

NMO/034/0143/1

Sweden and South Africa: the two faces

The two faces of Swedish relations with South Africa
Co-operation for development
Swedish technology and apartheid
Sweden's legal measures against apartheid
Loopholes in the law

1st July, 1987.

Introduction

On July 1st, 1987, a Swedish trade embargo directed against South Africa came into force. This is the latest in a series of measures aimed to make an effective contribution to the struggle for the abolition of the system of apartheid. There is broad popular support for far-reaching Swedish sanctions against South Africa.

There are another side to Swedish policies in Southern Africa. Sweden is in the forefront of donor countries who give development assistance to the majority ruled nations of the region. Considerable humanitarian aid is also given to the liberation movements: the South West African People's Organization, SWAPO of Namibia and to the African National Congress, the ANC of South Africa.

From the point of view of solidarity movements, however, it is necessary not only to look at the achievements of a quarter of a century's work, but it is also vital to point out the weaknesses in Swedish policies. We hope this will give others an opportunity to learn from our experiences. We also owe our comrades in Southern Africa itself an explanation of some of the contradictions in Swedish relations with South Africa.

This publication is intended to provide a summary of the achievements and the shortcomings in Swedish relations with South Africa for use by the liberation movements, solidarity movements, anti-apartheid activists, decision-makers and journalists throughout the world.

It is written by **Madi Gray**, a South African born journalist residing in Sweden since 1974.

Contents

The two faces of Swedish relations with South Africa	1
Co-operation for development	3
Swedish technology and apartheid	6
Sweden's legal measures against apartheid	11
Loopholes in the law	14

1 The two faces of Swedish relations with South Africa¹

July 1st, 1987, marks the imposition by Sweden of an embargo on trade with South Africa. This is the latest in a series of steps to impose sanctions on the apartheid state. In many ways Sweden is in the forefront of international anti-apartheid activity.

* Sweden has a long history of solidarity with African countries struggling for their independence. It was the first Western state to provide material aid to the liberation movements fighting Portuguese colonialism (*MPLA* in Angola, *PAIGC* in Cape Verde and Guinea Bissau, *Frelimo* in Mozambique) and white minority rule (*ZANU* and *ZAPU* in Zimbabwe, *SWAPO* in Namibia and the *ANC* of South Africa). A total of SEK 1607 million² (US\$233 m) has been contributed in humanitarian assistance up to 1985/86, which includes funds received by the liberation movements.

* The liberation movements (today *SWAPO* and the *ANC*) have information offices in Stockholm. This is important to the movements and to the political awareness of the Swedish public, organizations fighting apartheid, political parties and journalists.

* The anti-apartheid movement is strong and broadly based, embracing political parties, religious organizations, the trade union movement, youth and women's organizations and a nationwide solidarity movement active in the Isolate South Africa Committee and the Africa Groups in Sweden.

* A week before he was murdered in February 1986, Prime Minister Olof Palme opened the Peoples Parliament Against Apartheid, the most representative gathering of Sweden's popular movements committed to peace, freedom, social justice, democracy, human rights and national self-determination in South Africa, Namibia, and Southern Africa as a whole.

* All parliamentary parties, except the Conservatives, voted for the trade embargo. Similar voting patterns have been seen in many of the other measures adopted by the Swedish parliament. These include restrictions on new investments and leasing, stopping the import of Krugerrands and agricultural produce, the introduction of visa restrictions and the inhibition of cultural and sporting ties with bodies and individuals who are not expressly anti-apartheid.

* Sweden has worked together with the other Nordic countries, Denmark, Finland, Iceland and Norway, in matters of policy and development co-operation.

* It has consistently supported the work of the United Nations against apartheid, taken a number of diplomatic initiatives and has tried to persuade other countries to impose sanctions on South Africa.

This is one face of Sweden, that which is most widely recognized internationally. There is, however, another face. It is represented by the political right wing, strong business interests and Sweden's major export industries, several of which have subsidiaries in South Africa. In addition to production plants, there are Swedish sales companies.

¹ Most of the arguments and examples in this section have been adapted from Chapter 1 of *Sweden and South Africa* by Mal Palmberg, AGIS, September, 1985. Additional statistics come from *Bistånd / stiftor och diagram 1985/86*, SIDA.

² USD=SEK 6,90, December, 1986.

The manufacturing companies, *ASEA*, *SKF*, *Alfa-Laval*, *Atlas Copco*, etc. do not differ in their interests and modes of functioning from other transnational corporations. They pursue profits. Swedish companies in South Africa do not substantially differ from other foreign investors in their trade union practices, pay policies or pattern of employment.

Swedish industrial technology has made a more valuable contribution to South Africa than is usually imagined. It is often sold to public corporations or other companies close to the apartheid state, which, in turn, are suppliers to the country's arms industry. In the year during which trading licences were compulsory, *Sweden's National Board of Trade* granted 616 export and 103 import licences (up to and including June 12, 1987).³

Particularly since 1978 when a ban on new investments seriously came on the agenda, the "Swedish business community", as it calls itself, formed a lobby to promote the idea that apartheid is reforming itself and that not only is there no need for sanctions, but that sanctions are also counterproductive, increasing both black unemployment and white intransigence. They use bodies like the *International Council of Swedish Industry* to promote these ideas and counter the advocates of sanctions.⁴ When trying to expand in the Third World, however, these companies exploit Sweden's progressive image.

There are many seeming contradictions in Swedish relations with South Africa. On the one hand there is the integrated policy of development co-operation with the region of Southern Africa and assistance to the liberation movements. On the other hand there are Swedish investments in the apartheid economy. For many years the ban on new investments was partially countered by the substantial increase in trade. On the one hand various initiatives in United Nations bodies, on the other the history of government reluctance to adopt unilateral sanctions. On the one hand nationwide campaigns, like that of the *Pupils' Organization* which forced the *Esselte* office equipment and publishing company to withdraw in 1985 "because of poor business prospects", on the other hand, advertizements in South African papers for Swedish products.

These contradictions are not an expression of hypocrisy, but of a struggle between different interests in Sweden. On the one side stands the Swedish business community, for whom South Africa is a profitable market. Ranged against it is the popular anti-apartheid movement, which backs United Nations resolutions in regarding the policies of the regime in South Africa as a crime against humanity and a threat to world peace.

The Swedish government was long caught between these forces, irrespective of whether it was social democratic like today or a bourgeois coalition, as it was between 1976 and 1982. In the export-oriented economy of this country the large companies represent major centres of power which have a significant influence on the economic base of the country. It has not been easy for the government to go against their wishes.

