

COMMISSION FOR JUSTICE AND RECONCILIATION
ECONOMIC MEASURES AGAINST APARTHEID AND THE
CHALLENGE TO THE CHURCH

1. INTRODUCTION

(a) Definition of terms

A number of terms are used in discussing the issue of economic measures against South Africa, divestment, disinvestment embargoes and sanctions. Before defining these we need to understand some aspects of investment. Foreign investment involves:

(i) Investment in physical assets

- to expand the current capacity to produce (this could create jobs).
- to build new industry (this could create jobs).
- to replace old technology with more sophisticated capital intensive technology. This is the predominant form of investment and generally results in loss of jobs.

(ii) Investment in financial assets

- The first form is an investment in stocks and shares. (no necessary job creation).
- the second form comprises loans by foreign banks to either the South African Government or business (this may result in jobs depending on how it is

used).

In the area of investment a large scale 'disinvestment' campaign has been waged and involves the following terms:

(i) **Divestment**

This is the most prevalent action in the USA. It is a process whereby pressure is put on bodies to withdraw funds from companies which are investing in South Africa. i.e. to sell their shares in companies operating in South Africa. The aim is to get the companies involved in South Africa to put pressure on big business and government to change. It helps to isolate the government and big business creating an international lack of confidence in the apartheid political system and economy and has much publicity value in exposing the horrors of apartheid. (No necessary job loss is involved).

(ii) **Disinvestment**

This has a number of aspects.

Firstly it involves the refusal of or legislation against any new capital investment in South Africa and would include no new loans to South Africa (No necessary job loss).

Secondly it involves the sale of existing plants to local business

(No necessary job loss).

Thirdly it involves the actual removal of physical capital. (This will result in job loss, but is the least likely to happen).

(iii) Embargoes and trade sanctions

There is a wide range of other economic measures which revolve around embargoes on and sanctions against trade with South Africa. These include:

- a ban on sales to South Africa e.g. embargoes on various items like arms, oil, machinery etc. (No necessary job loss. In fact the arms oil embargoes created thousands of jobs in South Africa (Armscor & Sasol) as local alternatives were forced to be developed).
- measures against South African exports e.g. a ban on consumer goods being sold in foreign countries. (May result in job loss).

Within all of the abovementioned types there is a plethora of combinations and methods. The range and complexity makes it difficult to pinpoint exactly what effect any particular form of economic measure against South Africa will have. Nevertheless a few clear principles do stand out.

Major all encompassing measures will obviously have the greatest impact. Minor measures (e.g. the most recent move in the USA) are important as symbols and ideological pressure, however they do have a danger. The South African government can see minor measures as a sign of weakness i.e. as mere attempts to placate public opinion abroad. Any minor measure must be followed up with ongoing pressure and campaigns. The ultimate effectiveness of economic measures depends on the political will to enforce them and this can be achieved only through ongoing consistent and wide ranging pressure.

WHO IS APPLYING SANCTIONS AND WHY

- a) Economic measures as a political tool are not an aberration or an anomaly. The United Nations Charter provides for economic sanctions as a standard tool to be used against states acting outside the norms of International behaviour enshrined in the Charter. Ever since 1962 the General Assembly of the U.N has called for the severing of all trade and economic links with South Africa for three fundamental reasons.
 - In the UN, Internationally and within South Africa, apartheid has been recognised as a crime against humanity and a threat to world peace.
 - South Africa has consistently refused to withdraw from its illegal occupation of Namibia

- South Africa's persistent violation (especially since the late 70s) of the territorial sovereignty of its neighbours and its political and economic destabilization of the Southern African region have been cause for great concern. (e.g. the destabilization of Southern Africa has cost the Frontline States more than R21 billion in the last decade or so. This amounts to more than the sum total of all the international aid received by these countries in that period).

These reasons still hold and are recognised as the obstacles which need to be removed to achieve peace and harmony in South and Southern Africa.

