

British Anti Apartheid Movement SANCTIONS BEGIN TO BITE

1. The Vulnerability of the South African Economy to Sanctions

The apartheid economy is structurally incapable of withstanding economic sanctions. South Africa's traditional and longstanding foreign economic relationships make the South African economy acutely vulnerable to both cessations of foreign investment and trade.

Historically, South Africa has relied on inflows of foreign capital to finance its economic expansion and infrastructural development. Foreign capital amounted to 22.8 % of net domestic investment between 1961 and 1970 (European Multinationals in SA, G. Hamilton, IRM 1986). Foreign direct investment slowed during the 1970s especially after the 1976 Soweto Uprising, but was replaced by indirect investment in the form of borrowings on the international capital markets. By 1985, South Africa had accumulated a foreign debt of \$ 24 billion, making it ninth in the league of international debtors. Eighty per cent of this debt was owed to banks in just four countries — Britain, USA, Switzerland and the FRG.

Domestic South African capital formation has always been insufficient to provide for the heavy investment requirements of the mines, manufacturing industry and supporting infrastructures. High profits attracted foreign investors, while the apartheid economy enjoyed the additional benefits of foreign skills and technology along with new investment. As Owen Harwood, the Finance Minister said in 1981, "We welcome foreign capital and particularly the technology that comes with it" (Euromoney, July 1981). Britain currently accounts for 40 % of all foreign investment in South Africa (worth around £6 Billion) and is the largest lender to South Africa, followed by the USA and FRG.

Reliance on foreign investment is matched by the importance of foreign trade. Between 1980 and 1985, South Africa's trade in goods and services accounted for 56 % of its Gross Domestic Product, a figure that has changed little since the 1950s, despite the South African government's generally protectionist policies. Around 80 % of all South Africa's trade is with only five EEC countries (UK, FRG, Netherlands, Italy and France), and the USA, Japan and Switzerland. Merchandise exports are dominated by gold which was responsible for 44 % of all export earnings in 1985. Coal exports accounted for another 10 %, other minerals for 20 % and manufactures only 9 %. Imports consisted of machinery and electrical goods (43 %), other manufactures (23 %) and oil/arms (25 %).

South Africa's pattern of trade has been seriously distorted for well over two decades by the sanctions measures which have been imposed by African, Asian, Caribbean and Socialist countries. The OAU, Non-Aligned and UN policies of com-

prehensive trade sanctions have been implemented by the great majority of nations and as a result South Africa has been denied key markets for its products. During the 1980s concerted efforts have been made by the independent African states in the region to reduce their economic dependence on South Africa thus further reducing South Africa's hinterland.

Its economic structure classes South Africa firmly as a newly industrialising country, exporting primary goods to the industrialised West and importing finished products such as capital goods, machinery, 'high tech' equipment, etc. which its industry requires but which it lacks the capacity to produce itself. As a result it is much more vulnerable structurally to sanctions than less developed economies.

Reliance on overseas trade and inflows of foreign capital gives South Africa a relatively open economy and one particularly susceptible to either a downturn in its commodity prices or the disruptions of its traditional trade patterns both of which would arise from the application of sanctions. As economist Richard Moorsom has said, "It is not on first appearances an economy adaptable to seige conditions" (The Scope For Sanctions, R. Moorsom, London 1986).

A report commissioned by the German Protestant Church and published in October 1987 by the Starnberger Institute put it more explicitly. It concluded that "effective sanctions in the field of foreign trade and investment ... backed up by mandatory cessations of operations by foreign firms in such key areas as mining, energy, capital goods and banking would soon bring about the complete economic collapse of the apartheid regime" (Southscan, 14. 10. 87).

2. Sanctions so far imposed by the international community

It is really only in the past 24 months that any serious unilateral or multi-lateral economic sanctions have been implemented by South Africa's major trading partners. The Commonwealth Summit held in Nassau in October 1985 agreed to ban krugerrands, government to government loans, funding for trade missions, together with exports of computer equipment capable of being used by the South African security forces, nuclear technology, and oil. The London Review Meeting held in August 1986, agreed (with the exception of Britain) to extend bans to cover air links, new investment, imports of agricultural products, uranium, coal and iron and steel. Double taxation agreements, promotion of tourism, bank loans and government contracts with South African owned companies were also to be curtailed.

The Review Meeting commended these sanctions measures to the rest of the Commonwealth and the wider international community. During the next three months, further measures were adopted by the USA, the EC, Japan and the Nordic countries. In September 1986, the EC Council of Ministers agreed to a ban on new direct investment in South Africa, a ban on the import of gold coins, and some categories of iron and steel imports.

The Comprehensive Anti-Apartheid Act passed in October 1986 in the USA, in the face of President Reagan's veto, went further in banning new investment,

including all loans to the South African public and private sectors, and the import of coal, iron and steel, agricultural products, textiles, uranium and direct air links. Japan agreed to ban iron and steel imports and to refuse visas for South African tourists. The Nordic states, including Denmark, imposed a total trade and investment ban against South Africa. Israel has announced the imposition of some measures, although there are conflicting press reports of their scope.