Some trade unions, notably the *Swedish Metal Workers Union*, which organizes workers in most of the companies with subsidiaries in South Africa has also been caught in the middle. It feels sanctions would hurt employees in Sweden and in South Africa, and has thus taken a careful stand.

It is the task of the solidarity movement to analyze and expose the weaknesses of current measures and to stretch the limits of possible and acceptable policies.

³ List compiled by National Board of Trade (Kommerskollegium), Stockholm, 12th June, 1987.

⁴ Eg. see *Swedish Business and South Africa*, International Council of Swedish Industry, Stockholm, 1983.

2 Co-operation for development⁵

One of the principal areas for Swedish development co-operation is Southern Africa. The region receives about 40 per cent of Sweden's total allocation for bilateral assistance. In the fiscal year 1986/87 about SEK 2 000 million (US\$287 m) was allocated, equivalent to nearly ten per cent of all aid from developed countries.

This substantial contribution forms an integral part of Swedish foreign policy. Parallel to political initiatives to isolate the South African government and support the victims of apartheid and the liberation movements, Sweden supports the majority-ruled nations of Southern Africa in their strivings to consolidate their political independence and economic growth. In Angola, Mozambique and Zimbabwe this collaboration began with humanitarian assistance during the struggle for liberation.

Development co-operation to Southern Africa has number of components, the largest being bilateral support on a grant basis channelled through the Swedish International Development Authority, SIDA. This is complemented by other forms of co-operation which are designed to extend the range of Swedish development assistance: research support (SAREC), concessionary credits and technical co-operation (BITS) and industrial collaboration (SWEDFUND).

The development co-operation administered by SIDA focuses on seven countries in the region: Angola, Botswana, Lesotho, Mozambique, Tanzania, Zambia and Zimbabwe. In April 1980 these countries, together with Malawi and Swaziland, created the Southern African Development Co-ordination Conference, SADCC, with the twin objectives:

- * To reduce economic dependence on South Africa;
- * To lay the basis for an integrated regional development.

The Swedish Parliament and Government regard support to SADCC as a logical continuation on a regional level of the ongoing bilateral programmes with individual countries. In addition, SIDA disburses emergency aid (SEK 200 million was allocated in 1986/87), support through non-governmental organizations (NGOs) and provides humanitarian assistance to the South West Africa People's Organization (SWAPO), the African National Congress of South Africa (ANC) and to victims of apartheid.

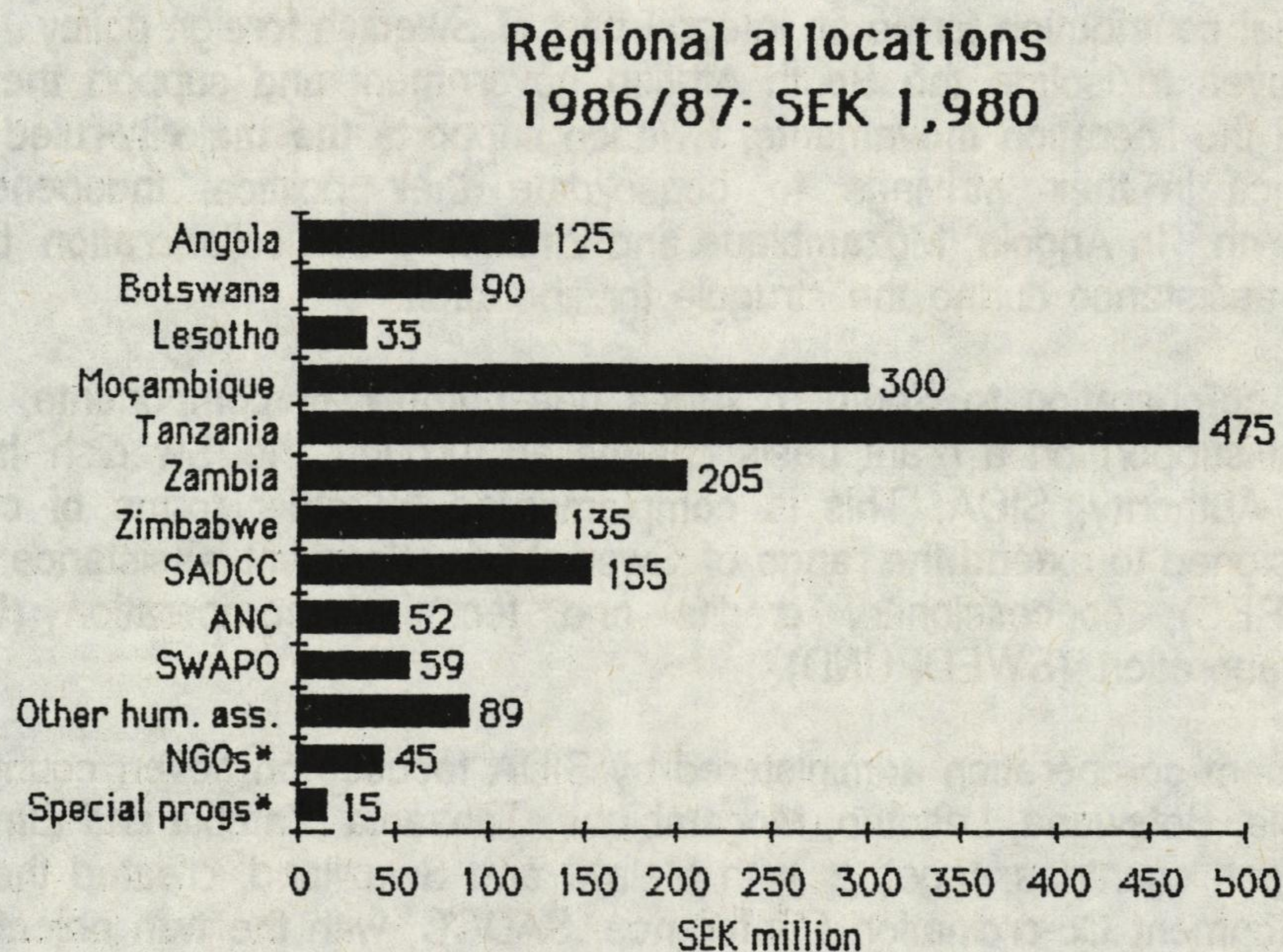
An additional 600 million Swedish kronor was allocated to Southern Africa at the end of 1986 for measures to alleviate the effects of South Africa's military and economic destabilization. The liberation movements were allocated an additional SEK 10 million, of which 7.5 went to the ANC and the remaining 2.5 million to SWAPO.

