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January 10th. 1988

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r Contras

The Irangate 'scandal has shed new light on United States-South Africa collaboration. It has also confirmed information previously provided to HQ on sources of South African oil supplies.

This document is based on Congressional Hearings, the National Security Archive submission to the Senate Select Committee on Intelligence (24. 6,87), various newspaper reports and other information.

Early Planning:

It appears that Reagan began preparing for covert operations even before he was elected, and the first reported meetings with Iranian officials took place one month before the elections.

Early in the administration William Casey put forward a proposal for US

intervention or stepped up involvement in covert operations against "leftist regimes" around the world. The idea of a common front linking various "anti-communist" movements was also developed in the following

years including the establishment of a "freedom fighters bureau" to coordinate US support for anti-Communist guerillas in Afghanistan,

Angola, Cambodia, Ethiopia, Laos, Mocambique, Nicaragua and Vietnam

. Saudi Arabia was brought in to help fund these operations, many of which

were illegal in terms of US laws,

ASGQLA

US links with UNITA:

In December 1981 Savimbi held "breakthrough" meetings with US officials in Washington. Afterwards he said: "Material help is not dependent on, nor limited by the Clark Amendment",

According to press reports which have not yet been otherwise confirmed,

a confidential US government document revealed that by June 1982 US was collaborating with Israel to supply US made weapons to UNITA with Saudi

Arabia providing US\$30m for the operation. (Some reports place amount given as US\$50m.) In May 1983 there was a secret meeting in Kinshasa of representatives from the US, South Africa, Israel, Zaire and USIA. The US offered financial and military assistance and South Africa offered to step up military actions against Angola. Six months later the US Navy delivered arms to UNITA via Zairean ports of Boma and Matadi.

Even after repeal of the Clark Amendment, US covert aid to UNITA has continued in order to provide additional amounts in excess of those approved by Congress. In December 1986, 60 tons of machine guns and

other weapons were sent to South Africa for transfer to UNITA . This was a violation of the US arms embargo. Also the US has been supplying weapons using the abandoned airbase Kamina (made operational by CIA)in Zaire Shaba province. Planes used were C-130 and B-707 with markings of St Lucia Airways, which at that time was also carrying US arms to Iran,

Col North has claimed to have "participated" in Angolan war, probably in CIA missions to Savimbi in 1970s. In June 1985 North helped arrange conference of anti-communist movements in Jamba,

Savimbi's main US lobbyist Christopher Lehman used to work on military issues for State Department and the NSC, and he maintained links with the Contras. He left government service in Sept. 1985 to work for the public relations firm of Black, Manafort Stone & Kelly which was retained by Savimbi. Lehman helped prepare for Savimbi's first meeting with Reagan four months later in Jan 1986. After this meeting Lehman sent "expressions of gratitude to key Savimbi supporters" including Col North. In April 1986 Lehman sent North a letter accompanied by a photograph of North and Savimbi. Christopher Lehman's brother, John F. Lehman Jr. was Reagan's Secretary of the Navy until 1987. His other brother is Donald F. Lehman, the NSC's Director of Defence Programs and Arms Control office.

Gen. Singlaub and the World Anti-Communist League (WACL) feature in the Irangate affair. General Singlaub is the founder and President of the League. He was fired in 1977 as head of US forces in South Korea for publicly criticising the Carter Administration's policies. He has close personal and semi official links with the Reagan Administration. He and the League are also connected with a number of right wing activities throughout the world. Together with Alexander M.S. McColl military editor of Soldier of Fortune Singlaub established the Institute for Regional and International Studies in Boulder Colorado (for training Salvadorian police and possibly Contras and other "freedom fighters").

He is also involved with GeoMilitech.

A plan submitted by GeoMiliTech Consultants Corporation (President: Barbara Studley) was found in Col North's safe. It put forward a 3 way arrangement:

US to supply high-tech equipment and information to Israel
Israel to transfer advanced military equipment to China.

China as per directions from US would deliver Soviet made arms to "anti-communist forces" around the world. These to include "freedom fighters" in Nicaragua, Afghanistan, Angola, Cambodia, Ethiopia etc. the arms were to be channelled through a specially set up foreign trading company,

This plan was presented to Casey in December 1985 and was discussed with Col North, and administration officials including Alexander Haig and Richard Allen. It is not clear whether plan was implemented or not.

Singlaub's WACL conferences routinely feature appearances by UNITA

delegations.

