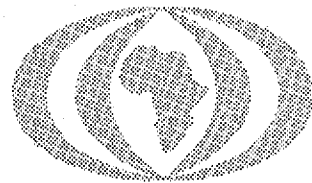


**SANCTIONS AGAINST  
SOUTH AFRICA**

Edited by  
Deon Geldenhuys

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**STUDY GROUP SERIES**



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THE SOUTH AFRICAN INSTITUTE OF INTERNATIONAL AFFAIRS**

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*Dr Deon Geldenhuys* is Assistant Director, Research, at the South African Institute of International Affairs.

*It should be noted that,* as the Institute is precluded by its Constitution from expressing an opinion of its own on any aspect of its field of study, opinions expressed in this paper are solely the responsibility of the author and not of the Institute.

SANCTIONS AGAINST SOUTH AFRICA

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FOREWORD

The SAIIA is an independent organisation concerned with the study of international issues generally and issues affecting South Africa's foreign relations in particular. Over the last two or three years, the threat of sanctions has undoubtedly been one of the most crucial issues facing South Africa. Against this background, the SAIIA in conjunction with the South African Institute of Race Relations arranged a one-day symposium in February 1979 entitled "South Africa and Sanctions: Genesis and Prospects". (The papers presented have since been published, jointly by the SAIIA and SAIRR, under the same title.)

As a follow-up to the symposium, the SAIIA formed a study group on sanctions against South Africa. The object of the group was to provide a forum where a selection of interested people, representing a variety of professions and interests, could exchange views freely on a topic of immediate concern to South Africa.

The present publication contains the papers read at meetings of the study group.

DEON GELDENHUYS

Assistant Director (research)  
and Secretary of the study group

2. *THE DEBATE ON SANCTIONS AGAINST SOUTH AFRICA IN THE EEC*

Quentin Peel

Relations between white-ruled southern Africa - Rhodesia, Namibia, and the lynch-pin, South Africa - and the western world are currently in a state of flux. From the western side, the advent of a largely black government in Rhodesia has precipitated a rethink, both in London and Washington, which ultimately affects the whole question of African policy. From the South African side, the talk of turning away from the West, and forming some constellation of southern African states - even if it is less of a coherent policy than a reaction to international pressures - indicates a similar reassessment.

The other major development, whose full implications are not yet apparent, is the renewed oil crisis. The possibility of a major economic recession in the Western world because of the latest OPEC price rise; the effect of it on South Africa's domestic economy and commodity exports; and the possibility of a fundamental switch in Western energy policy in favour of coal and nuclear power, thus increasing the strategic importance of coal - and uranium-rich southern Africa: all these provide an uncertain backdrop to a consideration of South Africa's international relations.

Forgive me, then, if my conclusions are somewhat tentative. Perhaps my incomplete and imperfect knowledge of the total picture may, on the other hand, lead me to be more rash than others with better understanding of the whole picture. So I hope you get something out of it.

My other proviso is that I do not wish to treat the question of sanctions in any restrictive sense, but rather to consider the whole range of actions and potential actions which might be seen as putting some pressure on the regime in South Africa. In the case of the European community and South Africa, it is important to consider not only actions against South Africa itself, but also those which support others who are seeking to put pressure on South Africa, in particular the front-line black states in southern Africa.

For all the appearance of inaction at the moment, the question of South African relations with the EEC is considered every month at meetings in Brussels of the so-called political co-operation committee, between senior officials of the member states. They in turn report to less regular meetings of their Foreign Ministers, which take place before the Council of Ministers' meetings. Thus while the debate is not quite part of the mainstream functioning of the community, it is discussed in close conjunction with it.

The most significant point to make here is that the question of South African relations is one of very few which have produced a degree of political consensus within the community. Political integration is a much debated subject there. Ironically it was the one issue which the former British Labour government was agreed was a "good thing". Nevertheless, the continuing chauvinism of major member states - with Britain and France

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Mr. Peel is Southern Africa representative of the London Financial Times. He addressed the study group on 5 July 1979.

in the vanguard - makes the prospects for progress fairly slim. The Nine did manage a common position for the North-South negotiations, the UNCTAD talks in Manila, and the Belgrade Security Conference. Attempts at a common position on the Middle East have been largely unsuccessful. But South Africa, and the related question of Namibia, has produced several instances of agreed public positions, and actions.

A very brief overview of the developing relationship - or it might be better put as the disintegrating relationship - does give some indication of the degree of consensus. The first precise statement on the internal situation in South Africa was made in February, 1976, at the end of a declaration by the Nine foreign ministers which condemned "external military intervention" in Angola. They also "confirmed the basic position of the Nine member states (as) condemnation of the apartheid policy of South Africa." In September that year, the Dutch Foreign Minister condemned the policy on behalf of the Nine in the UN General Assembly. In October, the Dutch permanent representative - again on behalf of the community - formally refused to recognise the independence of the Transkei. (They took a similar joint position on Bophuthatswana.) The late British Foreign Secretary, Mr Anthony Crosland, repeated the joint opposition to apartheid in January 1977. All this pious condemnation was leading up to the first major action to be taken as a form of sanctions - the introduction of the code of conduct for labour relations. The decision to draw up such a code was taken in July 1977, shortly before the first World Conference against Apartheid held in Lagos in August.

At that conference, M. Henri Simonet, the Belgian Foreign Minister then in the chair of the Council of Ministers, made the strongest condemnation to date of the domestic policies of the South African government. The policy of apartheid was an insult to human dignity and inconsistent with the principles of the Universal Declaration of Human Rights, he declared. The Nine "will refrain from any act which can in any manner contribute to the maintenance or development of that policy." The credibility of the EEC's Africa policy, according to M. Simonet, depends on the political determination shown by Europe in promoting the growth of democracy in South Africa. He gave the first indication that the EEC was examining economic measures aimed at "persuading South Africa to give up apartheid." The code of conduct was formally adopted on September 20 - part of the flurry of international activity which followed the death of Steve Biko, and culminated in the mass bannings of October 19 and the resulting imposition of the mandatory UN arms embargo.

Since then, the moves for further pressure on South Africa from the EEC have gone underground. Although it was announced that further measures - including restrictions on investment and trade credits - were being investigated, no action has been taken. One factor has been the Western initiative for an international settlement in Namibia: the Nine agreed that it was unwise to pressurise the South African government while seeking its co-operation on that question. The other delaying factor has been the growing realisation that the consequences of further economic sanctions would be unacceptable to the member states themselves.

Perhaps I have put the cart before the horse in sketching out the political framework of EEC-SA relations before the economic, but I suspect you are all more familiar with the latter. The latest SA Reserve Bank quarterly bulletin puts total investments by EEC member states in South Africa at R12,2bn, out of total foreign investments of R21,3bn - some 57 per cent of the total. Direct investment from the EEC amounted to R5,5bn,

63 per cent of the total, and indirect investment R6,7bn, or 53 per cent of total indirect foreign investment. Of that amount, Britain is by far the largest source: some 145 companies have 450 subsidiaries in South Africa, followed by West Germany, with some 230. South African companies having German connections. Holland has links with some 58 companies, and France with about 40.

In trade, the EEC is not quite such a large partner. In 1977, EEC countries took 45 per cent of South Africa's merchandise exports (excluding bullion) and provided 48 per cent of imports (excluding oil and armaments). In 1978, Britain was actually toppled as South Africa's largest overall trading partner by the U.S. West Germany was still the largest source of South African imports, followed by Britain, with France fifth in importance, Italy sixth, Holland eighth and Belgium ninth.

There is no dissent within the EEC about the damage to themselves which would be caused by any sweeping sanctions on trade or investment with South Africa. In spite of its antipathy to the South African regime, this point was entirely accepted by the British Labour government. Whatever the accuracy and usefulness of the sort of figures produced by the respective trade lobbies for the unemployment which might result in a break in relations, thousands of jobs in the home countries would be threatened. (The UK-SA Trade Association suggests 70,000 from a loss of bilateral trade, and a further 180,000 which might be lost from being cut off from South African raw materials. The German-South African Chamber of Trade puts the effect of a total boycott at between 70,000 and 200,000 jobs in West Germany. The limitation of such calculations is that they are done on a static model. Put in dynamic terms for example a two per cent growth rate in the UK economy can't absorb the effects of such action within a year.)