Sweden has long been collaborating with the other Nordic countries to coordinate foreign policy positions and development co-operation in Southern Africa. Joint participation in country programmes, SADCC projects and the Nordic Initiative to

⁵ Unless otherwise specified, information in this section is taken from *Sweden and Development Co-operation in Southern Africa*, ed Madl Gray, SIDA, December, 1986 and from *Bistånd / stiftor och diagram 1985/86*, SIDA.

contribute on a region to region basis are examples. There is also some collaboration on projects between the Nordic countries in their assistance to SWAPO and the ANC.

A total of 287 million dollars were allocated through SIDA in 1986/87 as shown in the diagram below:



(USD 1 = SEK 6.90)

* Estimates

Assistance to the liberation movements

Sweden's humanitarian assistance to Southern Africa for the fiscal year 1986/87 amounted to SEK 200 million. It is partly channelled through the two liberation movements, the ANC of South Africa and SWAPO of Namibia, and partly through UN organs and other international and Swedish bodies, all of which work with support to the victims of apartheid policies. During 1987/88 SEK 64 million is being allocated to each liberation movement.

In the beginning, contributions to ANC and SWAPO refugees were primarily in the form of deliveries of material aid, like food, vehicles, clothes and medicines to meet daily needs in exile. Gradually the increasing support has been transformed into project co-operation in the refugee camps, primarily within the agricultural, health and educational sectors. At the same time, the number of refugees from both Namibia and South Africa continues to rise, adding to both liberation movements' responsibilities for providing daily necessities. Workshops for training of mechanics and maintenance of vehicles delivered over the years by SIDA and other donors to the ANC and SWAPO, are examples of the kinds of projects which receive support. Farms and agricultural equipment have been bought for the ANC, to improve the opportunities for the refugees to support themselves. Education and training has become an important part of development co-operation with the liberation movements. Sweden is now arranging courses for administrators, teachers and nurses.

The humanitarian assistance channelled through the UN, the trade union movement, grant-giving and legal aid agencies, churches, and other organizations provides education for refugees and also trade union training and other types of education in

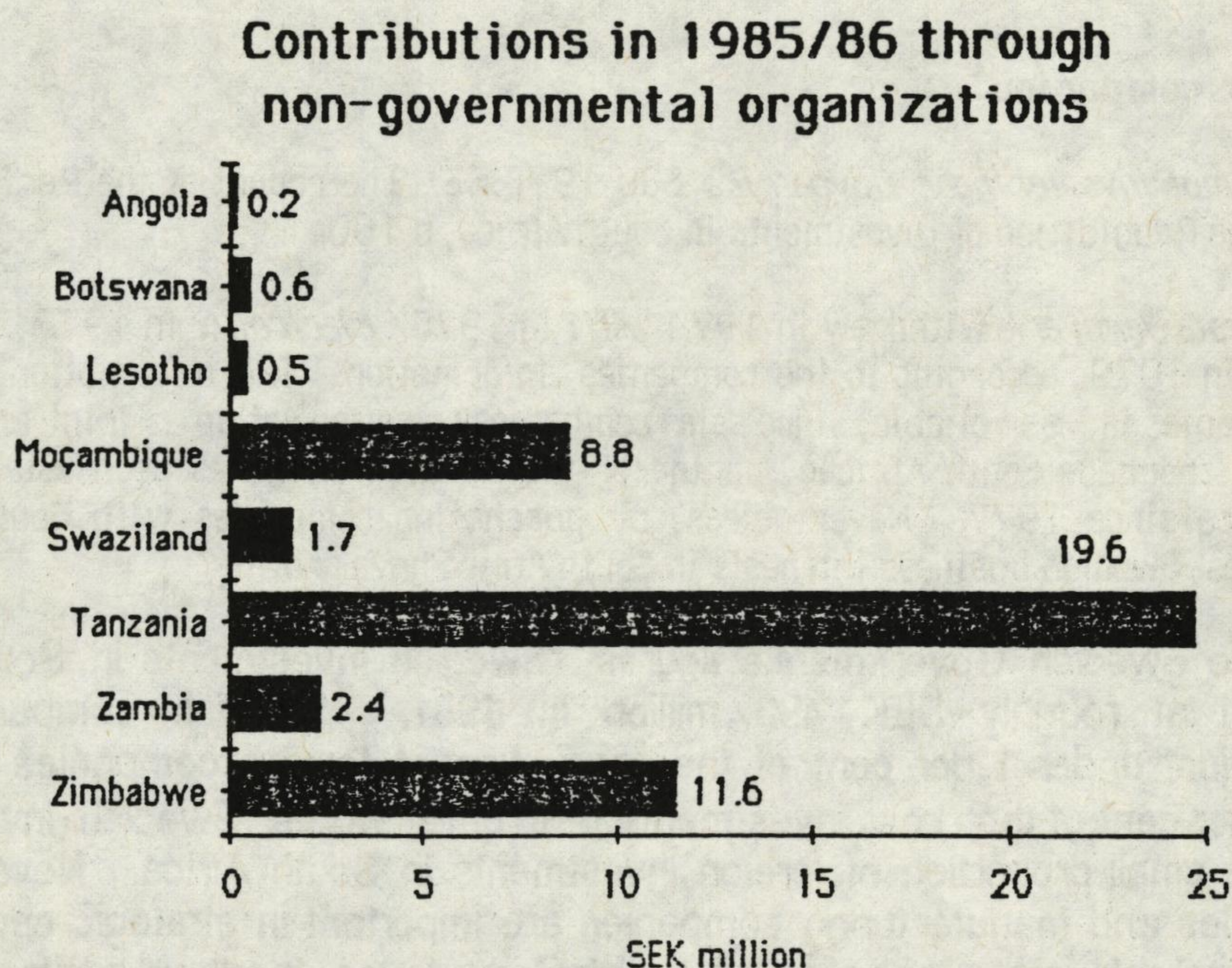
South Africa and Namibia. Basic schooling for the majority of the population is inferior and one of the prerequisites for a democratic development in South Africa is the provision of better education. Swedish trade unions sponsor trade union education in South Africa and Namibia and Sweden has been offering scholarships to refugees since the mid-sixties. The growing number of South African and Namibian youth in exile means that the need for grants and scholarships to refugees is not abating.

Prisoners in South Africa and Namibia are often accused of having participated in political meetings or of expressing their political opinion in some other way. Thus Sweden contributes to the costs of legal aid, without which they would have no defence.

