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Study compiled by staff of the South African Institute of International
Affairs.

THE EVOLUTION AND EFFECTIVENESS OF SANCTIONS AGAINST SOUTH AFRICA

A. BRIEF BACKGROUND HISTORY

Until the Industrial Revolution there was little opportunity for economic warfare owing mainly to the relatively small role that international trade played in the general economic pattern of any state. The first economic sanctions of any note were those occasioned by the Napoleonic wars, namely the continental blockade which was largely ineffective and caused little inconvenience owing to the self-sufficiency of the belligerents and their unmechanical armies.

With the advent of the colonial era, however, and the concomitant commercial possibilities, industrialized countries such as Britain and Belgium became extremely vulnerable to interference with food and raw material imports. At the same time the new sophisticated warfare entailed a reliance on diversified components for the complex and intricate technical requirements of the new weapons. Access to iron ore, petroleum, copper, manganese, nickel and other ferro alloys, together with such commodities as rubber and cotton were essential for a war effort in which no country could lay claim to self-sufficiency by 1914-1918.

In World War I Britain's blockade effort incorporated agreement with neutral governments and trade associations forbidding the re-export of goods to Germany or her allies - with continuing trade with Britain as the *quid pro quo*. With the entry of the United States to the war, the blockade was strengthened, contributing to Germany's defeat.

During World War II the British Ministry of Economic Warfare imposed a blockade on Nazi Germany. This formed part of a wider programme of unrestricted warfare which included the destruction of industrial targets in Germany. Control of German exports from November 1939 was immediately effective. Of interest here is that the interception of goods at sea was of lesser significance than the controls exercised at source. Firms were black-listed, critical raw materials vital to the German war effort were pre-emptively purchased and stockpiled by the allies, while neutral countries were subjected to import rationing through a quota system. In contrast to the Italian drama US/UK co-operation was close during World War II. The United States Government closely monitored foreign funds, licensed exports to neutrals and instituted a black-list of firms engaging in trade with Germany, while at the same time United States economic muscle was used to pre-emptively purchase a wide range of goods and raw materials to prevent them falling into German hands. The allied blockade undoubtedly contributed to Germany's weakening position.

The practical experience of international organisations in the implementation of sanctions has been restricted to the cases of Italy, Rhodesia and South Africa. League of Nations sanctions were imposed on Italy after it had invaded Ethiopia on 3 October 1935. The invasion was interpreted as a resort to war, which was a violation of Italy's obligations under Article 12 of the League Covenant. The automatic application of sanctions under Article 16 of the Covenant was thereby invoked. The sanctions included an embargo on the export of ammunition and weapons, as well as constraints on financial dealings involving loans, credits or share issues with government or business concerns in Italy. Exemptions were allowed for books and other printed material, gold, silver and coin, goods subject to existing contracts and certain goods of Italian origin, to which more than 25% of value had been added by processing outside Italy. A ban was imposed on the export to Italy of a wide variety of minerals - particularly those which could be used for the manufacture of munitions. Transport animals were also affected. Re-exports to Italy were also banned, with the exception of goods already en route and those supplied by contracts already in execution.

These sanctions were not immediately effective. Germany and the United States never co-operated, and the French and the British virtually abandoned the entire exercise after the Italian invasion was over. Austria and Hungary were also loath to apply sanctions against a major trading partner, and this reluctance, coupled with the fact that oil supplies to Italy were never affected, meant that the overall impact of sanctions was reduced. Nevertheless, by mid-1936 Italy's balance of payments was under considerable strain and stocks of raw materials largely depleted. Countries that enthusiastically supported sanctions against Italy included South Africa, and this may have contributed to the fact that the embargo on exports of raw materials to Italy proved largely effective, while it was applied.

In 1966 the United Nations Security Council imposed mandatory sanctions on Rhodesia, following UDI in 1965, and the sanctions were extended in 1968. These sanctions were largely neutralised initially through a combination of business ingenuity and the fact that South Africa and the Portuguese continued normal trade with the Smith régime. A deliberate policy of import substitution was introduced coupled with the vigorous pursuit of exports in every field. National income rose from US\$718 million in 1966 to US\$800,3 million in 1967 and US\$1 993,2 million in 1975. Imports were reduced until inflation caused the domestic product to be more expensive than the imported product. The satisfactory balance of payments position was, however, eroded from 1974 onwards owing to inflation, the escalating war and the international depression. There is now also a shortage of capital, skilled manpower and secure outlets for Rhodesian products, and it is generally conceded that, despite the continuation of normal trade with South Africa, sanctions are proving effective.

B. THE SOUTH AFRICAN EXPERIENCE

(1)

INTERNATIONAL ACTION

During the past three decades the main source of pressure on South Africa, by way of criticism and condemnation of race policies, has been the United Nations. The initiative in this regard was taken first by the Afro-Asian bloc and then primarily by the African bloc, when these states became more numerous within the organisation from about 1960. (Numbering only 4 when the U.N. was founded in 1945, African states now number nearly 50, i.e. one-third of the total U.N. membership.) Attention has been focussed chiefly on two items affecting South Africa, which appear annually on the agenda of the U.N. General Assembly, namely "The question of South West Africa/Namibia" and "The question of race conflict in South Africa". The South African Government has always accepted the right of the U.N. to discuss the South West Africa item, in view of its international character, but it has consistently objected to the discussion of the item on "apartheid" policies, regarding this as a domestic matter in which the U.N. is barred from intervening in terms of its Charter.

The attention paid to the South African issues has spread, since the early 1960's, from the General Assembly (in which all member states are represented) to other U.N. bodies, such as the Human Rights Commission and the Special Committee on Colonialism. Several ad hoc bodies were created over the years to deal with the South West Africa question, and since 1967 there has been a Council on Namibia, established by the General Assembly to take over the administration of the Territory. In the case of South Africa's domestic policies, the Apartheid Committee was established in 1962, and this body plays a central role in orchestrating all U.N. activities on South Africa, as well as liaising with all anti-apartheid organisations in many countries throughout the world. In addition, the concern with South African issues has spread to most

other international organisations, including especially the Specialised Agencies related to the U.N., dealing with technical and scientific matters, such as civil aviation, labour, Health, agriculture, telecommunications and atomic energy. In most of these organisations South Africa has now been effectively excluded from participation, even where it still formally retains membership. In the U.N. itself South Africa still remains a member, but it has been deprived of the right to speak or vote in the General Assembly.

A vast network of U.N.-related activities, designed to bring pressure on South Africa, has thus developed over the years, and these activities have intensified in recent times, notably since the beginning of the Soweto disturbances of 1976. The prime effect has been to isolate South Africa in the international community, depriving the Republic of most of the normal opportunities enjoyed by other states to engage in international exchange in many fields, not only purely political, but also economic, social, technological scientific and cultural. A Notable exception so far has been the financial and monetary field, and South Africa is still able to participate in meetings of the World Bank and International Monetary Fund, which are U.N.-related bodies, although even in this field it is no longer as involved in international discussions and decisions as its major gold-producing role would justify under normal circumstances.

However, in spite of this increasing criticism and condemnation, expressed annually in many resolutions of the U.N. and other international organisations, and although South Africa has been seriously disadvantaged by isolation from most international institutions, very little effective action in the form of sanctions has so far been taken by the United Nations - with the important exception of the arms embargo (dealt with below). There are two main related reasons for the inability of the majority of U.N. members, who have expressed support for the concept of sanctions in many General Assembly resolutions, effectively to apply such sanctions :

(a) Resolutions of the General Assembly are not regarded as binding on member states, in terms of the U.N. Charter, especially by those states which do not vote in favour of them, but rather as recommendations. Only the Security Council, with a limited membership of 15 (including 5 permanent members), is authorised by the Charter to take mandatory decisions, binding on all member states, and then only under those provisions of the Charter (Chapter VII) which require that the Council must first find that there is a threat to peace, before measures such as sanctions can be imposed on a state. The Security Council, moreover, cannot take a decision if any of the permanent members, who each have a veto, oppose it. Until November 1977, when the arms embargo was imposed, the Security Council was unable to take any decision on sanctions against South Africa under Chapter VII of the Charter, because of opposition by Western permanent members.

