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UNIYED ACTION
FOR PEOPLE'S POWERI
CONSULTATION ANC/AAMs/NGOS ON CAMPAIGN
- SOUTH AFRICA'S DEBT RESCHEDULING -
. ' MSF BUILDING, LONDON 15-16 JULY 1989
SOUTH AFRICA'S DEBT RESCHEDULING:
A Window of Opportunity

SOUTH AFRICA'S DEBT RESCHEDULING:'

A Window of Opportunity

Introduction

In 1986, the Commonwealth Eminent Persons Group report advanced the view that if the South African government concluded that it would always remain protected against major economic sanctions then the process of change in South Africa would be unlikely to increase in momentum and the descent into Violence would be accelerated. '

Since 1986, repression in South Africa has intensified as the Government has attempted to force through its programme of reform against strong popular resistance, which rejects the fundamental tenets of the Government's 5 reform programme (namely, ethnicity as the basis for a future political dispensation).

Given the absence of further international economic sanctions, the South African Government is beginning to believe that it is secure against any further sanctions and that it can proceed with its programme of repressive reform. This view has been strengthened by the progress towards Namibian independence which has enabled the South African Government to project itself as the regional peace maker.

Breaking South Africa's international isolation and re-establishing strong economic growth is central to the Government's 3 programme of repressive reform. In large part, economic concessions are seen as an alternative to political change, within this view economic concessions are seen as an alternative to the extension of full political rights, with prosperity (coupled with severe repression of the anti-apartheid opposition) serving to buy off political aspirations.

In the past, the introduction of limited economic sanctions have had a significant effect on white attitudes and white perceptions leading to direct contacts between organised sections of the white community and the African National Congress. However, limited sanctions only have a limited effect, in stimulating negotiations and to date existing sanctions have not been enough to lead to real negotiations. '

If real negotiations, leading to the establishment of democratic, unitary, non-racial South Africa are to occur then further sanctions are required. If these further sanctions are to have a real political effect, leading to real negotiations then it is necessary for them to be strong enough and imposed rapidly enough to have a noticeable impact on white living standards. This means that it will be necessary to substantially widen and tighten existing measures, to impose some new sanctions, and to act quickly if sufficient pressure is to be put on the apartheid regime.

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Currently in Europe a deadlock has been reached in the sanctions debate, what steps can be taken to break 'this deadlock in a manner which contributes towards establishing a programme of _sanctions which is strong enough to have a noticeable impact on white living standards?

The Window of Opportunity

Currently a small window of opportunity exists to intensify economic pressure on the South African economy. Over the next two years, the South African economy will be particularly vulnerable to further economic pressures, for over the next two years South Africa will face the rescheduling of its Substantial foreign debt.

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The Debt Crisis

1990/91 \$ 2 billion falls due which fell outside 1985

i rescheduling

June 1990 \$12 billion - re-negotiation suspended payments falls due

Any new measures introduced before and during this period will have additional impact because they will compound the problems the apartheid state already faces. Any sanctions introduced within the coming year will have a two-fold impact on the South African economy: . -

a) they will have the direct effect of reducing South Africa's export earnings, thereby reducing the level of foreign exchange available for debt repayments;

b) by destroying the belief that South Africa is "over the hump" with regard to international sanctions, they will have a major indirect effect on the terms and conditions on which South Africa's debt is rescheduled.

This window of opportunity however, is a narrow one, for the opportunity will soon be passed. It requires immediate and decisive action by a number of South Africa's trading partners.

The narrowness of this window of opportunity means that individual states and groups of states must act now, on their own, and must not wait for a broad consensus to be achieved. To wait for such a consensus to be achieved would let an opportunity for shortening the painful process of eliminating apartheid slip by; Now is the time for leadership not consensus.

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Implications in the European Context

In the recent past the Socialist International has, in its meetings with the Front Line States and associated Liberation Movements, called on the international community to adopt a range of measures. These have included a ban on coal imports and agricultural imports from South Africa, as well as a range of other measures.