Contributions are also made to the collection and dissemination of material on apartheid policies and the situation in South Africa, through Swedish popular movements and organizations elsewhere.

Voluntary organizations

Development co-operation to Southern Africa through non-governmental organizations in 1984/85 amounted to SEK 35.6 million, about a quarter of all the contributions channelled by SIDA through these organizations. The following diagram illustrates the size of the contributions made to each country in the region during 1985/86.



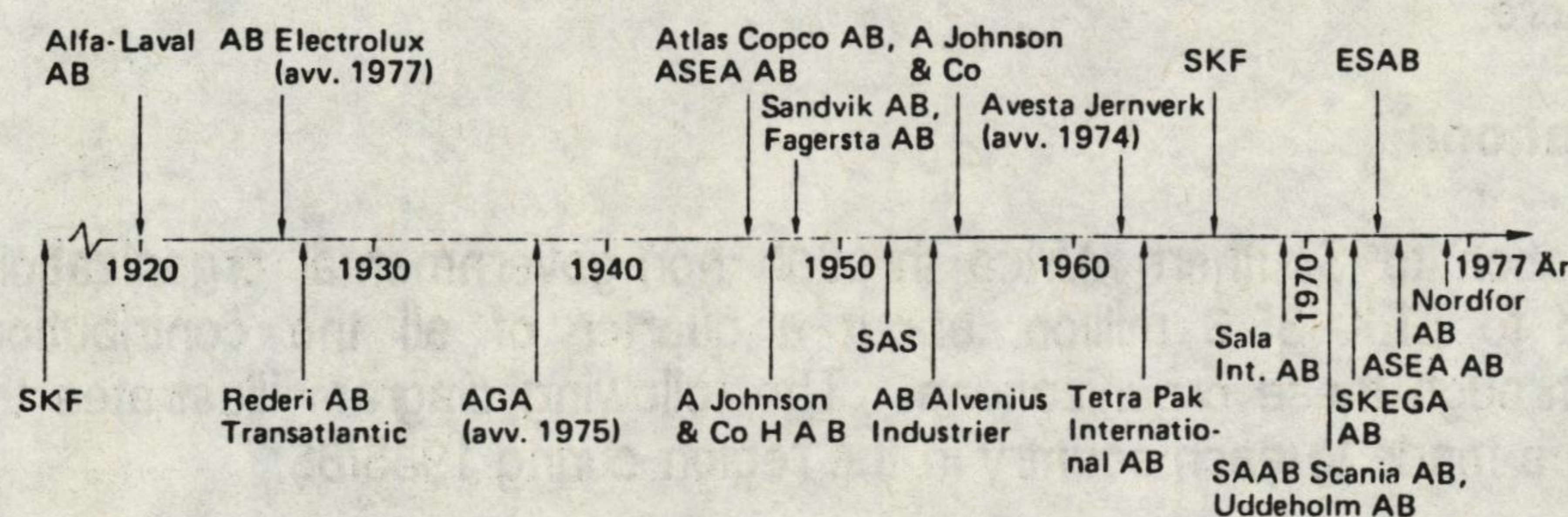
Tanzania and Zimbabwe, which receive the largest contributions, are primarily supported by missionary societies. In Mozambique most support is channelled through the Africa Groups Recruiting Organization, which primarily recruits voluntary health, educational and other professional and skilled workers.

3 Swedish technology and apartheid⁶

In 1904 the *Transatlantic Shipping Agency* started sailing from Sweden to South Africa. The earliest Swedish sales company was *SKF*, the Swedish ball-bearing manufacturer which started business in 1914. In 1920 *Alfa Laval* became the first Swedish company to establish a production plant. Most Swedish subsidiaries came from the late forties.

Establishment of Swedish companies in South Africa (1914-1977)

Production plants



Sales and other companies

Source: *Förbud mot investeringar i Sydafrika* SOU 1978:53. The report of the Parliamentary Commission on the Prohibition of Investments in South Africa, p 100.

Notes: *Avesta Jernverk* withdrew in 1974, *AGA* in 1975, *Electrolux* in 1977, *ESAB* and *Tetrapak* in 1979, according to the companies' information. The information regarding sales companies is less reliable, since sales companies are often set up as joint enterprises with other, perhaps South African, partners. No Swedish firm has been established in South Africa since 1977. Nevertheless, by purchasing companies with South African subsidiaries, Swedish business interests in South Africa have grown.

According to the Swedish Government's figures, "Swedish investments in South Africa were estimated at roughly SEK 490 million in 1981. Swedish companies are responsible for just under 1 per cent of the production of foreign companies in South Africa and 0.2 per cent of the gross investments."⁷ In other words, Swedish investments represent only a small proportion of foreign investments in South Africa. Nevertheless, the Swedish sales and manufacturing companies are important in strategic sectors and have played a vital role in the **transfer of technology** to the apartheid regime.

Swedish technology has made a considerable contribution to building up South Africa's basic industries, and exports continued until the trade embargo came into effect on July 1, 1987. These companies were simply selling what Swedish industry does well, which happens to be in the strategic metal working, mining, manufacturing and energy sectors.

⁶ Unless otherwise specified, information in this chapter is adapted from Section 2 of *Sweden and South Africa* by Mai Palmberg, op.cit. and from *Swedish Technology and Apartheid* by Kristoffer Leonardsson, Isolate South Africa Committee, October, 1986.

⁷ *Prohibition of Investments in South Africa and Namibia and other measures against apartheid* An unofficial translation of the Swedish Government's Bill 1984/85:56, Ministry for Foreign Affairs, February, 1985, p 28.

