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SOUTH
AFRICA
AND
SELECTIVE
ECONOMIC
SANCTIONS

a canadian perspective

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It should be noted that any opinions expressed in this article are the responsibility of the author and not of the Institute.

**SOUTH AFRICA AND
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A Canadian Perspective**

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In November 1985, the South African Government banned international press reporting and television coverage of those black townships that had been placed on emergency regulations since the previous July. Previously, South African army troopers had been shown on Canadian and American news programmes patrolling the edges of these townships in their locally-produced armoured personnel carriers. Between September 1984 and September 1985, as open violence erupted in townships on the East Rand, in the East Cape, and around Durban and Cape Town, at least 650 people including teenagers and children had been killed and more detained without trial under the emergency powers.¹ By the end of 1985, the reported number of deaths (mainly blacks but also including a small number of whites) had exceeded 1 000. Many blacks remain in detention with no access to due legal processes and assistance.

These actions, notwithstanding the current ban, have re-inforced the image of the South African Government repressing its politically-disenfranchised black population. This only adds to the earlier examples of repressive actions taken in Soweto in 1976 and the deaths of the Black Consciousness Movement leader, Steve Biko, while in South African security police custody in 1977. The current actions are seen as simply an extension of the earlier.² Further, according to Amnesty International's 1984 annual report, South Africa's use of capital punishment (114 people being hanged in that year, 111 of them being black) was one of the highest. The well-publicised hanging in September 1985 of the black South African poet, Benjamin Moloise (convicted of murdering a security policeman in 1982), only added to this international image of the white-controlled South African state as the 'violent oppressor of its black population'.

As a respected Western voice on international issues, and seen as such by Third World leaders, Canada has increasingly been approached by foreign statesmen on the issue of South Africa and its apartheid policy. Such personal contacts provide an opportunity to brief Ottawa on the views of their Governments, to present the case for their Governments' policy-decisions toward South Africa, as well as to persuade the Canadian government to pursue complimentary policies. During his two-day State Visit to Canada last September, Tanzanian President Julius Nyerere stated that he and other African leaders were very pleased with the recent Canadian government decision to declare a series of selective and voluntary economic sanctions against the South African regime, but that 'more action was necessary'. This visit was followed two days later by a visit of the British Foreign Secretary, Sir Geoffrey Howe, who gave the Mulroney government the British viewpoint in opposing the implementation of economic sanctions against South Africa as being 'counterproductive'.⁴ But his discussions with Canadian leaders can be seen to have a certain significance as to Ottawa's relationships with London. First, Sir Geoffrey's visit was immediately after his address to the UN General Assembly, in which he pointed to the Thatcher government's adoption, just prior to his trip, of part of the mild set of economic sanctions considered by the European Economic Community (EEC) countries, despite previous British opposition. And second, the Ottawa talks would have shown Sir Geoffrey the strength of the Canadian commitment to reach a Commonwealth leaders' consensus on common sanctions action at the subsequent Nassau summit conference.

Basically, the Canadian government under Brian Mulroney has chosen, in response to a growing level of domestic pressure, to 'act' against the apartheid system in South Africa. And it would appear to have a degree of influence among various other interested governments (i.e. Commonwealth leaders, American administration, etc.) as a result of implementing a number

of economic and other measures against South Africa. But what measures has it taken since assuming office in September 1984 and are they likely to have support (or opposition) within Canada? Are Canadian-initiated actions likely to influence complementary actions by other Western countries? And finally, are such actions by Canada, individually or in union with other countries (whether in common step or within an international organization), likely to influence the South African government decision-makers?

Before discussing these issues, it is necessary to consider two points which repeatedly arise in any Canadian discussion of the merits of implementing sanctions against South Africa:

- (1) how are foreign economic measures (or sanctions) perceived both within South Africa itself and by the neighbouring independent states which are dependent on the South African economy?
- (2) which measures are likely to be 'points of pressure' (or leverage) upon the South African government decision-makers?

It has been pointed out by the South African government that it would be the black population within South Africa and those populations in the neighbouring, independent black African countries in Southern Africa which would be the first and hardest hurt by the implementation of Western-imposed economic 'measures'. Indeed, it is likely to be the case that the poorest-paid workers and those in the rural areas and neighbouring countries would be hardest hurt. And the South African business community, while attempting to distance itself from the apartheid system, has opposed sanctions in terms of the harmful impact it would have on any short-term economic growth as well as directly on their own enterprises and black work force.

But recent surveys among black urban workers show a majority now support foreign-applied economic sanctions 'to get rid of the apartheid system'.⁵ Similarly, domestic critics of apartheid, such as Anglican Bishop Desmond Tutu, United Democratic Front leader Alan Boesak, and Black Sash president Sheena Duncan, have called for an imposition of sanctions as a necessary step to end apartheid. In the case of the banned African National Congress of South Africa (ANC) which has been operating in exile for over twenty years, it has demanded that foreign countries totally cut all economic and diplomatic relations with South Africa.⁶ Even the leaders of those regional African countries which are heavily dependent upon South Africa, such as Botswana, Lesotho, Mozambique, and Zimbabwe, have acknowledged that sanctions would be necessary to end apartheid within South Africa. And while such sanctions would hurt their economies and require even higher levels of Western financial assistance than at present, they perceive their populations and economies as already 'hostages' to a variety of South African government economic and military pressures.⁷ As such, they and South African blacks will continue to suffer until the apartheid system is ended.