3. Application and Impact of Sanctions Measures

There are four factors that should be taken into account before any definitive assessment of the impact of sanctions can be reached. First, it is still premature to talk of 'effective sanctions' having been applied. Few significant sanctions measures have been imposed by South Africa's main trading partners, despite the impression which may be conveyed to the contrary. None of South Africa's principal trading partners have imposed a complete package of sanctions. (Only the US Congress Comprehensive Anti-Apartheid Act comes close to such a package).

Second, the measures which have been agreed are not being applied universally. This directly undermines the impact of such measures since South Africa is able to exploit this lack of universality to find new markets and new sources for key imports. The sanctions picture so far resembles an unfinished jig-saw of selective measures applied by a variety of countries.

Third, the period since these sanctions have become operative has coincided with a cyclical upturn in the South African economy, which has modified their impact, though certainly not neutralised it.

Finally there has been a dramatic increase in the price of gold — South Africa's main export earner accounting for 40 — 50 % for foreign exchange earnings.

These factors provide the background against which one can examine the impact of the sanctions measures that have been implemented. It is useful to examine the immediate results of individual sanctions measures before dealing with the wider impact of sanctions on the overall performance of the South African economy.

The sanctions so far applied against South Africa by individual countries and international organisations fall into two broad groups:

Group 1) Embargoes covering arms, oil, computers and other strategic equipment eg nuclear technology

This Group has been aimed at strategic trade and investment which directly contributes to the capacity of the apartheid regime to maintain itself and its illegal occupation of Namibia. Although not their primary objective, these sanctions have also had serious consequences for the apartheid economy. Included in this Group is the Mandatory Arms Embargo, adopted by the United Nations

Security Council in 1977. It was the first and, so far, the only mandatory action applied against South Africa. The UN General Assembly has repeatedly called for an oil embargo against South Africa. Such an embargo on crude oil supplies to South Africa was agreed by the OPEC countries in 1973. It is now endorsed by all major oil-producing countries including the UK (which has introduced voluntary guidelines as part of EC restrictions). In another vital area of strategic collaboration the EEC, the Commonwealth and the USA have all imposed restrictions on computer exports to South Africa. The same countries have imposed bans on nuclear collaboration with South Africa.

These sanctions measures have all had a significant impact on South Africa, constraining its military and nuclear capability. Other studies have examined in detail the impact of these measures and the apartheid military-industrial complex. However since so much of South Africa's foreign exchange earnings are in fact used to overcome the arms and oil embargoes in particular, it is worthwhile to analyse the impact of these measures on the apartheid economy.

South Africa's response to the arms and oil embargoes has been the establishment of a combination of import substitution and sanctions-busting operations. Both have required the diversion of massive state funds. The state armaments production and procurement agency, Armscor, has been built up with government subsidies and grants so that it is now among the three largest industrial concerns in South Africa, employing at its height some 33,000 staff. It has been able to produce a limited range of military equipment almost always based on foreign technology and largely consisting of imported components.

Even this has proved to be an extremely expensive exercise. To make it economically viable, South Africa has been obliged to develop an arms export industry. Most of South Africa's military hardware is still imported usually as a result of arms smuggling operations, arrangements that force up the costs of equipping the military decisively. In fact there is a profound financial crisis within the military, since military equipment costs are rising much more rapidly than inflation. Yet the percentage of the defence budget allocated for equipment is declining annually due to increased operational expenditure, as the army is increasingly deployed in the Frontline States, Namibia and the townships.

Equally, the effects of the oil embargo forced South Africa to build the vastly expensive SASOL oil-from-coal plants during the 1970s. Even now these provide only 30 % of South Africa's requirements. The rest must be obtained through sanctions-breaking operations usually involving purchases on the spot markets from intermediary oil traders who charge substantial premiums to engage in convert oil procurement for South Africa. So desperate has South Africa been to obtain oil (at one stage, according to PW Botha, it only had sufficient oil for one week), that it has been willing to pay huge 'incentive' payments to oil companies and intermediary traders to break the oil embargo. Shell, for example, received \$ 200 million in secret payments during 1980. Other sweeteners have taken the form of coal export licenses granted to Shell, BP, and Total in return for guaranteed oil supplies.

Although South Africa continues to be able to obtain oil and some arms from a number of sources, the costs of breaking the embargoes have been tremendous. PW Botha himself has admitted that the oil embargo cost South Africa R 22,000 between 1973 and 1984 (Financial Times, 1. 5. 86). In addition to its annual oil bill of \$ 3 billion, South Africa has been forced to spend more than \$2.3 billion per year to overcome the direct and indirect effects of the oil embargo (South Africa's Lifeline, Shipping Research Bureau, Amsterdam 1986).

South Africa attempts to disguise the real cost of breaking these embargoes by including arms and oil in the 'unallocated' section of its trade figures, which comprises up to 30 % of all trade by value. Since last year, the South African authorities have stopped printing trade figures altogether as a further measure to mask the effects of sanctions.