The EEC countries are particularly conscious of their reliance on South Africa for specific and strategic raw materials. West Germany, for example, gets 56 per cent of its chrome supplies from South Africa; and 74 per cent of its manganese. France and Denmark have large coal contracts. Britain is also heavily dependent on South Africa for supplies of platinum, chrome, vanadium and manganese. The global figures for South Africa's strategic importance in such supplies are well-known to you.

Perhaps of importance here, however, is to make the point that the problems in this part of the world have focused attention on Europe's dependence on South Africa. West Germany and France have already announced programmes to increase their stockpiles of strategic minerals, while the subject is being debated in Britain. The logical accompaniment of such a move would be to seek to diversify the sources of supply.

The other consideration which makes Europe's dependence on South Africa's minerals possibly less crucial to the sanctions debate is that, in spite of politicians' pontificating to the contrary, it is extremely unlikely that South Africa would cut off its mineral exports in retaliation against international action. Such a course is certainly discounted in senior official circles, where it is argued that South Africa will need whatever foreign exchange it can get if it is facing sanctions.

The other side of the coin to Europe's large and close economic ties with South Africa is what is seen as its role in supporting the apartheid system. Classical expression of such a thesis was given by Mr Oliver Tambo, president of the banned African National Congress, at a conference in Dublin in January: "The European community is the lifeblood of white

supremacy in southern Africa," he said. "The EEC countries, particularly Germany, France, Britain and Italy, have become the dominant partners of the regime of terror in South Africa."

While the strategic significance of South Africa's minerals tends to get overplayed in the propaganda-polluted atmosphere in this country, the importance of Europe's Third World, and especially African connections receives too little attention. The Lome Convention, which seeks to regulate and encourage trade between the EEC and the former colonies of the member states, is complex and therefore easy to ignore. But in Brussels it is seen as a crucial part of the Common Market package, which gives some justification to what would otherwise be an entirely exploitative and restrictive trade cartel. Its introduction has brought Brussels bureaucrats into often daily contact with their counterparts from the Third World, and led to considerable sympathy for their political, as well as economic, viewpoints. As a total package, there is no doubt that Lome is far more important to the EEC as a whole than its trade with South Africa.

The attitude of the bureaucracy was shown in a recent interview by one of France's commissioners, M. Claude Cheysson: "Two dangers are facing us in southern Africa: the most serious would be for our actions to be identified with the interests of the whites, rather than the blacks. The second danger would be for our actions in the region to fall under the slogan of defending the West against Soviet encroachment. To put all the problems of Africa under the heading of East-West conflict is totally incorrect."

The actions which the EEC has taken against South Africa must be seen in that context. The decision to introduce the code of conduct was taken immediately before a major world forum on apartheid, where the European countries had to be seen to be doing something. The EEC governments were also facing considerable pressure from within their own countries, particularly from the trade unions in Britain, West Germany and Holland, for some action. In the event they chose to undertake an action which would not threaten their investments, but which would be seen to put pressure on apartheid.

I would like to look at the two areas where the EEC has taken specific and overt action affecting South Africa - the code of conduct and aid to southern African states - and one area where the sanction has been less explicit but nevertheless apparently imposed - trade in wine and fruit.

Although the code of conduct was imposed primarily to head off demands for more drastic sanctions, and only secondarily to achieve the aim of improving the employment conditions in European subsidiary companies, it has met considerable resistance in the investing community. Already criticised for being ineffective, because it lacks statutory backing, the code has been implemented with widely varying enthusiasm between the member states. The British government, whose idea it was in the first place, has gone furthest, in publishing the code as an official white paper, and publishing (rather half-heartedly) the company responses. Both West Germany and Holland are promising to do the same, although both admit that the response from subsidiaries has been poor. The only other major investor, France, has merely recommended the code to its companies, no more. Britain and Germany have also required companies seeking investment guarantees for South Africa to subscribe formally to the principles of the code, but few companies feel that is a serious deterrent. Thus in spite of the common cause shown by the Nine in adopting the code, they have gone their own ways in its implementation, and have shown themselves fairly ineffective in policing it rigorously.



The concept of giving aid to black African states seeking to reduce their dependence on South Africa - in order the better to oppose it - is much more universally popular. Botswana, Lesotho and Swaziland have all benefited from such schemes. A series of resolutions on southern Africa were adopted at the meeting in December 1977 in Maseru of the joint EEC-Lomé committee. As a result, emergency support was given to Lesotho to overcome the pressures for recognition of neighbouring Transkei. Relief was given to both Zambia and Botswana to help resolve the transport problems caused by Mozambique closing its border with Rhodesia. Emergency aid for refugees has been channelled through the World Food Programme and the UN High Commissioner for Refugees, with some dollars 6.5m made available last month for Rhodesian and South African refugees in Botswana, Mozambique and Zambia. EEC support for a new airport in Maseru, to provide Lesotho with direct air links to other black states, has been promised. EEC money also helped finance the Botzani highway from Francistown to the Kazungula ferry. Preliminary studies are being made of direct road links between Zambia and Angola.

The meeting in Arusha, Tanzania, which ended yesterday with agreement to set up a joint commission to promote transport and economic links amongst the front line states, occurred largely at the instigation of the EEC. Although still at a very embryonic stage, the co-operation is seen as an alternative to South Africa's attempts to create a southern African alliance sympathetic to herself. According to a senior EEC official: "It is my conviction that the future of regional co-operation in southern Africa lies with the aspirations and concerns of independent Africa, rather than with the expansionary objectives of the apartheid administration in Pretoria."

The other aspect of covert sanctions - which may be putting it too strongly - concerns South Africa's exports to the EEC of wine and fruit. The end of South Africa's imperial preference, which ran out in January 1978, has meant that those exports now face the full force of the EEC's common external tariff and non-tariff protective systems. All efforts since then to negotiate special arrangements have failed. Most notable have been the efforts of the wine industry to comply with Europe's strict wine of origin requirements, in order to win exemption from the system of reference prices in the EEC. In spite of the introduction of a sophisticated system, and five years of negotiations, the South Africans have met a bureaucratic stone wall.

Attempts to negotiate similar special deals for fresh and canned fruit exports have only been successful where the EEC actually has a shortage, as with apples. Some crops such as table grapes are also relatively impervious to enforced high prices, because of the lack of seasonal competition. But there seems little doubt that Brussels is not prepared to give any preferential arrangements to South Africa, at least visibly. "There is an unwillingness to be seen to be going into any special arrangement - no privileged access or anything which looks as if it is giving advantage to South Africa," according to an EEC spokesman. An independent observer in Brussels says: "The EEC has commitments to people (such as the North African countries) who are on-side politically. Certainly they are not going to go out of their way to help a country like South Africa which is off-side."

What of the future? The advent of the Conservative government in London would certainly suggest that any further economic action against South Africa is unlikely in the near future. A more conservative Dutch government has also been in power for 18 months, which has been less

condemnatory of South Africa in tone, if not particularly in policy.

One question is who dictates European policy. Undoubtedly the smaller member states, with fewer South African links, have been most strident in their demands for action against the Republic. On the other hand the larger members certainly carry more clout. West Germany in particular is emerging as the dominant force, both because of her greater dedication to the European ideal, and her greater economic power. But all of Britain, Germany and France tend to be ruled to a large extent by the considerations of self-interest and realpolitik, rather than moral considerations, or thoughts of traditional loyalties. Indeed, for all the heavy ideological content of Mrs Thatcher's direction of the Conservative Party, that organisation has always been considerably more pragmatic in office than Labour.

The considerations of realpolitik may not, inevitably, work to the advantage of South Africa. If African pressures become too great, as in 1977, the EEC may again feel it necessary to take some largely symbolic, but nevertheless concrete action against South Africa. The options are not very great, in terms of what will not seriously hurt the member states. Studies have been done on such areas as withdrawing trade credit guarantees, cutting transport links, (refusing landing rights to aircraft, and docking rights to ships from South Africa), and insisting on visas from South African citizens.

Another proposal that has been made, is for the existing sports boycott to be tightened up, and possibly given formal government endorsement. The debate on the sports question goes to the heart of the sanctions debate: whether, in view of the progress which has been made in South Africa towards multiracial sport, although that is still not seen as genuinely nonracial sport, it is wise to be stepping up the boycott.