(b) South Africa's major trading and financial partners have consistently refused to support the concept of sanctions, with the exception now of the arms embargo, in the General Assembly and in the Security Council. This has meant that, even though General Assembly sanction proposals (described below) have been approved by over two-thirds of the member states, the measures have not been universally applied, in particular by Western states, although they have prevented South Africa from developing normal trade relations throughout the world, especially in Africa.

A two-thirds majority (required for any important decision in the General Assembly) was first obtained for a sanctions resolution in November 1962, after several abortive attempts had been made in previous years. This resolution (1761 XVII) requested member states to take the following measures to bring about the abandonment of the South African Government's racial policies :

- (a) Breaking off diplomatic relations, or refraining from establishing such relations;
- (b) Closing ports to all South African registered vessels;
- (c) Enacting legislation to prohibit their ships from entering South African ports;
- (d) Boycotting all South African goods and refraining from exporting goods, including all arms and ammunition, to South Africa;
- (e) Refusing landing and passage facilities to all South African aircraft.

Of the above 1962 list of proposed measures (a) and (e) have probably been the most effective in creating some problems for South Africa, while (d) has been least effective in that it has not been applied by the major trading partners, nor even fully applied by some states, e.g. in Africa, which have supported it publicly. Over the years since 1962 the list of proposed measures in General Assembly resolutions has been so widened as to amount, if applied fully by member states, to a complete cessation of relations with South Africa in all fields. In the most recent resolutions of the General Assembly, adopted in December 1977, special emphasis was laid on the following proposed measures :

- (a) Maximum publicity about "the inhumanity of apartheid and the international efforts for its elimination", as well as the promotion of efforts to establish anti-apartheid movements throughout the world. (The year beginning 21 March 1978 was proclaimed "International Anti-Apartheid Year".
- (b) Assistance by Governments, organisations and the public generally to "the oppressed people of South Africa and their liberation movements". (During the past decade, "liberation movements" in Southern Africa, including SWAPO, ANC and PAC, have been given increasing legitimacy in General Assembly Resolutions, with recognition for their "right" to use all means "for the seizure of power", including "armed struggle".
- (c) Action by the Trade Union Movement, at national and international levels, for the eradication of apartheid.
- (d) Full implementation of the arms embargo and cessation of all military collaboration with South Africa, including any form of supply of military or military-related material through corporations, other organisations and individuals.
- (e) Cessation of any co-operation with South Africa in the nuclear field.
- (f) The cessation of all economic collaboration, with particular mention of : the prohibition of all loans to and investments in South Africa; the termination of all incentive for trade; the ending of all exchanges of trade missions; the imposing of an embargo on the supply of petroleum

and petroleum products, and on investment in the petroleum industry in South Africa; and the denial of facilities to airlines and shipping companies providing services to and from South Africa. (The Security Council was particularly requested to consider steps to achieve the cessation of further foreign investment in South Africa at an early date.)

- (g) Attention to be paid to the role of transnational corporations in South Africa.
- (h) Further measures against apartheid in sports, including a total boycott. (A lengthy "International Declaration against Apartheid in Sports" was adopted with very little opposition; only 14 states abstained and none voted against.)
- (i) Denial of recognition to Transkei and Bophuthatswana "and any other Bantustans", with all states being requested to take effective measures to prohibit individuals and corporations from having any dealings with "the so-called 'independent' Bantustans".

General Assembly Resolutions on South West Africa/Namibia have been less extensive than those on "apartheid", and they have concentrated on the "illegal" occupation of the Territory by South Africa (since the Assembly's decision in 1966 to end the mandate). But these resolutions have also requested states to take sanctions measures against South Africa, particularly in the fields of military supplies, nuclear development and oil supplies. In view of the clearly recognised international character of this issue and the fact that there is a low-level war with SWAPO (which gives strength to the argument that the situation there constitutes a threat to international peace), the likelihood of sanctions being imposed under Chapter VII of the Charter, if no negotiated settlement in the Territory is achieved, is fairly strong. The fact that the first mandatory measure against South Africa (namely the arms embargo) was related to South African domestic policies and was not applied specifically on the S.W.A./Namibia issue, resulted directly from the strong international reaction to the detentions and bannings of October 1977. Similar action, with the necessary Western support, is unlikely to be repeated soon in relation to internal policies only unless there is another dramatic event to spark it off. Even in this particular case the Security Council's resolution, imposing the mandatory arms embargo, refers to South Africa's "acts of aggression...against her neighbouring states" as one of the reasons for the embargo, which is clearly a reference to actions on the borders between South West Africa and Angola and Zambia. The arms embargo is thus partly linked to the S.W.A./Namibia issue.

It can be seen from the above analysis of efforts within the U.N. to impose internationally-backed sanctions on South Africa that such efforts proceed on two levels. The first and ever-widening level is that of the General Assembly, its subsidiary bodies and other related international organisations, where there is an in-built and clear majority in favour of such measures. Although decisions of the General Assembly cannot be enforced and are not being applied universally, so as seriously to affect South Africa, they do prepare the ground for action at the higher level, namely that of the Security Council, where effective decisions can be taken. As soon as an opportunity arises, when it appears feasible to overcome the resistance of the Western powers (as occurred after 19 October 1977), proposals are made to the Security Council by militant African States, supported by the Communist bloc. In this way the mandatory arms embargo was achieved, after many years of preparation in the General Assembly. It seems likely that, if and when another opportunity occurs (in connection with Namibia

or "apartheid") the next step will be proposals for mandatory measures in the area of economic investment. This is an area already emphasised in General Assembly resolutions, and it also links up with pressures being exerted within various Western countries against multi-national corporations and banks.

The Arms Embargo

Special attention must be paid to the implications of the Security Council's decision of 4 November 1977 (Resolution 418), because it is the only decision so far taken against South Africa under Chapter VII of the Charter (explained above).

Fourteen years previously (7 August 1963, resolution 181) the Security Council called on all states to place an embargo on the sale of arms to South Africa, and it re-affirmed this request the following year (18 June 1964) resolution 191). These resolutions, resulting from U.N. deliberations following the Sharpeville disturbances of 1960, were not mandatory under Chapter VII of the Charter and were thus not universally applied. However, most states - with the notable exception of France - did generally apply the embargo, including the United States and the United Kingdom, which had previously supplied heavy military equipment to South Africa. South Africa's response was to develop considerably its own weapons industry and to rely mainly on France for certain heavy and sophisticated equipment.

The mandatory embargo imposed by the Council's decision of 4 November 1977 is significant, because (a) France decided to apply it strictly, even to the extent of cancelling existing contracts for naval vessels, and (b) the embargo is much more extensive than the earlier one. In 1963 states were simply called on "to cease forthwith the sale and shipment of arms, ammunition of all types and military vehicles to South Africa", whereas in the mandatory resolution of 4 November 1977 the Security Council -

"Decides that all States shall cease forthwith any provision to South Africa of arms and related matériel of all types, including the sale or transfer of weapons and ammunition, military vehicles and equipment, paramilitary police equipment, and spare parts for the aforementioned, and shall cease as well the provision of all types of equipment and supplies, and grants of licensing arrangements, for the manufacture or maintenance of the aforementioned;

"Calls on all States to review, having regard to the objectives of this resolution, all existing contractual arrangements with and licenses granted to South Africa relating to the manufacture and maintenance of arms, ammunition of all types and military equipment and vehicles, with a view to terminating them."