If those European governments where Socialists are in power (France, Spain and in coalition in Belgium, Luxembourg and Italy) were to introduce bans on the import of South African coal and agricultural products, then on the basis of imports from South Africa in 1987, this would have the direct effect of reducing South Africa's export earnings by over US\$ 969 million. In 1987, existing sanctions measures on the import of South African goods wiped off approximately 11% of South Africa's average total trade over the 1983-85 period. Import restrictions by the five countries listed above on coal and agricultural products would wipe off approximately 8.7% of South Africa's average earnings over the 1983-85 period.

The psychological impact of these measures would be considerable. Let us take the example of coal: increased imports of coal by Spain, Belgium, Luxembourg and Greece since 1985 have in a large measure provided a buffer for South Africa against other bilateral sanctions on coal. Imports of coal into the above five countries represented approximately 72% of all South African coal imports into the European Community in 1987 and some 30% of South Africa's coal exports world-wide. Action by the above countries would remove this buffer and signal an irreversible decline in South Africa's coal exporting possibilities.

If this were to be coupled with efforts in the EC Council of Ministers to gain assurances from other EC member states not to expand the volume of their imports from South Africa of these commodities beyond existing levels and a commitment not to allow their own countries to be used for sanctions busting operations, then this impact could be assured.

The envisaged measures would have an additional indirect effect, of forcing South Africa to reduce its export prices in these commodities to try to secure other markets against sanctions pressures.

The direct effect would be equal to, 8% of the debt which is coming up for renegotiations.

If the Dutch and German Socialist parties were to commit themselves to the immediate introduction of restrictions in these areas once they entered Government then on assumption that the Socialist Parties of Germany and The Netherlands achieved electoral success in the coming national elections, then by 1991 the impact of a policy of Concerted Unilateral Sanctions adopted by Socialist parties affiliated in the Socialist International would have an even greater impact on the South African economy.

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Adoption of restrictions on coal and agricultural products by The Netherlands and Germany would wipe a further US\$ 598 million off South Africa's export earnings or 13% of South Africa's average earnings over the 1983- 85 period.

STATISTICS

The Value of South African Coal Imports

703 \$ millions

France _ 50

Spain . ' 132

Greece ' 13 .211,.

Belgium/Luxembourg 89 1 w9U

Italy ' 171

Total ' . 455

The Value of South African Agricultural Imports 9.

-US \$ millions

France 0 212

Spain 34-

Greece --4

Belgium/Luxembourg 50

Italy , . . 198

Total 514

The Value of South African Coal Imports 1987

. US \$ millions

Germany 7 172

The-Netherlands 59

Total ' 231 . _ 7 g

The Value of South African Agricultural Exports 1987

US \$ millions

Germany - . .311

The Netherlands 56

Total . 167

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CONSULTATION ON RESCHEDULING OF SOUTH AFRICAN DEBT,

LONDON, JULY 15-16, 1989

Cam aign a ainst Bankin Business with South Africa in the FRG

1", 1.

From 1972 to 1984 Federal German banks managed South African loans totalling US\$ 4.561 bn. Immediately after South Africa's declaration of a partial unilateral moratorium on the repayment of its foreign debt, Federal German banks signalled to South Africa that they would continue to lend. Trade finance provided by banks in the FRG - presently South Africa's trading partner No. 1 - is essential to Apartheid South Africa. According to statistics of the Federal Reserve Bank, the Federal German banks' (incl. foreign branches and foreign subsidiaries) exposure to South Africa was DM 3.476 bn in December 1988. Dresdner Bank AG, Deutsche Bank AG and Commerzbank AG were part of the technical committee which negotiated the rescheduling of South Africa's debt in 1986/87. Federal German banks were play a central role in the forthcoming rescheadling negotiations.

2.