Swedish companies in South Africa and Namibia

Company	Subsidiary in SA	Location	Main products
Manufacturing and sales companies			
Alfa-Laval AB	Alfa-Laval SA (Pty) Ltd	Isando (Joburg) Cape Town, Durban	Dairy tanks and separators Repairs to separators etc. installed in ships
ASEA	ASEA Electric SA	Pretoria, Rosslyn et al.	Transformers, high voltage cables, optic fibre cables, industrial robots, etc.
Bahco	ASEA Reunert	Germiston	Sales, imports Ventilation equipment
SAAB-Scania	Record Tools	Kempton Park	Trucks and buses
Sandvik	Malcomess-Scania Sandvik Spoonier Machinery Co	Benoni, Brakpan Krugersdorp, Apex Pretoria, Durban, Cape Town et al.	Range of drills, reinforced metal bits, cutting tools stainless steel pipes, saws coal mining equipment, etc.
Secoroc/Kinnevik	Fagersta Steels	Springs, Durban Port Elizabeth, Cape Town	Rock drills, cutting steel, coal mining equipment, stainless steel imports, etc.
SKF	SKF SA Barseco (incorp. SKF Bearing Manufacturers)	Uitenhage	Large range of ball bearings Imports and sales
Sales companies			
Alvenius AB	Lightweight Piping	Benoni	Piping equipment
A Johnson and Co	Axel Johnson and Co Africa (incorp 1981 Avesta SA); 10 000 shares in Electrolytical Metal		Imports from Sweden incl. water turbines, windmills, machinery for paper and cellulose industry Electrolytical manganese for steel and aluminium
Skega	Skega Benoni	Benoni	Rubber products
Uddeholm	Dryden Steel	Johannesburg	Imports of steel products
Service companies			
Electrolux	Supervision Cleaning Services	?	Cleaning services
Rederi Transatlantic	Transatlantic Shipping Agency	Cape Town	Shipping line
Swedish sales companies in Namibia.			
Atlas Copco	Atlas Copco South West Africa	Windhoek?	See above
Skega	Skega Namibia	Windhoek?	See above

Sources: Claes Brundenius, Kenneth Hermele and Mai Palmberg, *Gränslösa affärer - om svenska företag i tredje världen*, LiberFörlag, Stockholm, 1980 pp 142-3, Kristoffer Leonardsson *Swedish technology and apartheid*, ISAC, 1986, Mai Palmberg *Sweden and South Africa*, AGIS, 1985 p 9, *Swedish Business and South Africa*, International Council of Swedish Industry, Stockholm, 1983 p 23 and companies' reports of Swedish version pp 35-70.

Notes: ASEA Electric is not included in official lists of Swedish companies falling under the prohibition on new investments as it retained only 24.9% of the shares in a sale shortly before the law was implemented in 1979. In January 1987 ASEA sold the remainder of its shares to the South African *Powertech* group for a remarkably small sum, SEK 33 million.

Swedish companies which have closed down or withdrawn

Company	Subsidiary in SA	Year	Main products
Manufacturing, sales and service companies			
AGA		1974	
Avesta Jernverk	Transalloys	1974	
Electrolux	Electrolux SA	1977	Domestic appliances
Electrolux: Nordfor Teknik	Nordfor Africa	1981	Forestry products, and consultancy services
Elektriska Svetsnings AB	Protea Esab Holdings	1979	Metal works
Esselte	Esselte	1985	Books, office equipment
SAS	Scandinavian Airlines System SA	1985	Weekly flight stopped
STAB	Lion Match Co	1977	Minority shares sold
Tetrapak	Tetrapak SA	1979	Packing material
Volvo	Lawson Motors	1977	Cars

Sources: As above

After the stop on new investments in July 1979, Swedish trade with South Africa increased rapidly, reaching its greatest volume in 1984. At this time the value of Sweden's exports was four times that of its imports which was a favourable balance of trade for Sweden, though it only accounted for 0.6 per cent of Sweden's exports. South African statistics showed that Sweden was a relatively insignificant trading partner, having 12th place as a supplier and 22nd as an export market.⁸

An analysis of trade statistics for 1985 showed that Sweden was amongst the eight most important exporters of technology to South Africa, being the source of 2.2 per cent of South Africa's industrial import of **capital goods** and **advanced technology**, particularly **machinery**, **electrical equipment** and **spares**. South Africa is, thus, heavily dependent on imports of Swedish technology in certain sectors which should suffer from considerable adjustment problems if the Swedish trade embargo is effective.

Another characteristic of Swedish technology transfers are the significant **links** between Swedish subsidiaries and **state-owned corporations** or conglomerates closely aligned to the South African government, which, in turn, often supply the arms industry.

One such example is the South African Chairman of the Board of *ASEA Electrics*, Derek Keys, who is also a board member of the state-owned *Industrial Development Corporation, IDC*, whose primary function is to absorb technology from abroad. Keys is also chairman of *GENCOR, General Mining Union Corporation Limited*, one of South Africa's largest mining and industrial conglomerates with interests in many other firms.

Here follows some data on Swedish companies and Sweden's trade with South Africa:

* In the field of **electrical power** ASEA is a major company in South Africa. In 1979 it ranked third amongst companies in terms of growth rate (41.5 per cent in the preceding four years). The company has intimate relations with the modern architects of the apartheid economy. The involvement of Derek Keys, the chairman of ASEA Electrics, in the state's Industrial Development Corporation, IDC, was presumably advantageous when the company opened a new factory for the manufacture of cables

⁸ *Prohibition of Trade with South Africa and Namibia* An unofficial translation of the Swedish Government's Bill 1986/87:110, Ministry for Foreign Affairs, pp 26-7.

near the "border" of the black bantustan, Bophutatswana, in 1983. The IDC provides state subsidies to foreign firms transferring particularly important technology from abroad. The ASEA Electric group controls 43 per cent of the cable market in South Africa. Moreover, together with *Philips*, ASEA owns a new factory in Port Elizabeth for the manufacture of **optic fibre cables**.

* In the local press, ASEA in South Africa advertizes that we are "exceptionally proud of ASEA's capability, as we are over our South African heritage". The company is counting on increasing its sales of **industrial robots** to the motor component industry in South Africa. Automation facilitates precision and secrecy, and makes firms more independent of black labour. This means that robots are ideal for use in South Africa's extensive weapons industry.

* *Atlas Copco*, *Sandvik* and *Fagersta* are important producers of **mining equipment**. Atlas Copco has 30 per cent of the market in aircompressor drills. The company has a marketing agreement with Sandvik which produces the special steel for the drilling bits of Atlas Copco's rock drills. By the purchase in 1973 of the British company, *Wickman Wimet*, Sandvik became one of the most important and expanding steel producers in South Africa.

* From the outskirts of Stockholm, *RIFA* in Kista, owned by *Ericssons'* and/or *ASEA-HAFO* in Järfälla, exported **electronic microcircuits**, probably very special components, to South Africa.. RIFA's agent in South Africa was *ALTECH*, Allied Technologies, a company which has sizable military contracts, and which is part of the same group of companies to which ASEA in South Africa belongs. In 1984, Sweden supplied 1,5 per cent of South Africa's import of electronic microcircuits.