The greatest threat would seem to come from the deadlock over Namibia. That is the one area where South Africa is seen by the international community as being clearly in an illegal position, according to the tenets of the UN. Hence the disproportionate Western effort to achieve a solution. If that effort should finally disintegrate (which many think it has already done), then pressure for some further action against the Republic may be irresistible. Moreover the African bloc at the UN would be likely to call for punitive sanctions, rather than the "constructive" and limited type - similar to the code of conduct - favoured by the EEC countries.

It does seem highly unlikely that the EEC will give a lead in imposing any sanctions in the foreseeable future. At the same time the pressures, to be seen to humanise the European investment in the South African economy, remains. In the end it would be wise to remember that the man who made the Winds of Change speech was a Tory Prime Minister, Mr Harold Macmillan, and the man who really accomplished the downfall of white minority rule in Rhodesia was the ultimate exponent of realpolitik, Dr Henry Kissinger.

### 3. THIRD WORLD SANCTIONS MOVES AGAINST SOUTH AFRICA

Willie Breytenbach

#### A. *Introduction*

1. The question of Third World sanctions moves against South Africa must not be seen in isolation but in terms of its leverage on the Second World (East bloc) and the First World (Western industrial nations) who are South Africa's major trading partners.
2. The Third World can hardly impose crippling sanctions on its own. It needs the support of South Africa's major trading partners in the West. It also requires mandatory collective action from international associations like the United Nations, the European Economic Community and the Organization of Petroleum Exporting Countries. Other relevant, but rather peripheral international associations are the Afro-Asian People's Solidarity Organization, the OAU, the so-called Front Line States and Southern African revolutionary organizations like the African National Congress and the Patriotic Front.
3. Although Third World countries opposed to South Africa's domestic policies find support from the UN and the East bloc, the real crunch would only come if the Western members of the Security Council succumbed to Third World pressures. The West is in a dilemma because it has great commercial and economic interests in South Africa. Third World countries can exert pressures on the West through their multilateral ties, for example through the ACP (African, Caribbean and Pacific countries) which is linked with the EEC through the Lomé Convention. However, Lord Carrington, British Foreign Secretary, said that punitive sanctions against the RSA as a result of the problems of SWA/Namibia would not be instituted. He said that the Namibian deliberations had not reached a dead end and sanctions were therefore out of the question. The Nigerian decision to nationalize British Petroleum's assets in Nigeria in retaliation of the British decision to sell North Sea oil to South Africa is a good example of pressure on trading partners.

#### B. *The United Nations*

1. The UN sanctions moves against South Africa, which enjoy the blessing and support of most Third World (and all Second World) countries, are concerned mainly with four issues: an arms and now an oil embargo; the South African support for the 'illegal minority régime in Southern Rhodesia'; South Africa's 'refusal to comply with the Security Council's resolutions providing for free and fair elections under UN supervision and control and leading to genuine independence for Namibia'; and South Africa's 'continued incursions into Angola'.
2. A study prepared at the request of the Special Committee against Apartheid and published by the UN Centre against Apartheid in June 1978 called for a mandatory oil embargo against South Africa. This was after the mandatory UN arms embargo of November 1977.

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Dr. Breytenbach is Manager and Editor: Publications, Information and Research, of the South Africa Foundation. His paper was presented on 9 August 1979.

3. The Special Committee then called upon the Security Council on 21 September 1978 to impose an embargo on the supply of petroleum and petroleum products to South Africa.
4. The call for an embargo was contained in a special report to the General Assembly and Security Council (A/33/22/Add.1-S/12858/Add.1) which the Committee adopted in closed session. In the report the Committee also recommended that all States be urged to enact legislation to prohibit:
  - a. The sale or supply of petroleum or petroleum products to any person or body in South Africa or to any other person or body for the purpose of eventual supply to South Africa;
  - b. Any activities by their nationals or in their territories which promote or are calculated to promote the sale or supply of petroleum or petroleum products to South Africa;
  - c. The shipment in vessels or aircraft of their registration, or under charter to their nations, of any petroleum or petroleum products to South Africa;
  - d. The supply of any services (technical advice, spare parts, capital, etc.) to the oil companies in South Africa.

The report recalled that since its inception in 1963, the Committee had constantly emphasized the importance and effectiveness of an oil embargo against South Africa among measures which might be taken by the international community for the eradication of apartheid in South Africa.

5. On 29 November 1978, the General Assembly, with the moderate influence of Western nations, watered down the demands for an oil embargo but responded to the call of the Special Committee and adopted resolution 33/23 with the overwhelming support of Communist and Third World countries in which it strongly condemned Western and other states and transnational corporations for their assistance to 'racist régimes' in Southern Africa, especially in the political, economic, military and nuclear fields, 'which impeded the enjoyment of human rights of the oppressed peoples of that region'.

It reaffirmed that states which assisted such régimes became accomplices in the inhuman practices of racial discrimination, colonialism and apartheid perpetrated by those régimes.

The Assembly requested the Security Council finally to adopt binding decisions to prohibit all collaboration with South Africa in the nuclear field and to take effective measures to prevent the apartheid régime from acquiring nuclear weapons; and appealed to all states scrupulously to observe sanctions imposed by the United Nations on the illegal minority régime in 'Southern Rhodesia' and the arms embargo imposed by Security Council resolution 418 of 4 November 1977 on South Africa.

6. The UN General Assembly closed its debate on Namibia on 3 May 1979 with a call to the Security Council to impose international sanctions on South Africa. The resolution called on member states and international bodies to increase their military and financial aid to the South-West Africa People's Organization

(SWAPO) as the sole recognized representative of the Namibian people. South Africa was also condemned for its 'continued incursions into Angola'.

In the closing vote, 118 members voted for the resolution, and none against, with 16 abstentions (including the nine European Common Market - EEC - countries and Greece, Canada, the United States, Japan, Austria, Portugal and Swaziland).

Communist, Third World and several Scandinavian and Latin American countries, plus Australia and New Zealand, while voting in favour, expressed misgivings lest the resolution intensify the fighting in Namibia by proclaiming SWAPO as sole representative. A number of them also opposed sanctions against South Africa, preferring continued efforts to reach a peaceful solution to the question of Namibian independence.

C. *The Organization of Petroleum Exporting Countries (OPEC)*

1. Most oil producing countries exercise an embargo on oil sales to South Africa. The Economist of 7 July 1979 commented as follows: 'The embargo by oil producing countries on sales to South Africa is now so intensive (only a couple of Latin American countries appear to abide by it) that, after the loss of its Iranian supply, South Africa was bound to turn to North Sea oil. There is no discriminatory clause against South Africa in North Sea oil contracts. Yet many countries keep an unofficial boycott against South Africa without such clauses. Once South Africa turned to North Sea oil, Britain faced choosing either to go along with the unofficial boycott, or to keep up its traditional free trade links with South Africa.

Shell, the other British oil company trading in South Africa, did not need to force the British Government's hand as it has had sufficient non-embargoed oil to meet its South African needs. BP has not'.

2. Iran decided, after the Shah was ousted, to embargo oil sales to South Africa. This is still the case today. Yet Iran continued to import significant quantities of South African goods, especially industrial plastics.
3. With South Africa a leader in the field of developing alternate fuels and more self-sufficient than many other nations, her adversaries are certain to call for other forms of sanctions.

D. *Afro-Asian People's Solidarity Organization (AAPSO)*

1. The sixth conference of AAPSO took place in Lusaka in April 1979. During that occasion the President of Zambia appealed to 'progressive forces' to give all they had in material support to the so-called liberation movements in Southern Africa.
2. Opening the sixth Afro-Asian People's Solidarity Organization conference in Lusaka, Dr. Kaunda warned that hesitation by progressive forces to support the Patriotic Front of Rhodesia and Namibia's SWAPO materially at this delicate moment was dangerous. He reminded the more than 300 delegates at the conference from 26 different countries that people in Rhodesia, Namibia and South Africa were dying in hundreds every day as they had no say in their own destiny. 'There is a systematic liquidation of innocent civilians on the false excuse that they are terrorists', he said.

3. The delegates later concluded their deliberations with a call to all peace-loving and progressive nations to withdraw their support from minority régimes in Southern Africa.

In its resolutions, the conference strongly condemned all major powers which, in violation of UN resolutions, still maintained relations with 'the racists'. The conference also condemned 'Western imperialist countries' which continued to maintain close collaboration with the 'Salisbury and Pretoria régimes'.