In the short term the effects of the embargo on South African defence capability will be minimised by the fact that South Africa is already responsible for the manufacture of over 70 per cent of her current defence requirements. But problems could arise, even in the short term, from the extended terms of the embargo, which cover spare parts and any equipment which could be used by the military or police forces. The U.S. and U.K. Governments have promulgated regulations listing a wide variety of articles whose export can be prohibited to South Africa, unless the company concerned certifies that the end-use is not for any military or para-military purpose. An example has been the holding up of shipments of computer parts from the U.S. Problems have also been encountered with the export of light aircraft; there is pressure on the U.S. Administration from some sources in Congress to include civilian light aircraft in the embargo, as they could, it is argued, some time in the future be used for military

purposes. The same problem could arise with trucks. If applied in its widest terms, the embargo even threatens the transfer of technology by way of technical data for the manufacture of items of equipment in South Africa.

In the longer term, in addition to the above types of problems which could arise, acute problems could foreseeably be encountered when contemporary sophisticated major military hardware items, such as aircraft or missile defence systems, become obsolescent and require replacements or substitutes.

A brief account of South Africa's response to the embargo threats by the development of its own industry, and an examination of the possible means of overcoming the embargo by contacts through states such as Israel, Taiwan and South Korea, is given in an annexure to this report.

(2)

BILATERAL MEASURES

Although the actions of individual states towards South Africa cannot be entirely separated from the context of the U.N. and other international organisations, it is important to consider separately the position of the major Western Powers, because :

- (a) These countries are the Republic's significant economic partners, and no U.N. measures would be effective without their collaboration;
- (b) These countries are the only ones with a relatively significant economic stake in South Africa, which means that sanctions would also affect their own interests;
- (c) The Western states have a wider political interest, as well as an economic one, in the stability of Southern Africa, as the region has been traditionally Western oriented, and instability encourages intervention by hostile powers (the Communists); and
- (d) These states are very reluctant to allow control of their policy towards South Africa to slip from their own hands, which would happen if they were obliged to comply with U.N. decisions in which their own interests would become subordinate to those of other powers.

For these reasons the Western Powers are developing policies towards South Africa, including various forms of pressure, aimed at bringing about changes in Southern Africa, which will be sufficient to pre-empt action by the United Nations. In addition to these foreign policy dimensions in the Western policy approach, there is the fact that these Western states are faced with their own particular domestic pressures on the South African question, which are having an increasing influence on their governments and on private business and financial organisations.

United States

The formulation of official U.S. Policy towards South Africa is influenced by both foreign policy or external and domestic considerations.

External considerations include -

- (a) global competition with the Soviet Union, which is now intensifying in Africa, in spite of American attempts to keep this competition low-key so as to avoid any confrontation in Africa which might harm SALT negotiations;

- (b) a much higher priority given to relations with the Third World, including Africa, for both political and economic reasons;
- (c) greater emphasis on Human Rights issues to improve America's moral leadership position in the world;
- (d) support for traditional allies in Western Europe.

In view of both (a) and (b), the United States is unwilling to support white minority governments in Southern Africa for fear that this would put it at a disadvantage in its competition with the Soviet Union in Africa, and negatively affect its relations with the Third World generally. Especially since the Vietnam experience, the United States is very reluctant to risk being "on the wrong side" in any international conflict, and no political advantage can be seen in defending régimes which are universally unpopular. This position is reinforced by the Human Rights or "moralistic" strand in American policy, which is not a new development, but which is more strongly emphasised under the Carter Administration than it has been since the days of President Wilson.

However, the realistic strand which also exists in American policy, emerges more strongly in relation to (d) and the concern which the United States has for the interests of its European allies in Africa. At the present time the implications of Soviet/Cuban intervention are being taken more seriously than in the recent past (as a result of the Zaire problem following the Horn of Africa conflict), and there is greater co-ordination of policies with Europe.

With regard to Southern Africa, while the United States itself does not have a very high economic stake in the region, relative to its overall global interests, it has to take into account realistically the relatively much higher stake in the region of major European powers. This encourages the United States to work for stable or evolutionary change in the region, and oppose violence and revolutionary change, which would cause severe problems for Britain and other European powers, as well as give a greater opportunity for intervention by the Soviet Union and Cuba. Violent conflict in the region would furthermore increase the risk that sooner or later the United States would not be able to avoid becoming involved militarily - which is the last thing it would want to do.

It can be expected that the present trend of tougher opposition to Soviet/Cuban intervention in Africa will be balanced by a tougher policy towards South Africa, rather than a more supportive policy. A similar trend may appear in the policies of European countries, as a result of the military intervention of France and Belgium, supported materially by the United States, in Zaire. In seeking African support for their intervention and their stand against the Soviet Union and Cuba, the Western states will probably wish to demonstrate clearly their opposition to the continuation of white-controlled systems in Southern Africa.

The following domestic considerations are included among those influencing American official policy :

- (a) A higher level of public awareness of Southern African issues (especially since events within South Africa in 1976 and 1977) and of African issues generally. For the first time public opinion has to be taken into account in the formulation of policy on these issues. However, American public opinion in this regard is not clearly predictable. While recent polls have shown an increasing level of support for Administration efforts so far made to change South African policies, they do not indicate majority support for more extreme

policies, e.g. assistance to liberation movements, or legislation to force American corporations to withdraw from South Africa. There is, however, a trend towards support for cutting off further investment in South Africa.

- (b) Greater influence of black opinion, especially because of the greater number of blacks in influential positions in both the executive and legislative branches of government. The counter influence of white conservative opinion is not strong, because it does not have any significant representation within the Administration, and also because even Conservatives are reluctant to give whole-hearted support to South African policies which are racially based.
- (c) The greater influence of the Congress on foreign policy since Vietnam and Watergate. A growing number of Congressmen have in recent years come to take an interest in Southern African issues and the relevant sub-committees in both the Senate and the House of Representatives are more active than ever before in holding hearings on Southern Africa and on aspects of Administration policy. On the whole, the dominant influence in these Congressional groups is in favour of a tougher policy towards South Africa than the Administration, and the latter is currently having to oppose the introduction of certain legislation which would, negatively affect investment in South Africa.
- (d) The growth and greater effectiveness of pressure groups or "lobbies" concerned with South Africa. These groups, which are mostly hostile to the South African Government, have been developing for many years. Some of them, including black and Church groups, were inspired to become involved in the South African question by the experience of America's own racial problems, and especially the Civil Rights and Black Consciousness Movements of the 50's and 60's. In the second half of the 60's and early 70's the issue of Vietnam came to absorb their main attention, and this was followed by Watergate. Student groups also took up these issues. After the resignation of President Nixon in 1974, all these groups could turn to other issues, of which South Africa was one. Since the Soweto disturbances of 1976, these pressure groups have been more active than ever. They have been able to focus attention on South Africa (with greatly increased coverage by the media) and they have gained greater support. The Administration has therefore had to take more notice of these groups than in the past, although they have probably had more effect on organisations in the private sector. (See below.)

The evolution of American policy must be seen in the context of the above external and domestic considerations. Prior to the Portuguese collapse and withdrawal from Southern Africa, and especially the resulting Angolan War, American policy was in effect one of non-involvement in the region, with the ex-colonial powers in Europe being left to take the policy initiatives. Criticism of South African Government policies had been increasing since the early 1960's, but few concrete steps had been taken to influence developments in South Africa. The following measures were taken mainly in an effort to satisfy opinion in the United Nations and some domestic pressures :

- (a) Compliance with the U.N. Arms embargo of 1963.
- (b) A decision in 1964 to bar the Export-Import Bank from making any direct loans to finance American exports to South Africa (but not to bar export guarantees).

- (c) A decision at about the same time that the U.S. Department of Commerce should not take initiatives to encourage trade with South Africa, but that it should do nothing to discourage trade.
- (d) A 1967 decision, as a result of black domestic pressure, that U.S. naval vessels should no longer call at South African ports.

