leaders such as Archbishop Desmond Tutu, Rev. Allan Boesak, Rev. Beyers Naude and Rev. Frank Chikane, leaders of the country’s Mass Democratic Move- ment, the African National Congress, and international anti- apartheid organizations.
If international bank campaigns and financial sanctions are effective during the short time remaining before the 1990 expira- tion, they will greatly increase the efficacy of existing sanctions and could prove sufficent to force Pretoria to the negotiating table with its opponents. If even moderate financial pressures are brought to hear they will reduce South Africa’s ability to buy political support at home and to postpone the impact of other international strategies to isolate the South African economy.
b) r ’ ’ ’ e s e 5
"South Africa cannot survive without the international community. Our economy is almost 60 percent trade-oriented, and it is ludicrous to believe that South Africa has the option to tell the world to go to hell," noted Terry Crawford-Browne, banking advisor to Archbishop Desmond Tutu and Dr. Allan Boesak, as he testified on August 1, 1989, before banking sub-committee hearings of the U.S. House of Representatives.
Such trade is supported by a variety of international financial, legal and economic mechanisms. As mentioned above, trade credits--both those supplied by banks and those "on open account" (supplied primarily by corporations)--enab1e South Africa partially to compensate for its evaporating pool of reserves while

obtaining the goods and services needed to keep the economy productive and competitive. While long-term loans to South Africa have declined in recent years, short-term trade credits have risen, primarily issued by the Federal Republic of Germany and the United Kingdom.(37)

South African commerce is further supported by a: complex network of license, management, distribution and technology agreements extended both by the majority of disinvesting international companies and by many (such as the Japanese) which may never have had South African operations.

These ties benefit both the companies and South Africa. While international businesses maintain their markets and royalties in the land of apartheid, they reduce their vulnerability to restrictive or punitive laws at home. Meanwhile, the South African economy continues to enjoy the imported patents, licenses and manufacturing rights upon which it depends.

Disinvesting U.S. computer companies are a case in point.

When IBM sold its South African operations in 1987, it retained license and distribution agreements with its former subsidiary, Information Services Management Ltd. (ISM), of three and five years duration. These agreements are renewable, and IBM's Chief Executive Officer, John Akers, reported to shareholders last spring, "Ours is an indefinite contract with ISM. Our intention is to continue the way in which we do business (in South AfricaJ."(38)

Through these agreements, IBM has retained roughly 20% of the South African computer market--the leading market share. In 1988 alone the company reported $100 million in sales to South Africa.(39)

When Unisys (formed by a merger of Burroughs and Sperry) sold its South African holdings in 1988, the payment schedule was contingent upon the ongoing provision of Unisys products and services to its former subsidiary (Mercedes Datacorp). According to the ten-year agreement Unisys was to be paid the purchase price of the company in quarterly installments over a five year period, so long as Unisys continued to supply the South African company. A cut-off of goods and services would halt payments to Unisys.(40)

Companies like Exxon have retained ties to South Africa without non-equity agreements. Following the company's disinvestment announcement in 1986, it has continued to sell chemical products to its former subsidiaries without a license agreement. In so doing it managed to avoid listing in directories such as that of the Investor Responsibility Research Center, whose criteria for non-equity ties do not include ongoing sales without contracts.

Of all imports, with the exception of oil, South Africa's economy depends most upon high technology. While some countries prohibit the provision of computers and software to nuclear or military collaboration or apartheid-enforcing agencies, their supply to other entities is not sanctioned. As a result imported high technology products continue to fortify the South African economy. In 1989 alone, according to the managing director of Technology Systems International, South Africa’ 5 computer industry is expected to expand by 20%.

Imported high technology is not only necessary for the stag- nating South African manufacturing sector to remain productive. It is key for the long-term competitiveness of South African industry in the international marketplace. As Pretoria is subjected to increasing pressure to accumulate foreign exchange necessary to repay its international debts, it will depend on the technological efficiency of its industry as well as access to international markets to circumvent sanctions and survive--both economically and politically.