Group 2) Economic measures designed to restrict trade with and investment in South Africa

This Group covers sanctions measures aimed against investment, trade and other forms of economic collaboration with the apartheid economy. They can be broken down into the following categories:

i) Restrictions on foreign investment and/or loans

A ban on new direct investment and reinvestment of profits in South Africa was agreed at the London Commonwealth Review meeting, along with a ban on new loans to the public or private sectors. The EC Council of Ministers in September 1986 also agreed to a ban on new investment. The US Comprehensive Anti-Apartheid Act imposed a ban on new investment and new loans.

These official restrictions on capital flows to South Africa, coupled with the refusal of many overseas banks to extend loans to South Africa, have accelerated capital outflow from South Africa, which has been a net exporter of long-term capital since the mid 1970s. Until the debt repayments standstill imposed by the South African authorities in September 1985, long-term capital outflow was more than compensated for by availability of international loans. South Africa's inability to tap the international capital markets since 1985, has forced it to run a large current account surplus to cover its capital account deficit.

According to Gerhard de Kock, Governor of the South African Reserve Bank, "the actual outflow of capital involves enormous sums. We're talking something like R 16 billion in 1985 and 1986. That includes debt repayment and short-term capital outflow" (Leadership Vol 6, No 2). Of this figure, R 11.5 billion departed after the reintroduction of exchange controls in 1985, which were designed specifically to stop the capital haemorrhage.

Official bans on new fixed investment in South Africa have further undermined investor confidence in the South African economy, contributing to company withdrawals and other forms of net disinvestment.

Reinvestment of company profits in South Africa has shown a marked decline. During 1986, R 3 billion worth of dividends left South Africa, up from R 1.2 billion in 1984. The spate of company withdrawals seen over the past two years, in the face of stringent exchange controls, is a clear indication that investors are willing to accept a substantial discount in order to reduce their exposure to South Africa.

ii) Bans on imports from South Africa

The various measures restricting imports from South Africa (outlined above) which have been adopted by, amongst others, the Commonwealth nations, the EC, USA, and Japan, have had drastic repercussions on South Africa's export performance, though this is not apparent at first from analysis of trade figures.

South Africa had a record trade surplus of R 14.9 billion in 1986, which, after accounting for the deficit on invisible trade, produced a current account surplus of R 7.2 billion. A surplus of R 5 – 6 billion is forecast for this year.

Figures from the South African Customs Department seem to be equally favorable, showing export values to be slightly increasing, with a value of R 19.9 billion during the first half of 1987, compared with R 19.6 billion for the same period in 1986.

But a positive interpretation of these statistics ignores the critical contribution made by the steep rise in the world price of gold (up from an average of \$ 368 in 1986 to \$ 459 in September 1987), which is South Africa's dominant source of foreign exchange accounting for some 40 – 50 % of export earnings. These relatively stable export figures therefore mask a substantial decrease in the value of South Africa's non-gold exports, and an increasing dependency on gold earnings. As the Economist Intelligence Unit concluded "considering the extent of the upturn in the gold market, it is evident that some major exports – notably coal – are suffering sharply from sanctions; the strength of increased risk of doing business in South Africa" (EIU SA Report No 3, 1987), while even the Standard Bank commented, "it is our perception that non-gold exports are exhibiting weakness" (Financial Mail, 18.9.87).

Figures for imports from South Africa among its most important trading partners show a marked decline. During the first seven months of 1987, British imports from South Africa were worth 20 % less than the corresponding period in 1986. Over the first quarter of the year, American imports fell by a massive 48 %, and Japanese by 10 %. The EC as a whole imported only 4 % less, due mainly to a 31 % increase in imports by the FRG.

The effects of official sanctions on trade have been exacerbated by public campaigns against companies with South African interests. Nick Mitchell, the executive Director of the UK-South Africa Trade Association (UKSATA) was quoted as saying "They (companies) have picked up the inference that trade with South Africa is not approved of" (The Independent, 25.7.87).

While South Africa's non-gold exports fell in the first half of 1987, its imports increased by 10 %, further squeezing the trade surplus. Most of this increase was

due to spending on consumer goods, and the continuing weakness of the rand, rather than to industrial restocking.

It is therefore no exaggeration to say that it is only the buoyant gold price which is enabling South Africa to meet its foreign debt commitments and pay for vital imports.

Effects of specific trade sanctions can be summarised as follows:

Gold coins: Sanctions against gold, South Africa's major foreign exchange earner, have been limited to bans on the importing of gold coins from South Africa. Such coins, in particular the krugerrand, have contributed massive foreign exchange earnings. (Up to 1985, 50 million coins had been sold worth over \$ 14 billion altogether.) But bans on the import of krugerrands implemented by the Commonwealth countries, the EC, the USA and Japan have successfully closed most outlets for South African gold coins, and forced the South African authorities to stop minting Krugerrands. The effect of this on South African gold earnings however has been overshadowed by the rise in the gold price in the past year, a development which has brought the need to tackle the issue of sanctions against gold exports sharply into focus.