E. *Africa and the Organization of African Unity (OAU)*

1. The African insistence on an arms, oil and now an economic embargo on South Africa is clearly hypocritical, especially the call for an economic boycott. Most African states have been active at the United Nations in demanding an economic boycott of South Africa. All those involved are members of the Third World group and official members of the OAU. South Africa maintains a favourable trade balance with Africa, exporting goods valued at R534,5 million in 1978 to Africa while importing goods valued at R245 million from Africa. Safair and the South African Railways play an important role in the transportation of export goods of which food is the most significant item. South Africa is reported to be trading with 23 African countries. The volume of trade is increasing again after the slump of 1974/75 when the Portuguese, a major trading partner in Angola and Mozambique, withdrew from the continent. Trade with Zambia had also decreased from R68 million in 1968 to R32 million in 1974/75. This is growing again. African insistence on trade sanctions, particularly from the so-called Front Line States which include three major trading partners, Botswana, Zambia and Mozambique, is therefore clearly hypocritical.
2. The latest Africa move on sanctions was made at the recent (July 1979) OAU foreign ministerial conference in Monrovia (Liberia) when a resolution was passed calling for world sanctions against South Africa if negotiations on a SWA/Namibia settlement failed. Immediately prior to that a top level OAU delegation arrived in Southern Africa to discuss with governments the implications of UN sanctions against South Africa on the economies of land-locked and other Southern African countries. There is clearly an assumption that selective sanctions against South Africa would not necessarily harm the economies of the neighbouring states. New boycott plans therefore do not refer to trade, but aviation, landing rights, telecommunication, etc., all of which are crucial to South Africa but not to South African/African relations. This delegation visited Mozambique, Zambia, Botswana, Lesotho and Swaziland. It is not known what the outcome of these deliberations were. This visit followed from the UN condemnation of South Africa on 29 April 1979 for its 'continued incursions' into Angola. The Security Council was asked to consider 'the most effective sanctions against South Africa'. However, the new British Government said that sanctions were out of the question.
3. Two Southern African states, both members of the OAU and the so-called Front Line States, Tanzania and Zambia, participated in an anti-apartheid colloquium in Sweden on 13 March 1979. Government representatives of Algeria, the Netherlands, West Germany, as well as representatives of SWAPO and the South African ANC also participated.

The Tanzanian representative (Mr. Salim Salim, Ambassador to the UN), said that time has come to shatter some illusions about the situation in Southern Africa. 'The first one', he said, 'is the naive belief that a violent situation can be solved by any other means than violence.' The second, he continued, is the step by step approach advocated by the main trading partners of South Africa who say that the 'more trade and business and social contact we have, the easier it would be to persuade South Africa to change its policy'. Although these countries have been practising this policy for the last ten years, the result of this policy of gentle persuasion was practically zero.

This point was developed by Thomas Nkobi of the ANC, who said, 'Those who say that economic embargo against South Africa would hit South African Blacks most should recall the words of late Chief Luthuli who said that if a temporary hardship is a way of removing a permanent suffering, it is the price we are gladly prepared to pay'.

4. At a meeting of the Anti-Apartheid Movement held in London and attended by representatives of the ANC, Botswana and Zambia, it was decided to launch a campaign against military and nuclear links with South Africa. The AAM would work for an effective implementation of the UN arms embargo against South Africa. Earlier, at a meeting of non-aligned countries in Maputo (30 January 1979), representatives of 24 countries discussed the problems of Rhodesia, SWA/Namibia and South Africa. No government representatives called for sanctions. However, the Patriotic Front of Nkomo and Mugabe called for measures prohibiting the sale of arms or war materials to South Africa and Rhodesia. The PF then named the United States, France, West Germany, Portugal, Britain, Australia, New Zealand and Canada as supporters of the White ruled countries.
5. Botswana occupies an interesting role. It is not an outspoken vanguard for sanctions, yet it participates in 'pressure group' discussions on sanctions. It is land-locked, and tied with South Africa through a multitude of bilateral and multilateral links, and makes diligent attempts to lessen its dependence on South Africa. The Arusha Declaration on the desirability of excluding South Africa from a Southern African economic association is a case in point.
6. Nigeria is one of the major oil producing countries in Africa. It is assumed that Lagos enjoys close and cordial relations with the governments of the major Western powers. This relationship hinges to a large extent on the Southern African issue and, from the Nigerian point of view, whether the Western powers 'can take effective measures to eradicate all forms of racial oppression in that area'.

Nigeria's oil production makes it the most important trading partner on the African continent for many Western countries, including the United States and the United Kingdom as far as British exports are concerned.

Oil power has enhanced Nigeria's position as an African power, also in the international context. It has become a pacesetter on the Rhodesian sanctions issue. Could it pressurize the United States and the United Kingdom not to lift sanctions? And to stop the British Government supplying North Sea oil to South Africa?

Nigeria is the world's seventh largest oil producer, with an output as of late May of 2,4 million barrels per day. It is responsible for about 3,5 percent of world production. About half of Nigeria's oil is sold to the eastern United States, where it is especially valued for its high gasoline proportion and low sulphur content. According to US Government sources, American imports of 1 million barrels per day from Nigeria account for about 13 to 17 percent of US crude imports, currently averaging between 6,2 and 6,3 million barrels a day. Since the United States is also a major producer of petroleum (8,7 million bpd during the first quarter of 1979), Nigeria's petroleum accounts for 6-7 percent of American petroleum consumption.

A State Department specialist ventured the prediction that Nigeria would not withhold its petroleum from world markets, but did not rule out the possibility that Lagos might take advantage of the current higher spot market prices (\$30 to \$37 per barrel in late May and early June vs. \$20,96 on contract for Bonny crude, the 'average' Nigerian oil) by reducing deliveries under contract.

A Nigerian oil embargo would cause more problems for the United States than for Britain, whose North Sea oil is a high gasoline, low-sulphur crude comparable to Nigeria's best. British oil from the North Sea is exported in part, while British requirements for heavy crude are imported from non-African sources.

When BP was allowed to sell North Sea oil to South Africa, the Nigerian Government announced that it nationalized BP's assets in Nigeria. One-tenth of Britain's oil consumption (200 000 barrels a day) is provided by Nigeria. This decision, if applied, would be irritating but not crippling to the UK economy. The British decision to allow North Sea oil to be sold to South Africa has not been reversed yet. But the United States is still more susceptible to pressure.

#### *F. Conclusion*

The most effective direct and indirect Third World sanctions moves against South Africa were initiated by the United Nations (arms embargo) and Iran (oil embargo). The most articulate sources of pressure and sanctions are the UN Centre against Apartheid (nuclear and arms embargoes), the UN General Assembly (nuclear and arms embargoes), the OAU, AAPSO and the ANC (asking for general 'effective sanctions' without specifying commodities), and the AAM and Patriotic Front making specific requests for the cutting of military and nuclear links (the AAM) and arms and war materials (the PF). The two most outspoken African countries on sancitons are Nigeria (oil) and Tanzania (general sanctions). It is interesting to note that representatives from Botswana participated on various occasions in 'pressure group' deliberations on sanctions in the recent past. Botswana's president was also instrumental in issuing the Arusha Declaration which called for an economic association, excluding South Africa, in Southern Africa. The only state that abstained from voting in the UN when the sanctions resolution was passed that called for international sanctions against South Africa on the SWA/Namibia issue was Swaziland. South Africa's support of the Muzorewa Government is increasingly being seen by Third World countries as a means to call for further sanctions against South Africa.



The reasons these various organizations and countries offered for their insistence on sanctions against South Africa vary from 'apartheid' (OPEC, including Iran, the ANC and the AAM), 'racist minority régimes' (AAPSO), 'racial oppression' (Nigeria) to more specific issues such as 'refusal to comply with the Security Council's resolution for Namibia' (the UN, OAU and the FLS), 'continued incursions into Angola' (the UN and FLS) and most recently the Rhodesian issue (the UN, FLS, PF and Nigeria).

The pattern has been to move away from general condemnations to more specific ones. The emphasis is no longer on apartheid only, but on external issues as well, such as the Namibian and Rhodesian issues. The sanctions debate is therefore no longer on domestic issues only, but aimed against forces of moderation in Southern Africa. The continuation of the sports boycott, despite significant changes in the sports and domestic policies, provides some proof of the 'externalization' of the sanctions issue. There are signs, however, that the Western world, especially on the external issues, would not allow itself to be pressurized into counter-productive sanctions. There is a new awareness in the West that a changing South Africa, with all its critical raw materials - especially the energy-producing ones - is indispensable for Western interests and therefore a natural ally of the West.