With regard to 'points of pressure' on the South African government, it would seem that some lessons have indeed been learned from the 1960s and 1970s. In order for world opinion to affect the white South African decision-makers, actions are required which affect the South African economy's short-term prospects (i.e. via the perceptions of Western corporate leaders, investors, and bankers) and second, that such actions are currently possible due to South Africa's high level of linkage to and dependence upon, access to the international financial and corporate system. A 'loss of confidence' by the Western business community in South Africa's future condition would seem to be the precise transnational instrument of pressure for which anti-apartheid critics in the West and leaders of African states

have been looking.⁸ With the drastic fall in the Rand-US dollar exchange rate making imports (i.e. oil) more expensive and with fluctuating export earnings based primarily on gold sales, the South African government was compelled to introduce still-further fiscal measures (e.g. another fuel increase in November 1985, resulting in a cumulative increase of 50 per cent during 1985) on top of its austerity programme, intended to pull South Africa out of its current recession and 18 per cent annual inflation.⁹ With a need to finance economic growth and increased jobs to meet black demands, the South African government is currently vulnerable to such instruments of pressure as corporate divestment from South African enterprises, foreign banks' withdrawal from (or refusal to rollover) international syndicated loans to the South African government and its commercial enterprises, withdrawal of airline and shipping entry rights for carriers with South African registration (i.e. impact on export trade), etc.

Selective Measures by the Mulroney Government

In early July of 1985, the ten-month old Progressive Conservative government under Prime Minister Brian Mulroney took a decision to expand upon the policy measures which it inherited from the previous Liberal governments under Pierre Trudeau. Basically, earlier government efforts to influence Pretoria had mainly been through diplomatic persuasion and public statements, enforcement of the adopted United Nations mandatory arms embargo of 1977, cessation of government trade promotion (i.e. the 1978 withdrawal of Canadian trade commissioners and a halt to all Export Development Corporation assistance to Canadian companies trading in South Africa), and maintenance of a voluntary 'code of conduct' for Canadian companies operating there.¹⁰ Despite its short ten-month period in office, the Progressive Conservative government under Joe Clark terminated the preferential tariff agreement between Canada and South Africa in July of 1979. Though announced on the eve of Clark's departure for the Lusaka summit of the Commonwealth Heads of Government, the move has been seen as being mainly financially-motivated, since only 2% of Canadian exports to South Africa benefited from the preference, compared to almost two-thirds of South African exports to Canada.¹¹

The first major statement of the new Mulroney Government's views toward South Africa were made in November 1984 by the newly-appointed Canadian Ambassador and Permanent Representative to the United Nations, Stephen Lewis. He declared, in his maiden speech before the General Assembly, that 'the Canadian government has condemned, and will continue to condemn with every fibre of moral strength which we possess, the policy and practice of apartheid in South Africa.'¹² But he went on to point out that Canada 'rejects the concept that total isolation of South Africa would somehow promote fundamental reform in that country'. As such, Canada would maintain its diplomatic relations with South Africa while reviewing its continued reservations about imposing 'comprehensive economic sanctions'.

A month later, Bishop Tutu paid a visit to Canada at the invitation of the Inter-Church Coalition on Africa. This enabled the respected Nobel Peace Prize holder to make a substantial input into the foreign policy review process regarding the Southern African region. In a press conference after his private meeting with Prime Minister Mulroney, he called upon Canadians to apply diplomatic, political, but above all economic pressure on South Africa to change its system of apartheid. Pointing out that the South African government attached a great deal of importance to foreign investment, Bishop Tutu pointed out that 'it indicates the leverage that those who invest in South Africa have, but which they have not used'.¹³

A foreign policy review was tabled five months later in the House of Commons on Canada's International Relations on May 4, 1985, by the Secretary of State for External Affairs, Joe Clark. With regard to the politics of Southern Africa, this discussion paper stated that there was 'general agreement [among Canadians] that we should join others in opposing apartheid and in backing those whose rights are denied', but there was a lively debate within Canadian society 'about the best way to effect changes'. And it posed the question 'Is foreign investment part of the problem or part of the solution?'.¹⁴

On July 6, External Affairs Minister Clark announced a series of economic sanctions consisting of 12 major points, to express official Canadian opposition to the continued racial policies of the South African government. These included abrogation of a double-taxation agreement, restrictions on the sale of sensitive equipment (e.g. nuclear technology, computers, etc.) to South African law enforcement agencies, an end to Canadian processing of Namibian uranium (which was in contradiction to earlier United Nations resolutions against South African administration of the territory), an end to export and investment assistance to Canadian businessmen seeking to do business in South Africa (and Namibia). Ottawa also declared its desire to limit the sale of South African Krugerrands in Canada.