High technology is also critical to Pretoria’ 5 military capability. As South Africa has sought to shore up its military self- -sufficiency in the face of the international arms embargo, it has relied heavily on imported high technology. Companies like Unisys and Control Data have helped build South Africa’ 5 military- industrial complex.

According to a 1986 article in the gompute; Mail, "At the heart of ADE’s TAtlantis Diesel Engines Ltd.1 manufacturing operation are two Burroughs A9F mainframes controlling a network of more than 300 video display terminals...In every sphere of ADE’s operations...there is computerization."

During the 1970’s, Control Data is reported to have directly supplied the South. African Atomic Energy Board and the South African police. It also sold a large mainframe computer to the Council for Scientific and Industrial Research (CSIR), which has been involved in the development of military and nuclear weapons. Control Data affirmed that it had enjoyed "a long and mutually beneficial business relationship with CSIR."

Today, even as some countries prohibit the direct supply of computers to the South African government and its agencies, they fail to proscribe the supply of high technology to South African enterprises which are military suppliers. In IBM’s case cause for concern has been magnified since the company’s former South African subsidiary was acquired by a subsidiary of Barlow Rand, whose other subsidiaries (such as Reutech) include major suppliers of the South African military.(41)

The danger of the drain of technology is exacerbated by the outflow of know-how, as highly trained technicians and profession- als leave South Africa for greener pastures. The economy is "quite simply bleeding to death," noted Dr. Ben Vosloo, head of South

Africa’s Small Business Development Corporation. He cites "the steady drain of skilled people with marketable skills, who are leaving because they see no light at the end of the tunnel."(42)

Decisive prohibitions on trade with South Africa by a handful of governments would have a substantial impact. One study last May reported that South Africa’s five major trading partners (the U.S., Japan, West Germany, Italy and the United Kingdom) together purchase 65% of South Africa’s exports and supply 52% of its imports. This included virtually all South Africa’s exported gold, platinum and diamonds, which provide almost one-third of the country’s merchandise trade.(43)

But to maximize the impact of such sanctions, pressures need to be brought to bear on all countries through which the South Africans are attempting to reroute their trade, such as Hong Kong and Taiwan. They have substantially increased their exports to partners such as Japan (by 44%), the FRG, Italy, Spain, Turkey and Taiwan Province. Between the 1983-85 period and 1987 alone, South Africa’s trade with Switzerland, Argentina, Turkey, Brazil and Taiwan Province more than doubled.(44)

The effort to discourage sanctions-dodging is strengthened by national legislation which mandates punitive trade measures against countries whose companies fill the gap in trade with South Africa as home companies cut their ties. The Dellums/Simon bill pending before the U.S. House and Senate is a step in this direction.

On August 8, in their meeting in Canberra, Australia, the Commonwealth foreign ministers issued their 222-page Hanlon Report which called for comprehensive bans on trade with South Africa. While existing sanctions are estimated to have reduced South Africa’s foreign trade by 7%, the report estimates that politically effective sanctions would need to reduce international imports from South Africa by 25%. Such prohibitions, it affirmed, are necessary now to strengthen the impact of financial sanctions, particularly during the 1990-91 period when a major portion of South Africa’s foreign debt comes due.(45)

0) Oil sanctions

Sanctions which target particular commodities can complement comprehensive sanctions and other focused measures by affecting specific strategic industries. Oil sanctions, for example, if strictly defined, enforced and internationally coordinated, have the already demonstrated potential to raise the price of apartheid.

Since South Africa does not have its own commercially viable oil deposits, it depends on external sources of petroleum to meet between 73 and 77% of its liquid fuel needs.(46) The international oil embargo has succeeded in raising the "apartheid premium" on the price of South Africa’s petroleum imports. As Pretoria is