It is notable that no further concrete measures were adopted after 1967 and in fact a policy review undertaken by Dr. Henry Kissinger in 1969, after President Nixon became President, concluded that change in South Africa could only come about through the South African Government and that communication with the Government and South Africans generally should be encouraged as the best means of influencing the country towards change. This low-key, unprovocative policy lasted, more or less, until 1976, when in the post-Angola period Dr. Kissinger decided that the United States should become more directly involved in Southern Africa. His ensuing diplomatic initiatives were based on a "carrot and stick" approach, concentrating first on Rhodesia, then South West Africa and finally South Africa. He was reluctant to pressure South Africa too strongly, as he was seeking South African co-operation in the resolution of the Rhodesian and Namibian issues.

However, when the Carter Administration took office at the beginning of 1977, it decided to separate the three issues and deal with them all simultaneously. Diplomatic pressure then increased on South Africa over the Rhodesian and Namibian issues, but also on the domestic South African question itself. This was due not simply to a different approach by the Carter Administration, but also to the fact that the situation within South Africa appeared to have become much more unstable, following the outbreak of the Soweto disturbances in June 1976. Continuing black unrest within the Republic in 1977 and the counter-action of the South African Government, culminating in the detentions and bannings of 19 October, led directly to American support for the Security Council's mandatory arms embargo of November. Until then, the Carter Administration had concentrated on much stronger public criticism and on diplomatic pressures. Since then, although no further concrete steps in the form of sanctions had been taken, there is no doubt that more serious consideration has been given to possible measures which could effectively increase the pressure on the South African Government, and also pre-empt action being proposed in other quarters, foreign and domestic.

The Administration cannot ignore initiatives within Congress, which have recently included the introduction of two pieces of legislation on economic relations with South Africa. The first is a Bill (by Congressman Solarz of New York) which would prohibit all new investment in South Africa by U.S. corporations and call for enforcement of fair employment practices by corporations already operating in the Republic. This Bill is opposed by the Administration and will probably not even get to a vote. But it may be kept on the table as a sort of threat for future use. The second is an amendment (introduced by Congressman Tsongas of Massachusetts) to a Bill expanding the Export-Import Bank's lending capacity. The amendment would ban any further credit guarantees for exports to South Africa until there is progress towards eliminating apartheid, and it has been passed by the House of Representatives Banking Committee, but rejected by the Senate Banking Committee. It will now be considered by a joint House/Senate Committee, before voting on the whole Bill in House and Senate. This proposed Export-Import Bank ban is also opposed at this stage by the Administration, which does not wish to be tied down by Congress.

It should be emphasized that so far the U.S. Administration has appeared very reluctant to adopt sanctions in the economic field, and has in fact resisted pressures in that direction from within Congress and by other groups. In this regard a statement by Ambassador Andrew Young on 16 May 1978 is relevant. He agreed, in answer to a question on American policy, that it had involved "selective morality" towards South Africa, but he maintained that most of it had been selective in South Africa's favour "because in spite of what we see happening day by day, most Americans, including me, don't want to give up on South Africa. We still think there is a capacity for decency and change." On the question of sanctions he said : "Except that by and large we don't decide where our corporations invest, our Government's position is that we still neither encourage nor discourage. Many people in our churches, our labour unions and our universities have taken the position that there should be disinvestment, but that is not now the Government's position. The Government is still trying to find ways to co-operate with South Africa. I would say our position on South Africa is to continue to try to work with South Africa, to bring about meaningful change without violence."

Turning now to the private sector in the United States, one sees an increasing influence on the policies of corporations and banks from three related factors.

- (a) Pressure groups - notably church-related and student groups - are increasingly active in their attempts to influence these organisations to withdraw investments and end loans. Resolutions at stock-holder meetings are causing growing problems for many organisations, because of the embarrassment they cause and the time which has to be spent in answering criticism of their operations in South Africa. These groups are also demanding from various bodies in the United States the withdrawal of their investments in any corporation with interests in South Africa. This form of pressure is being exerted particularly by student groups in many universities throughout the United States, and it is clearly beginning to have an effect.
- (b) Reinforcing this pressure by special interest groups in the United States, is the fact that many corporations and banks are hesitating to increase their commitment in South Africa, or to undertake new ventures, because of their own calculations about the political and economic risk factors involved. There is a mood of uncertainty about South Africa's future stability. Mr. Don McHenry, Deputy American Ambassador at the U.N., is reported to have remarked, in answer to a question about possible economic sanctions, that these were unnecessary, because the unsettled situation in South Africa itself was causing investment to dry up.
- (c) Opposing the more extreme pressures for withdrawal is a "reformist" movement which is supported from within many corporations. This movement (which is explained below in the European section) has developed the concept of a "code of conduct", relating to employment practices of American corporations in South Africa. This concept has been expressed in the 6-point Sullivan Code, which is now subscribed to by over 80 corporations (including most of the big ones). They hope that observance of this code will defuse pressures from more extreme groups and help to justify their continued operations in South Africa. But these codes (American and European), although considerably milder than the more extreme measures proposed, do constitute a form of pressure on the corporations, complicating their links with South Africa, and on the South African system itself.

One can conclude that, barring any further dramatic developments within South Africa (such as renewed urban disturbances), economic links with the United States are less likely to be affected by officially imposed measures than by decisions of corporations themselves, as a result of various pressures on them. However, external factors - particularly the issues of Rhodesia and South West Africa/Namibia - could influence the U.S. Government more decisively to adopt measures in the form perhaps of selective sanctions. It could be argued that the purpose of such measures would be clearer and more precise, namely to bring about specific changes in South African policy towards those two countries, and that they would thus be more likely to be effective than measures imposed to bring about changes in domestic policies. In the latter case there is still concern that such measures would (a) cause even greater resistance to change on the part of whites, and (b) might also harm South African blacks, at least initially, more than the Government.

The European Economic Community

In view of the United States' leadership role, its policies have been dealt with at greater length than those of the European states below. Further, many of the factors mentioned above in the American context, apply also to Europe.

According to Dr. David Owen (7 Nov. 1977) the British Government is actively opposed to economic pressure, but sees an unavoidable escalation of trade boycotts within the next four years. He ruled out the possibility of total trade and investment embargoes. "Britain must be on the side of the abandonment of apartheid. We can't equivocate on this. If we believe in democracy, we have to be prepared to fight for it and maybe to pay for it." The British Government would have to look at new ways of actively discouraging new investment in South Africa, he added.

This view appears to sum up the stance of the EEC as a whole. It also appears to be the view of the Commonwealth in 1977, who went a step further in accepting the principle of a full U.N. oil embargo against South Africa unless this country offered verifiable guarantees that no oil would cross the Limpopo River to Rhodesia. An extremely influential pressure group operating in this area is the Haslemere Group in the U.K. who are strongly anti-apartheid. The European Economic Community is also on record in voicing its objections to South Africa's race policies, and draw scarcely any distinction between separate development and social apartheid. They condemn both, but the attitude appears to be that progress on the level of social apartheid is what they are after at this stage.

Pressure groups within the EEC are most active, with the British and French anti-apartheid movements in the fore. Similar tactics to those used by pressure groups in the United States are employed. For instance, Barclays Bank, under pressure from the "end loans to apartheid" group and the anti-apartheid movement, sold its holdings in defence bonds bought in South Africa last year. Under similar pressure, the Midlands Bank announced that it would only provide loans for trade between South Africa and the U.K. and not to the Government. At the end of May 1978, the influential co-operative movement in the U.K., which controls more than 200 super-markets announced that it would no longer handle South African products. This can be seen as a business pressure group.

In many ways, the EEC approach to investment in South Africa is aligned with that of the United States. However, certain countries, again notably Britain,

have allowed themselves more flexibility in imposing embargoes on selected items under the U.N. arms embargo. Such an embargo list has already been tabled before the British Parliament and includes items as disparate as atomic energy material and heavy transport trailers. Items specifically banned from export to South Africa, with immediate effect, include acoustic devices for riot control and other riot gear, apart from arms. There are other items, however, which are not banned for export, but here the British Minister concerned will be able to exercise his discretion for the granting of export licences. These include certain chemicals, minerals and even scrap metal. Bearings, plant and certain engine fuels are affected, as well as landrovers and spray-planes. Some export licences have already apparently been revoked under the Minister's discretion, although the products affected are not known.