But these measures were seen by the ANC representative in Canada as only 'half-baked and designed to appease the Canadian public more than influence the South Africans' and that the only measure that would effect change in South Africa was a total trade ban by Western nations. While agreeing that total Western economic sanctions would be the quickest way to force South Africa to abandon apartheid, Renate Pratt (co-ordinator of the Task Force on the Churches and Corporate Responsibility - an anti-apartheid pressure group in Canada) pointed out that 'our [Canadian] political system makes a total trade embargo unlikely'.¹⁵ Conversely, Mr James McAavity, president of the 300-member Canadian-South African Society (which according to its own annual report is primarily funded by the South African Foundation's Washington DC office), denounced the measures as 'shocking' and suggested that the government motive 'must be to make political Brownie points at home'.¹⁶

In response to such sharp criticism from domestic groupings both for and against imposing sanctions, External Affairs Minister Clark delivered a particularly strong speech condemning apartheid to the Royal Commonwealth Society in London at the end of July. In his speech, he pointed out that the Commonwealth and its member-countries had a special duty 'to point the way to reforms that with both end apartheid and to rebuild relations with South Africa'. While calling for consensus on a common sanctions policy at the Commonwealth summit in November, he made a major advance on previous government statements when he urged the South African government that 'serious dialogue must begin with leaders who have the trust of the black community. The release of Nelson Mandela, and his involvement in such a serious dialogue, would be a significant step towards trust and peaceful reform'.¹⁷

During the month of August, the Mulroney Government shifted back-and-forth in its public statements. On the one hand, it seemed to promise an even tougher stance against South Africa, while, on the other, pointing out that it possessed only a few weak options other than a total ban on Canadian investment in South Africa and a cutting of all diplomatic and economic relations. It had been announced that the Canadian Ambassador to Pretoria had been recalled to brief the government and to assist it in a

meeting, planned for September 9, between government officials and representatives of the Canadian chartered banks with international links to South Africa; the following day, a similar meeting was planned for briefing provincial officials and private companies doing business with South Africa.

On the same day that government and banking representatives met, External Minister Clark announced in the House of Commons that Canada was prepared to resort to the 'full disruption of economic and diplomatic relations' to end apartheid in South Africa if lesser measures did not work.¹⁸ Four days later, he announced in a Commons policy speech that the Canadian government had decided to increase the range of economic sanctions to include a voluntary ban on new bank loans; an embargo on direct air transport, a voluntary ban on oil exports, creation of a government register of individual Canadian anti-apartheid protest measures, and appointment of an administrator to monitor compliance of Canadian companies with the 1978 Code of Conduct. The Government also announced the creation of a Can\$1 million federal fund for humanitarian assistance to the families of jailed 'political prisoners' in South Africa; this was in addition to the Can\$6.5 million scholarship assistance announced in July for South African blacks.¹⁹

Both the opposition Liberal and New Democratic Parties applauded this further Government denunciation of South Africa's apartheid policies, but urged it to take even 'firmer steps'. Toward the end of September, Clark also declared the importance of individual Canadians making known their repugnance for apartheid, when he pointed out that if individual Canadians voluntarily responded by not trading in South African Krugerrands or other products 'that sends a more important message than if South Africa had been told the Canadian government ordered a cessation in that trade'. Acknowledging that Canada had limited economic leverage against Pretoria, Clark called upon individuals, companies, and organisations to write to him personally pointing out their protest action against apartheid so that a register of these Canadian responses could be delivered to the United Nations to encourage other countries to take similar action.

In the remaining lead-up time prior to the Commonwealth Summit which started on October 16 at Nassau in the Bahamas, the Mulroney government had face-to-face discussions on the issues of South Africa and economic sanctions with a number of Commonwealth statesmen. In separate meetings, these discussions included the President of Tanzania, the British Foreign Minister, and several High Commissioners from other Commonwealth countries. Then in a surprise move, Mulroney appointed a personal representative to undertake an immediate fact-finding mission to several Commonwealth countries in Southern Africa. The Director of the private North-South Institute, Bernard Wood, was selected to fly to Southern Africa to exchange views with the national leaders in Zambia, Botswana, Zimbabwe and Tanzania (and reportedly with ANC leaders.)

Though the results of his flying visit were not made public, it is reasonable to believe that Wood's finding helped prepare a Canadian strategy for achieving a common economic sanctions policy at the forthcoming Commonwealth Summit. The major projected stumbling block was Britain's declared opposition to the imposition of economic sanctions against South Africa, notwithstanding its partial adoption of the limited sanctions agreed-upon by the EEC countries in mid-September. Since under its own rules the Commonwealth cannot adopt joint policies except by unanimous agreement, Britain was expected to oppose such measures and it was feared that the Commonwealth might split apart over the issue of South Africa and apartheid.

At the Nassau Summit, Mulroney presented a prepared package of voluntary sanctions for Commonwealth agreement. According to a long-time observer of the Commonwealth²⁰, the Canadian package, which was believed to have been discussed and approved by the Commonwealth Secretary-General Shridath Ramphal during his pre-summit visit to Ottawa, would enable British Prime Minister Margaret Thatcher 'to maintain her position [opposition to economic sanctions while calling for further dialogue with South Africa] without loss of face'. Indian Prime Minister Rajiv Gandhi (who favoured strict mandatory sanctions) and Mulroney appear to have conducted the key individual talks with Thatcher to help bring about British agreement on a dual track approach of voluntary 'economic measures' in tandem with the establishment of a small group of 'eminent Commonwealth persons' from seven member-countries 'to encourage through all practicable ways the evolution of that necessary process of political dialogue' in South Africa.²¹

But the economic measures were very limited in their scope, only banning the import of Krugerrands, ending government funding for trade delegations and exhibitions to South Africa, and cessation of government loans to South Africa. To achieve even this level of consensus, the other Commonwealth countries gave Britain an ultimatum: either agree to a common sanctions policy or accept isolation from the other member-states. In addition to the limited economic measures agreed upon, the final accord posed a six-month deadline for 'concrete progress' toward achieving a truly national process of political dialogue, after which 'some of us' (Commonwealth leaders) would consider harsher economic sanctions against South Africa.