Coal: Coal is South Africa's second most important export after gold, accounting for 10 % of South Africa's export earnings worth £ 900 million in 1986. The EC took 56 % of South African coal exports by volume in 1985. The EC Council of Ministers failed to reach agreement on banning South African coal imports in September 1986. Nevertheless, the unilateral implementation of coal sanctions by France and Denmark, along with bans in the USA, the Commonwealth (except the UK and Hong Kong), and the other Nordic States, combined with falling world coal prices, has resulted in a projected 40 % drop in income from coal exports from R 3.2 billion in 1986 to R 1.9 billion in 1987 (according to the Chairman of Amcoal, Financial Mail, 22.5.87). If the EC as a whole was to impose a boycott on South African coal, it would have an immediate impact on South Africa's ability to earn foreign revenue.

Iron and Steel: South Africa produced 8.8 million tonnes of steel in 1985. Of this 3.4 mt were exported to the EC, USA and Japan. The EC alone imported iron and steel to the value of \$ 324 m. Following the ban agreed by the Commonwealth Review Meeting in August 1986, certain categories of iron and steel imports were banned by the EC Council of Ministers in September 1986. The USA and Japan also operate such a ban. Although trade statistics show that some iron and steel is still being imported to the EC, overall imports have fallen dramatically. The South African regime has been forced to make great efforts to expand markets in the Far East.

Agricultural products: Fruit and vegetable exports have been traditionally one of the mainstays of the apartheid economy. In 1985 agricultural products were South Africa's fourth most important export worth R 1.8 billion. The Commonwealth nations (except the UK) have been joined by the USA, Ireland and the Nordic states in implementing a ban on imports of agricultural products. Although the British government opposes this sanction, public refusal to purchase South African fruit and vegetables reduced UK imports by 8.5 % in 1986.

Uranium: South African uranium is produced largely as a by-product of gold mining. Export figures are not made public. The Commonwealth (excluding Britain) and the USA have instituted bans on unprocessed uranium imports from South Africa.

Textiles: Between 1981 and 1985, the value of South Africa's textile exports nearly tripled, the result of concerted efforts to generate foreign exchange earnings. Action against such imports has been limited. The US Comprehensive Anti-Apartheid Act banned the import of South African textile products. In Britain the government has not imposed such a ban but investigations by the Anti-Apartheid Movement show that "peoples' sanctions" have cut imports of South African clothing by over 50 % since 1984.

iii) Bans on promotion of trade with South Africa

The Commonwealth Accord on Southern Africa announced a ban on government funding for trade missions. The London Review Meeting went further in banning all government assistance to trade, and government contracts with South African companies.

iv) Bans on promotion of tourism

Tourism has traditionally been an important source of foreign exchange earnings. 584,000 tourists visited South Africa in 1984. After a severe slump caused more by media reporting of events in South Africa than by any governmental measures, the number of tourists visiting South Africa has started to increase. The regime has made great efforts to encourage visitors back with major press advertising campaigns. Much of this effort has been focused on Britain which accounts for around 30 % of all visitors.

v) Bans on air links

While Commonwealth countries outside the region (excluding Britain) have been joined by the USA in cutting direct air links with South Africa, this measure has been undermined by the EC's failure to apply a similar ban. Indeed, European airlines have been deliberately advertising routes to the USA via Europe in the South African media and offering improved schedules, connecting flights and other incentives.

4. The Wider Impact of Sanctions

It would be wrong, however, to look at the direct effects of these specific economic sanctions measures. Equally significant is the way the climate of support for sanctions among the international community, has influenced perceptions of the country's economic prospects, especially among investors and its traditional

supporters. The dramatic escalation of the liberation struggle in South Africa and Namibia in the recent period has directly contributed to the poor performance of the South African economy which, combined with investor uncertainty, has further inhibited the economy's growth and upset its wider trade and investment patterns, thereby undermining the regime's strategy for survival.

i) Company disinvestment

Increasing corporate isolation has been the most obvious secondary result of sanctions. Over 120 multinational companies, based mainly in the USA and Britain, have 'disinvested' from South Africa in the past 18 months. While this trend is only an indirect result of sanctions imposed by the national governments, it reflects the success of public disinvestment campaigns and ebbing investor confidence in apartheid South Africa occasioned by both its internal crisis and its growing external isolation. According to President Reagan's report to Congress on the results of the Comprehensive Anti-Apartheid Act, "The value of US direct investment in South Africa has been cut nearly in half by disinvestment — from \$2.4 billion in 1982 to approximately \$1.3 billion in 1986. By now it is probably less than \$1 billion." British companies that have sold their holdings in South Africa over the past twelve months include the country's two largest banks, Barclays and Standard Chartered. Many others have scaled down their interests in attempts to distance themselves from the apartheid economy.

The companies themselves have usually put forward commercial reasons for their departure. The regime has attempted to put a brave face on disinvestment, claiming that its only effect is to transfer assets to South African companies at below-market prices. In fact disinvestment represents a huge vote of no confidence in the apartheid economy, and when it involves large prestigious companies with long associations with South Africa, a serious blow to white morale. It also undermines totally the "constructive engagement" policies of the USA and Britain which are based on the myth that foreign companies operating in South Africa and Namibia can be a genuine force for change.