It appears likely that similar arrangements could be made throughout the EEC, and it is probable that selective sanctions, if they are applied to South Africa by the EEC, will be invoked in this way, i.e. be related to the arms embargo or other possible U.N. action in the future.

It is likely that pressure from within the EEC for a greater severing of links with the Republic will grow. Left-wing political parties will probably continue to play an increasing role in influencing European foreign policy towards this country. Local government is also playing its part as a pressure group. For example, the Greater London Council voted on 25 January 1977, by 59 to 31, to demand an end to loans to South Africa by the Midland Bank of which it is a major shareholder.

The overriding question to be asked, however, with regard to the Europeans, is whether they will exercise the required degree of political co-operation to make limited sanctions effective. The odds are that they will in certain areas but that European political co-operation will be a victim, if sanctions are attempted in those areas where national interests are paramount - and the major states have a considerable economic stake in Southern Africa. Despite the pressures in Europe, there has not been a marked degree of European disinvestment, but much will depend on whether the "reformists" win out - the people who initiated the European codes of conduct.

In this regard, there are two schools of thought towards South Africa. The one group holds that you do not get anywhere by isolating people with whom you do not get along. Rather you must work with them to bring them along, i.e. to "reform" them. The other school holds that complete isolation and confrontation will provide the only solution to the policies that they disapprove of in South Africa.

The first school, the reformists, are under growing pressure, and to the extent that they fail in their efforts and ability to demonstrate that reforms are taking place and in particular that the elimination of institutionalised discrimination is taking place, they will come under such pressure from the more extreme group.

The development of the codes of employment by the EEC, and indeed by people like the Rev. Leon Sullivan in the United States, is part of the participation and reformist strategy. They hope that these codes will contribute to reforms in South Africa and justify the continued presence of their investment and operations in South Africa, as well as trade with South Africa. By and large, this is also the attitude of the Western Governments. However, domestic pressure groups and militant African states show no interest in this approach. The anti-apartheid groups, some church organisations (encouraged by some church groups in South Africa itself), trade unions and the like, fall in the extremist camp.

To conclude - if substantial progress is not made soon in implementing the codes, and if they do not contribute in a fairly major way to a betterment of black conditions - political, economic and social, it seems probable that the EEC, including Britain, will go over to selective sanctions, both to accommodate these demands and to restrain them. Of note is the fact that both the United States and Europe exhibit a convergence of probable action. This points to increased pressure and eventual co-ordinated selective sanctions by the West, which may prove as effective in some areas as full scale sanctions by the U.N. Security Council.

(3) INTERNAL FACTORS IDENTIFIED IN INTERNATIONAL DEMANDS AND THE SOUTH AFRICAN RESPONSE

When perusing documents relating to criticism of the Republ's policies, mainly U.N, International Labour Organisation and publications of the EEC and pressure groups both in the United States and the United Kingdom, the following points emerge (not in any order of priority) as those causing the most concern to these bodies:

- (1) The discriminatory pattern in legislation relating to trade unions and particularly the South African Government's hostile attitude to Black trade unions.
- (2) Labour unrest, rioting and work stoppages, climaxed by the Soweto riots and general lawlessness of June 1976, and the strong South African police reaction to them which resulted in deaths.
- (3) The extent of police intervention in respect of strikes and dismissals resulting therefrom.
- (4) Security legislation and, in particular, the Internal Security Act which replaced the Suppression of Communism Act. Also the Parliamentary Internal Security Commission Act which established a permanent body for inquiring into activities considered to be a threat to internal security.
- (5) The restrictions on advancement in employment and training of Blacks.
- (6) The continued, though declining, emphasis on job reservation.
- (7) Education of Blacks, including the White imposition of curricula.
- (8) The widening of the Black/White wage gap in real monetary terms.
- (9) The deteriorating housing situation for Blacks and the stringent application of slum or squatter removal laws, particularly with respect to the Coloured people.
- (10) The continued implementation of the homelands policy and their alleged use as a reservoir of cheap labour.
- (11) The denial of South African citizenship through the homelands policy, imposed on the African population by the White minority, without the consent of the Black majority.
- (12) The heavy economic dependence of the homelands on South Africa and the control of investments therein by a number of South African statutes.
- (13) The build-up of South Africa's armed forces.

- (14) Detention without trial.
- (15) Allegations of torture in South African prisons.
- (16) The erosion of freedom of speech and related events, e.g. last year's banning of a newspaper, detention and banning of editors, and other crackdowns on free expression.

These are but a few of the more detailed aspects of the South African Government's policies and practices which are often referred to, and which, if continued, could lead to the imposition of limited sanctions.

The assumption that measures taken on an international or a bilateral basis will encourage internal opposition to the Government of the target state (South Africa) and thus bring about its capitulation or down fall, is based on the belief that the burden of economic hardship will become intolerable and that a change in policy will be preferable to further sanctions.

Several factors are peculiar to countries facing sanctions. Almost all of them apply in the case of South Africa. They can be summarised as follows :

- a) All sections of a population generally try to minimize the effect of sanctions on their economic life. This is a defensive reaction which does not necessarily preclude continuing opposition by some sections of the population to the policy which led to sanctions in the first place.
- b) A government which decides to resist sanctions can generally rely on economic co-operation at all levels. It is a fundamental weakness of sanctions that they automatically produce defensive measures which detract from their efficacy. The cost of resisting sanctions, to the extent that it can be estimated, may be acceptable as an additional cost of policy which the target country (e.g. South Africa) refuses to alter or modify.
- c) In some instances, embargoes on exports to a target state (i.e. South Africa) may act as a stimulant to domestic production, and in this respect, if a state is committed to policies of self-sufficiency, an embargo policy imposed by other states can be useful.
- d) Adaptive measures can be considered. These are defensive measures to increase self-sufficiency and the development of new links with states that are not participating fully in sanctions. Counter-soercive measures can be included, designed to damage the states imposing sanctions and induce them to abandon their sanctions efforts. Such measures can include positive retaliatory action in the form of, for instance, counter sanctions. In the case of South Africa these would apply to her neighbouring countries within the Rand zone, although the EEC, through the financial mechanisms of the Lomé Convention, may be able to counter this to some extent.
- e) Further defensive measures would include every effort by a government determined to resist sanctions to rally public opinion behind its policy of non-compliance. Public morale would be crucial and would be bolstered by skillful propaganda. A willingness to make sacrifices and adapt to shortages, commonly associated with a war effort, is likely to emerge among the citizens of an embargoed state and will be fostered by a determined government. What have been termed "hidden forces" may be activated and, if the goal of the sanctions policy was to undermine the Government, it might have the opposite effect and strengthen its position. a Siege psychosis once engendered can be a powerful factor in sustaining the will to resist, and would also help the Government to take unpopular steps such as rationing consumer goods or increasing taxes.

As a result
950,000
f) Where exports from South Africa are banned as imports into sanctioning states, even if exports to South Africa are not subject to embargo, the automatic limitation of foreign exchange earnings will make import control advisable. Luxury and non-essential imports may be prohibited or drastically reduced, and other imports controlled by a licence-quota system. If necessary, consumer goods can be rationed and consumption can also be held in check by taxation and exhortations to save, backed by the issue of saving bonds. Scarce materials can be allocated to labour on a quota basis; labour may be directed into important jobs and, if sanctions cause unemployment problems, government schemes for maintaining employment may be instituted. Special compensatory action may be taken to assist groups particularly hard hit by sanctions; alternatively, the dominant political group may shift some of the effect of sanctions to less privileged groups. A fifty percent cut in South African foreign trade would mean an immediate one and a quarter million Blacks unemployed, in addition to those currently out of work. This would put a strain on internal security resources, so it is likely that the South African Government would, if this eventuality came to pass, be inclined to provide work for these people, particularly in the construction industry. Sanctions could be evaded, however, and commercial interests which had no concern with the objective of sanctions, would be deterred from the chance to make profits or from the prospect of sustaining severe loss only if heavy penalties were likely to be incurred and enforced. This presupposes an efficient system of inspection and control within the borders of sanctioning states.