The seven-country Contact Group was mandated to monitor the situation and attempt to hold discussions with the South African government early in 1986. Despite an initially adverse reaction by the Botha Government that the Commonwealth should not meddle in internal South African matters, South African Foreign Minister RF Botha subsequently announced that the government was prepared to meet with the Contact Group provided that 'it does not interfere in the country's internal affairs'. Regardless of the outcome of these discussions, the Contact Group is to decide by April 1986 if South Africa has made 'adequate progress' or whether additional joint measures should be implemented.

In addition to being asked to nominate a Canadian 'eminent person' to the Contact Group, the Mulroney Government has continued to call publicly for further pressure on South Africa. In his speech to the UN General Assembly²² after the Commonwealth Summit, Mulroney declared:

My government has said to Canadians that if there are not fundamental changes in South Africa, we are prepared to involve total sanctions against that country and its repressive regime. If there is not progress in the dismantling of apartheid, our relations with South Africa may have to be severed absolutely. Our purpose is not to punish or penalize, but to hasten peaceful change. The way to a dialogue starts with the repudiation of apartheid. It ends with the full and equal participation of all South Africans in the governing of the country. It leads towards peace....

This speech won him considerable applause from the packed General Assembly and, upon his return to Ottawa, he was similarly praised by his own party, as well as by opposition politicians in the House of Commons.²³

Internal Constituencies for Canadian Sanctions Implementation

Within Canada, a key question to be considered is what economic and/or political interests would support the current Canadian economic sanctions against South Africa and possibly additional ones in the future, or conversely would oppose such sanctions. In the economic sector, there are four broad business groupings which would have interests affected by current sanctions: mining companies, export manufacturers, commercial banks, as well as those companies with direct investment and/or operations in South Africa.

In the case of mining companies, there is a slight overlap of certain minerals mined in both Canada and South Africa; the common minerals include gold, the platinum group of minerals, uranium, asbestos, copper and nickel. Any restrictions on or reduction in South African mineral production would most likely add upward pressure on world prices for those minerals, precipitating greater demand for Canadian production.²⁴ But many of the Western countries have established stockpiles of various strategic minerals which could cover the majority of short-term demands; periodically, they have released surpluses from their stockpiles for sale.²⁵ Another factor is the ability of investors worldwide to move their funds in and out of the shares in foreign mining companies. During the quarterly period of July-September 1985 (initial period of emergency powers), there was a marked rise in the Toronto gold shares market which was matched by a comparable drop (until the South African government imposed protective fiscal measures) on the Johannesburg gold exchange. Quite evidently, international investors were selling South African shares and buying those in 'more stable' countries.²⁶

Similarly, international investors appeared to have switched from purchasing South Africa's Krugerrands to the Canadian Maple Leaf gold coins. The present federal government call for a voluntary ban on the sale of Krugerrands in Canada has been accepted by a number of major banks and precious metal dealers. The ban is likely to further promote the Maple Leaf; the Royal Canadian Mint has estimated that it will be able to sell 2 million one-ounce coins worldwide in 1985, compared to half that number the previous year. In November, the South African government announced it was 'indefinitely suspending' the minting of new Krugerrands.

By comparison, a number of Canadian mining companies, such as Alcan and Falconbridge, own minority shares in South African mining companies. At present, Alcan Aluminium Ltd owns 24 per cent of Hulett Aluminium of South Africa and Falconbridge Ltd owns 25 per cent of Western Platinum Ltd of South Africa. In these cases, their financial interests would be more adversely affected by the loss of international business confidence (i.e. availability of foreign capital) and the level of transferable profits due to the drastic fall in the exchange rate between the Rand and the US Dollar, than by any specific sanction measure so far implemented by the Canadian government. Interestingly, Anglo-American Corporation has mining investments in Canada, such as Hudson Bay Mining and Smelting which is owned by its offshore investment company MINORCO.

Among certain of the Canadian companies which export to South Africa, there might be some concern over additional economic sanctions which might ban future trade. At present, the level of trade between Canada and South Africa (roughly an equal balance) is just over Can\$430 million, which is paltry compared with the Can\$185 billion in two-way trade between Canada and the United States or even the Can\$760 million in bilateral trade with Algeria (Canada's major African trading partner).²⁷ Similarly, Canada's exports to South Africa and South Africa's to Canada only count for just 1 per cent of

their respective export trade. But a key point in relation to Canada's exports is that they include a high proportion of manufactured or semi-processed products, such as motor vehicle parts, office machines and furniture, newsprint, wood pulp, and sulphur; these higher-valued exports make South Africa a relatively important market for Canada, despite the comparatively low level of trade (only about 18 per cent of Canadian exports to all of Africa). The majority of imports from South Africa are raw sugar and minerals (such as chromium and manganese for the Canadian steel industry). While accounting for 23 per cent of Canada's imports from Africa in 1984, imports from South Africa have steadily been declining since 1980, primarily due to Canada's restrictive policies on trade with it.²⁸