South African exchange controls, introduced in 1985 to prevent a net loss in capital, mean that disinvestment funds theoretically can only flow out of the country as fast as new investment flows in. But the system has proved to be extremely leaky. Many companies have removed funds by remitting larger dividends than usual, or like Barclays, have been willing to accept the substantial losses on book value incurred by conversion at the low financial rand. At the very least, company disinvestment has more than offset the inflow of short-term speculative investment in gold-linked equities which has been encouraged by the high gold price.

In the long term, individual disinvestment actions are certain to disrupt trade relationships, reduce South Africa's integration into the Western economic system, and cause a steady decay in technology as plant is not renewed. According to the Financial Times, the withdrawal of Barclays and Standard Chartered will

mean that 'it will become increasingly difficult for them (South African banks) to make acquisitions of forge long-term links with banks in other countries' (Financial Times, 10. 7. 87).

It should be recognised that, without the context of mandatory sanctions, disinvestment cannot have more than an inhibiting effect on the apartheid economy, but it is generally recognised within the country that as Gerhard de Kock, Governor of the SA Reserve Bank has said, "the bottom line is unfavourable to South Africa" (Leadership, Vol. 6, No 2, 1987).

ii) Foreign debt problems

In September 1984, the South African authorities were forced to suspend unilaterally interest repayments on short-term debt owed to foreign banks when American banks refused to extend or roll-over existing loans. Their decision had, in turn, been precipitated by a combination of South Africa's escalating political crisis and public pressure to cease lending. South Africa's moratorium on repayments meant that the banks closed ranks and suspended all lending.

The shockwaves created by South Africa's sudden exclusion from the capital markets, provoked a heavy outflow of short-term capital which was only stemmed by the closure of the Johannesburg Stock Exchange and the reintroduction of a dual exchange rate. During the subsequent two years the South African authorities made several attempts to reach a rescheduling agreement with their main creditor banks, their aim being to prepare the ground for a restoration of normal relations with lending banks by securing endorsement of a programme of formal but limited debt repayments.

Partial success was achieved in March 1987 when a three-year repayment agreement (effectively rescheduling its short-term debt) was signed between South Africa and its main creditor banks.

But there is little sign as yet that this has led to resumption in new lending, although some banks have taken advantage of a clause allowing them to convert short term loans, covered by the repayments freeze, to ten years maturities outside the moratorium. Some \$ 441 million out of \$ 13 billion has been so converted since July (Financial Times, 26. 9. 87).

That foreign loans continue to be impossible to obtain is largely owing to the willingness of much of the international community to transform its opposition to apartheid into concrete sanctions measures, so increasing the political and economic risks of committing money to South Africa to an unacceptable level. South Africa's failure to raise capital overseas has forced major parastatal borrowers such as ESKOM (the state electricity supply corporation) and SATS (South African Transport Services) to drastically amend their financing requirements, and most importantly necessitated the building of a large current account surplus to cover debt repayments and a widening invisible trade deficit.

However, South Africa has been little affected so far in the area of trade-related finance. Although the Commonwealth nations (except the UK) agreed to

ban government aid for trade with South Africa, a measure also adopted by the USA, the British Export Credit Guarantee Department and most of the EC members continue to provide trade-related credits, as do most banks. The importance of this lifeline was emphasised by Chris Stals, South African Director General of Finance, in an interview last year. He said then "if the world banking community should effectively exclude us from international trade and payment systems ... it would put us on a barter system overnight. That is the muscle they have on their side" (Euromoney, December 1986).

iii) Falling domestic investment

The problem of lack of confidence in the apartheid economy leading to falling investment, is clearly worrying the South African authorities. It is now admitted by Gerhard de Kock that growth in the GDP will not reach the target figure of 3 % for 1987. This is in spite of increases in government expenditure, tax reforms and interest rate reductions, all designed specifically to stimulate growth, even at the expense of encouraging inflation.

The relationship between general economic performance and the influence of sanctions was brought out in President's Reagan's report to Congress on the impact of the Comprehensive Anti-Apartheid Act: "There is growing consensus among economists that a combination of sanctions, South Africa's inability to attract foreign capital, and a variety of other factors will mean that, at best, South Africa's gross domestic product growth will likely over between 2.5 and 3.5 percent per annum for the foreseeable future."

One main problem area is domestic investment. The first quarter of 1987 saw a small rise in gross domestic expenditure, but this reflected government spending rather than increased private investment.

The trend for fixed investment has indeed been downward for some time. Real domestic fixed investment fell by 2.5 % during 1986 and according to de Kock, "waned once more during the first half of 1987" (SA Reserve Bank Governor's Address 1987). During the second half of the year it registered "another disappointing decline" (Financial Mail, 9. 10. 87). He put the blame on "lack of sufficient business and consumer confidence ... unfavourable perceptions of non-resident investors ... uncertainty of South African businessmen themselves ..." and above all, "uncertainty associated with the present process of political and social reform".

iv) Other economic problems

Having said this, the South African regime is at pains to promote indicators that appear to show signs of economic recovery. In fact these are largely fraudulent, and in many ways reveal in increasingly moribund economy benefiting marginally from transient wider global trends beyond its control. For example,

the large current account surplus results from a higher gold price, and government manipulation of trade via a tariff policy intended to ensure a large surplus to cover the widening capital outflow — hardly an enviable position for a newly industrialising country. It is certainly not due to impressive export performance.