forced to confine its oil imports to top secrecy, collaborating companies and countries have also developed elaborate schemes to conceal their navigational and paper trails to South Africa.
As a result the white minority government has been forced to pay a "pariah penalty" calculated at $10 above the market price to import each barrel of crude oil in 1980, and approximately $5 per barrel in later years. (47) South Africa’ s former president, P. W. Botha complained that "between 1973 and 1984 South Africa had to pay R22 billion more for oil than it would normally have spent." The Shipping Research Bureau estimates that between January 1979 and August, 1987, South Africa spent at least $20 billion to overcoome the direct and indirect effects of the oil embargo.(48)
Oil sanctions are strengthened by legislative and people’ 5 sanctions which encourage complete withdrawal. Since some of the petroleum companies, such as Royal Dutch/Shell, which have major operations in South Africa, have also been found to be among the companies supplying oil there(49)--disinvestment and severing non-equity ties reduce the incentives for such companies to supply crude where they no longer profit from ongoing operations.
South Africa’ 5 attempts to increase its energy self- -suffi-ciency have saddled its economy with tremendous additonal costs. Pretoria continues to pump vast sums of public money (equivalent to billions of dollars) into projects like the SASOL oil- -from-coa1 conversion plants, designed to meet an estimated 25% of the country’ 3 needs. Charging their customers approximately $75 per barrel in 1983 (when the spot price for petroleum was $28 per barrel) these projects, in the estimation of international oil experts, are unlikely ever to be profitable.(50) Projections for South African gas-conversion at Mossel Bay are hardly more optimistic. Recent calculations peg the price of oil liquified from Mossel Bay’s natural gas at $63 per barre1.(51)
Were the embargo to succeed in cutting off all oil supplies, international experts estimate that South Africa could not survive for more than six or seven months.(52) But even the existing partially observed embargo has substantially raised the cost of oil, and thereby heightened the impact of South Africa’s deterior-ating balance of payments and the burden of its frozen foreign debt.
The oil embargo can be tightened in a number of ways. These measures have been well documented at the hearings of the United Nations Inter-Governmental Group to Monitor the Shipping and Supply of Oil and Petroleum Products to South Africa and the U.N. Special Committee Against Apartheid, held in New York on April 12 and 13, 1989. They include public campaigns targeting specific oil companies with strong South Africa ties, such as Shell, Chevron, Texaco, British Petroleum and Total.

Proposed international measures include stricter monitoring of the embargo, extending the embargo to refined petroleum products as well as crude, stronger provisions to cut off the transshipment of oil, and penalties such as those outlined in last year's U.S. "Petroleum Anti-Apartheid Sanctions Act," by which foreign as well as domestic oil companies are penalized for their South African business, and a comprehensive, multilateral approach to the embargo.

d) led sanctions

While gold sanctions are a longer-term measure than financial sanctions, comprehensive sanctions and the oil embargo--they would nonetheless have a decisive impact over time and complement the other international strategies.

Gold has long stood as one of the pillars of the South African economy, generating nearly 10% of the country's gross domestic product and 43% of its foreign exchange earnings. However, during the last two decades South Africa's gold production has declined, conceding market share to U.S., Canadian, and Australian producers. Whereas South African mines produced 70% of the gold mined in non-Communist countries ten years ago, this year they supplied only 40%.

To make matters worse for Pretoria, South African gold is now among the most expensive to produce in the world. For some South African mines, such as Barlow Rand's East Rand Proprietary and Gencor's West Rand Consolidated, production costs far exceed the current market price, which has dropped 25% since January, 1988. Tom Main, head of South Africa's Chamber of Mines, acknowledged last May that nearly 20% of South Africa's gold production is "uneconomic" at current prices. He attributed the industry's decline to the severe "shortage of capital" available for reinvestment in the mines as a result of international disinvestment from South Africa.(53)

The vulnerability of South African gold, a highly strategic economic lever for the entire economy, suggests that halting international purchases of South African gold could have a sizeable impact on Pretoria. There are several difficulties. First, South African gold is not currently identified on the international gold markets in Zurich and London, making it difficult at present for major buyers to boycott it. Second, since South Africa supplies an estimated 40% of the world's gold, measures to keep apartheid gold off the market would raise the price of gold dramatically (and produce windfall profits on gold smuggled out of South Africa) unless such restrictions are complemented by the supply of equivalent amounts of the commodity from other sources.

