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BACKGROUND BRIEFING No. 38

THE POLITICAL IMPLICATIONS OF SANCTIONS : A FRAMEWORK FOR ANALYSIS +

The issue of sanctions and their political implications is a complex and subjective one. This brief introduction to the debate aims to provide a perspective on an issue of considerable importance to both the corporate sector and to scholars interested in the relationship between sanctions and politics.

The relationship between sanctions¹ and politics is an extremely complex and controversial one. Both on theoretical and practical grounds, this relationship is fraught with contradiction, unpredictability and complexity. Moreover, the comparative evidence is not all that helpful and tends to obscure rather than clarify. Frankly, the debate about sanctions and their political and economic implications, especially in the case of South Africa, is highly inconclusive. Several reasons account for this. Among these - failure to acknowledge the wide variety of sanctions that can be introduced. Secondly, failure to admit that sanctions can be directed at a variety of different objectives and achieve different results: direct and indirect; positive and negative; short-, medium-, and long-term. Thirdly, neither supporters nor opponents of sanctions have given adequate weight to the factors of companion policy measures and the degree and extent of international co-operation (Minter, 1986-87:43; Hufbauer & Schott, 1983). Finally, and most importantly, the arguments of both sides of the sanctions divide are based on hidden assumptions that are at best highly questionable. For example, it is often assumed by protagonists of sanctions that the South African State will respond rationally in a predictable fashion, i.e. dismantle the power structure and the socio-economic order that underpins it in favour of a multi-racial democracy and an open society. Similarly, opponents of sanctions tend to dismiss them as irrelevant to the process of reform, often fail to assess sanctions in terms of specific objectives and time-frames, and present sanctions as the antithesis of reform.

A careful comparative analysis of sanctions in a variety of different socio-economic and political contexts is helpful and suggests some useful pointers. First, sanctions have achieved qualified successes in different contexts. Secondly, in virtually all cases, sanctions have had a political impact over the medium- to the long-term. Thirdly, in the short term, sanctions have hurt the people of a target state more than it did the regime. In the South African case, it is more than likely that black South Africans, especially those that are unemployed, unskilled or semi-skilled, will be hurt more than whites (and certainly more than the regime) in the short-term, but this may change in the medium- to long-term. Finally, the political and economic implications of sanctions have to be assessed against the backdrop of a complex set of factors relating to the nature of the target state, its

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political and economic vulnerabilities, the nature and extent of international co-operation, the time-frame of sanctions, and the type and objectives of sanctions.

Analysed within such a framework, the issue of sanctions and their political implications becomes a highly complex and comprehensive exercise.

The Basic Framework

The elements of our basic framework are distilled from a variety of sources, notably the studies of Hufbauer & Schott (1983); Nincic & Wallensteen (1984); Baldwin (1985); and Hufbauer, Schott & Elliot (1985).

All these studies conclude predictably that sanctions sometimes work and sometimes do not. Significantly, a distinction between direct and indirect effects is upheld. Thus, if judged realistically - in relation to specified goals and time-frames - sanctions probably have as good or bad a record as any alternative strategy (Minter, (1986-86:45).- For example, the Hufbauer, Schott & Elliot study (1985) cites a 36% success rate for 103 cases analysed, including Chile, Rhodesia, Uganda, and Iran, where US pressure helped topple the regime of Mohammed Mossadegh in 1953.

Economic Equation

The basic economic equation relevant to an analysis of the direct economic and indirect political implications of sanctions comprises the following indicators of economic vulnerability:

- 1) Falling GDP per person.
- 2) High inflation.
- 3) Capital flight.
- 4) Foreign debt as a proportion of Gross Domestic Product (GDP).
- 5) Decline in food production per person.
- 6) Raw materials as a high percentage of exports.

Each of these indicators is then scored individually in terms of a table of points. In a recent assessment by the prestigious journal, The Economist, these indicators accounted for a total of 33 points. South Africa scored 20 out of the possible 33 and was placed in the 'high-risk' category.

Against these economic vulnerabilities, the capacity of the economy in question for autarchy has to be assessed. For example, in the South African case, the economy has a viable industrial base, some 60% of its export earnings are from low-volume high-value, difficult-to-sanction items such as strategic minerals. Accordingly, the economy has a capacity to generate a significant percentage of its annual capital needs internally.

A careful and balanced analysis of the South African economy will also show a considerable technical capacity, as evidenced by the armaments and petroleum industries, a considerable potential for sanctions-busting; and the likelihood of some accessibility to foreign markets (Brinelow, 1987:4-8).