Similarly, the (relatively) stronger rand has more to do with weaknesses of the dollar than any internal strength of the South African economy. Consumer demand has increased but results from purchasing deferred from previous years funded by a mini-credit boom and encouraged by lower interest rates. Consumption has fed off imports, having had no impact on domestic productivity levels, projections of which are being adjusted lower after over-optimism at the beginning of the year. Meanwhile, until the October Crash, the Johannesburg Stock Exchange had soared, a result of the higher gold price that has, in turn, attracted investment in gold-linked equities. Capital export restrictions have intensified demand for local securities. As Gerhard de Kock put it in his Reserve Bank Annual Address 1987, "the financial sector is experiencing high blood pressure, while the real economy suffers from low blood pressure". He further characterised economic performance as "sluggish".

Inflation continues to run at over 15 % per year (over 20 % on foodstuffs and other necessities) and unemployment has worsened over the past year. Estimates put it between 30 % — 50 % among black workers, with particularly high levels in the 'homelands' and rural areas.

5. The Political Impact of South Africa's economic crisis

The impact of the various sanctions measures which have been imposed against South Africa cannot be seen in isolation from the struggles being waged by the people of Namibia and South Africa. The Reserve Bank's September Quarterly Bulletin blamed disappointing output levels partly on 'various work stoppages' organised by the UDF and COSATU in May and June 1987. The miners' strikes in South Africa and Namibia in August 1987 have had an even bigger impact on mining profits.

As the popular struggles intensify, so the costs rise for the regime. The war in Namibia is estimated to cost over \$ 1.1 billion per annum whilst military expenditure in South Africa escalated by over 800 % between 1975 and 1985. It continues to spiral. The budget, announced in June 1987, disclosed an overall increase in State expenditure of 16.2 %, partly accounted for by additional funding for black housing, education and grants to the homelands, but largely the result of respective rises of 30 % and 43 % on defence and police expenditure.

The increased public expenditure necessary to maintain apartheid at a time of economic stagnation has produced a substantial budget deficit, projected to be R 8.4 billion this year or 4.7 % of GDP. R 1.2 billion of this deficit was to be financed by resorting to tapping funds caught in the repayments freeze and due to be repaid to foreign creditor banks, a reflection of the impact of South Africa's exclusion from access to foreign loans.

Faced with a stagnant economy being drained of capital, and escalating resistance to its apartheid policies, the regime has had no alternative but to adopt a potentially inflationary economic strategy involving significant increases in spending on repressive agencies, coupled with 'social' spending aimed at certain sectors of the black community. The latter has the dual purpose of attempting to co-opt 'moderate' black opinion particularly in the homelands, together with increasing black consumer spending power in the hope that this will create consumer-led growth in the economy.

However, these policies have had no discernable effect on encouraging growth in the economy and it is debatable how long South Africa will be able to maintain this level of expenditure. A recent study by a Cape Town University Professor put the accumulated costs of maintaining apartheid at R 66 billion per year. The cost of maintaining the machinery of apartheid alone during the financial year 1985/6 amounted to R 3.9 billion i.e. 12 % of state expenditure. This does not take into account the tremendous burden on the economy of maintaining apartheid programmes i.e. ten "homeland governments", thirteen separate education departments for different racial and ethnic classifications in South Africa alone. Now the economy has to face the consequences of the impact of disinvestment and sanctions. As a result the study concluded that lost economic growth due to "restrictive and racial legislation and international actions against apartheid" amounts to 2.5 % per year (Weekly Mail, 2. 10. 87).

The South African economy is simply not expanding sufficiently fast to cover the costs of escalating aggression against the Front Line States, and its illegal occupation of Namibia, combined with containing internal resistance and attempts to buy 'moderate' black opinion. In this situation, sanctions and disinvestment add further strains to existing structural weaknesses and substantially raise the costs of defining the apartheid system.

All this provides the background to the crisis facing the apartheid regime, to which it responds with increasingly desperate and self-defeating action. On the one hand the regime calculates that it has to contain the open revolt by the people of South Africa and Namibia if it is to re-establish the degree of political and economic stability required to attract new investment and loans. On the other hand the imposition of the State of Emergency, the controls on media reporting, the detention and torture of children, indeed the general reign of terror which it has unleashed, all contribute to increased pressure for international action. Contrary to the impression which has been assiduously propagated by the apartheid regime and its allies, the regime has felt confident to intensify its repression because it has known that it will be protected from effective international action by Britain, the USA and the FRG in particular. It is important to recall that it was following the failure of the Nassau Summit to adopt a strong package of sanctions and the subsequent agreement between the South Africans and the international banks in early 1986 that the regime launched its attacks against the Frontline states and then imposed the State of Emergency on 12th June 1986. The repression predated action by the Commonwealth, the US Congress, the Nordic countries and others and was not in response to it. In fact far from forcing the Afrikaaner into

the laager, sanctions have been responsible in part for the first visible signs of divisions within the white minority community.