4. RECENT DEVELOPMENTS IN THE SANCTIONS DEBATE:  
FOREIGN ATTACKS AND SOUTH AFRICAN RESPONSES

Arnt Spandau

1. *Boycotts in international relations*

By a boycott we mean the refusal of persons to deal with one or more other persons. The purpose of a boycott is generally to use economic pressure to punish, or induce abandonment of a course of action. Likewise, an international boycott refers to the refusal of citizens of another state, in order to manifest resentment or bring about pressure. Boycotts, therefore, are penalties which relate specifically to acts which the international community condemns. They are a 'conformity-inducing modality', designed to make a code of conduct effective.

Designed to substitute economic pressure for actual war, the mere threat of a boycott should, in its most economical application, be sufficient to induce the target country to alter its policy and comply with the standards of the international community. This, however, is not borne out by historical experience: non-compliance is the typical response. The 'Classical Boycott' in European economic history is the Continental Blockade which was set up by Napoleon in the decrees of Berlin (21 November 1806) and Milan (17 December 1807).

Unable to invade Britain, Napoleon tried to expose her to a state of over-production by closing the whole of Europe to British goods. He hoped that British merchandise would soon accumulate at British docks, that factories would have to close, and that the unemployed workmen would overthrow the government and force it to yield to his demands. As the British Isles was declared under blockade, all commerce and correspondence with them was forbidden, and all British property on the Continent was declared subject to seizure. No vessel could enter any European port if it had touched at a British port first.

The Continental Blockade brought forth model examples of commercial ingenuity in finding ways and means to bypass the detrimental consequences of Napoleon's Edicts. In particular, Holstein became a central region for the deposit of British goods, whence they were smuggled across the border at a cost of not more than 40 percent. Bribery was rife, for French agents readily sold certificates stating a false origin for the goods. France was also not successful in boycotting British imports and in spite of earlier political tensions, commerce and trade established itself between Britain and the United States. Great Britain had gained in economic strength when, after some years, the Blockade had come to an end.

During both World Wars, several trade boycotts were imposed from time to time, without, however, bringing about the desired result. Writing on the effectiveness of the blockade during World War I, W.K. Hancock maintains that 'it was not the blockade which drove the Germans to the verge of starvation... but their own mistake of withdrawing too much labour from agriculture'. In the case of the Second World War, Nazi Germany's armament production peaked in the second quarter of 1944 in spite of the persistent economic boycott at the time. It was not the cutting-off of Germany's trade links which ultimately led to her surrender, but the incursion of troops.

The most astonishing example of survival potential under sanctions is Rhodesia. When sanctions were first imposed by Britain, immediately after the Unilateral Declaration of Independence (UDI) in 1965, it was thought that this would quickly bring the economic activity of the country to a halt. After all, the odds were strongly against Rhodesia:

Nearly half of her gross national product was exchanged with the rest of the world; her production capacity and her exports consisted mainly of tobacco and a few minerals (chrome, asbestos and nickel); and the country seemed to lack the economic maturity necessary to adjust the productive structure to new conditions.

Yet, as time went by, the Rhodesian regime had a chance to absorb each shock as it came. After UDI, Rhodesia's real GDP rose at an annual rate of 5.3 percent for ten years. Moreover, the indices of mineral and manufacturing production doubled between 1965 and 1977.

If Rhodesia eventually surrenders to UN demands, this will probably not be due to the imposition of economic sanctions, but rather because of war costs which are too heavy to bear.

## 2. *Sanctions and calls for sanctions against South Africa*

The South African situation has been the focal point of the debate over sanctions for many years. In recent years, United Nations agencies, churches and church associations, some trade union bodies and some Western governments have either demanded sanctions, or intimated the possibility of such a demand. An arms embargo has already been effective for a number of years, but there is now a real possibility that it could be extended to a general oil embargo.

Commenting on the general South African situation, a body such as the World Council of Churches stated in February 1979 that "Questions regarding the relation of law and rights, the overthrow of a ruthlessly oppressive regime, etc., will need to be considered anew. The traditional distinctions between war and non-war, between legal and illegal use of force, are becoming less and less recognizable." (Programme to Combat Racism, Information: Reports and Background Papers, World Council of Churches, Geneva, No. 1, February 1979.)

Specific restrictions on exports to the Republic of South Africa and Namibia were imposed by the Bureau of Trade Regulations of the US Department of Commerce on 16 February 1978. In the preamble of the relevant regulation it is said that 'these regulations are intended to further US foreign policy regarding the preservation of human rights by denying access to US-origin commodities and technical data by the military and police entities of the Republic of South Africa and Namibia'.

Note the absence of any clear legal definition regarding the imposition, the possible strengthening, or the withdrawal of the boycott. Indeed, it is difficult for the South African authorities exactly to know what is needed in order to bring about a reversal of the 16 February 1978 Regulation.

### 3. *The costs of a boycott against South Africa*

It is obvious that an economic boycott is costly, both for the countries actively imposing it, and for those which are being boycotted. According to calculations submitted by the Confederation of British Industries, it has been submitted that a trade boycott against South Africa would increase Britain's unemployment by about 75 000 people. Moreover, with exports to South Africa valued at more than £600 million per annum, one of Britain's most prosperous overseas markets would have to be sacrificed. One recent estimate is that ICL alone would have to lay off 900 British workers if a boycott against South Africa were imposed. Within Great Britain as a whole, it would probably be difficult to bring about an equitable apportionment among the different parliamentary constituencies of the costs of a possible boycott against South Africa. In the absence of such apportionment, it can be expected that members of parliament whose constituencies will suffer from boycott action will strongly oppose its imposition. To be sure, they will be opposed by ideologists whose personal career prospects might improve if they were instrumental in initiating a boycott. The outcome of this 'game' is uncertain, but the greater the geographical cluster of work places which depend on South African trade, the more articulate is the opposition against the imposition of a boycott likely to be.

For Germany it has been estimated that a boycott would cost the country about 80 000 work places and for the EEC as a whole I would think that 250 000 work places are at stake. Regarding the imposition of boycotts in general, one must consider the likelihood that once a boycott has been imposed against South Africa, it will also have to be imposed against other so-called non-democratic countries. In this regard, the Swedish case is of interest. In June 1978 Swedish firms employed only 4 470 workers in South Africa, of whom some 50 percent were Blacks. Only some 1 100 Swedish work places depended on the 'South African connection'. It was felt that a boycott against South Africa would soon be extended to a boycott of South American countries and that this would severely damage Swedish interests.

The present paper, however, does not concern itself with the costs to foreign countries of an economic boycott. The main emphasis is on the South African situation.

In order to quantify the disadvantages of a possible investment and/or trade boycott against South Africa, a 52 pole input-output model was designed, capable of assessing the consequences of boycotts on the gross domestic product, employment, and disposable incomes.

Using 1976 data, we found that a 50 percent investment boycott would have decreased South Africa's GDP by about 1,7 percent and in terms of the increase in unemployment, the result would have been as follows:

Table 1 : Increase in South African Unemployment following a Hypothetical 50 percent Foreign Investment Boycott (1976 data)

Increase in White unemployment	27 344 workers
Increase in Coloured unemployment	9 820 workers
Increase in Asian unemployment	1 958 workers
Increase in Black unemployment	51 789 workers
Total increase in unemployment	90 911 workers

In 1976, foreign capital inflows to South Africa were valued at R1 000 million which, in accordance with our model, was responsible for the creation of about 182 000 work places. The validity of the assumptions made has to some extent been tested through the economic events which have taken place. In 1977, the long-term capital inflow to South Africa was only R211 million, but together with the repayment of short-term foreign debt and an increase in other short-term capital, there was a substantial net outflow of capital of no less than R875 million. As a consequence, the real gross national product increased by only about 1 percent, and with a population growth of between 2 and 3 percent, per capita incomes declined. It has been estimated that during the first three months of 1977, unemployment in South Africa increased by about 1 000 persons per work-day, but later on the economic situation stabilized again.