That the South African Government is determined to resist sanctions is clear. It is already embarked on a vigorous propaganda effort in order to sustain public support, and it is employing all available means of persuading public opinion in the rest of the world that it has right on its side, and is a victim of unjust action.

At the same time, instead of giving thought to the removal of political factors which could lead to sanctions, the Government has invoked the concept of a total strategy in order to ensure White survival. To this end, they have created a "Co-ordinating Council for Economic Warfare" (the Government's title) which consists of five committees or "legs". The three main legs are those controlled, respectively, by the Secretary for Industries (planning import replacements), the Secretary for Commerce, with the Prime Minister's Economic Adviser (trade sanctions studies) and the Departments of Foreign Affairs, Information and Labour (planning foreign trade policy). Another committee is headed by the Department of Finance.

The co-ordinating Council for Economic Warfare consists of the heads of these departments, and the various committees and sub-committees report to it. The Co-ordinating Council in return reports to a Cabinet Committee responsible for overall economic policy. Our information is that work is being done and recommendations have been made with regard to the question of import replacement, but that no definitive list of commodity priorities has yet been presented to the Cabinet Committee. It would appear then that while there is a blue-print in the making for economic survival, in the event of sanctions being enforced against us, no Government action has yet been taken or precautionary measures implemented in any areas other than arms and energy.

The Department of Industries is, however, believed to be drawing up a list of commodities which it may require to be manufactured in South Africa. These are believed to be products related to the chemical industry.

The main thrust of the Co-ordinating Council appears to be directed at the moment to neutralising what the Government believes to be the most effective short-term measures that could be taken in the economic field against South Africa. These relate mainly to international trade agreements to which South Africa is a party, and to various bilateral trade agreements between South Africa and individual trading partners abroad. It is also believed that there is a question mark over South Africa's continued participation as a party to the General Agreement on Tariffs and Trade (GATT). If South Africa were excluded from this agreement, it could have severe implications for the South African economy. As regards commodity sanctions, the Government is of the opinion (e.g. the Department of Commerce) that these will be selective and will only involve products which the sanctioning countries would find easy to replace elsewhere.

Future Response and Time Scale

As far as South Africa's domestic policies are concerned, there appears little likelihood that the West will permit the application by the U.N. of comprehensive economic sanctions against the Republic. Instead our major trading partners will probably impose selective sanctions on commodities of their own choice.

Their approach at the moment is one of "carrot and stick" but unless the Government effects changes in at least the following areas (mainly non-political) soon, it will be more a question of the stick : ~~stick~~.

- x Black trade unions. (The report of the Wiehan Commission on Labour will probably make provision for their establishment under certain circumstances.)
- x Police tactics towards rioting.
- x Police intervention in respect of strikes.
- x Restrictions on banned persons, organisations and newspapers.
- x Job reservation and related restriction on black advancement in employment and training.
- x The wage gap.
- x Black housing.
- x The Colour bar generally.
- x Depriving blacks of South African citizenship. (which is linked to the wider political policy of separate development).

There are signs that changes are being brought about in some of these areas, but it may be that they are taking place too slowly to provide the "reformers" (see under EEC above) with enough ammunition to stave off greater demands for pressure on the Republic. Change in these areas would be viewed as a positive sign, however, and would definitely help matters as far as sanctions are concerned, particularly if such change was implemented with despatch, but this is unlikely.

As regards the code of conduct, for instance, profit and other considerations may affect its implementation to the extent that the "reformers" will not be given the ammunition they want. The four main aspects of the code that foreign companies are worried about are the following :

- a) Pay The new codes and guidelines raise the pay levels that companies should be paying, to the "minimum effective level" for a bearable life. In effect, this means a fifty percent increase in wages over the old guideline - "the poverty datum level".
- b) Profits The new increase will mean lower profits. Thus, certain companies may not be able, for financial reasons, to meet the wage recommendations.

- c) Black Unions The code stipulates that employers must do everything possible to ensure that Black workers are free to join or form a trade union. The "liaison committees" are not allowed to hamper the growth of "proper" Black unions.
- d) Associates Firms with a less than 50 per cent stake in their South African companies are prevented, under South African law, from providing factual information about workers' conditions.

The Government response to the question of Black trade unions has, as has already been mentioned, made provision for the establishment of such unions. However, indications are that they will not meet the EEC definition of "proper" and that they will, in effect, be an extension of the liaison committees. Also they will have carefully circumscribed functions. Our information is that labour attachés reporting to the West consider that the Wiehan Commission proposals on this score will fall far short of what is required and will make provision for unions "within the framework of separate development".

On the question of associates, recent legislation proposed by the Minister of Economic Affairs, Mr. Heunis, will make it even more difficult for British firms operating in South Africa to subscribe to the EEC code of conduct, says the Confederation of British Industry. This could further weaken the cause of the "reformist" group.

Apart from the above social and economic aspects, where the Government may be willing to make some changes, there are no signs that it will abandon the policy of separate development per se, nor is there any sign that African people will not continue to be deprived of South African citizenship. The EEC last year specifically rejected the "separate development" concept, as it pertained to the homelands, at the Lagos World Conference for Action against Apartheid. So there is every reason to expect that this aspect of Government policy will enjoy greater attention and, in the absence of a Government commitment to meaningful Black political participation, may mean greater pressure yet for South Africa.

On balance the sanctions outlook for the next two years could be the following :

- 1) Mandatory embargo on arms and related supplies⁵ by trading partners extended.
- 2) Availability of long-term capital restricted, but short-term finance available.
- 3) New fixed investment in South Africa increasingly discouraged, but not prohibited.
- 4) Remaining U.S. Ex-Im Bank facilities (and similar guarantees in EEC countries) withdrawn and possible curtailment of IMF assistance and funds.
- 5) Possible exclusion from GATT
- 6) Bilateral trade agreements revised.
- 7) Blacklisting of European and U.S. companies not implementing employment codes.
- 8) Sporadic international trade union action against handling of South African exports.
- 9) Selective embargoes on commodities interpreted to fall under the arms embargo, could very likely include chemicals and plant as well as transport machinery (Related to item 1 above.)
- 10) Oil supplies possibly reduced, and probably if South African Government action viewed as provocative. (see page 22)

The "reformists" say they will not be given more than another two years. If changes have not been made by then, more stringent measures can be expected. The timetable would also be affected, if we had another "Biko" affair, or October 19-type crackdown, in which case the "Reformist" argument would lose to the isolationists and increased sanctions could be applied earlier.

(4)

EXTERNAL FACTORS

It is generally conceded that the imposition of United Nations Security Council sanctions are likely to be sparked off by the Republic's involvement in countries beyond her borders. It is here that the provisions of Chapter 7 of the Charter would apply most clearly since foreign adventurism would be viewed as a threat to world peace.

The attempts at decolonization on South Africa's border have involved her in a series of contradictory and sometimes ironic positions. South Africa is involved willy nilly in the process of change in two areas - SWA/Namibia and Rhodesia - and cannot expect to escape entirely unscathed from developments there.

The South African position towards these territories is two-fold. On the one hand she seeks to assist in the installation of moderate governments in SWA/Namibia and Rhodesia who will not provide a Communist, Marxist, security threat, and on the other the South African position must be to simultaneously distance herself from these governments so that they will not be viewed as puppet régimes of Pretoria. If they were so viewed, they would not enjoy international recognition.

(a)

South West Africa/Namibia

South Africa's presence in SWA/Namibia is regarded as illegal by the world community, the rather confused legal position which suggests otherwise notwithstanding. This is the reality of the situation. Security Council resolution 385 of 30 January 1976, called on South Africa to withdraw from the country so that it could become independent. The Western States, which included our major trading partners, have attempted by a process of negotiation to provide a climate of free association in the territory in order that elections toward a constituent assembly could be held.