In the case of Canada's major commercial banks, a number have taken part in syndicated international loans to the South African government or one of its state-owned enterprises. The report from the 1981 UN Conference on Sanctions against South Africa identified four of the top five banks as having taken part in such syndicated loans, though none appear to have managed any of these loans nor maintains any banking operations within South Africa itself. During the early 1980s, Canadian banks pursued a policy of retrenchment with regard to much of their international operations. Based on a reading of their annual reports, these banks reduced their 'sovereign risk' exposure with regard to the 'Middle East/Africa' geographical area (which includes South Africa) to less than 1 per cent of total assets. With a major exposure in Latin America, it is unlikely that Canadian bankers would seek new loans with South Africa. Despite the likelihood of a premium above the present lending rate being paid to cover its short-term loans that were due at the end of 1985, the banks are suffering a current drop in bank share prices due to the collapse of two commercial banks and are unlikely to risk the public 'hassle factor' from domestic anti-apartheid demonstrators (as evidenced by their quiet end of Krugerrand sales).

According to a recent study on sanctions and South Africa²⁹, foreign direct investment in South Africa has been dominated by transnational companies whose investment has largely been undertaken through re-investment of their South African net earnings. In the case of Canadian companies, their share of foreign investment in South Africa has been placed, by a Department of External Affairs spokesman, at only 1 per cent of the total as of mid-1985, having been on the decline since 1982:

1982 - US\$	148 million
1983 - US\$4	140 million
1984 - US\$	99,9 million ²⁹

Though small compared to British direct investment of about \$6,4 billion in 1982 (with 1200 companies operating in South Africa) or American direct investment of US\$2,8 billion (340 companies)³¹, all of Canadian investment is centred in about thirty companies. In addition to the ones mentioned above, the better-known companies include the Bata Shoe Company, Ford Motor Company of Canada Ltd, Massey-Fergusson Ltd, etc.³² Of these, only Alcan has complied with the Canadian Government Code of Conduct by providing annual reports on its operations in South Africa since 1981, but this has not deterred anti-apartheid protests against it; as recently as October 1985, demonstrators occupied the Alcan offices in Montreal.

On the other hand, the Bata Shoe Company currently operates two of its four South African factories in the KwaZulu 'bantustan/homeland', yet has never submitted an annual report. A result of its KwaZulu operations has been to provide foreign investment and support for the Government's apartheid

policy of arbitrary population removals of blacks to such rural areas, based on an individual's ethnic/linguistic background irrespective of place of birth or period of residence. Within this 'bantustan/homeland' (none of the ten areas are recognised by the Canadian government as 'independent' of South Africa). Bata is paying wages below the 'widely accepted guideline' of a minimum wage exceeding the poverty line by 50 per cent, which contravenes the Canadian Government Code of Conduct of 1977 for companies operating in South Africa.³³ These operations have resulted in university students protests in Canada.

Canadian companies, generally, have reduced the 'scope' of their minority share holdings or by selling their holdings. The Ford Motor Company has merged its Port Elizabeth assembly plant with the Anglo American Corporation's Sigma Motors operations, possibly with a view to withdrawing from South Africa. In the current political atmosphere, new Canadian investment would seem unlikely to enter South Africa, thus removing possible opposition which the Canadian business community might have to the implementation of further government sanctions, provided they were voluntary as opposed to mandatory under Canadian law.

In terms of political interests, the three major Canadian political parties (Progressive Conservative, Liberal, and NDP) have publicly declared their support for the measures discussed above, though the NDP spokesman have called for even firmer action. The Canadian Parliament, unlike the US Congress, does not have a black legislative caucus. But a considerable section of the Canadian society has its ethnic roots in or has come from Third World countries and actively supports the government's anti-apartheid measures. Further, as a step toward ensuring 'social justice' for all Canadian residents, a Charter of Rights and Freedoms was passed into law in 1982; similarly, the foreign policy reviews of both 1970 and 1985 acknowledged the importance of 'social justice' as a foreign policy objective. As such, the view that apartheid is inherently incompatible to social justice is strongly-felt among Canadians.

Amongst certain groups though, there is support for the position that, while apartheid might be repugnant, the South African government must be given time to introduce reforms gradually rather than being bullied through ineffective economic pressures. One such grouping is the Canadian-South Africa Society whose President, James McAvity, in an interview with the Montreal Gazette, is reported to have said that there may be some way of sharing power in South Africa 'but not until they can get that black mob under control' and 'there will be no surrender of (white minority) power in South Africa, you can be sure of that'.³⁴ As a result of McAvity's criticism of the government's sanctions measures which included calling the Prime Minister 'a pipsqueak' whose government 'is just trying to incite hard feelings', Maurice Sauve (husband of Canadian Governor-General Jeanne Sauve) resigned, after three years, as a director and vice-president of the Society, although as a private citizen and not part of the Canadian government, the official conflict of interests guidelines did not apply to him.

But where there was a perceived conflict of interest was with regard to sponsored 'junkets' to South Africa (some funded by the Canadian-South African Society) for several Progressive Conservative MPs to South Africa since 1973. As a result of the conflict with government policy, Mulroney declared a halt to further trips as part of his July 1985 measures, provoking a minor party backbench protest. But none were ministers nor could threaten the party's parliamentary majority.³⁵ Despite such visible opposition to Canadian measures against South Africa, these groupings are unlikely to achieve any wider support for their position.