Because of the tightly woven net of trade relations between South Africa and the rest of the world, a trade boycott would affect South Africa more severely than an investment boycott. In 1976, a 20 percent trade boycott would have decreased South Africa's exports by about R1 478 million, and this would have increased the country's unemployment by about 90 000 Whites and 343 000 Non-Whites. Of the Non-Whites, foreign migrants would be hardest hit. All in all, incomes would have fallen by R1 billion. A hypothetical 50 percent export boycott would have been accompanied by inconceivable hardship. Some 1,1 million persons would have become unemployed, and the very poorest affected most severely. In fact, more than half a million Blacks presently employed in mining and agriculture would have joined the ranks of the 'industrial reserve army'. The decline in income payments would have been about R2,6 billion. Whites and Non-Whites alike would have been thrown into distress.

Having discussed the 'pure' consequences of a hypothetical investment and trade boycott, let us look now at the available countervailing measures. As an export boycott would reduce the available gold and foreign exchange reserves, import restrictions would have to be imposed sooner or later. The resulting reduction in South African imports would, in all probability, be directed so as to damage countries which were instrumental in, or gave actual support to, the imposition of the boycott. It is of course true that the costs of transferring former export capacities to local market production cannot be evaluated with certainty: empirically, we know little about the substitution elasticities of different production processes. It must also be borne in mind that when import substitution remains incomplete, certain costs will have to be borne by the consumer.

Moreover, it would seem unlikely that South Africa's exports could be successfully boycotted. If a foreign vessel travelling the Indian Ocean falls into distress, South Africa will render assistance and repair services. (Each year, between 16 000 and 20 000 ships call at South African ports for supplies and repairs.) This produces an export income which, by its very nature, cannot be subject to a boycott. Similar considerations are valid for the sale of gold and diamonds. These goods are easily transportable, and foreign countries could hardly succeed in boycotting them. We should also note that foreign countries are highly dependent on South Africa's chrome, uranium and platinum supplies. In the case of these and some other raw materials, South Africa holds a monopolistic position. This means that if, because of boycotts, a certain fraction of the annual production cannot be sold on world markets, prices will rise. Moreover, the implementation of boycotts would be a signal to the world that certain raw materials, currently supplied by South Africa, would become scarce. With this expectation, price increases would spread even further. Possibly, demand would

become more inelastic, and if this happened, South Africa's income from the export of raw materials would increase even if the quantity supplied were reduced.

South Africa is determined to overcome the possible adverse effects of trade sanctions by means of a heavily subsidised import substitution programme. Useful quantitative information about the import substitution potential of the South African economy is contained in a research report, published in June 1977, and issued by the Afrikaanse Handelsinstituut, the South African Federated Chamber of Industries and the Steel and Engineering Industries Federation of South Africa. This comprehensive study came to the conclusion that the potential import replacement (where additional and new capacity would first have to be developed over the next 3 to 4 years) is R473 million, whilst the potential import displacement (where capacity already exists in the South African economy to produce goods) is approximately R610 million.

The report states that in terms of the 1975 import structure, at least 10,9 percent, and at most 17,4 percent, would be replaced by 1980, whilst up to 18 percent of imports could be displaced. The calculations were done on the assumption of constant unit production costs.

One of the main factors to have militated against advances in import substitution has been the lack of short-term capital. In recent years the South African purchaser of capital equipment could borrow money at an effective interest rate of between 4 and 8 percent with deferred payment over several years overseas, as compared with cash or progress payments if the product was produced locally. Surely, in the case of a boycott imposition, this rather 'technical' impediment would no longer apply.

Regarding computer production, the local manufacture of visual display units is currently being tested. With recent technological advances, South Africa would probably be able to produce its own computers, but the cost structure would be higher than in the United States or Great Britain. (In India, where ICL has a small computer factory, the cost structure is 35 percent higher than in Britain, despite cheap labour.)

It would seem that at present, South African policy makers hold open the options of both export promotion and import substitution. Following the Reynders Commission Report some years ago, the country has embarked on a successful export drive and this has recently contributed to many small and medium South African firms successfully establishing themselves on export markets. At the same time, the country seems to have kept open the 'back-door' of import substitution, as is evidenced by the following measures: the imposition of a 15 percent import surcharge in 1977, recently reduced to 12,5 percent; the preference given to local tenders; the refusal of import permits when local suppliers are available; and other measures designed to prevent foreign countries from using dumping practices on South African markets. Hence, it would seem that South Africa does not at present rely entirely on the maintenance of free trade: her efforts to promote import substitution policies have been too great.

Writing on the effects of economic industrialisation through import substitution, Albert O. Hirschman maintains that an 'exuberant phase' of import substitution is likely to come about in the initial phases. The process (which, historically, has most frequently been initiated by wars and depressions) is likely to bring about industrialisation primarily in countries located at the periphery, i.e. countries

which are or have been semi-industrialised. An 'easy' phase of import substitution is likely to last as long as the manufacturing process is still based on imported materials and machinery, whilst the importation of the article is firmly and effectively shut out by controls. Under these conditions the experience of the newly established firm is likely to be most gratifying. This gives rise to an often noted exuberance and boom atmosphere, during which demand is easily overestimated. As a result, a new industry might soon find itself with excess capacity once it has reached its first stage of maturity.

The problem with this kind of artificial development is that by virtue of the all-round protection, the very nature of industrial operations - their precision, the need for exact timing, punctuality, reliability, predictability and all-round rationality - is likely to suffer. Thus, the 'honeymoon phase' of import substitution will suddenly be over, and even if international markets were again opened, it would still remain unlikely that the new industries would be able to compete internationally. Their cost structure would be too high. Thus, with the increase in unit costs and an exhaustion of easy import opportunities, the import substituting process is likely to grind to a halt, and the economy is then left with a number of high-cost industrial establishments. Development economists have therefore concluded that an alternation between market opening and market closure, or an alternation between liberalism and trade restriction, is probably the best policy mix for the growth maximisation of an economy. In support of this thesis, Kooy and Robertson have stated that 'over the years, it may perhaps even be true that the real dynamic of industrial growth in South Africa has been, not tariff management, but an alternation of war and peace. War, more effectively than tariffs, gives an assured market, and adds to the guarantee of complete protection both additional military and enhanced civilian demands and a patriotic incentive towards increasing industrial output and capacity'. ('The South African Board of Trade and Industries...', *The South African Journal of Economics*, vol. 34, 1966, p. 222.)

In spite of this apparent assurance, it remains to be noted that the long-term evaluation of the consequences of a possible boycott must be considered a difficult theoretical and empirical problem. This is so because, in modern economies, there is considerable interplay between the variables determining the level of economic activity. It would thus be absurd to claim that boycotts are best suited to maximise economic growth. After all, it was countries most closely committed to the principles and practice of free trade which showed the highest rates of economic growth in the post World War II years.

#### 4. *The effects of a possible boycott on the living standard of the population*

Low Black wages have, in the course of South Africa's history, helped to maximise the country's growth performance. Yet, round about 1970, there occurred in South Africa a reversal in wage policy inasmuch as the traditional wage-restraint policy was given up in favour of a new high-wage policy. With the manufacturing industry flourishing, the advantages of keeping Black wages down began to diminish. The main reason for the change in policy was that the manufacturing sector depends on large markets, and these are best secured under high-wage, full employment conditions. At the same time, the agricultural and mining sectors insisted that wage-restraint policies be maintained; this was accomplished by the creation of non-competing labour markets. Through the pass-law system, Black mine labour continues to be prohibited from entering the urban Black labour market, which produces the situation where the Black miner earns

less than the Black industrial employee. This contrasts with other Western countries where the miner is usually found to head the wage scale.

Economic historians have claimed that low wage levels are typical of the early stages of industrialisation. According to Kuznets, income inequality will increase during the early stages of industrial development, become stabilised for a while, and will eventually lead to a greater degree of equality once a certain standard of economic development has been attained. Yet, no economic order is capable of avoiding wage-restraint during the early phases of economic development when the disparity between capital accumulation and labour supply is large. Neither Europe nor the socialist countries have been able to escape this 'iron law of development'. (Kuznets, 'Economic Growth and Income Inequality', American Economic Review, vol. 45, 1955, p. 18.)

The unequal distribution of racial incomes is one of the main charges raised by the critics of South Africa. In particular, strong accusations have been put forward by the World Council of Churches (WCC) who have claimed that the economic situation of South Africa's Blacks has deteriorated appreciably in the course of industrialisation. 'Instead of development upwards there has been a development downwards. This is not only true for those who vegetate in the homelands, but also for those who had the questionable luck of finding work in the white economy.' (Ecumenical Research Exchange: World Council of Churches, 'Relations between Western European Countries and Southern Africa - The Responsibility of Churches in the Struggle for Justice and Liberation', Rotterdam, 1975, para. 40.) It has even been asserted that South Africa's wage system is more objectionable than slavery: it is vital for a slave owner to maintain his slave's generative power, but the South African entrepreneur is devoid of such rationality. What, then, is the statistical evidence that can be used to counter these claims?