At the beginning of the 1980ies, there were the first beginnings of a campaign to end loans to South Africa. In 1983, a first nation-wide day of action against the banking business with South Africa was staged which timed to coincide with the AGM of Dresdner Bank, the second largest Federal German bank. A critial shareholder raised the issue of loans and credits to South Africa at Dresdner Bank's AGM. Since 1983, critical shareholders raised the issue of the business with South Africa at every AGM of Dresdner Bank on which the campaign in the FRG has focussed. Tn the last years, this issue was raised at the AGM of Deutsche Bank AG as well. Nation-wide days of action coinciding with Dresdner Bank's AGM in which groups in up to 60 towns have participated are co-ordinated by the Arbeitskreis "Kein Geld fhr Apartheid". Several organisations, esp. the Anti-Apartheid-Bewegung (Anti Apartheid Movement) and the Sudafrika-Projekt-

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gruppe (South Africa Project Group) of the Evangelische Frauenarbeit in Deutschland (EFD, a lutheran women's federation), are represented in the Arbeitskreis "Kein Geld für Apartheid". The Arbeitskreis "Kein Geld für Apartheid" has produced a number of information materials on the issue of the banking business with South Africa, incl. an annual "shadow report" on Dresdner Bank. Over the last two years, it has concentrated its efforts more and more on organising a campaign to get specific organisation to withdraw their accounts from banks involved in the business with South Africa. The campaign focusses on 5 church-related and alternative marketing organisations. The withdrawal of an account that aroused most publicity was effected by the Deutsche Evangelischer Kirchentag, a church organisation organising a mass meeting every two years, in 1987. A number of important church bodies have taken the same step. Since the end of 1988, a number of town councils have decided not to continue borrowing from banks involved in the business with South Africa. Except for the formerly trade union-owned Bank für Gemeinwirtschaft, no major Federal German bank has so far declared to discontinue the lending to South Africa. Nevertheless, the pressure on the banks is increasing, e.g. the Socialdemocratic Party (SPD), the GREEN Party, the Banking, Commercial and Insurance Trade Union (HBV) and the protestant churches advocate a stop to the lending to South Africa.

3.

The rescheduling has been a prominent issue in the campaign against the banking business with South Africa since 1985. The issue has been raised at the AGMs of Dresdner Bank and Deutsche Bank. HBV, the GREEN Party, the protestant churches, parliamentarians of the SPD and even one MP of the Liberal Party (FDP), Burkhard Hirsch, demand that the rescheduling is made contingent on far-reaching political pre-conditions. Federal German Non-Governmental Organisations plan a campaign against the rescheduling in autumn this year. The Arbeitskreis "Kein Geld für Apartheid" produced a post card protesting against a rescheduling which is to be sent en masse to Dresdner Bank, Deutsche Bank and Commerzbank.

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d 'you will need to move to your respective parliament: to enact asset freae. Since the banks will oppose it. a rider ay have be introduced for the parliament to insure the loss a or the nka. Such a measure would probably reduce trade r1 ancln3.. though corporations are likely to continue to use genera borrow- g for working capital to finance this trade. How th a would unterbalance the additional savings to South Africa 0 the de- ult on the debt is uncertain. When the dust settles. s a poll- cal pressure has been develOped in exchange for the red ction in uth Africa's need for- foreign exchange to pay off the ebt. If is program could be affected. it would or course gl a South rica a political black eye, which in turn would have a 'e repel". salons on apartheid. Ilwever. it seems to me that the 1: me frame for this is a minimum of 5 years and post Thatcher. Bush, nd Kohl vernments.

Bl

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2. art pressure on the banks to seek as much payback as pos ible. at least US\$1.65 billion per year. in order to increase conomio ressux-e in 1990-1991. Estimates of the pressure are 3lv n in the ccompanying paper. This proposal ultimately does not 3 against he banka' economic interest and thus is a possibility f enough reassurance is exerted on the banks. This approach could provide ignificant economic pressure but no "death blw" to Sout Africa. m-v

My 0 vious preference is the second of the two proposal a. wish you well in your deliberations.

m. Sompltaky-Jaman. Presbyterian Church USA
d Crane. Evangelical Lutheran Church in America
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UNITED ACTION
FOR PEOPLE'S POWER!