The World Gold Commission has proposed a three pronged strategy for gold sanctions:

o Banning all imports of newly mined South African gold or gold shipped directly from South Africa, including products (such as jewelry) which contain such gold (this approach would necessitate separating out South African gold on the Zurich and London markets);

0 Releasing gold from national reserves of countries implementing sanctions on a monthly basis, in amounts equivalent to those which would otherwise be imported from South Africa.

0 Financing and training students selected by the South African Liberation Movement to learn the skills of mining and marketing gold.(54)

Once implemented, such gold sanctions would deliver a swift blow to the apartheid economy. Further, they would neatly reinforce comprehensive and financial sanctions by sharply eroding South Africa's balance of payments and further reducing Pretoria's-ability to repay its foreign debt.

3) Responsible Disinvestmgnt: How to Leave?

As international strategies press corporations to sever their South African ties, disinvestment advocates continue to clarify their concerns and goals. In so doing they have recommenended the preferred process by which companies should withdraw.

As anti-apartheid activists have challenged corporations to pull out of South Africa, they have been accused by conservative (and pro-apartheid) forces of augmenting the suffering and reducing the power of South Africa's Black majority. The responses by South Africa's Black religious leaders (including spokespeople for the SACC and SACBC), the country's major non-racial trade union organizations, the mass democratic and liberation movements have clearly supported comprehensive sanctions and corporate disinvestment as international pressures necessary to speed the end of apartheid.

The Congress of South African Trade Unions (COSATU), the country's largest (more than one million-member) trade union organization, further stipulated at its Second Congress in July, 1987, that selective and partially implemented sanctions alone would be not effective against apartheid. Instead COSATU argued for comprehensive and mandatory sanctions, rather than what they have come to characterize as sham withdrawals and corporate camouflage. They argue that such deceptive arrangements enable companies to change their ownership but not their operations, thereby insuring continuing a conginuing flow of revenue from their former subsidiaries, while buttressing the South African economy and the privileged white minority.

COSATU specified that such comprehensive sanctions, sharpened by financial and other pressures, with full participation by South Africa’s organized working class, are the only international strategies likely to bring about a "non-violent, truly democratic and non-racial South Africa."

This position was supported by COSATU’s demand that companies provide their unions with adequate advance notice of their pull-outs sufficient to give workers the chance to negotiate withdrawal terms before completion of the sale.(55) Some unions, like the Chemical Workers Industrial Union (CWIU), have put this principle into practice by demanding that all their employers agree to negotiate the terms of their withdrawals with the CWIU prior to the sale of their South African assets. Mobil Oil’s disinvestment last June represented the union’s first major victory on this issue, as the oil giant capitulated to domestic and international pressures and negotiated most of the terms of its withdrawal with the CWIU before disinvesting.

Religious organizations in the United States, coordinated by the Interfaith Center on Corporate Responsibility, have supported this approach in their shareholder resolutions calling for the complete withdrawal of more than 100 companies last year. This year a similar resolution addressed to corporations with South African assets will call for companies to withdraw responsibly by severing all ties to South Africa, and "take these actions in consultation with workers and unions and in a way in which the larger black community will reap some benefit."(56)

This approach is well supported by the member-churches’ theological positions supporting principles of self-determination and social justice, which argue for the central role of exploited people in deciding the process and product of their own liberation. These doctrines emphasize the role of the church in "opting for the poor" and thereby supporting the efforts of oppressed people to free themselves and determine their own destinies.

The religious groups have also joined with other organizations, such as the American Committee on Africa, New York Labor Committee Against Apartheid and numerous other solidarity groups in lobbying and demonstrating in front of Mobil headquarters in support of the CWIU’s demands. The same organizations are lobbying for inclusion of a strong "workers’ rights provision" in New York City’s pending selective purchasing laws which would require six months notice to workers by companies leaving South Africa.

Negotiation with workers prior to disinvestment is a flexible and unifying principle. It allows for each group of workers to determine their own demands, according to their specific concerns and the particular conditions of the companies, industries and communities in question. At the same time, unions can work together, with international support, to win advance notice and negotiation with disinvesting corporations. In a number of cases, such as Mobil’s disinvestment, unions have demanded that the withdrawing companies leave behind a trust controlled by its former employees, for the benefit of the workers’ communities.