Annual meeting in Mauritius in October 1984 of WACL spinoff Organisation of Africans for Freedom claimed delegates from 25 countries, reported to be drawing up detailed plan to support anti-communist activities in Angola Mocambique and elsewhere in Africa.

Angola also targetted in GeoMiliTech's plan

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The US sought South African aid for the contras. By 1983 Casey had drawn South Africa into the Contra support network. Senior South African officials met frequently with Casey and others on issue, In 1983 SAFAIR FREIGHTERS established a dummy US company to lease Hercules aircraft to Southern Air Transport which was later used to support contras. South Africans were involved as pilots in transport of arms

In late 1984 a delegation led by Chief of South African intelligence visited Contra leaders in Honduras and Costa Rica and discussed supplying them with funds and weapons. CIA apposed SA move to 'adopt Costa Rican based Eden Pastora and persuaded them to continue aid to contras in Honduras.

Late 1986 SA officials visited Honduras. Early 1987 reports of SA air crews stationed at US base at Aguacate in Honduras and offshore at Sw an Island, flying supplies to contras. Also several "Rhodesians" working out of Ilopango air base in El Salvador.

Last year it was revealed that CIA supplied NSC intercepts and other intelligence information to Pretoria on activities of ANC and President Tambo,

Saudi Catmectioa

In 1981 US agreed to supply Saudi Arabia with AWACS in exchange for billions to fund anti-communist forces around world, Saudi and US bank account with upto \$US2 b, for covert aid to anti-communist farces around world. -----

The package included a committment that Saudi oil would be supplied to,

South Africa. The very high premium paid for the ail by Pretoria was, I like the "profits" of the Iran arms deal, to be used for funding the j reactionary movements.

On Feb 19 1984 Casey met King Fahd on the French Riviera. He urged t he King to supply additional funds for aid to contras, and UNITA. He also sought agreement for further oil sales to South Africa. At the same time Prince Bandar bin Sultan, later Saudi Ambassador to US,

approached US Businessman Sam Bamiah to set up off-shore companies that

could be used to funnel aid illegally to contras, to UNITA, Afghanistan as well as to supply oil to SA. Bamieh was told this was not illegal, and at that moment Fahd was meeting with Casey on yacht off shore,

Bamieh was told to work with General Secord and Albert Hakim in setting up companies. Both Secord and Hakim were involved in Irangate. Bamieh testified before the House Foreign Affairs Sub-Committee on Africa,

On March 8 1986 Casey met Botha, Believed to have discussed how US would ship weapons to South Africa for UNITA, and confirmed support for

continuing Saudi oil supply, One month after this meeting Botha made reference to having had to pay an additional US\$22bn over 11 years because of the oil embargo. (He confirmed the figure given by ANC/SW APO Presidents a year before,>

According to Bamieh's testimanoy, Fahd also underwrote training of UNITA by Morocco and Saudi credits to Morocco were being diverted to UNITA, Bamieh's testimony confirmed that Saudi government knowledge and connivance at oil supplies to South Africa, and that some Saudi princes were working in partnership with the oil trader John Duess who was main supplier to Pretoria.

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Date: 22.2.88.

BACKGROUND...IQ,_PQLICIÂ£S AMOUgCBD AT QKBIIIO OF PARLIA
MENT.

In opening Parliament Botha announced major changes in economic policy and at the same time said little about "reform". This briefing tries to show how the two are connected,

This is a preliminary paper drawing attention to developments which require discussion and further consideration. The conclusions are tentative, as following discussions in Lusaka, the relevant material has been hurriedly set out, prior to the much fuller exploration that is necessary.

In Summary:

1. In place of the floundering and "ad hoc" of the last few years, the Botha has now embarked on a considered strategy.

a. There is acceptance that institutional political reform on its terms is

not feasible for the moment. Appearing to pursue it in the present circumstances has been diversionary and counter-productive, raising internal and international expectations which cannot be met. Institutional political reforms have therefore been moved down down the scale of political priorities, and the concentration will be on stopping the drift in policy, and focussing on policies that will

create the climate in which power sharing can be carried out.

b. Money is needed to meet the very genuine black grievances which

'revolutionaries' are exploiting; this will show blacks that these can

be redressed by co-operation with the authorities and lead the way to peaceful evolutionary change.

c. The regime has been forced to come to terms with the fact that it just does not have the money to maintain the security apparatus, improve living conditions for blacks, and run apartheid. The economic crisis is not simply a cyclical one of recession/boom aggravated by sanctions, but a more fundamental one to do with the structure of the economy, which needs correction.