* *Atlas Copco's MCT-Division* in Nacka near Stockholm and *WENMAC* in Kil, which manufactures components, shipped an order for about 40 drilling rigs to South Africa before the Swedish trade embargo was enforced. Atlas Copco has developed the **Janus** rig specially for South Africa's coal mines and has located development of mining equipment in the country. In the July 1986 issue of its Newsletter, the South African Chamber of Mines noted that coal mining technology is entirely in foreign hands.

* *Fagersta*, called *Secoroc/Kinnevik* in Sweden, substantially increased its turnover in South Africa during the 1980s. Together with *Middelburg Steel and Alloys*, an enterprise close to the regime, Fagersta developed a stainless steel known as **3CR12** in South Africa. For this they received the annual State President's Award from Botha in 1985. Middelburg has, amongst other things, taken an order from South Africa's state-owned railways for 60,000 mini-containers made from the new steel.

* For many years, *SKF* was the sole producer of several kinds of **ball-bearings** in South Africa, at its Uitenhage factory which started production in 1969. In 1983 domestic production accounted for only 40 per cent of SKF's sales in South Africa. Most of the remainder was imported from European plants.⁹ Persistent reports allege that SKF is a supplier to the **military industry**, which the company denies. Over time, there has, however, been a reduction in the vehemence of these denials. In 1978, the report of a one-man commission headed by Valter Åman stated that the representative of SKF categorically denied that any of its deliveries were used for military purposes. Subsequently, in a newspaper interview, company spokesmen said they did not know where their products in South Africa end up, nor if they sell to *ARMSCOR* subsidiaries.

⁹ *Sydatrika och svenskt näringsliv* International Council of Swedish Industry, Stockholm, 1983, p 36.

- * *Uddeholm*, *Höganäs* and the *ASEA/Scandiamant* consortium have independently given South Africa the technical ability to compress round metal pellets and powdered iron under high pressure in **isostatic presses**. The end product is a malleable soft steel which can be used for anything from sewing machines to weapons. Since 1984 it has been illegal to export isostatic presses from Sweden to South Africa or to any other country which has not signed the non-proliferation treaty, since the isostatic presses can be used to compress the conventional explosives used to trigger a nuclear explosion.
- * Several Swedish companies have been involved in *SASOL 2*, the huge project for the conversion of **coal into oil**. Atlas Copco has supplied equipment to the US construction firm *Fluor Corporation*. Alfa Laval has supplied heat compressors and said in 1978 that they hoped this was the beginning of a bigger deal. Sandvik tendered for the delivery of special tanks in 1977 and it is possible that Fagersta has been involved in SASOL's oil from coal projects.
- * *Nitro Nobel* sold a turnkey plant for the manufacture of **explosives**, with final delivery planned for December 1986 to the state-owned energy and chemical corporation, SASOL. It is Nitro Nobel's "largest technological transaction" hitherto and the reason advanced is that the company would like to co-operate in developing products together with the South African corporation. SASOL's advertizements offer customers in South Africa the "most modern explosives available anywhere. Manufactured here, under licence from two of the most famous explosive companies in the world - Nitro Nobel of Sweden and the Atlas Powder Company of America." As recently as September 1986, a technician from SASOL received training in the Swedish town of Gyttorp, despite the obvious military applications of this explosive technology.
- * During the first six months of 1986, *Saab-Scania* sold 83 heavy duty **trucks** to South Africa, valued at approximately 24 million kronor. The trucks are assembled in South Africa, where a significant proportion of the content must be locally manufactured.
- * *Volvo* claims to have left South Africa. Advertizements for its **dumptrucks** and **loaders** to the construction, mining and materials-handling industries still occur. According to reports in the South African press, Volvo's membership of the "Club of Four" group of European lorry manufacturers, enabled their Club Cabins to serve as models for the development of military and civilian vehicles in South Africa.
- * Only *Electrolux* falls outside the general pattern of high-tech Swedish companies in South Africa. It used to produce products like vacuum-cleaners and refrigerators in South Africa, but stopped manufacturing in 1977. The company complained about customers defaulting on credit payments. Perhaps the company had difficulty in finding a market for its home-cleaning equipment when white households have easy access to cheap black labour. Electrolux continues to have interests in a large cleaning firm, *Supervision Cleaning Services*, which has not figured in the sanctions debates.
- * In 1977 Electrolux acquired the major shareholding in *Nordfor Teknik Ltd* and in 1980 the company was taken over entirely. Electrolux thus became owner of *Nordfor Africa*. The *National Board of Trade* (Kommerskollegium), which monitors the laws limiting trade and investments on behalf of the Swedish government, did not regard this indirect acquisition of a company in South Africa as a breach of the ban on investments. In 1981 Nordfor Africa was reported to have been sold.
- * In 1981 *Bahco*, which produces **ventilation equipment**, acquired a majority shareholding in *Record Ridgeway*, which has a subsidiary in South Africa. Here, too,

the National Board of Trade did not regard this as a contravention of the law against new investments. In both cases The Africa Groups and the Isolate South Africa Campaign protested.

* The *Johnson* group's subsidiary in South Africa is *Axel Johnsson and Co Africa (Pty) Ltd.* Through its world-wide trade contacts, it can be of considerable assistance to South Africa, in its search for vital foreign technology. Axel Johnson and Co are agents for a number of Swedish primary manufacturing industries whose products include water turbines, windmills and equipment for the paper and cellulose industry.

These are some examples. Together with previously available information on Swedish trade and investments in South Africa, they show how deeply involved some Swedish companies are. It is a commitment which is not restricted to a modernization of South Africa's industries, but which occurs more or less directly within the framework of the official apartheid oriented programme of industrial development.

The state is responsible for nearly 30 per cent of all industrial investments in South Africa. They are concentrated primarily in state-owned corporations in the energy, transport, iron and steel, communications and military sectors. These giants are linked to the private economy through joint ownership, contractors' and suppliers' contracts, and various types of licencing agreements. Swedish companies in South Africa and Swedish exports to South Africa have provided the kinds of equipment the apartheid regime must acquire in order to survive in what it regards as a hostile world.

When these companies stop trading, there should be immediate repercussions on those South African companies which have invested in Swedish technology, if the embargo works. Should a vital component in an Atlas Copco tractor-driven drilling rig break down, or an ASEA robot stop working, spares are required. As the Swedish supplier is forbidden to trade with the South African company, even via a third country, then it is probable that disturbances will adversely affect production. Spare parts may be available through a Swedish subsidiary in another country, or substitutes may be traced through expensive and circuitous routes, aggravating the balance of payments deficit, one of the purposes of sanctions.