The call for "worker empowerment" has been met with proposals ranging from the Reagan administration’s "constructive engagement" to employee stock ownership plans (ESOPs). While the former have proved politically bankrupt, the latter has been implemented by a number of South African corporations and supported by some anti-apartheid activists. On the surface such programs can be argued to transfer assets (and therefore economic power) into the hands of South Africa’s Black majority.

Anglo-American, one of the highest profile supporters of ESOPs, has already initiated plans to make 8.5 million shares available to its workers over a five year period.

ESOPs, however, have failed to win the broad support of the majority of South Africa’s non-racial trade union movement. Often they are designed and implemented without so much as consultation with the workers in question, and limit the percentage owned by employees to between five and ten percent of the total holdings. Further criticisms stem from strict eligibility criteria and a postponement of employee payments until after companies repay lenders who have financed the trusts. Other opponents note that if the enterprise is not profitable, workers end up with minimal returns. Finally, political critics argue that such schemes are tantamount to worker cooptation, blurring distinctions between profit-driven capitalists and.wage-dependent.workers and projecting the appearance of "worker control" without any of the conditions necessary to achieve it.(57)

These criticisms are all the more pronounced within the context of the ANC’s Freedom Charter, adopted unanimously by the 1987 COSATU Congress. The Charter stipulates that

The national wealth of our country, the heritage of South Africa, shall be restored to the people; The mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole;
All other idustries and trade shall be controlled to assist the well-being of the people.(58)

While the ANC’s subsequent development of the ideas in the Freedom Charter, outlined in its recent Constitutional Guidelines for a Democratic South Africa, clearly project a mixed economy, its basic orientation remains toward social (rather than individual) benefit from, if not ownership of, South Africa’s major resources and industries.

South Africa’s non-racial trade union movement has further chosen to pursue economic empowerment through its campaigns for a living wage and unemployment insurance for all South. African workers. It has further embarked on a fierce struggle to defend its political power (and survival) in its fight against the recently enacted Labor Relations Act. This law undermines the basic principle of seniority, as well as labor’s rights to strike, to protect recognition for majority unions, and to organize on a non-racial basis.

COSATU’s demands are a critical component of the interwoven strategies to bring decisive pressure on Pretoria to dismantle apartheid. By promoting corporate responsibility in the process of severing ties to South Africa, they strengthen the alliance between the key internal and international forces impacting on the South African economy. In so doing they not only aim to protect South Africa’s workers from becoming helpless victims of disinvestment accomplished at their expense. They reinforce the power and leadership of the non-racial trade union movement in the struggle to end apartheid and to shape an economy to benefit the majority of the population.

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The international campaign to demolish apartheni is at a critical juncture. Limited economic pressures have demonstrated their ability slowly to sap the vitality of the apartheid state. They have not yet succeeded, however, in delivering a sufficiently stunning blow to bring the country’s political economy to a halt and force the white minoritiy regime to negotiate the foundations of a free society.

South Africa’s majority leaders do not want to inherit a wasteland. Incomplete and uncoordinated international measures will only sentence the people of South Africa to a protracted struggle of escalating bloodshead and the inheritance of an irreparably eroded economy.

At this time the international community bears the responsibility of refining and coordinating its strategies for maximum immediate impact, if a non-racial, democratic and united South Africa is to be built soon and on solid ground.

The choice is ours.

Recommendations

In this context, the focus, coordination and implementation of these economic strategies is more essential than ever. The United Nations Commission on Transnational Corporations can make a key contribution to this effort in the following ways:

I. Financial Sanctigns

A. Develop a data-base to monitor financial flows and sanctions by

1. tracking financial flows in and out of South Africa, and maintaining updated lists of South African transnational corporations investing abroad,
2. monitoring and reporting regularly to member governments and NGO's on
   a. international payment systems and policies
   b. activities of governments, banks and corporations relevant to implementation of the financial embargo
   c. ways in which specific member states are becoming havens for South African capital ,
3. facilitating the coordination of the financial embargo, particularly to strengthen transnational bank and corporate campaigns;