Although these factors are mostly economic, and thus not central to the purposes of this paper, it should by now be clear that the nexus between politics and economics is a relational one, and therefore some of these factors and their relevance for sanctions have to be considered here. Clearly, the economic vulnerabilities of South Africa and their impact upon the politics of the country are of special importance.

Crudely put, the following may be regarded as an incomplete list of South Africa's major economic vulnerabilities:

- 1) Long-term access to international credit and investment capital, starving the industrial sector of the funds it needs to expand, modernise and innovate.²

- 2) The prospect of growing black and white unemployment with all the accompanying social and political ills.
- 3) The prospect of economic growth being semi-permanently outstripped by the increase in population.
- 4) Fall in both industrial production and real income for all.
- 5) The growing incapacity of the State and the economy to afford social security for the bulk of South Africa's unskilled labour force which presently amounts to some 15.2 million (Newsweek, 6 April 1987:8).

In a more general sense, despite its capacity to transfer some of the costs to the Frontline States (especially when analysed in terms of transport dependence and labour migration), South Africa is not a rich country. Its Gross National Product is only \$51 billion, one-third that of Australia, and a mere one percent that of the United States of America. The whites, 19,3% of the total population, already contribute 93% of all income tax revenue.

The South African economy labours under high inflation, has to contend with significant foreign debt, has a virtual non-accessibility to foreign credit, and experiences significant capital outflow, in spite of the Financial Rand, especially since the declaration of the State of Emergency in July 1985. Clearly these factors have to be considered when one attempts to analyse the political implications of sanctions. It is to this aspect that we turn next.

The Political Equation

If the economic equation is difficult to assess, so much more the political. The political and social indicators that respectively make up political vulnerability and strength are harder to quantify than the economic ones. Moreover, the inextricable linkage between South Africa's international and domestic politics poses special problems for the analyst (Price, 1986:415).

Political Vulnerabilities

The political vulnerabilities comprise the following indicators:

- 1) Being close to a Superpower or fracture (conflict zone) in the international system.
- 2) The nature of the regime (democratic, authoritarian, totalitarian).
- 3) Longevity of the regime.
- 4) Legitimacy of the regime.
- 5) Extent of militarisation.
- 6) Armed insurrection or war.

In addition, various social indicators have to be considered when determining the extent and nature of political vulnerability. These include:

- 1) The extent and nature of urbanization.
- 2) Ideological fanaticism.
- 3) Corruption.
- 4) The nature and pattern of conflict (ethnic, racial, religious).

Applying these indicators, The Economist of December 1986 - 2 January 1987, placed South Africa in the 'high-risk' category. Not only does South Africa find itself in a fracture in the international system, but its regional policy is widely perceived to contribute to the instability of the region.

Regarding the nature of the regime, it needs to be emphasized that the way in which power and authority is organised makes South Africa an authoritarian state. One of the features of such a state is the centralized locus of power. Another is the politicisation of society according to some ideological ideal. Unlike a democratic state, politics in an authoritarian state is characterised by domination and bureaucratic control. Social regulation and repression are two key elements of state policy (Perlmutter, 1981:8).

As an authoritarian state, South Africa is acutely concerned with legitimacy, political survival, and sustenance. The elaborate and continuous use of auxiliary structures, notably the Executive and its supportive institutions, such as the State Security Council and the Intelligence Community, stems from a basic insecurity.

The political dynamics of the South African state and the way in which power and privilege are structured, makes for a well-insulated power elite. The Afrikaner caste in particular is by far the best insulated, with 40% employed in the State and its supporting structures - the central bureaucracy, parastatals, military, police and intelligence services. Therefore, the paradox of sanctions will be (at least in the short- and medium-term) that certain blacks and English business (especially those that rely heavily on exports) will be hurt more than the power elite itself.

The authoritarian nature of the South African regime is likely to be significant for sanctions and their political impact, for two further reasons. First, the regime is likely to be less constrained in its adherence to international patents and copyright agreements. Sanctions-busting may well develop to a fine art. Secondly, in the short term, sanctions may well strengthen the patronage of the state, especially in view of rising unemployment and growing social insecurity.