4 Sweden's legal measures against apartheid

Over the past decade Swedish legislation against the apartheid state has become increasingly more comprehensive, which gratifies both the liberation and the solidarity movements. Looking back, one can see a series of steps, all moving in the right direction, although the results hitherto still lack stringency. The measures adopted thusfar are, however, significant, not least because by the stopping of new investments and the introduction of a trade embargo the Swedish government has recognised the appeals made by large sections of the disenfranchised majority in South Africa as well as by the millions of Swedes who abhor apartheid.

On the next page is an overview of the legislation which has led to a progressive reduction of investment, financial, trading, cultural and sporting links between Sweden and the apartheid government of South Africa. This is the one side of Sweden's foreign policy in Southern Africa. The other, as already mentioned, is to support the struggle for the liberation in South Africa and Namibia and to strengthen the political and economic independence of the black states in the region.

Steps forward in anti-apartheid legislation

Year	Measure	Comments
1977	Stop for arms exports.	Response to Security Council resolution
1978	First adoption of Nordic Programme of Action	Becomes more far-reaching over time
1979	Stop on new investments in South Africa and Namibia.	Dispensation for replacement of worn out parts and for facilities for black workers, but no expansion.
1985	Prohibition of investments; medium- and long-term loans or credit guarantees to private companies or the government; procurement of fixed assets; financial leasing, no expansion. Compulsory notification of transfer of patents and manufacturing rights; Annually require detailed reports, plans and applications for dispensation to be submitted at the same time Arms export stop extended to grey areas like electronics. Recommendation to government bodies not to purchase from South Africa or Namibia; Recommendation to industry to find other markets and suppliers and to respect UN Decree on Protection of Natural Resources in Namibia; Recommendations to shippers to avoid ports in South Africa and Namibia even for transit goods Prohibition of import of Krugerrands; Investigation into use of rare metals	Free maximum 100,000/annum; Reports written by companies - poor resources for checking; Penalties include prison and fines. Unsure if applies to minority holdings Replacement often means expansion Difficult for solidarity organizations to monitor effectiveness of laws because of commercial and industrial secrecy Weak - who follows recommendations? Weak - who follows recommendations? Response to Security Council Dependence and alternative supplies?
1986	Prohibition on sale and transfer of patent and manufacturing rights to South Africa. Prohibition of imports of agricultural produce; Entitles municipalities and county councils to impose boycotts on goods and services Coordination of penalties for breaking sanctions. Tightening of visa regulations, restrictions on cultural and sports exchanges. Aliens suspected of breaches can be refused entry. Import and export permits obligatory. Joint statement by all parliamentary parties to business community to reduce trade with South Africa and find new markets and suppliers.	Refers to patents and licences of that year and later. Imports for private use acceptable None for minor offences nor instigation Response to Security Council recommendation Reduction in value of Sweden's trade, also less for US and UK, etc.
1987	Embargo on imports and exports of goods from South Africa and Namibia; prohibition of loading and unloading and transport of goods and related orders, also through intermediaries. Medical supplies not affected	Embargos on imports of agricultural products and Krugerrands incorporated Exemptions possible; Subsidiaries in third countries not affected; Still no withdrawal; Swedish firms stay in SA.

Sources: *Prohibition on Investments in South Africa and Namibia and other measures against apartheid: An unofficial translation of the Swedish Government's Bill 1984/85:56* February 1985; *Prohibition of imports of agricultural produce from South Africa: An unofficial translation of the Swedish Government's Bill 1985/86:52* December 1985; *Prohibition of*

trade with South Africa and Namibia: An unofficial translation of the Swedish Government's Bill 1986/87:110, March 1987, all published by the Ministry for Foreign Affairs in Stockholm.

Over the past decade Sweden has introduced more far-reaching legislation, gradually extending the scope of its sanctions against the apartheid state. The objectives have remained the same, to help bring about the end of legally entrenched racism, but as the measures changed so have the arguments.

The debate on appropriate measures to take has revolved round two major issues: firstly, Sweden's neutrality may not be adventured and secondly, as a signatory of GATT, Sweden must adhere to the rules. Thus, the governments of Sweden have been reluctant to adopt moves which might threaten either of these positions, thus it has preferred to work in the United Nations for mandatory sanctions.

Nordic backing for various measures is important. When the Swedish parliament decided to stop imports of agricultural produce in 1986, it argued that by employing prison labourers on its farms, South Africa was breaking GATT regulations. This meant that stopping the importation of agricultural produce "does not constitute a means of arbitrary or unjustified discrimination according to GATT rules."¹⁰

Because it is so difficult to obtain information on the use of prisoners and forced labour, the government did not allow dispensation from the prohibition, "on such grounds as that a particular exporting company does not employ prison labour in its production."¹¹

When Sweden proposed to stop trading with South Africa a widespread feeling of disappointment among ordinary Swedes had made itself felt in the columns of the daily papers. The government knew it also had support in the Nordic Council and in many other countries. The regime in South Africa was recognised as being intransigent, hope of an international sanctions programme had recently been vetoed in the United Nations by Britain and the US and there was a need for strong action. A Swedish boycott may lead to a more effective boycott of South Africa and a later stage, said the Minister when introducing the bill. The break with GATT was explained as an "isolated occurrence", confined to South Africa and Namibia alone, and motivated by the "unique nature of apartheid". Furthermore in the event of an embargo, "Sweden cannot be suspected of acting on behalf of any power bloc or in the interests of any particular country". Thus, Sweden's neutrality is not threatened, either.¹²

Compensation for losses sustained because of anti-apartheid measures has been another point of discussion. Up to now there is no official compensation programme; normal market adjustments have been made. The government has made it clear that in certain cases it may be prepared to consider compensation or other measures to relieve hardship, like if a struggling community were to lose a relatively large number of jobs as a result.

It is laudable that parliament has encouraged municipalities and county councils to show solidarity with South Africa and purchase from other suppliers than the South Africans. It would be even more laudable if the Swedish business community heeded its government and withdrew voluntarily. As the next section indicates, this is unlikely to happen with the loopholes that exist in current legislation.

¹⁰ *Prohibition of imports of agricultural produce from South Africa* An unofficial translation of the Swedish Government's Bill 1985/86:52, Ministry for Foreign Affairs, December, 1985, p 28

¹¹ *Ibid.*

¹² *Prohibition of Trade with South Africa and Namibia*, op. cit. p 24-25

5 Loopholes in the law¹³

As with the prohibition on new investments in 1979, the government hopes that the legislation prohibiting trade with South Africa and Namibia will serve as a model for other countries. Thus it is most unfortunate that the embargo is far from watertight.