Initially in the early 60s the issue of economic measures against South Africa was limited to United Nations resolutions. However since then a world wide movement has sprung up and is now being channelled through the U.N., OAU, OPEC, the Frontline States, the Commonwealth and many governments (e.g. Sweden, Brazil, France and USA have legislated for some form of economic action against South Africa). Many social groups have also got involved including Anti-apartheid movements, Churches, Trade Unions and political parties.

However as the campaign for economic action has sprung up so too has a campaign against economic action developed. This has created much debate and confusion. Those who wish to oppose apartheid need guidance as to the effectiveness of economic measures.

The SACBC has a large following overseas and has a good reputation for its opposition to

apartheid. If the SACBC speaks out on this issue not only will it add weight to the anti-apartheid campaign, but it will also draw many more people into the struggle to establish a free and just society in South Africa.

Sanctions and disinvestment are not the only factors determining the direction of change. Sanctions would however lend weight to the more general movement, both inside and outside South Africa, for an end to apartheid. They would enhance the many other international measures to weaken apartheid viz, the cutting of diplomatic ties, the cultural and sports boycotts, and the campaign to cut off transport and telecommunication ties with South Africa. Internally it would advance the struggle of the poor and oppressed and all those seeking justice and a free and equitable society.

3. SANCTIONS AND DISINVESTMENT IN A TIME OF CRISIS

Sanctions are not effective weapons in a situation of stability (as pertained in the late 60s and early 70s). However due to the contradictions, inefficiencies and injustices of apartheid we are in a situation of extreme crisis. The government is more isolated than ever before and its legitimacy is vastly reduced. It can no longer rule by any kind of consent and must rely on naked coercion and state violence. Furthermore, because of the inadequacies of its own so-called 'reform' initiatives its policies lie in tatters and it has no coherent plan. Pressure now will help to persuade the government to negotiate with the popularly and freely chosen leaders of the people.

Economic sanctions are a potent form of pressure on

South Africa's two fundamental pillars of power, big business and government. Until recently big business benefitted from the policies and structures of apartheid. It is pressure, such as consumer boycotts both here and abroad and sanctions which has forced business people to oppose apartheid and for government to begin to move away from classical apartheid. They have done this to protect their interests and to maintain the free enterprise system, which serves them, so well. Expensive apartheid can't be maintained on a weak economy or with non-cooperative business sectors. The economic space is another anti-apartheid area that must be developed.

4.- NON-VIOLENCE AND ECONOMIC SANCTIONS

1985 has clearly demonstrated the inherent violence in apartheid and has resulted in great suffering and pain for so many S.A. citizens. 1986 augurs to be even worse.

If both state violence and opposition counter-violence are to be reduced, and if apartheid is to be abolished all forms of non-violent opposition and pressure must be used to their fullest extent. Economic sanctions and disinvestment are some of these non-violent means.

5. DEBUNKING THE ARGUMENTS AGAINST ECONOMIC SANCTIONS AND DISINVESTMENT

There are many people who whilst being opposed to apartheid do not see economic measures as effective tools.

Retreat into the laager

Many have objected that sanctions would not succeed in

changing government policy, because under pressure the government and the majority of whites would retreat into a laager and refuse any concessions.

However the financial crisis of August and September 1985 when South Africa's short term loans were recalled have answered this objection. The government introduced emergency measures by sending the governor of the South African reserve bank to visit Western Capitals to try to salvage our economy and was forced to make further concessions to alleviate some of the pressures, e.g. promises to alter influx control regulations drastically.

The government moves only under pressure. A crisis where it hurts most, in the pockets of most whites, could force them to accept the need for meaningful negotiations with the real leaders of the people.

Constructive engagement

Historically there has been a close association between economic growth and racial oppression. The form of economic growth which began with the discovery of diamonds and gold helped structure the apartheid system which in turn facilitated the making of super-profits.