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CONSULTATION ON SOUTH AFRICA'S DEBT RESCHEDULING

London 15 - 16 JULY 1989

FINAL REPORT

At the initiative of the African National Congress, representatives of Anti-Apartheid and solidarity movements, church organisations and development agencies from 16 countries, as well as the UN Special Committee against Apartheid, met over the weekend of 15-16 July in London. The Consultation was convened by the African National Congress as part of its demand for comprehensive mandatory sanctions and in order to develop campaigning strategies to prevent the Pretoria regime from succeeding in renegotiating its foreign debt of over \$20 billion, in particular the \$11-13 billion debt which is due for repayment by June 1990. The ANC continued to reject selective or conditional sanctions. However, within the context of comprehensive sanctions, areas could be identified where concentrated international action could make a sharp and direct impact, and apartheid South Africa has never been more vulnerable to financial sanctions than at present.

It was therefore recognised that an important priority of the international campaign against apartheid must be to prevent any further rescheduling of South Africa's debt. Any rescheduling agreement would amount to an act of complicity with apartheid. The banks involved would bear a direct responsibility for the repression perpetrated by the apartheid regime.

It was decided to recommend that a major international campaign be launched for the imposition of financial sanctions with special focus on the need to stop any rescheduling of apartheid South Africa's debt.

It was generally acknowledged that the potential existed for securing a very broadly based campaign to stop the rescheduling of South Africa's debt and end financial support for the apartheid regime. The ANC stressed that it was important to strengthen the campaign for comprehensive mandatory sanctions aimed at eliminating apartheid and contributing towards the creation of a democratic and non-racial South Africa.

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A member of the National Executive Committee of the ANC briefed the meeting on recent developments in South and southern Africa, including the tremendous potential that an independent Namibia under the leadership of SWAPO holds. The briefing pointed to the grave consequences both for South Africa and the international community of the resolution of the apartheid issue is postponed.

The apartheid regime had launched a well-orchestrated and sophisticated offensive designed to create a false climate and expectations that fundamental change in South Africa was imminent. The primary object of this offensive was to secure favourable conditions for renegotiating an agreement of its debts with international bankers. This would provide the apartheid regime with a new lease of life.

The ANC therefore emphasised the urgent need to intensify the mass struggle, accelerate the armed struggle and in the international arena to redouble efforts towards comprehensive mandatory sanctions and the total isolation of the Pretoria regime.

The ANC also provided a detailed briefing on the role of the banks and the level of South Africa's indebtedness. It was recognised that the crisis in mid-1985, which prompted Pretoria to suspend repayments on \$14-billion worth of short term loans, registered the first serious straining of relations between South Africa and the international banking community. It was pointed out that the two 'interim agreements' concluded between Pretoria and its creditor banks in March of 1986 and again in March of 1987, provided a breather for the apartheid regime and only served to relax international pressure.

The ANC briefing emphasised that a drift towards selective sanctions should be avoided as these would be ineffective. It reiterated the principle objective of sanctions - to help bring an end to apartheid.

The ANC expressed concern that some presentation of the rescheduling implied that it would be acceptable if certain conditions were met by the apartheid regime, notably the willingness of the regime to commence with 'negotiations'. While the ANC is consulting widely on the parameters of any negotiations that may take place it was also pointed out that the regime had not displayed any serious intentions towards negotiations, rather 'talk' about negotiations can be used to confuse and divide the anti-apartheid movements. The ANC takes cognisance of the fact that particular sanctions under particular circumstances can be transformed into a particularly marked impact. It is this perspective that lends the campaign against rescheduling and loans a high priority.

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The ANC was emphatic that any form of rescheduling would have political implications - the extension of aid to the apartheid regime. Thus it emphasised a campaign around STOP RESCHEDULING . STOP TRADE CREDITS . STOP NEW LOANS AND THE ROLLING OVER OF MATURING LOANS and STOP GOLD SWAPS.

The meeting received a series of background documents including reports from several anti-apartheid movements and NGO's on the campaigns and research that they had undertaken to date in the arena of financial pressure.

The NGO's reported having produced a campaign paper based on extensive research on South Africa's debt and financial crisis, while one anti-apartheid group informed the meeting that it has disseminated paper on 'Campaign Perspectives'. The meeting noted the successful campaigns for disinvestment in the USA over the years. Campaigns directed against U.S. banks had resulted in the reduction of bank loans to South Africa from US\$4.7-billion in 1984 to US \$2.5-billion in 1989. Some groups, namely churches in the U.S., held the position that instead of campaigning for no rescheduling, the terms of rescheduling should be made more stringent and perhaps conditional.