Available data show that between 1935 and 1970, real average incomes in industry and construction rose by 2,4 percent per annum for Blacks (mostly wage earners), and by 2,3 percent for Whites (both salary receivers and wage earners). This did not happen smoothly. Blacks experienced sustained income improvements between 1935 and 1947; this was followed by a period of wage restraint which only ended towards the end of the 1950s; considerable real wage improvements for Blacks occurred again in the 1960s, and these were accelerated after 1970.

Marked improvements in South Africa's income and employment structure occurred between 1970 and 1978/79. All data presently available on this period are shown in Table 2, and with the exception of agriculture and domestic workers, this can be regarded as a complete portrayal of the country's income and employment data. (The analysis centres on Whites and Blacks who constitute 88 percent of the population.)

During the years 1970 to 1978/79, the number of Black workers increased, on average, by 1,31 percent annually. Subsequent to the 1973/74 strikes, the number of foreign Blacks was reduced by 100 000, whilst the domestic labour grew correspondingly (Table 2, columns 1 to 3).

Changes in average incomes are shown in columns 5 to 6. In all 14 sectors, relative wage increases for Whites were lower than those for Blacks (column 6) and this applies particularly to the large employers in mining, industry and construction.



Table 2

Employment and Wages: Selected Economic Sectors. Whites (W) and Blacks (B), 1970 to 1978/9

Economic Sector	Race	Number employed			Average earnings p.a.			Relative income gap		Absolute income gap		
		1970	1978/79	Changes	1970	1978/79	Changes	1970	1978/79	1970	1978/79	
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	Nominal	Real
Mining	W	62 638	67 438	+ 7,7%	4 255	10 070	+137%	1:19,79	1:6,62	4 040	8 549	3 660
	B	587 292	597 133	+ 1,7%	215	1 521	+607%					
Industry	W	277 200	274 700	- 1,0%	3 347	8 400	+150%	1: 5,85	1:4,00	2 775	6 305	2 699
	B	616 500	698 300	+13,3%	572	2 095	+266%					
Construction	W	59 800	55 000	- 8,0%	3 441	8 427	+145%	1: 6,60	1:5,48	2 890	6 890	3 047
	B	248 300	288 200	+16,1%	521	1 537	+195%					
Wholesale Trade	W	75 000	83 000	+10,7%	3 147	6 690	+112%	1: 5,07	1:3,98	2 526	5 007	2 214
	B	78 800	91 400	+16,0%	621	1 683	+171%					
Retail Trade	W	116 800	134 500	+15,2%	1 684	3 622	+115%	1: 3,47	1:3,06	1 199	2 438	1 078
	B	106 400	160 400	+50,3%	485	1 184	+144%					
Motor Trade	W	41 300	44 300	+ 7,3%	2 852	6 656	+133%	1: 4,96	1:4,45	2 277	5 159	2 281
	B	46 600	49 400	+ 6,0%	575	1 497	+160%					
Central Government	W	99 915	123 368	+23,4%	2 718	5 634	+107%	1: 5,31	1:2,88	2 206	3 680	1 628
	B	135 578	127 013	- 6,4%	512	1 954	+281%					
Provincial Government	W	91 785	120 867	+31,7%	2 641	5 902	+123%	1: 5,74	1:4,40	2 245	4 561	2 017
	B	76 010	89 276	+17,5%	396	1 341	+238%					
Municipal Authority	W	44 900	58 100	+29,4%	2 934	7 557	+158%	1: 6,37	1:5,11	2 474	6 079	2 689
	B	113 600	140 600	+23,8%	460	1 478	+221%					
Banks	W	41 939	47 566	+13,4%	2 945	7 410	+151%	1: 4,10	1:2,96	2 227	4 906	2 170
	B	5 016	6 904	+37,6%	718	2 504	+249%					
Insurance	W	23 669	24 020	+ 1,5%	3 769	8 624	+129%	1: 4,16	1:3,03	2 862	5 781	2 557
	B	3 529	5 025	+42,4%	907	2 843	+213%					
Building Societies	W	7 431	11 300	+52,1%	3 138	5 950	+ 90%	1: 4,64	1:3,10	2 461	4 033	1 784
	B	1 402	2 093	+49,3%	677	1 917	+183%					
Post	W	36 858	44 789	+21,5%	2 585	5 793	+124%	1: 4,18	1:3,58	1 967	4 353	1 925
	B	12 020	20 554	+71,0%	618	1 620	+166%					
Electricity	W	14 204	15 000	+ 5,6%	3 438	8 380	+144%	1: 6,35	1:4,20	2 897	6 383	2 823
	B	25 571	23 500	- 8,0%	541	1 997	+269%					

+ See explanatory notes on page 27

Changes in racial income differentials are shown in relative terms in columns 7 and 8, and in absolute measures in columns 9 and 11. A comparison of columns 7 and 8 reveals that in all economic sectors, a narrowing of the racial income gap occurred between 1970 and 1978/79. Mining was the sector where the gap narrowed most strongly: the average Black/White income disparity changed from 19,79 to 1 to 6,62 to 1 during the period under consideration. Moreover, the greatest relative equality is recorded for the Central Government sector where the racial income gap stood at 1 to 2,88 in 1978/79, against 1 to 5,31 in 1970.

It should be noted that these are average data which may hide considerable occupational differences. Much of the racial income equalisation has come about, not only because South African firms have begun to implement the principle of 'equal pay for equal work', but also (and probably more importantly) because of rapid Black occupational advance, i.e. advance from lower paid jobs into higher paid jobs. Unfortunately, because of an inadequate data base, it is not possible to separate the one effect from the other.

Naturally, what matters are absolute wages, not wage differentials. After all, goods are purchased with money, not with relations. Thus, wage differentials are shown in columns 9 to 11. Columns 9 and 10 show wage differentials at current prices, whilst column 11 measures wage differentials at constant (real) values.

Without exception, nominal racial income differentials increase in all sectors. As to real income differentials, we observe a narrowing of income differentials in 11 sectors (including mining), and a slight widening in the other three. (The comparison between columns 9 and 11 refers.) The real earnings gap closed by 9,5 percent in mining, 26 percent in Central Government employment and 27 percent in building society employment. In absolute terms, the gap was lowest in retailing (R1 078), the reason for this being that Black occupational advance has made the fastest inroad in this particular sector.

Note that due to a strongly progressive personal income tax, the degree of racial income equalisation is, in fact, larger than is apparent from the data reported in Table 2.

From the years 1969/70 to 1978/79, average wage improvements for the non-agricultural sectors are shown in Table 3 (on next page).

During the period 1969/70 to 1978/79, rising prices were, in most cases, accompanied by improvements in real wages. Note that Non-Whites (Blacks, Coloureds and Indians) enjoyed better wage improvements than Whites during all years but 1969/70. There are five years (1972/73, 1975/76, 1976/77, 1977/78 and 1978/79) when Whites had to contend with a decrease in their standard of living, whilst Non-White real income continued to improve. Hence there has been both an absolute and a relative closure of the Black/White wage gap during those years.

Two factors are jointly responsible for the decrease in the White/Non-White income gap, i.e.

- (i) the narrowing of the wage gap between the unskilled and the skilled occupations;
- (ii) the occupational advance of Blacks.

**Table 3 : Income Advances in Non-Agricultural Sectors, Nominal and Real Data, Whites and Non-Whites, 1969/70 to 1978/79 ( in percent )**

Year	CPI <sup>+</sup>	Income Advances in Non-Agricultural Sectors					
		Whites		Non-Whites		Average	
		nominal	real	nominal	real	nominal	real
1969/70	3,5	11,5	8,0	9,4	5,9	11,1	7,6
1970/71	4,6	11,3	6,7	12,4	8,0	11,5	6,9
1971/72	6,4	7,6	1,2	10,9	4,3	8,5	2,1
1972/73	8,2	7,3	-0,8	12,0	3,5	7,6	-0,6
1973/74	10,0	11,8	1,9	18,2	7,7	12,6	2,6
1974/75	14,6	15,8	1,7	26,9	11,4	19,9	5,3
1975/76	11,9	9,5	-1,5	18,0	6,0	12,9	1,0
1976/77	12,0	10,0	-1,0	14,2	4,0	12,9	0,9
1977/78	9,9	8,1	-1,7	11,0	1,0	9,0	-0,9
1978/79	<sup>++</sup> 10,8	9,8	-1,0	12,0	0,5	11,0	-0,2

<sup>+</sup> CPI = Consumer Price Increase

<sup>++</sup> Figures up to 31 March 1979 compared with figures for corresponding period of preceding year

Reference: South African Reserve Bank, Annual Economic Report, various issues.