In order to create such a climate of "free association" and induce the main nationalist movement (SWAPO - support approximately 40 to 45%) to participate in the elections, the West set out to remove all "inhibiting factors". These included the presence of South African armed forces in SWA/Namibia and the application of apartheid.

South African Response. Considerable success was achieved. The South African Government suspended the Turnhalle Conference which had originally been convened to draw up a constitution for the territory, and appointed instead Mr. Justice Steyn, a Judge of the Supreme Court, to administer the country in the pre-election period. Early in September Mr. Steyn offered the SWAPO leader, Mr. Sam Nujoma, a safe conduct to enter Namibia and take part in the elections. The South Africans also agreed that a U.N. representative should work with Mr. Steyn in co-administering the territory and that other U.N. personnel would be available to supervise the elections for a Constitutional Assembly.

Mr. Steyn meanwhile began dismantling the structure of apartheid and repealed several discriminatory laws. In April this year the West presented their proposals to South Africa and SWAPO for a peaceful transition to early Namibian independence by the end of 1978.

South Africa accepted the proposals, but to date SWAPO has yet to respond. However, part of the reason for SWAPO's reluctance to respond may lie in the fact that within two weeks of accepting the proposals South African armed forces launched a raid against SWAPO camps in Angola. This action served to cast doubt on the sincerity of the South African Government's intentions towards the territory and was seen as a violation of the spirit of the agreement that had been arrived at.

The West attempted to retrieve the situation by asking South Africa to make some symbolic gesture of recompense, e.g. release of SWAPO detainees in South African prisons. At the same time leading SWAPO dissidents who had been imprisoned in Tanzania were released.

The South African response has not been encouraging and a U.S. envoy involved in the negotiations was personally criticised for reminding South Africa that it was in the territory illegally. The South African Prime Minister, Mr. Vorster, spoke pessimistically about the outcome of the negotiations and South Africa warned that it would not hesitate to take further action against SWAPO camps in Angola if the situation warranted it.

Another factor in the SWA/Namibian scenario is the position of Walvis Bay. On September 1 last year, the administration of Walvis Bay reverted to the Cape Province - an action regarded as "fortunate" by the U.N. Secretary General.

Probable Development. Our indications are that South Africa will proceed with the registration of voters in the very near future. Care has been taken to follow other U.N. procedure regarding electoral registration. The exercise will be presented as politically "neutral". At the same time, and to forestall charges that South Africa is arbitrarily implementing the proposals, selected SWAPO detainees will be released from South African prisons. The A.C. 26 security laws in the territory may be repealed or amended to some extent and people detained in terms of these measures will also be released. The South African government will also be prepared to postpone the independence date, set for December 31, if necessary. Nevertheless the indications also are that the registration of voters will be regarded as "integral to the political process" by the West who will see the action as contrary to the spirit of the proposals.

The most likely development, and the one suggested to us by South African sources, posits that even in the event of SWAPO not accepting the proposals, South Africa will call elections in the territory later this year toward a constituent assembly. Of concern is the fact that the Government resulting from such a settlement will (a) not be recognized internally, and (b) will invite South Africa to keep troops in Namibia in violation of Resolution 385. Such a step could conceivably lead to limited Security Council sanctions against South Africa.

Time Scale. The U.N. General Assembly meets again in September. The registration of voters will precede this date. Consequently, it can be expected that a further sanctions resolution will emanate from this meeting of the General Assembly. It is not inconceivable that the Security Council may then take some limited action against South Africa in a bid to pre-empt the electoral process. But this should be regarded as unlikely while the West feels that there is still a chance for negotiations to succeed.

However, there is no telling what their attitude will be if elections proceed and the country becomes independent. It seems likely, in the event of this happening, that limited Security Council sanctions, possibly involving oil, may

be imposed on South Africa during the course of 1979, in order to (a) force a South African withdrawal from Namibia and (b) exercise the same sort of pressure on the new and "illegal" Namibian regime that was exercised on Rhodesia. On the extreme level this scenario suggests the eventual application of a full economic embargo on the Rhodesian model by 1980.

(b)

Rhodesia

The Rhodesian situation is not as critical a factor as SWA/Namibia in the possible application of sanctions to South Africa. The major complaint against South Africa is that the Republic has carried on normal trade with Rhodesia, including the export of oil to that country. This has led, inter alia, to the Commonwealth adopting a resolution last year urging an oil embargo against the Republic.

South African Response The South African Government is known to have put pressure on the Rhodesian Government in the past to accept Western proposals for a transition of power in the country. However, while the Government reluctantly played ball with the West to some extent, recently the Prime Minister, Mr. Vorster, urged the West to recognize the internal settlement. The Republic regards the internal settlement now as the best available one, and is increasingly worried by the situation there and the lack of Western support. It is alarmed at the prospect of the present Government collapsing before the onslaught of left-wing guerilla armies. This is not a prospect South Africa wants to, not only because the resultant regime will pose a direct threat to the Republic, but because the implicit nature of such a collapse could have an explosive impact on Black and White opinion within South Africa itself. The effect of the collapse of white rule in Mozambique and Angola has been sufficiently devastating in itself, but it might be safely speculated that it would be as nothing compared to the sight of Prime Minister Ian Smith and the members of his Transitional Government retreating before a massed Soviet-sponsored onslaught led by Robert Mugabe and Joshua Nkomo.

In such an event, South Africa would conceivably have to intervene militarily herself. Such an action would almost certainly lead to some form of international action against the Republic. However, while South African intervention cannot be discounted at this stage, much will depend on the evolution of the political situation in Rhodesia.

The oil situation is of greater concern. Our information is that the South African Government has leaned over backwards to reassure the West that it is not channeling oil to Rhodesia. It has been pointed out that oil supplied to Rhodesia by private companies can be reasonably effectively monitored, and is in fact being monitored. This could suggest that oil is made available to Rhodesia from the South African Government's own resources. (This would not contradict South Africa's declared policy, which is not to participate in sanctions.) If this is the case, pressure could increase on Western Governments to curtail the oil flow to the Republic itself, thus causing increased pressure on South Africa's domestic resources and thus forcing a curtailment of the flow to Rhodesia.

Time Scale. It is unlikely that an oil embargo against the Republic precipitated by the Rhodesian situation will be imposed at an early date. It is thought that the West considers its sanctions effort against Rhodesia to have been successful, since it led to the white regime conceding the principle 66

majority rule,. A further tightening of the screws would, therefore, amount to a case of "overkill". Further, the West at present needs South Africa's co-operation on the Rhodesian issue.

(5)

CONCLUDING SUMMARY

Trade with South Africa is likely to decrease for a combination of reasons. These are a) the unsettled situation in Southern Africa, which is a natural deterrent to new investment;
b) the application of selective sanctions by our trading partners;
c) the possible application of selective sanctions by international organisations.

For the political reasons already enumerated in the preceding pages, the West is likely to veto comprehensive trade embargo proposals submitted to the UN Security Council. However, they will increasingly apply selective sanctions-type measures against South Africa if racial policies are not moderated or meaningfully changed. It must be noted that the Western governments at the present time stand as a barrier between the Republic and the forces that seek change through comprehensive sanctions. Nevertheless, these forces are growing in power and influence and the Western governments will only be able to neutralise the more extreme demands to the extent that South Africa is prepared to make appropriate responses to the course of action suggested by the Western governments.

The Western governments recognize that they may have to take a stronger stand on South Africa. A clear example of this is the British Government which, for instance, is probing the effects of a trade break with South Africa. Some of Britain's biggest companies were asked earlier this year by British Government Departments to describe the effects on their business of a cessation or interruption of trade with South Africa.

One fact should be pertinently noted: the policy of separate development is perceived to be an important contributory factor to instability in the sub-continent. The West fears that this will lead to greater outside intervention and heighten the risks for peace in the world. We can thus expect that, while the West takes a harder stand against Soviet and Cuban activities in Africa, they will take an equally and increasingly hard line against South Africa.