B. Recommend that the United Nations launch and encourage member nations to join a comprehensive financial embargo of South Africa until apartheid ends:

1. The embargo would extend existing policy by barring all international support for South Africa, including new loans, gold loans, gold swaps, the renewal of existing loans, the extension of maturities of existing loans, tradecredits,correspondentbankingrelations, and other "routine" financial transactions,
2. Conditions for lifting the embargo should be specified by the UN to include necessary preconditions for constitutional negotiations, such as the lifting of South Africa's state of emergency, freeing all detainees and political prisoners, unbanning all restricted people and organizations, permitting the return of political exiles, repealing all apartheid

laws and guaranteeing free political activity for all,

Recommend the UN persuade the governments of the countries of Pretoria’s major lenders (England, the Federal Republic of Germany, France, Switzerland and the United States) to promote and help coordinate measures by which the Technical Committee will exert maximum pressure on South Africa for political change during the 1990 debt negotiations,

Recommend the UN assist other member governments in passing and enforcing legislation to implement the financial embargo in their countries,

Recommend that the UN mandate its financial agencies, such as the International Monetary Fund, the World Bank and the International Bank for Reconstruction and Development, halt all loans to South Africa until apartheid is abolished,

Recommend that the UN instruct the pension fund of its employees to write letters immediately to the banks with which it does business, publicly urging them to sever all ties to South Africa (including declining to renew or convert the maturities of outstanding loans) until apartheid ends;

II. ra e and ch 10 anctions

A.

Recommend the UN strengthen policies related to comprehensive and mandatory sanctions by urging an end to both international investment in and non-equity ties to South African entities (such ties include the provision of products and services, management, distribution networks and technology to, with or without ongoing agreements with South African entities--and the purchase of products orservices from such entities),

Recommend the UN assist member governments in passing and enforcing comprehensive legislation to sever trade and technology ties to South Africa,

1. including effective strategies such as terminating double taxation agreements with South Africa, implementing comprehensive, mandatory tsanctions, and corporate campaigns,

2. promoting multilateral mechanisms for states to penalize transnational corporations and

transnational banks operating within their borders which maintain such ties to South Africa,

C. Continue to research the scope and details of technology transfers to South Africa--particular1y in the strategic high technology, mining and energy sectors--and publish relevant findings,

D. Identify those countries and regions which.undermine efforts by other members to sever non-equity ties to South Africa, such as Japan, Taiwan and Hong Kong, and report findings to the international community;

III. 91; Embargo

IV.

A. Support the recommendations of the Intergovernmental Group to monitor the implementation of the oil embargo,

B. Recommend that the UN broaden its definition of the oil embargo to proscribe both the supply of crude ang refined oil products to South Africa,

C. Assist international researchers in gathering information about countries and companies which undermine the oil embargo, and report findings to the international community,

D. Recommend that the UN immediately take effective measures to prevent future purchase of petroleum products from South Africa (such as the recent purchases of oil from South African by UN authorities in Namibia);

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A. Monitor the purchase and flow of South African gold on international markets, and gold loans into South Africa,

B. Assist Switzerland and England in developing policies and mechanisms necessary to separate out South African gold on the Zurich and London markets,

C. Recommend the UN encourage the major international importers of South African gold to ban such purchases further and replace them with purchases of gold from other sources,

D. Recommend the UN adopt policies and coordinate multilateral strategies necessary to encourage governments with the largest gold reserves to release them gradually onto the international market, in quantities equal to those of South African gold excluded from that market;

Responsible Withdrawa; Eolicy

Recommend that the UN adopt and encourage member states to implement a policy encouraging transnational corporations to sever their ties to South Africa in a responsible manner by negotiating withdrawal terms with the affected South African workers and their unions prior to their implementation;

Selective Purchasing and Contracting Pglicies for the UN

Assist the UN and its specialized agencies in strengthening and enforcing selective purchasing and contracting guidelines which prohibit UN and related agency business with corporations and banks with direct or non-equity links or proscribed financial ties to South Africa (including, for example, Royal Dutch/She11,IBM and Union Bank of Switzerland).

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