Recall that Tables 2 and 3 depict wage disparities which hide the large occupational spectrum from, say, the charwoman to the electrical engineer. Strictly speaking, Tables 2 and 3 give measures of well-being, rather than meaningful wage indices.

For a number of public service positions, genuine racial wage disparities are shown in Table 4. Note that the data give the highest income figures for particular occupations, net of housing subsidies, travel allowances and other possible fringe benefits. In general, Black incomes are below White incomes, whilst Coloured and Asian incomes are inbetween. Racial income disparities increase from top to bottom: Black professor earns between 80 and 90 percent of the income of his White colleague, whilst the Black school teacher earns relatively less in relation to the White teacher. (Yet as from 1978, the average ratio of a Black to a White teacher's salary was retrospectively changed from 58 percent to 85,1 percent.)

Table 4 : Maximum Annual Remuneration of Public Service Positions

Occupations	Blacks		Whites		Coloureds and Asians	
	(1) R	(1):(2) %	(2) R	%	(3) R	(3):(2) %
<b>Medical Profession (1 February 1979)</b>						
Professor	12 870	74	17 490	100	14 850	85
Specialist	10 560	74	14 190	100	11 910	84
Pharmacist	5 820	71	8 220	100	6 900	84
Medical Officer	10 170	79	12 870	100	11 430	89
<b>Police Administration (1 April 1979)</b>						
Constable	3 540	69	5 160	100	4 320	84
Sergeant	4 740	72	6 600	100	5 790	88
Captain	7 200	70	10 320	100	8 640	84
Major	8 220	71	11 580	100	9 900	85

References: Republic of South Africa, House of Assembly Debates (Hansard), Questions and Replies: 9 March 1979, col. 365 f and 11 May 1979, col. 853 f.

Note: In the case of high school teachers, Black incomes were stipulated at 85,1 percent of White incomes in 1978 (58 percent before then).

South African Institute of Race Relations, A Survey of Race Relations in South Africa, 1978, Johannesburg 1979, p. 227.

To sum up: All available statistical evidence suggests that between 1970 and 1979, considerable progress has been made in actually closing the racial wage gap. Unfortunately, this is a tangible improvement only for those who are gainfully employed. For the unemployed, it is of little comfort to know that a job which is not offered to him carries an improved wage.

From the vantage point of an anti-apartheid group, an economic boycott would appear to be the most effective medium to bring about change in South Africa. Such people are only concerned with the overthrow of the system, paying little attention to the post-revolutionary state. Polarisation between the races is then the obvious instrument to use to attain the desired result. To be sure, the motivation of this advocacy is easily understood. After all, the problem with South Africa is that only second-best solutions appear to be in sight. To the 'purist', the country's policies are accordingly assessed with a considerable degree of anger.

The problem with this approach is that the people who make the recommendations are not the ones who suffer the consequences of that which they wish to bring about. Consider, for example, the situation of a Black mother with four or five children struggling to bring up her family on a meagre income. We have seen that in the event of an economic boycott, the chances of her husband becoming unemployed are considerably enhanced. In fact, I estimate that in South Africa, about 250 000 Blacks are employed by the subsidiaries of foreign multinational corporations. If an operational boycott were to be imposed on these companies, the annual Black income would drop by at least R570 million. (In 1979, the average monthly wage is about R190.) It is more than doubtful whether the anti-apartheid group which favours the imposition of the boycott would be in a position to raise compensatory financial aid of this order of magnitude.

It has been documented that Black income and employment standards have improved rapidly in relation to those of Whites during the 1970s. One factor which initiated this change was the high rate of foreign capital inflow during the early 1970s. In fact, my estimate is that per se, the South African economy is capable of generating about 2 to 3 percent real economic growth per annum whilst with a foreign capital inflow of about R1 000 per annum, this can be increased to about 6 or 7 percent. Exactly this is what is needed to provide income and employment for an additional 225 000 Blacks who enter the labour market each year. The real problem of the South African economy today, is not that Black wage levels are low in many sectors, but that the economy is incapable of generating the approximately 225 000 work places which are needed to absorb those who seek work every year.

To be sure, one of the many factors which initiated change has been the pressures put on the South African subsidiaries of multinational corporations by their overseas head offices and government, for better employment conditions of Black staff. Unfortunately, it is possible, although it cannot be documented accurately, that the formulation and the enforcement of stringent personnel practices has in some measure caused an actual destruction of work places. The reason for this is that the many codes of conduct imposed on the subsidiaries of multinational corporations operating in South Africa are only concerned with those persons who are gainfully employed at a particular moment in time. For those who are unemployed, there is little concern.

Nevertheless, it would be wrong to argue that the codes of conduct which have been imposed on subsidiaries of multinational corporations are solely instrumental in widening the dualism of the labour market, i.e. the gulf between those who are employed and those who are not.

By contrast, it is probably correct to argue that the fundamental changes in the principles of labour legislation which have come about during 1979 have, at least in part, been initiated on account of overseas political and domestic economic pressure. In this regard, the acceptance by the Government of the proposals made by the Wiehahn Commission of Inquiry into Labour Legislation is of cardinal importance, and some of the details of this formative development will be reported below.

Recall that traditionally Blacks were excluded from (registered) Trade Union Rights under the Industrial Conciliation Act, because it was held that White Unions were 'Trustees of Black Workers' and Black Unions, if given the right to register, would soon be dominated by 'foreign instigators' who would introduce 'foreign ideologies', rather than work for the common weal of their members. Hence, Blacks were only allowed representation on an in-plant basis through works and liaison committees, or on an industry basis through unregistered trade unions. (By 1978 there were some 27 Black trade unions with approximately 60 000 members.)

The preparation for the formal recognition of Black trade union registration was done in two steps. Early in 1979, and following the recommendations of the Wiehahn Commission, the Industrial Conciliation Act was amended so as to allow registration of Black trade unions, excluding, however, migrant members and frontier commuters. Under this 'concession', Black trade unions did not apply for registration, because they accurately assessed that this would have imposed on them obligations whilst simultaneously reducing their strength. The major obligations would have consisted of the need to audit financial accounts, maintain membership registers, submit annual reports, be prohibited from affiliation with political parties, etc. Against these disadvantages, the Black trade union movement would have had to relinquish the membership of its migrant and commuting members.

In September 1979, the Minister of Manpower Utilization eventually bowed to pressure of both Black and some White trade unions by ruling that migrant workers and frontier commuters would henceforth also be granted membership rights of registered trade unions. The current position (October 1979) is then that all Black workers can be members except for foreign workers from territories which have never formed part of South Africa. Workers from Transkei, Venda and Bophuthatswana will henceforth not be excluded from trade union membership rights.

Concessions in the field of labour legislation have probably been the most important part of the Government's recent change in attitude towards Blacks. Other areas of concession lie in the fields of Black home ownership, and in hints pertaining to changes in the legislation regulating interracial communication (Mixed Marriages Act, Immorality Act, Provision of Separate Amenities Act, etc.). However, these changes have not so far negated the overall ideology of separate development.

To conclude:

The quest has been and still is for a more liberal relationship between Black and White South Africans. Many different parties play a role in the

current restructuring of race relations, i.e. Parliament, the Administration, the economic associations, and, on account of their considerable economic leverage, also the South African subsidiaries of multinational corporations. Much would be lost if they were compelled to withdraw from the scene as a consequence of an international economic boycott.

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<sup>+</sup> Explanatory notes Table 2:

Mining and Industry: year ended March 1979. Construction, Electricity:  
year ended September 1978.

All other sectors : year ended December 1978.

CPI: April 1970 = 100, December 1978 = 226.1, March 1979 = 233.6.

Source: Bulletin of Statistics, Vol. 13, No. 2, June 1979, and various  
statistical News Releases.