d.. Priority has therefore has to be shifted to economic growth: to make South Africa into a modern capitalistic competitive economy, which will

create the conditions that will facilitate whatever political changes are necessary. The idea that fostering "economic growth" will help to lead to the destruction of apartheid is not new, or simply a discovery of Mrs. Thatcher, but has been long advocated within South Africa. This would also lead to a revival of business confidence and make allies of the business community who in turn will help the economy and help to improve South Africa's image and credibility.

e. The policy has serious implications for the traditional power base of the Ifational Party, which have been accepted.

f. The economic reforms proposed fit in with the thinking of many prominent conservative radicals and fall into the exact formula that the British Chancellor Sigel Lawson has said debtor countries must follow in order to revive their economies and qualify for IMP loans. It will therefore add to Botha's friends in the Boardrooms of multinationals, and western Cabinets. Together with increased confidence among local business, it is hoped that this will open the way for a return of foreign investment.

(The flaws in the policy are not dealt with here.)

2. To give itself the leeway to implement its policy, the regime is going to have to impose more rigid control on everyone, and close up the space for action

by the democratic movement, liberals, the right wing and international critics

3. While international political pressure will be less effective, the policy makes the regime particularly vulnerable to international economic action.
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4. This paper is not focussed on the economic pros and cons of the policy but rather on the politics that led to the decisions and the political implications of those decisions. We look at:

A. The main trends of strategy over the last 3 years

B. What happened in practice

C. What new paths are being followed

D. What are implications for the struggle

While not conceived as a package, three main inter-connected strands can be discerned in the strategy followed by Pretoria over the past 3/4 years. At any particular time the exact application and emphasis has been determined by which faction in the Government/ State Security Council/ Intelligence Agencies/ Cabinet has been able to convince Botha. In summary their different views are:

--- The 'hardliners', who believe that the regime is not under any real threat,

and that there is no need for any significant concession to either internal opposition or international friends: Greater repression will solve the problem,

--- The 'wins', who believe that the regime can pull through without any significant concessions through a combination of severe repression and minor reform: A restructuring of apartheid,

--- The 'liberals', who believe that blacks have genuine economic and political grievances which need to be met if the whites and 'their' country and society are to survive. They do not have a precise answer nor are they agreed on how far it might be necessary to go, but most feel that it is necessary that various possibilities are explored including new and possibly radical political solutions. Some consider that it might be possible to arrive at a compromise with black leaders which falls short of the demands of the liberation movement. If necessary, some if not all are prepared to offer the AIC the option of

going along with a compromise, with the carrot that the ABC would

then be able to pursue its ultimate objectives from within the compromise/interim situation.

This group is neither constant nor cohesive. Its membership shifts, and different segments of it accept different levels of white

compromise as necessary at different times. As most of them operate

from the basis that compromise is necessary rather than desirable, the political situation of the time affects their stance,

The three strands:

1. Pacification/repression: Through the state of emergency, detentions, bannings, repression and liquidation the "uprising in the townships" / "black

unrest" / "the violence" should be stopped, and "law and order" restored.

While there were some differences about the levels of violence and repression necessary, generally there has been general support for pacification.

2. Upgrading: Through the RSCs and JMCs and with assistance of the private

sector conditions in the black areas should be improved so as to remove "genuine" (social) grievances. Again general support, but differences about what effect this could have,

3. Negotiation/ Reform: Pacification and upgrading were supposed to create a

climate in which negotiation would be feasible, Pacification would remove "intimidation" as well as "false expectations" and allow more "realistic" leaders who believed in "moderate solutions" to function, The upgrading was to be linked with them, in order to give them greater credibility and establish that improvements could be achieved through working within the system. These elements were to acquire greater credibility and international respectability through being "elected" onto community councils later this year and also as urban representatives onto the National Statutory Council, They and the

elected Bantustan leaders could then be counterposed, to the "unelected" individuals who refused to negotiate,

B. WHAT HAPPENED?

Even before 1987 it had become clear that the strategy was not succeeding and increasingly also, that it was not likely to succeed:

Pacification has had only limited success. The "uprising" was contained, the "violence" reduced and mass protest curbed. But the democratic movement proved surprisingly resilient, with organisations operating only to a limited extent but not disintegrating. The miners strike revealed the extent to which unions had managed to organise, and more seriously, trade unions had failed to confine their activities to the shopfloor and had carried the majority of their workers with them. Pretoria more than anyone else in the country was aware that it had not regained control of the townships. The conviction grew that only through continued repression and constant show of force would its writ run.

