

THE SOUTH AFRICAN INSTITUTE OF INTERNATIONAL AFFAIRS

National Headquarters:

JAN SMUTS HOUSE
P.O. Box 31596
Braamfontein
(Johannesburg)
2017 Transvaal
Tel. (011) 39-2021/2/3
Cables: "Insintaff" Johannesburg



BRANCHES:
Cape Town
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THE COMPARATIVE IMPORTANCE TO BRITISH BUSINESSMEN OF TRADE WITH SOUTH AFRICA AND TRADE WITH THE REST OF AFRICA

Digest of a talk given to a private group meeting by Mr John McQuiggan at the South African Institute of International Affairs in Johannesburg, on 11 February 1981.

Mr McQuiggan, a former member of H.M. Diplomatic Service, has served in different parts of Africa over a period of 24 years, covering East, West and Central Africa. He has been Chief Executive of the United Kingdom - South Africa Trade Association for the past 3 years, but the views expressed in this talk are his personal views.

The importance of British trade with South Africa is self evident from the gross earnings, the visible trade amounting to just over £1 000m. This however compares with visible trade to OAU countries valued for 1980 at £3 284m. British imports from South Africa for 1980 totalled £756m against imports from the OAU countries of £1 753m.

British companies are being pushed into choices from which there is no easy escape, and the choice posed by this subject is presumably to be viewed in the context of sanctions against South Africa.

The comparative importance of the trade for any one company depends on the extent of that company's business connections with South Africa or with the rest of Africa. Any one company answer to the question would be governed by this factor and also by the terms of trade, and not merely by the political attitude of governments. The narrower the business interests of a company, the easier the answer to the question; the broader these interests are, the more difficult an answer will be.

If we take a general view of companies with regional rather than one-country interests, we find that British companies represent about 50% of the content of the foreign investment in South Africa. This amounts to 10% of all British overseas investment.

Britain is traditionally a trading nation because of economic necessity, and consequently there is little scope, if any, for indulging in the luxury of strong one-country political opinions or bias. The U K endeavours to trade with all countries and is perhaps one of the forerunners of free trade and of free enterprise. Because of these global trading interests, Britain takes a broad rather than a narrow view of international political issues, and for that reason British companies try to avoid getting politically involved.

Britain was subjected to trade sanctions by Napoleon over 170 years ago. These did not work, and sanctions have never really been successful as a political lever, although they can be and usually are damaging.

They can damage not only those at whom they are directed, but those who implement them (as the experience of Zambia over 15 years of UDI shows). If South Africa retaliated over sanctions, the West would suffer from the shortage of vital minerals and this would affect many U K companies and create even higher unemployment in Britain. On the other hand South Africa needs the mineral income, so it is not a problem of one simple decision on anyone's part.

In the 1970s there were pressures from the political Right in the United Kingdom to impose sanctions on the Allende regime; and soon after the downfall of Allende pressures from the political Left to impose sanctions on the successor Government in Chile. On that basis Britain would lose much of its trade and livelihood if the Government were to respond to similar pressures.

Because of the vital importance of trade, British Governments of whatever persuasion have consequently been generally reluctant to invoke sanctions. In the recent case of Iran, Britain acted only in concert with her European partners and as a measure of solidarity with America, in what was a unique case of international barbarism involving the seizure of diplomats. Even so, sanctions were not made retrospective, and Britain was one of the first Governments to lift them when the hostages were released.

Whilst successive British Governments have strongly opposed the policy of apartheid in South Africa, they have also opposed cutting our trade links.

Traditional Conservative Government policy was followed by the Labour Government of 1974. Mr Callaghan when Foreign and Commonwealth Secretary in 1974 said, "It was not the policy of Her Majesty's Government that commercial trading relations with other countries should be based on considerations of their internal or external policies. Firms remain free to carry out existing or future contracts in South Africa".

in 1978, when he was Britain's Permanent Representative at the United Nations, Mr Ivor Richard (a former Labour M.P.) said, "If trading carried a seal of approval or approbation, there would be a very long list of

countries that British exporters have been trading with for a very long time, that would have to be drawn up. Gesture politics doesn't work; it is transparent, intellectually dishonest, and morally specious".

But the pressures have been increasing - and vetos have been invoked in the Security Council to prevent sanctions. In 1977, when pressures for sanctions against South Africa intensified following the death of Biko, and widespread bannings, a Security Council resolution imposing a mandatory arms embargo was agreed on.