As far as it relates to South Africa's internal position, the sanctions outlook for the end of 1979 appears likely to be as outlined on page 18 above. The inclusion of an oil embargo in this list stems from probable developments in Namibia.

The Western position on Namibia is difficult to predict at this stage, but all indications are that, in the event of the Western initiative on the territory failing, they may well support a UN investment and/or trade embargo against South Africa. Such a development could take place as early as September this year, but more probably during 1979.

Rhodesia is not considered to be a critical sanctions factor for the near future, in view of possible political accommodations there.

The sanctions scenario already described could probably be widened to include certain commodities and their import into, or export from, South Africa. At its worst, it could then eventually become a total embargo on the Rhodesian model. But more important for present purposes is the fact that Southern Africa has become a "risk" area for Western governments and also private investors. The West, therefore wants to stabilise the region as soon as possible, so that it

can get down to normal business again. The only way to do this, in their opinion, is to greatly increase pressure on the South African Government to drop its racially-based policies.

The foregoing study has not dealt with the effects of sanctions on South Africa (beyond Government response) and the economy. However, some indication of the effect of a 50% and 20% effective boycott is given in the attached table.

Consequences of a boycott of SA exports on the balance of payments, employment, and gross personal income, assuming the boycott is 20% and 50% effective.

(Note: the economic sectors are not grouped on the same way as in SA statistics)

Economic sector	50% of 1976 exports (20%) Rm	Loss to BoP Rm	Increase in unemployment			Decrease in personal income — Rm		
			Whites	Non-whites	Total	Whites	Non-whites	Total
Agricultural products.....	335	310	17 755	123 280	141 035	114.5	170.1	284.6
	134	124	7 102	49 312	56 414	45.8	63.1	113.9
Gold and uranium.....	1 370	1 246	54 800	339 760	394 560	405.5	472.3	877.8
	548	498	21 920	135 904	157 824	162.2	188.9	351.1
Other mining products.....	683	606	22 523	104 423	126 946	165.5	144.1	309.6
	273	242	9 009	41 769	50 778	66.2	57.6	123.8
Food, beverages and tobacco.....	492	414	25 610	124 110	149 720	172.4	174.4	346.8
	197	166	10 244	49 644	59 888	63.9	69.7	133.6
Clothing.....	112	80	4 275	23 625	27 900	26.3	33.0	59.3
	45	32	1 710	9 450	11 160	10.5	13.2	23.7
Printing, paper and publishing.....	52	40	2 625	7 928	10 553	17.9	11.2	29.1
	21	16	1 050	3 171	4 221	7.1	4.5	11.6
Chemical products, rubber, glass.....	140	105	5 460	11 900	17 360	36.4	17.0	53.4
	55	42	2 184	4 760	6 944	14.5	6.8	21.3
Metals, minerals, iron & steel, steel construction.....	193	150	10 203	16 748	26 951	70.4	16.1	86.5
	77	60	4 081	6 699	10 780	28.2	6.5	34.7
Machinery and transport equipment.....	92	64	7 493	7 955	15 448	51.5	11.5	63.0
	37	26	2 997	3 182	6 179	20.6	4.6	25.2
Other industry.....	198	150	13 430	26 268	39 698	90.5	33.9	124.4
	79	60	5 372	10 507	15 879	36.2	13.5	49.7
Commercial services.....	182	174	16 973	22 265	39 238	87.5	30.1	117.6
	73	70	6 789	8 903	15 695	35.0	12.0	47.0
Transport, storage, communications.....	278	266	24 698	28 028	52 726	128.7	36.7	165.4
	111	106	9 879	11 211	21 090	51.5	14.7	66.2
Other services.....	153	140	19 367	21 960	41 327	97.8	28.3	126.1
	61	56	7 747	8 784	16 531	39.1	11.3	50.4
TOTAL.....	4 280	3 746	225 212	858 250	1 083 462	1 464.9	1 178.7	2 643.6
	1 712	1 498	90 034	343 299	433 383	585.8	471.4	1 057.2

ANNEXURE

Effectiveness of the Military Embargo

The 1977 November UN arms embargo on South Africa is unlikely to have any serious short term effects for the Republic, because South Africa is already responsible for over 70% of her current defence requirements. However, in the longer term, when contemporary sophisticated major military hardware items, such as aircraft or missile defence systems, become obsolescent, replacements and substitutes could foreseeably also become an acute problem.

ARMSCOR, established in 1968 to offset future embargo efficacy, had a 1978 budget of R2,005-million, 60% domestically allocated, and of this 25 000 contracts were given to the private sector of the economy. While South Africa is currently assembling such items as Panhard (Eland) Armoured Cars, Mirage C2-3s, Aermacchi MB-326 (Impala) trainers, Crotale (Cactus) surface-to-air missiles, as well as enjoying self-sufficiency in many low and medium calibre weapons, she will have to obtain future jet aircraft, SAM missile defences and advanced radar and surveillance equipment from modern sources of supply in the Western world. Even now, the internally manufactured hardware relies on imported components, particularly in the electronic field, for jet engines and weapons systems, which are British and Italian supplied. To a large extent, domestically manufactured components are built by skilled expatriates from Italy and the United Kingdom on 3-year contracts. It is not inconceivable that their passports could be withdrawn in future, as the Netherlands has threatened to do to Dutch nationals serving in the SADF. It should also be noted that the manufacturing technology itself is frequently dependent on imported European and American computer systems and inputs which are conceivably subject to embargo. One major problem will be the purchase of helicopters essential for counter-insurgency operations, of which South Africa is said to have less than 100 at the moment.

To some extent, Israel's close alliance with South Africa may enable some cross traffic in arms to continue despite the recent public Israeli statement of intention to comply with the UN embargo, because private visits by skilled experts can still be organised. However, it is not yet clear to what extent present and future co-operation with Israel in the military field, as illustrated in the following paragraph, will be affected by the arms embargo. This question will probably be determined by whether there is any American pressure on Israel, because of the latter's great dependence on the United States. It has been suggested that South Africa may still purchase the Kfir interceptor (if Israel develops a substitute for the General Electric J-79 engine), and also the Quito 24 Nesher jet, based on the Mirage.

South Africa is still to receive 3 of the 6 Reshef-class fast warships carrying the advance Gabriel surface-to-surface missile system, sophisticated anti-submarine warfare systems and automatic 76mm guns. Moreover, South Africa is financing future refined versions of the Reshef, complete with Asw helicopters and a range of 6 000 to 7 000 nautical miles. South Africa is due to receive the first five in 1979, and 40 South African technicians are based in Haifa supervising the work. In 1976, Israeli-South Africa co-operation in steel manufacture produced a leading armour now fitted to most of South Africa's

armoured vehicles and tanks. Tadiran, Elvit and Israel Aviation Industries are reported (by the Economist) to have sold South Africa a variety of commodities, including complete radar stations, electronic fences, infiltration alarm systems, communications systems, computers and night vision devices. South Africa is also purchasing 105mm howitzers in self-propelled artillery form, air-to-air rockets and anti-tank missiles for infantry use.

For Israel, the most critical agreement concerns the supply of 40 000 tons of coal per month from South Africa, to be escorted in time of war by conjoint SA-Israeli naval convoys. Nor will Israel soon forget the vital South African emergency service provided in 1967 when France enforced her arms embargo of the beleaguered state.

South Africa has also encouraged closer ties with Taiwan and Paraguay by a series of exchange visits involving military personnel. No longer a member of the UN, Taiwan is not constrained by UN arms embargoes, and together with Switzerland and South Korea (also not UN members) she could serve as an effective intermediary. Taiwan's significance is amply demonstrated by her close arms links with the United States, particularly in air defence systems and aircraft such as the F-5E. Taiwan is reputedly developing her own nuclear capability, although it could still be some time before Taiwan joins the nuclear club. South Africa has also supplied military equipment to Malawi and appointed a military attaché there.

Generally, therefore, the arms embargo may have little immediate impact for the next three to five years, but the period after that could prove troublesome.

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