The greater use of vigilantes succeeded in terms of specific targets, but as a policy was often counter-productive. The failure to control vigilantes did not enhance the regime's own domestic and international image by suggesting that it was not in control or in a position to maintain law and order. This and the use of vigilantes itself offended the puritanical morality of some HP supporters, but more importantly it alienated some of the conservative elements among the African population that the regime was seeking to make into its allies.

Upgrading The term refers to the latest aspect of the recognition that there were genuine grievances and there needed to be some improvement in the living conditions of blacks in order to defuse grievances and secure co-operation.

This is not new, but was part of the original "total strategy" concept.

The military were the main proponents: Kalans much quoted "hearts and

minds"

policy. Initially, expenditure began to be raised on black education and services. Later with JKC's and RSC's they embarked on the "upgrading" of black townships. However, those involved had no conception of what conditions in the townships were really like. Almost no white Administration Board officials had moved around the townships, and no accurate reports of conditions were available to government agencies. It has been reliably reported that when the SA DF went into Alex, they were appalled. More than one member expressed incredulity and horror at what they saw.

As upgrading began, it became clear that if it was to be extended beyond one or two showpieces, the cost would be way beyond anything that had been anticipated. It also became clear that there just wasn't enough money, and in a recessionary economic climate the regime's resources had to be spread between upgrading and the additional expenditure it was committed to for black education, pensions etc. There was little help forthcoming from the business community which had become disenchanted with the regime. Its social programme expenditure was directed in terms of public relations returns to the company rather than infrastructural upgrading. The investment bans meant that no additional help could be found abroad, as had been done earlier for Soweto electrification etc.

Despite the bombast the evidence was mounting that the economy as a whole was also giving cause for concern. There had been a negative growth in four of the last seven years. After a sharp decline, GDP had come back to the level of 1982, while population had grown and there were additional demands for military and security expenditure. Company profits had had been falling and foreign

investors' returns had declined from approximately 20% to 5% in a decade. The question of more money had to be solved before any significant progress in "upgrading" could be made.

Negotiations Without a measure of success in the first two prongs, there was little prospect of any move in this direction. 'Moderate' leaders have singularly failed to come forward, and even community councillors while collaborating with the regime made clear that they could not "negotiate".

(Botha's visit to the Vaal townships last year.)

Instead of accepting the role of alternatives, some of the "elected" moderates were adding to the pressure to negotiate with the genuine leaders. Others were losing even more credibility through their corruption and involvement with vigilantes. Bantustan leaders were also doing their best to discredit themselves.

Domestically and internationally, Buthelezi's credibility has suffered: Many

of his supporters, even among the business community, are disappointed and disenchanted. Not only has he proved unable to command national support, but popular opposition has revealed that even within his self-proclaimed ethnic power base (Zulu), there are significant numbers who do not support him. At the same time, he has not been prepared to fall in totally with Botha's plans, because he needs to broaden his base and because his ambition drives him to seek recognition as THE black leader, not just one of a number. The maximum Botha can offer him is recognition as the Zulu leader, Buthelezi wants recognition as South Africa's leader. So he has only been prepared to serve the regime's interests to a limited extent.

Among both Coloured and Indian participants in the tricameral, there was a falling out with Botha, most notably among the former. Whether or not Botha is prepared to repeal the Group Areas Act, he is not inclined to set a precedent of succumbing to any black demands through blackmail.

In the circumstances Botha had nowhere to go. Under pressure from the "liberals" he gave in on the release of Govan Mbeki but never agreed to all the implications of the release.

As the democratic movement has widened its base, the debate about strategies has expanded and the possibilities of a flexible approach are being publicly explored, especially so, as the state of emergency has required a reassessment both of methods of organisation and how to move forward. At the same time international pressure on the democratic movement (and the AJfC?) has grown to explore the openings and use them to secure their own objectives. With no moderate leaders emerging, one of Botha's nightmares must have been the possibility that his bluff on everything being on the table for negotiation would be called, and somehow without compliant blacks he would lose control.

C. SEW PATHS

Botha has consciously postponed any attempt at political reform. Within 10 days of introducing the legislation to set up the Sational Statutory Council, the regime admitted that there was no prospect of the Council succeeding in the current climate, and that they were merely "putting the machinery in place".

This is now on the back burner, allowed to simmer till such time as circumstances are more favourable. For the moment the first two views, the hardliners and wins, have carried the day.