The long-term (10 years and beyond) position may well be different, precisely because both the longevity and especially the legitimacy of the regime have to be questioned. It is within the realm of legitimacy that sanctions may well have their greatest impact. Not unlike Rhodesia, sanctions (provided that they are comprehensive and well-targeted) may signal the moral isolation of the regime, giving, by contrast, legitimacy and encouragement to its opponents. As such, sanctions in combination with economic, demographic, and social factors, have the potential to increase the costs of white domination. However, it remains doubtful whether sanctions on their own will result in significant political reorientation of the regime, let alone result in its sudden collapse. For as Spence (1986:5) has observed:

"... 'Pariahdom' as an expression of weakness, a prelude to sudden collapse requires considerable qualification."

As far as militarisation and the potential for armed insurrection or war are concerned, these already exist to some extent. The political influence of the military is likely to grow (paradoxically also because of sanctions and disinvestment) - although these are by no means the only or most important reasons - the spectre of military rule cannot be discounted completely, and with it, the prospect of greater instability, for, as The Economist reminds us, speaking of military dictatorships, "...Most of them know neither how to govern nor how to step aside gracefully."

South Africa already experiences sporadic and limited armed insurrection from the ANC. While it is questionable whether the ANC is in control of the urban unrest experienced during the past eighteen months, its social base of support inside the country seems to be growing. Economic and social hardships caused by sanctions may paradoxically enhance the appeal of the ANC, which may be perceived by a growing number of black South Africans as the only legitimate alternative acceptable to them. This raises the important question of whether sanctions and negotiations are mutually exclusive. While sanctions may provoke short-term defiance on the part of the ANC and the South African government, and in that sense complicate negotiations, the dichotomy set up between sanctions and negotiations is essentially false. It wrongly assumes that the parties are close to conceding the essential issues in dispute. Presently, a whole range of factors militate against negotiations between the ANC and the South African government. These range from mutually exclusively defined objectives, to the absence of a basic will to reach a resolution, to the perception that both are on the ascendancy.

Negotiations will be essential at some stage. Perhaps sanctions in consort with other factors may help bring them about. Only after the regime is weakened by sanctions and other factors - escalating internal conflict, rising costs of continued white rule, and serious fiscal and financial problems - is it likely to engage in serious negotiations (Minter, 1986/87:50).

Finally, a combination of social factors such as uncontrolled and imbalanced urbanisation (especially in a situation of economic decline and stagnation), and internecine ethnic conflict may have far greater political consequences than sanctions and disinvestment.

Conclusion

The political implications of sanctions are dependent upon a great many factors, such as the type of sanctions (unilateral, multi-lateral); the time-frame (sanctions are likely to have significant political implications in the long-run); the extent of international co-operation; the nature of the target state; of its position in the world political economy; and its economic and political vulnerabilities. Moreover, the political implications of sanctions may be of either a direct or indirect nature.

In the South African case, some of these political implications may be of an indirect nature, such as the further moral isolation from the international community and the symbolic delegitimation of the regime. Sanctions may also have direct political implications, such as growing unemployment, the fragmentation of political elites, and increasing the social and political costs of the regime. The undermining of investor confidence may also have potentially serious political and economic consequences.

The question remains: how deep a bite is enough? The answer is ultimately political and perceptual, but some quantitative clues are available. In thirty-six of the 103 cases examined, annual costs of sanctions to target economies averaged 4% of the Gross National Product (GNP) over an extended period (more than five years) to destabilise the regime, and 5,9% of the GNP for other significant political changes (Hufbauer, Schott & Elliot, 1985). On this calculation, Minter (1986/87:57) has estimated that to destabilise or reform South Africa, with its 1984 GNP of some \$74 billion, would require sanctions that cost Pretoria some \$3-5 billion annually. While such estimates do not tell the whole story, they do suggest the minimum scale of needed measures in Minter's view. However, it does not follow that those calculations would necessarily hold for South Africa as well. In many ways, the South African state is sui generis, and has to be analysed as such.

NOTES

1. Sanctions have to be distinguished from disinvestment and divestment. Sanctions refer to governmental action of a punitive kind directed at a target state with the purpose to realise specific objectives such as regime change or destabilisation. Disinvestment refers to the sale of foreign companies' assets to local interests. Divestment refers to the selling of stocks and shares in companies that trade with a target state.
2. This factor played a key role in the case of Rhodesia.
3. In 1977 South Africa experienced a net outflow of R810m, and in 1978 an even more dramatic outflow of R1,370m. Total direct investment by US companies which stood at \$2,6 billion in 1981, had declined to \$1,8 billion in 1984, and to \$1,3 billion by the end of 1985.

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