Economic Costs to Canada of Implementing Selective Sanctions

Canada is unlikely to suffer the economic costs projected for Britain or, to a lesser extent, the United States as a result of implementing selective sanctions. But the South African market has become important for Canadian exports to the degree that a substantial portion are manufactured goods rather than primary products. Though unlikely to alter Canada's global trade balance, a break in trading relations could adversely affect certain Canadian exporting companies.

In the case of some exports like wood pulp, South Africa has already begun to develop domestic or at least regional supplies. As for imports from South Africa, Canada relies on it for supplies of certain strategic minerals such as chromium. And there has been the suggested possibility of a South African-imposed counter-embargo on chromium (or perhaps manganese) exports and its purported detrimental effect on the North American car, steel and aerospace industries. But a South African counter-embargo, or even a production stoppage as a result of domestic unrest, would in all likelihood result in an actual increase in investment in those Canadian mining companies which produce or have currently uneconomic deposits of minerals (those in common with South Africa) as a result of projected higher world prices. Other world producers of these minerals, despite smaller production levels than South Africa) would attempt to expand their exports to benefit from the expected rise in world price.

With regard to the sale of the Krugerrand gold coins, the ban in Canada and in other Western countries could actually result in increased domestic and world sales for the Maple Leaf coin. Though the lucrative American market for gold coins could produce a boom in Maple Leaf sales as a result of President Reagan's October 11th ban on Krugerrands, the Congress has now passed legislation permitting an American-minted Eagle gold coin which could corner the domestic market.

In terms of international loans, it is presently understood that the major Canadian commercial banks have limited involvement in syndicated loans to South Africa. And it is doubtful, given the current domestic banking situation in Canada that they would be interested in extending any new loan facilities. With regard to Canadian companies with investments in South Africa, there would be financial costs involved in divestment even where such investments constitute a small proportion of their total assets. In the case of the Bata Shoe Company, its South African assets are small compared to its global total and the costs of divestment could, most likely, be absorbed. By comparison, Massey-Ferguson Ltd which owns minority shares in two South African companies, would probably be unable to divest its South African assets without serious detriment to its overall financial situation. As a result of the South African government's September 1985 re-imposition of foreign exchange controls on non-residents, any company selling its local operations would have to obtain Ministerial exemption. This could result in a situation where corporate directors might divest themselves of their South African holdings, although unable to transfer the assets out of the Rand monetary area.

Mulroney's call for a ban on direct air links with South Africa (currently non-existent) is understood to have become a common joke within South Africa. Less so was the February 1985 decision of the American flag-carrier Pan American World Airways' decision to discontinue service to South Africa and to close its operations there. The importance of the Canadian 'non-existent' transport ban lies in the fact that it can readily be

extended to oceanic links as well, which would have an impact, though possibly slight, on both the Canadian and the South African economies. A refusal by Canadian dockworkers to handle South African imports could also produce such an impact. But more importantly, if other Western countries especially Britain were to choose to implement similar transport bans, this would invoke a wide range of significant impacts on both those countries and the South African economy. Thus the economic costs to Canada would result from an escalation of the transport ban to include sea links, but such an escalation could increase the possibility of a total, multi-country transport ban toward South Africa.

Canada as a 'Role Model' for American, British and EEC Sanctions Implementation

At the time of the July sanctions decision, External Affairs Minister Clark had declared that the new government policy toward South Africa might help influence friends and allies to follow suit.³⁶ But what have been the South African government responses to the wave of Western and Commonwealth sanctions? And to what extent has Canada been, or could be, a 'role model' for the Americans, the British, or even the European community?

The foreign loan sanctions measures, along with its present loan repayment crisis, have forced the Botha government to react in a number of ways. First, it re-imposed foreign exchange controls on non-residents (which had only been removed in February 1983) and tightened those on residents. Next it declared a four-month moratorium (to the end of December) on repayments on US\$14 billion of its US\$24 billion foreign debt. After setting up a Department of Finance 'Standstill Co-ordinating Committee', a Swiss banking official was appointed mediator to negotiate a re-scheduling of its short-term loans with 30 foreign creditor banks. Foreign bankers are reported³⁷ to have refused to forward any proposals on rescheduling (since renegotiated on an interim basis: E.J.) without substantial domestic political reforms; as a result, the moratorium has been extended for a further three months.

Third, it has increased its 'public relations' campaign overseas, especially in the United States. In October alone, Botha granted rare interviews with foreign reporters to two of the most influential American business publications, the Wall Street Journal and Business Week. In Washington DC, South African-financed lobbyists are currently receiving fees of up to US\$500 000 a year to present Pretoria's side of the South African situation to members of the US Congress.³⁸ In Pretoria, responsibility for co-ordinating South Africa's public image overseas has been moved to a newly-created Bureau for Information under the direct control of the State President's Office: 'Shades of Muldergate'. And fourth, Botha has called for greater diversification of the country's exports and further refinement of its exports of minerals, metals and other raw materials. He has also announced the establishment of a government bureau for promoting 'non-conventional trade'.³⁹

The possibility of Canada becoming a 'role model' for other Western countries should be considered with regard to its economic links with South Africa and to its future voting behaviour in international organizations. In terms of its economic involvement in South Africa either directly or indirectly, Canada has a considerably smaller stake than the United States, Britain or most of the European countries. As such, financial costs of implementing economic sanctions against South Africa would be comparatively

less. So far Canada has not supported mandatory economic sanctions nor cutting all diplomatic and economic links with South Africa; such decisions by the Mulroney Government could prove to be the prime Canadian 'role' to be followed by its Western allies.