6. South African Counter Moves

The South African regime knows only too well how effective economic sanctions can be, and has taken the threat of sanctions very seriously indeed. Officials from the South African Chamber of Mines toured Europe extensively before the EC Council of Ministers meeting in September 1986 to lobby specifically against coal sanctions. The SA Chamber of Commerce sent a delegation to Britain, France and Spain in September 1987 'to counter pro-sanctions pressures in advance of the Commonwealth Summit and Congressional review of the Anti-Apartheid Act' (Daily Telegraph, 14. 9. 87). According to the report, the delegation was to meet Mrs. Lynda Chalker, British Secretary of State at the Foreign Office.

In June 1987 it was reported that South Africa had opened a specialist 'financial consulate' in Zurich in order 'to keep channels open to the banks' (The Guardian, 18. 6. 87). Later, in September, an office for the South African Coal Industry was opened in London (staffed by a former member of British military intelligence), this first act of which was to produce a press release attacking AAM campaign literature in favour of coal sanctions.

Not surprisingly, within South Africa various measures have been taken to try and bust sanctions. A committee of civil servants, the External Trade Relations Committee, meets twice a month to co-ordinate strategy in this area. 'Specialists' with experience in Rhodesian sanctions busting and in breaking the Arms Embargo have apparently been recruited in official teams. Whatever success they may have in evading restrictions, the costs of counter measures — paying middlemen, rerouting trade etc. — are themselves likely to be large and ever increasing.

While South Africa puts resources into trying to evade sanctions, it is promoting a sophisticated disinformation campaign designed to discredit sanctions and to dismiss levels of support for them among black South Africans. Rumours, many of which were eagerly repeated by Western journalists, that COSATU was about to turn against disinvestment and sanctions were rife prior to the COSATU Congress, held in July 1987. As it was, COSATU reaffirmed its total support for comprehensive mandatory sanctions. A little earlier in March, Rev. Allan Boesak was quoted on television as opposing disinvestment. Shell used the quote extensively to support their arguments for staying in South Africa. Rev. Boesak issued statements specifically denying these claims and reaffirming his support both for disinvestment and sanctions.

Similarly, there have been numerous articles in the Western press seeking to show sanctions have been ineffective. These run completely counter to the conclusion reached in a report commissioned by the South African Federated Chamber of Industries in October 1986. Having analysed three separate sanctions scenarios, this stated that 'sanctions can damage the South African economy

rather more seriously than appears to be generally perceived both inside and outside South Africa' (The Effect of Sanctions and Employment and Production in South Africa — A Quantitative Analysis, Federated Chamber of Industries 1986).

7. Conclusions

It is clear that the sanctions measures so far adopted have not had the desired effect of persuading the South African government to dismantle the apparatus of apartheid. Yet this political failure can first and foremost be attributed to the limited scope of the measures and to the weakness of their enforcement, rather than to any ineffectiveness of sanctions as an instrument of policy.

First, while a variety of limited and selective sanctions have been imposed, they fall far short of comprehensive and mandatory sanctions for which both the liberation movements and other democratic organisations in South Africa and Namibia are calling, and which have been endorsed by the UN General Assembly, the OAU, and other international bodies on numerous occasions. It remains the case that comprehensive mandatory sanctions enforced by the United Nations Security Council would have an immediate and overwhelming effect on the South African economy, and on the regime's ability to maintain the apartheid system and its illegal occupation of Namibia.

Second, despite the adoption of many of the sanctions measures by several countries, their overall effectiveness has been undermined by their lack of universal application. For example, the ban on air links agreed by the Commonwealth and also imposed by the USA, has been rendered largely of nuisance value to the South Africans by Britain's and other EC countries' failure to comply. Equally, the failure of the EC and Japan to ban coal imports blunts the still considerable impact of the bans imposed by other countries. Britain and the USA have vetoed attempts by the UN Security Council to make even selective sanctions mandatory on all UN member states.

Third, there is ample evidence indicating that the measures adopted have not been strictly implemented by certain countries. The British Government in particular has shown great reluctance to pursue its responsibilities in this area. According to Ministerial answers in Parliament, no mechanisms have been adopted to monitor or enforce the voluntary bans on new investment and promotion of tourism. Implementation has gone no further than letters to bodies such as the Confederation of British Industry and the Association of British Travel Agents appealing for their compliance. Britain, along with other EC countries has continued to import iron and steel products in breach of EC restrictions.

A further major weakness in the measures which have been applied by a number of nations including the EC, is their non-application to Namibia. Britain, for example, refuses to apply either its voluntary ban on new direct investment or tourism to Namibia. This not only undermines the effectiveness of the application of these measures against South Africa, but also reduces the pressure on South Africa to end its illegal occupation of Namibia. Welcoming the fact that Namibia

was escaping many of the sanctions measures, the managing director of Standard Bank South West Africa stated in his annual report in February 1987 that "doors are opening for South West Africa" (Windhoek Advertiser).