Asked in the Commons, on 4 February 1981, what is the policy of Her Majesty's Government on proposals discussed at the United Nations on possible trade and other sanctions against South Africa, following the breakdown of the Geneva talks on Namibia, the Foreign and Commonwealth Office Minister, Mr Douglas Hurd M.P. said,

"The Government have not taken up a formal position on a question which we hope will not go beyond the stage of discussion. But we have consistently made clear that we believe that sanctions would cause grave damage to the prospects for a negotiated settlement in Namibia and for peaceful change in Southern Africa. Sanctions would also create considerable problems for many countries, including countries in Southern Africa, as well as for the United Kingdom and other Western states. The Government remains committed to the existing mandatory United Nations arms embargo against South Africa".

Let us now focus on the dilemma facing British businessmen. The invisible trade and earnings from re-exports for Britain are more important in the case of South Africa than probably the rest of Africa - mainly a reflection of the huge direct investment with a market value of £4 500m and indirect investment of about £5 000m in South Africa, which does not exist on this scale elsewhere in Africa.

This investment is of course valued greatly by British business, based as it is on private enterprise and a soundly managed South African economy, with repatriation of profits and dividends in no doubt. For South Africa, the main variable is the political factor. After the Soweto Riots, new foreign investment dropped heavily, but rose again in 1979 after a period of comparative quiet and of economic recovery, and with the introduction of the Financial Rand incentive to investors. Most informed investment opinion regards South Africa as occupying a high place in a league table of desirable countries in which to invest. However this position will undoubtedly change for the worse unless the Government is seen to be implementing the expected political changes.

Foreign investment in most black African countries has been discouraged by nationalisation - or by the reduction of percentage foreign holdings to a minority interest, usually accompanied by local control. In many cases this has led to loss of efficiency in the business and a consequential run down of the national economy. The experience of many of the companies

nationalised in Zambia in 1972 provides a fair example.

The economy of Ghana deteriorated badly within 10 years or so of independence - as did those of Tanzania and Mozambique.

In Nigeria, foreign companies have been restricted to 40% holdings, but there are recent signs that the Nigerian Government recognises the danger this represents to economic development, and foreign investment is now being encouraged to return with 60% holdings and overseas management control permitted in some cases.

There are recent signs that Samora Machel might be reversing investment policy in Mozambique for different reasons. Certainly Zimbabwe's rulers have recognised the benefits of foreign investment and private enterprise. It also seems possible that President Obote of Uganda may follow a policy opposite to that of nationalisation which he strongly advocated before being overthrown in 1970. If these trends were to continue, the outlook for foreign investment in black Africa should improve.

But on examining the balance of trade in Africa, politicians and the media tend to concentrate more on visible trade than otherwise. The relevant visible trade statistics are shown in the attached table. From these figures one can see that for U K exports, the ratio between OAU countries and South Africa is more than 3:1, and for imports into the U K 2:1.

The dependence of Britain on South African minerals is well known and their strategic importance, especially of vanadium, platinum, chrome and gold, needs no emphasis.

Britain's dependence on OAU countries for imported food requirements are shown, as is the importance of OAU exports to Britain of some key minerals, notably cobalt, manganese, copper and tin.

The terms of the export trade are also an important factor for British companies i.e. the security of payment. In the case of South Africa this standard is high - in the case of other African countries it might not be so good - the delay in payments for trade with Zambia for example is currently at least 18 months.

Post-independence development in most African countries concentrated primarily on political matters, and only secondarily on economic, whereas one might argue that in South Africa the reverse has been true. There are signs that these priorities in black Africa are being reversed, possibly with a change of emphasis away from the more extreme socialist style economies towards mixed ones. Such measures would be designed certainly to encourage foreign investment and the much needed technological expertise it brings, plus the element of private enterprise.

Perhaps there are signs too, of South Africa reversing her priorities to concentrate more now on political development. Mr Peter Blaker M.P., the Foreign and Commonwealth Office Minister, commenting to British businessmen last year said, "If South Africa can tackle her political problems with the same skill she has displayed in dealing with her economic difficulties, her future could be very bright indeed".

These then are the issues that concern British businessmen in their decisions. Any British Government in considering international policy must essentially take account of the country's overall international trading interests - because these constitute the life blood of the nation.

It would seem that British Government policy is to oppose sanctions against South Africa, but not to rule out this possibility.

If Britain were to stand alone in the Security Council against sanctions, the threat of retaliatory action by other trading partners in Africa and elsewhere, in imposing sanctions on their trade with Britain would be extremely serious, as one can deduce from the statistics quoted.

It is for this reason that successive British Governments have such a genuine self-interest in pressing the parties concerned towards a political settlement in Namibia, and in encouraging the forces for peaceful change within the Republic.

Jan Smuts House

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