In terms of its diplomatic presence in two international organizations, Canada might through its voting pattern encourage a similar position by the United States and Britain, which otherwise could risk being increasingly isolated politically as a diminishing group supporting South Africa. During the 39th session of the UN General Assembly in 1984⁴⁰, Canada voted in favour of five of the resolutions on apartheid while opposing only the one on mandatory sanctions. By comparison, the United States opposed four and chose abstention twice, and Britain opposed only the one on mandatory sanctions and abstained on five. Both the United States and Britain have consistently opposed any resolution which would impose mandatory sanctions on South Africa, as with the recent November example in the UN Security Council with regard to South African-occupation of Namibia.

The other international organization where Canada's voting behaviour could be influential is in the International Monetary Fund. As an elected member on the IMF Board of Executive Directors until September 1986, Canada (on behalf of itself, Ireland, and the Anglophone Caribbean states) can oppose further IMF loans to South Africa - unlike the earlier Canadian support for the US\$,¹ billion IMF loan of November 1982 for South Africa. At that time, the Trudeau Government supported its decision based on the view that IMF decisions should be made on the basis of the organization's financial and technical guidelines and not with regard to political systems or values. Since that vote, there has been increased criticism within the IMF of South Africa's apartheid system. According to a confidential IMF study circulated among the Executive Directors, its racial policies were based on non-economic considerations and this limited any increase in the number of skilled workers necessary for sustained economic growth.⁴¹

A Suggested Agenda for Escalating South African Government Options for a National Process of Political Negotiation

The following policy steps are intended for consideration by all the members of South Africa's society and for implementation by the present government. But at the same time, these steps would provide for a set of highly-visible, concrete 'actions taken' by the Botha government, against which international organizations and foreign governments (including the Mulroney government) would be able to evaluate the potential for a peaceful solution within South Africa with a view to deciding upon the implementation of additional 'points of pressure' toward that government. These escalating options for South African decision-makers would be based upon a one-step-at-a-time approach, ensuring that the next step would not be initiated without a positive, non-violent response to the preceding one. Some of these steps have been called for by the Mulroney government, though not as part of an escalating process. As to a pre-established interval between initiating a step and achieving a positive response, this would depend upon the willingness of all parties to act reciprocally. But the process is likely to be self-reinforcing as each step and response are made, provided that the parties to the process can guard against factional disruption.

First, initiate government moves to reduce the current pressures which give vent to civil violence. According to the Director of the South Africa Foundation, J de L Sorour, 'what we [South Africans] need is a grand

gesture', but 'I don't think Pretoria has the imagination to do what's necessary'.⁴² These 'gestures' of national conciliation should be without prior conditions and should include unconditionally releasing ANC leader Nelson Mandela from prison, announcing a complete halt to all further forced population removals of blacks, and ending the government-imposed state of emergency in the remaining magisterial districts. These decisions have the possibility of being seen by blacks within South Africa as the basis for initiating a 'real' dialogue on the country's political future. [The fact that many of these 'gestures' have been made since this paper was drafted, without apparent improvement in the political climate, only serves to emphasize the 'credibility gap' existing between government and the black population.] Externally, they could generate renewed business confidence in South Africa and would meet prior calls for these specific actions by various Western governments. But, based upon the recent internal calls for President Botha to step down and the poor by-election showing by his National Party (compared to those more extreme on the political right)⁴³, such a demonstration of political will could be well beyond the capability of the present South African government.

Second, initiate an exploratory meeting inside South Africa between South African government representatives, business leaders, and leaders (both nationally and internationally-acknowledged) from the black, coloured and asian communities as to proposals for possible restructuring of the South African society. The 1955 'Freedom Charter' which has been supported by many internal groupings including most of the 600 affiliates of the non-racial United Democratic Front, could provide a basis of principles for discussions. [There would need to be a visible consensus of all parties on a set of proposals to move beyond this step.] Clearly, such a meeting is essential for any peaceful process of change. According to the South African government-funded Human Sciences Research Council, which announced the key findings of a four-year study of the South African situation in July 1985, the government's apartheid policy had failed to solve South Africa's racial problems and recommended the instituting of a democratic political system 'negotiated by all population groups and in which all can participate'.⁴⁴

Third, consider participation in an external exploratory meeting (under a foreign country's auspices, e.g. Canada) between representatives of the South African government and of the South African political movements in exile to discuss the internal meeting's consensus proposals. No national conference on a future political system for South Africa would be possible without a willingness on the part of both the government and the exiled movements to hold 'face-to-face' discussions, though such an important meeting would need to be conducted 'out of the public eye' to have any hope of providing the basis for further steps. The 1985 ANC-South African business leaders' meeting in Lusaka might provide the precedent for such discussions.