Instead Botha is focussing on another aspect of his "total strategy". When the "total strategy" was launched at the Carlton Conference in 1979, it included "liberalisation" of the economy. The objective was a fundamental restructuring of the economy, and the development of a strong efficient competitive manufacturing sector and a reduction in the dependence on exploitation of minerals. This was to be facilitated by a reduction in the role played by the

state, a reduction in subsidies and taxes, the deregulation of industry and the

privatisation of the parastatal sector thereby opening profitable sectors of the economy to the private sector.

Hitherto liberalisation has not been fully implemented and has been beset by conflicting interests. This has been a major contributor to the disenchantment of business in South Africa, and the multi-nationals with Botha. The leading role the state continues to play is illustrated by the fact that state expenditure accounts for nearly 50% of the GDP.

A white paper on liberalisation was issued in the middle of last year, but other

preoccupations were dominating the political agenda. At a meeting of heads of department engineered by Du Plessis and Chris Stahls towards the end of last year, there was a dramatic presentation of the impasse in the economy using the best audio visual techniques. The inevitable conclusion was that unless something was done about the economy no strategy could succeed, and even money to maintain the security services would be in short supply. The solutions proposed:

--- Confirmation that there was a need for a greater allocation of resources to

black including where necessary shifting expenditure on whites;

--- If cuts in defence could not be made, and the cuts in white standards were

not be totally untenable, then money had to be found from somewhere else

se. The answer was to move along the path of deregulation and liberalisation of the economy, and sell most of the parastatal sector to private investors. Ways would have to be found to make whites accept that they could no longer be cushioned from economic reality but the HP had to be tough and could cope with the difficulties that would arise especially for sectors of the IPs traditional supporters.

--- Liberalisation which included privatisation and deregulation would make

allies of the business community, increase confidence and lead to an economic boom. Capitalist efficiency would further erode racial barriers among the labour force, (may lead to further white unemployment), help expand black business, and increase the number of blacks with vested interests in the system.

--- Liberalisation would help alter the international climate. It would fit in with the economic views of Botha's natural international allies, make apartheid a more profitable investment, and offer foreign investors something they had been previously denied: i.e. an opportunity to invest in the parastatal sector, at prices which would ensure high returns.

--- Given that liberalisation fitted exactly with the criteria that people like the British Chancellor were pressing the IMF to demand of the developing countries, South Africa would be establishing itself as internationally credit worthy; an important factor if international investment for improvements in black areas was to be enticed back.

Having secured agreement for these ideas among the technocrats. Schl erbusch was called in to sell the proposal to Botha, which he appears to have done.

There was no unanimity in the Cabinet - some reports describe the confrontation as "bloody". However the proposals were rammed through by Botha. Important to note that they do offer something to everyone, though the divisions remain.

One of the main considerations was the difficulty of selling the policy to the SP supporters:

---- there would be reduction in expenditure on whites at a time when economic

difficulties had already hit them; - salary cuts in the civil service would hit those whom the SP needed, both in terms of votes and in order to carry out its policies;

---- Privatisation could also affect HP support. Afrikaaner economic power had

been built through the state sector against " British/ Jewish/ international"

financiers. Selling these assets could provoke an emotional response, especially as they would be sold to precisely the same "Hoggenheimers" interests

against whom Afrikaaners had campaigned in so many elections. Worse still, the

funds generated from these sales were to be used for the benefit of the blacks.

In the long run, many of the parastatals were cushioning white employment, and

if they were rationalised and run by efficient capitalists, it would be Afrikaaners who would lose their jobs.

So, for both objective reasons (the failure to break resistance and reassert

control) and for party political reasons, it is necessary to accompany economic

reform and liberalisation with a display of toughness: more repression: less

talk of political reforms which are not practically feasible anyway: no concessions even to friends in the international community; etc.

This suits those who supported such policies anyway. The "liberals" are going

along because they believe upgrading and defusing black grievances is necessary,

and that better economic conditions will develop a genuine conservative

leadership and help create a climate where these could be "elected" into

some
kind of negotiating machinery.

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There is a need to examine the shift carefully, in terms of any new alignment of forces both within the ruling classes, the collaborators and "friends" of the democratic movement.

There are implications also for the democratic movement. Apart from greater restrictions on organisations, there are policy implications especially for the trade unions. Also have we assessed the problems that arise with "upgrading"?
K.T.C.?

In terms of international strategy, we need to look at the balance between economic and political pressures on the regime.* Governments have to be briefed on the "improvements" .

The international solidarity movement needs to be alerted to the implications for campaigning on disinvestment, new investments and loans.