In the FRG, there had been intensive campaigns against banks providing loans to the apartheid regime. These campaigns registered some success notably amongst church groups, trade unions, City Councillors and University campuses. Their campaigns revealed that banks were particularly sensitive to the opinions of youth and students as they were considered future new investors.

Further contributions in relation to research and campaigns were reported by Italy, Switzerland and several other European anti-apartheid groups. Italy reported on a proposed new law that will deal with the issue of Italian bank collaboration, which will be debated in September. New Italian members have been elected to the European Parliament and there is potential that they will be supportive. We can also count on the support of the Italian Trade Unions. The Swiss group presented the difficulties that they had encountered from the Swiss authorities in mounting a campaign, particularly in respect of demonstrations.

RECOMMENDATIONS FOR COORDINATION AND ACTION:

Before agreeing to, or adopting any, measures, the ANC reiterated its position:

- a) No rescheduling of South Africa's debt inside the net.
- b) No rescheduling of loans - demand repayment immediately on maturity.

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- c) Stop all trade credits and guarantees.
- d) No gold swaps or gold credits.

While no formal structure for coordination was established it was agreed that all groups will collate information and transmit to the ANC office in their respective areas or to the ANC office in London in areas where there are no ANC offices. It was further agreed that ELTSA in London would reproduce and disseminate information. The UN Centre Against Apartheid could be approached for funding for this purpose. Information accumulation should focus on:

- a) The exposures of the banks on the Technical Committee;
- b) The public and private positions of the Technical Committee banks on rescheduling;
- c) The names of banks which have fully or partly taken advantage of the "exit clauses".
- d) Identifying all the original group of 34 creditor banks which account for 70% of the debt.
- e) Producing a list of all creditor banks involved in the standstill.

It was agreed that the campaign centre on the five countries which are likely to be involved in the Technical Committee. The campaign should focus on one bank in each of these countries (this would not necessarily exclude campaigns directed at other banks).

The banks chosen are:

U.K. - National Westminster Bank Plc
Switzerland - Union Bank of Switzerland
F.R.G. - Dresdner Bank
France - Credit Lyonnais
USA - lto be confirmed)

The consultation meeting agreed on the following action:

- a. That there should be an International Day of Action on October 4th.
- b. This would be followed by a Week of Action from the 13 to 19 November.

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- c. That a draft document be prepared for the European Parliament by the five groups from the Technical Committee countries for the September meeting of the AAM's in Paris.
- d. That the AAM's of the Technical Committee countries prepare a draft document for submission to the Commonwealth Foreign Ministers meeting on South Africa to be held in Canberra in August, 1989.
- e. That the ANC send a delegation to the five Technical Committee countries as well as to bankers and governments in other countries.
- f. That a draft be prepared and sent to President Robert Mugabe in his capacity as Chairman of the Non-Aligned Movement, urging that the NAM take up the issue of South Africa's debt rescheduling and call for financial sanctions.
- g. It was suggested that the ANC address letters to all UN Agencies appealing to them not to deal with any corporations that have South African links.
- h. That the UN Special Committee on Apartheid should be approached to issue a statement calling for no rescheduling and no new loans. This statement/letter to be directed to all banks.
- 1. AAM's in the EEC countries should lobby sympathetic MEP's to raise the issue in the European Parliament.

ACTION FOR MOBILISATION:

The adopting of a common slogan for the campaign "DON'T PAY FOR APARTHEID".

Identification and mobilisation of key constituencies - youth, students, churches, trade unions, etc.

Approaches to trade unions within the banking sector as well as international trade union federations.

The solidarity groups work out a media strategy to ensure maximum coverage of the issue - it was suggested that sympathetic as well as other journalists should be provided with information and briefings on a regular basis.

That AAM's consider the organising of an opinion poll within the EEC countries.

The meeting was closed with concluding remarks by a member of the National Executive Committee of the ANC and a vote of appreciation and thanks by the Chief Representative of the ANC to the U.K. and Ireland.