Fourth, call for an 'international declaration of solidarity' from the Western business community in support of both the internal and external exploratory meetings. Such a declaration of economic and political confidence would be an acknowledgement that a national process of negotiating a new political system had been initiated and that the parties to this process could perceive renewed international economic links and support for their ultimately-agreed-to 'political solution'.

Fifth, call for a national 'all-party' conference to negotiate a new State constitution (along the guidelines agreed to at the earlier internal and external meetings) and a charter of rights for all South African citizens, to be held under the auspices of a foreign country as host and

moderator (e.g. Britain). At the outset of such an historic national conference, those Western and socialist countries with 'declared interests' in the region would need to be prepared to publicly commit themselves to a substantial foreign assistance programme to ensure the economic viability for a 'new South Africa'. Such a commitment would be contingent upon the national conference reaching consensus on a 'new political dispensation' for governing South Africa which would be internationally-recognizable as guaranteeing both political rights and social justice for all of its citizens.

Such a truly ambitious agenda of options can only start with the first step. A step, in my view which the majority of Canadians would strongly support.

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NOTES:

1. The Star (Johannesburg), 16 September 1985.
2. e.g. Globe and Mail (Toronto), 6 July 1985.
3. Globe and Mail, 9 and 19 October 1985.
4. "Foreign Ministers discuss South Africa", Canada Reports (Ottawa: Department of External Affairs), vol. 1, no. 5, 6 November 1985, p. 3.
5. 77 per cent felt that other countries were right to impose such sanctions, in a British Sunday Times-sponsored survey. See Peter Godwin and David Lipsey, "Sanctions: black support grows", Sunday Times (London), 25 August 1985.
6. e.g. ANC statement in the Report of the International Conference on Sanctions against South Africa - Paris, 20-27 May 1981 (New York: United Nations, 1981), pp. 14-16.
7. For an analysis of food as one regional instrument of pressure, see the author's "The Food Weapon in Southern Africa", International Affairs Bulletin, vol. 7, no. 3, December 1983, pp. 38-52.
8. A reading of financial reports from South Africa would appear to bear out this point: "A foreign shock to the economy", Standard Bank Review (Johannesburg), September 1985 and "Major setback for economy", Economic Spotlight - Volkskas (Pretoria), September 1985.
9. Christian Science Monitor (Boston), 22 January 1986.
10. For a critical analysis of the policies of the previous Trudeau governments, see Clarence G. Redekop, "Commerce over Conscience: The Trudeau Government and South Africa, 1968-84", Journal of Canadian Studies (Winnipeg), vol. 19, no. 4, Winter 1984-85, pp. 82-105.
11. Brian D. Tennyson, "Canadian Policy towards South Africa", Africa Today (Denver), vol. 29, no. 1, 1st Quarter 1982, pp. 12-13.

12. Stephen Lewis, "Apartheid - a Violation of Fundamental Human Rights", Statements and Speeches (Ottawa: Department of External Affairs), no. 84/14, 20 November 1984.
13. Globe and Mail, 21 December 1984.
14. Competitiveness and Security: Directions for Canada's International Relations (Ottawa: Department of External Affairs), no. 84/14, 20 November 1984.
15. Toronto Star, 8 July 1985.
16. Globe and Mail, 8 and 27 July 1985.
17. Rt. Hon. Joe Clark, "Urgent Need for Peaceful Reform in South Africa", Statements and Speeches, no. 85/6, 29 July 1985.
18. Globe and Mail, 10 September 1985.
19. Rt. Hon. Joe Clark, "Canada's Measures against Apartheid", Statements and Speeches, no. 85/8, 13 September 1985.
20. Patrick Keatley, "Canadian sanctions plan would save face", Guardian Weekly (Manchester), 20 October 1985.
21. Guardian Weekly, 27 October 1985.
22. Globe and Mail, 24 October 1985.
23. Globe and Mail, 29 October 1985.
24. For an earlier discussion of this issue, see "Strategic Metals: Frozen North", Financial Mail (Johannesburg), 18 February 1983, p. 686.
25. e.g. "US plans to sell \$2,5 billion on surplus, such as metals", Christian Science Monitor, 10 July 1985.
26. "South African investment", The Economist (London), 27 July 1985 and James Sterngold, "International Report", New York Times, 30 September 1985.
27. Competitiveness and Security, loc.cit., p. 16b.
28. South (London), June 1985, p. 53 and Globe and Mail, 29 August 1985.
29. J.H. Cooper, "Economic Sanctions and the South African Economy", International Affairs Bulletin, vol. 7, no. 2, 1983, pp. 39-42.
30. Erin Maclellan, "The Foreign Stake: What Others have to Lose", International Herald Tribune (Paris), 8 August 1985.
31. Lionel Barber, "British, German banks wary of cutting ties with Pretoria", Guardian Weekly, 15 September 1985.
32. Toronto Star, 13 July 1985.
33. Michael Valpy, "Bata contravenes Ottawa code on South Africa", Globe and Mail, 15 February 1985.

34. Globe and Mail, 27 July 1985.
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37. "The Politics of Debt", Financial Mail (Johannesburg), 20 December 1985.
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39. The Citizen (Pretoria), 5 November 1985 and Globe and Mail, 6 November 1985.
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42. Business Week, 7 October 1985.
43. Christian Science Monitor, 23 October 1985 and New York Times, 1 November 1985.
44. International Herald Tribune, 3 July 1985.