The most important weakness of the new legislation is that those **Swedish firms** which are already established there will be able to **stay in business**. The law prohibits trade to and from Sweden and South Africa and rerouting via a third country is also forbidden. But there is nothing in the new law to stop Swedish subsidiaries in a third country from manufacturing for and trading with firms or even the government in South Africa. The Isolate South Africa Committee finds this loophole so serious as to be virtually an official encouragement to Swedish companies to circumvent the law without breaking it.

In 1985 ten companies accounted for more than half the value of Swedish exports to South Africa. They were: ASEA, Secoroc, SAAB-Scania, IBM, Atlas Copco, Kemotech, Sandvik, Alfa Laval, SKF and Sundsvalls Verkstäder.¹⁴ The reader will recognise most of these names. In other words, there has been a good deal of trading between the parent companies in Sweden and Swedish subsidiaries in South Africa. Clearly there is a **grave risk that Swedish subsidiaries in third countries will take over** as much of this trade as they are technically capable of doing. The risk is tangible, since several Swedish companies have declared that they intend to remain in South Africa, rather than heed the wish of the Swedish government and withdraw.

Since January 1986 it is prohibited to sell or transfer patents and manufacturing licences registered that year or later from Sweden to South Africa. Similarly, it would be possible to stop the transfer of industrial processes and technology manufactured under Swedish licence in third countries, but the government has not yet done so. If this loophole were closed and other countries were to follow this model, it would lead to rapid obsolescence in South African industry, dependant as it is on imported know-how.

Though it is forbidden to transport goods to and from Sweden and South Africa, the law does not prohibit Swedish ships from transporting goods to or from another country.

Provision for monitoring the laws relies almost entirely on information furnished by the companies themselves. The National Board of Trade has been given a growing number of areas to monitor without being given correspondingly increased resources. These serious weaknesses must be remedied and control mechanisms strengthened, particularly if Swedish legislation is to function as an effective model for other countries.

In the Bill on the Prohibition of Trade, the government argues that **exemptions** should be granted if the consequences of the prohibition are likely to counteract the purpose of the embargo. Two possibilities are mentioned, cases when the embargo may "lead to a strengthening of South African industry inside the country or abroad" or when it entails "adverse consequences for South Africa's neighbours".¹⁵ As the government through its Foreign Affairs Committee is ultimately responsible for the granting of dispensations, it is to be hoped that they will be very restrictive.

¹³ Unless otherwise specified, the arguments in this chapter are drawn from *Om förbudet mot handel med Sydafrika och Namibia: ISAK och regeringens proposition 1986/87:110*, the submission on the Bill to prohibit trade by the Isolate South Africa Committee to the Swedish government, 20th May, 1987.

¹⁴ *Prohibition of trade with South Africa and Namibia*, op.cit. p 28

¹⁵ *Prohibition of trade with South Africa and Namibia*, op.cit. p 42.

The onus is on the company concerned to prove that either of the above conditions apply. The grounds are, however, weak. Firstly, the countries of Southern Africa have repeatedly made it abundantly clear that, though they are in no position to boycott their powerful neighbour, this should not be used as an excuse by other countries to avoid doing so. Secondly, Swedish technology is far more advanced than South African, which means South African industry would have difficulty replacing Swedish know-how within that country in the event of divestment, let alone compete on the world market.

The government has warned that a mandatory decision or recommendation by the Security Council may affect the possibility of granting exemptions and proposes to review this practice after two years in the light of events in South Africa and the experience gained.¹⁶

The government is aware that Swedish subsidiaries abroad can trade with South Africa and Namibia, which is difficult to prevent. "The principle that subsidiaries are subject to the laws of the country where they operate is one which Sweden also applies to foreign companies here."¹⁷ On the day the Bill was presented, March 12, the government appointed a commission to review the workings of the law, including the problems connected with subsidiaries in other countries, whether voluntary agreements with parent companies are feasible and the extent of trading in services. Among the tasks of the commission will be to "study the possibility and necessity of further restrictions and prohibitions."¹⁸ It will also review the activities of Swedish companies in South Africa and throw light on the effects of compulsory liquidation. "It should be possible for any legislation proposed by the Commission to enter into force on January 1, 1991."¹⁹

The Isolate South Africa Committee pointed out that this does seem an unnecessarily long time, partly because the committee which investigated the probable consequences of a trade embargo on Sweden was able to complete its work in an admirably short period. In addition, representatives of the anti-apartheid movement should be attached as experts, as well as representatives from trade unions and the business community.

ASEA is today the largest Swedish company operating in South Africa, but it will hardly be affected by the new legislation. ASEA has manouvred itself beyond the reach of the Swedish laws through sales of shares in 1979 to South African interests and the sale of the remainder in January of this year. The object of the 1979 law was for companies to hibernate but not expand. ASEA has since built three new factories near Pretoria, it has acquired *Scottish Cables* (the South African and Namibian subsidiary of *BICC Capacitors* in Britain which was taken over by ASEA in 1984) and through buying into *Aberdare*, ASEA has acquired a corner of the optic fibre cable market, too.²⁰ Despite the trade embargo, ASEA will be able to carry on as usual. This fact alone emphasises the seriousness of the loopholes that remain in the Swedish laws.

The government has repeatedly said "we should persevere with our policy of isolation in the hope that it will, together with measures on the part of other countries, put increased political and moral pressure on the minority regime in South Africa. The aim of Sweden's policy on South Africa, apart from the fact that it voices Swedes' abhorrence

¹⁶ *Prohibition of trade with South Africa and Namibia*, op.cit. p 43.

¹⁷ *Prohibition of trade with South Africa and Namibia*, op.cit. p 48.

¹⁸ *Ibid.*

¹⁹ *Ibid.*, p 49.

²⁰ Kristoffer Leonardsson, *Sanktionsbryteri* - Rapport från ISAK, Stockholm, May 1987, pp 6-7.

of the apartheid regime, is to contribute to a change in the social system in South Africa and the abolition of apartheid."²¹

This object is shared by the entire anti-apartheid movement, which is the reason that we are so concerned to ensure that Swedish sanctions against South Africa are both comprehensive and effective. We fear, however, that unless Swedish companies withdraw, the legislation on the trade embargo may prove to be an empty gesture.

²¹ *Prohibition of Investments in South Africa and Namibia and other measures against apartheid* op. cit, pp. 30-31.