If South Africa's major trading partners and particularly Great Britain, the FRG and the USA, were to support the measures so far adopted by other Western countries, their impact would be very much greater. But instead, they actively campaign against sanctions as an instrument of policy. Given these weaknesses, it is perhaps surprising that these sanctions have had any discernable economic effect. Much of their impact has in fact been due to the work of voluntary anti-apartheid groups and other forms of anti-apartheid action by the public in Western countries. It follows that the economic impact outlined above, together with the regime's obvious apprehension of further measures, are vital arguments for deciding to strengthen and widen sanctions measures.

The apartheid economy is experiencing a profound crisis, which is being rapidly exacerbated by the effects of sanctions measures. These have seriously affected South Africa's export earnings, and have emphasised South Africa's international isolation, leading to capital outflows and disinvestment. At the same time, the regime is having to spend increasing sums to maintain its system of racist rule. It can only do so because of the relatively high gold price, the earnings from which are currently underpinning the whole economy.

In such a volatile situation, the occurrence of a number of factors would set the apartheid economy in danger of complete collapse, or at the very least terminal disequilibrium. Such factors include a drop in the price of gold, a significant rise in the price of crude oil, action by the banks to secure the faster repayment of loans, the refusal of banks to roll-over loans outside the standstill arrangements, etc.

All the evidence therefore demonstrates that the limited measures already adopted are beginning to bite on the apartheid economy. Since it is evident for all to see that the apartheid regime is neither going to agree to the implementation of the UN Plan for the Independence of Namibia nor dismantle the system of apartheid itself voluntarily, it is essential that pressures against the Pretoria regime are intensified. At present the burden of these pressures is borne by the people of South Africa and Namibia as well as the Frontline States. If the international community wishes to reduce their agony and suffering then it must accept an increased burden itself by applying effective pressures. Those who refuse to act are accomplices in the crime of apartheid.

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DIE ARMEN MÜSSEN MASSTAB SEIN:

Theorie und Praxis der kirchlichen Basisgemeinden in Brasilien

„Wie lassen sich Evangelium und Befreiung der Unterdrückten miteinander verbinden? Wie lassen sich christliche Liebe und der hemmungslose Klassenkampf, den wir erleben, miteinander vereinbaren? Wie kann das Christentum dazu beitragen, vor dem Hintergrund asymmetrischer Beziehungen zwischen reichen und armen Ländern die internationale Ungerechtigkeit zu überwinden?“ (L. Boff 1982, S. 41)

Diese Fragestellungen scheinen besser in ein Religionsbuch als in ein entwicklungspolitisches Journal zu passen. Und doch war es diese Frage, die sich Christen in Brasilien in ihrem Kampf gegen Ungerechtigkeit stellten und die am Beginn einer Bewegung stand, die die brasilianische Gesellschaft in den letzten Jahren mitgestaltet hat. „The best and no doubt most important case (of grassroots initiatives; A. N.) is that of Brazil with its Catholic grassroots movement known as comunidades Ecclesísticas de Base (CEB). These Comunidades multiplied in the seventies and played a significant role in the eventual 'opening' (abertura) of the Brazilian political system and in the partial return of that country to pluralist forms.“ (Hirschman 1984, S. 99)

Die Religion ist ein Phänomen, mit dem sich Sozialwissenschaftler schwer tun, und zwar v.a. dann, wenn diese heute noch gesellschaftlich relevant wird. Zu tief verankert ist in unserer aufgeklärten Welt die Vorstellung des Absterbens der Religion. Gerade in letzter Zeit haben jedoch über die ganze Welt verstreut verschiedenste Religionen die Unterdrückten angezogen. Dies nicht nur als „Geist geistloser Zustände“, sondern durchaus auch als Waffe im Befreiungskampf (Iran, Nicaragua, Sri Lanka).

Um religiöse Bewegungen zu verstehen, reicht es nicht aus, nur behavioristisch zu beschreiben, was sie tun, sondern man muß die Interpretationen dieses Handelns mitberücksichtigen. Auch wenn es eine Tatsache ist, daß wir die Wirklichkeit nur deutend wahrnehmen, so ist diese Tatsache in der Religion besonders augenscheinlich. „Wir haben Angst vor der Religion, weil sie deutet, statt nur wahrzunehmen. Sie konstatiert nicht Hungernde, sondern deutet sie als unsere Brüder, die wir verhungern lassen.“ (Sölle 1986, S. 37)

Von religiösen Fundamentalisten unterscheiden sich die Kirchlichen Basisgemeinden (KBG) grundlegend, da sie ihre Theorie und Praxis nicht absolut setzen und die Autonomie der Wissenschaft anerkennen. Die tolerante Haltung gegenüber anderen Gruppen erlaubt es, mit diesen Bündnisse zu schließen; die Anerkennung der Wissenschaft als gleichberechtigte Partnerin durch die Theologie der Befreiung (TdB) erlaubt es, beide zu vergleichen und gegenseitig zu bereichern, was auch die Aufgabe dieses Artikels sein wird.