Ownership of local capital became increasingly located in the hands of a few large scale corporations who, to compete on the international market were forced to use sophisticated capital-intensive technology. Access to this technology was only possible through linkage (of trade, investment and licensing) with foreign corporations who also wanted to have a stake in the profits of the South African economy, and reinforced and deepened these trends.

It has been estimated that some 40 % of the economy is foreign controlled. Control does not necessarily imply direct investment, because shareholdings as low as 10 % combined with technological and process control can ensure dominance by a minority foreign shareholder.

This development has resulted in an uneven growth for the South African economy with a predominantly capital goods importing (e.g. machinery and technology) and primary goods exporting (raw materials) structure.

The number of workers directly employed by foreign based corporations operating in South Africa is only about 3 % of the total workforce. So the contribution of direct foreign investment to job creation is minimal.

The presence of foreign companies in our economy has created a situation of partial technological dependence; dependence on technological automation and machinery rather than on labour. Foreign investment has often resulted in job loss and not job creation. Unemployment is not a temporary aberration in the South African economy but a permanent growing structural component. The apartheid economy uses the bantustans as dumping grounds for the unemployed people it spawns.

To say that economic growth has broken down apartheid is incorrect. Economic growth (profits and gross national product) have been facilitated by apartheid. Resistance, opposition and non-cooperation have been the forces behind the transformation of apartheid.

Foreign investment and capital investment in S.A. generally have until the recent economic recession earned high profits. And as both foreign and local

corporations are concerned more with questions of profitability than moral political issues, big business has responded to the economic crisis in a number of different ways. It has developed new technologies, to replace labour to cut production costs. An example from the Rand Daily Mail of 22 February 1985 illustrates this. Three separate articles appeared in this issue. In one article the Managing Director of General Motors spoke of the emotional tone and abstract moral values that typify pronouncements of people in favour of disinvestment. He pointed out that people making such statements fail to take into account the harm disinvestment would bring to black people who would be the first to lose their jobs. Another article reported that General Motors was going to invest R40 million in a new line of production, but that it would not lead to the creation of a single new job. A third article reported that General Motors would lay off 465 (10%) of its 4 000 strong work force for a period of eight weeks and then review their position. (They have not been re-employed). Here we have a clear example of investment resulting in job loss.

There are also many examples of local capital actually closing down factories in S.A and investing in overseas countries thereby exporting capital. The large scale financial foreign investment (loans and shares) in South Africa, while giving foreign capital large control over our economy gives comparatively little advantage to S.A. The growth of South African monopolies has primarily been financed by the reinvestment of local capital (70%) elsewhere. The economic sanctions campaign is not calling for flight of local capital. This is the response of local capital which is not concerned about jobs.

Government has responded to the crisis with monetarist

economic policies which focus on inflation rather than employment. These generally lead to an increase in unemployment and the restriction of social welfare.

Another form of 'economic growth' due to foreign investment is from loans. Until recently South Africa was in no need of loans, but the apartheid structures (Homelands, community councils, the Defence Force, Sasol and Escom) all needed funds. South Africa has now become caught in the trap of all Third World countries having to pay off high interest rates as well as trying to recover the capital to repay the loans. This is a continued drain on the economy. The current potential crisis has demonstrated how economically vulnerable S.A. is. When our loans were recalled we were unable to pay.

Constructive engagement cannot claim any success in changing apartheid. The growth that has taken place benefits mainly the profit makers.

Black suffering

Those who oppose sanctions and disinvestment assert that the major source of suffering would be caused by a rise in unemployment (Job loss).

The issue of disinvestment is not a simple one of job loss with disinvestment or job creation with foreign investment. If we are concerned about job creation we must be concerned about a completely new economic structure. The issues are who decides when companies should invest and what kind of investment they should undertake? And who controls that investment? Should they undertake job creating or job destroying investments? These are political questions and are inextricably bound up with the creation of a future free and just society. The issue of who controls

Investment is tied up with who controls society as a whole. Therefore the issues of doing away with apartheid and controlling investment are linked.

With regard to economic sanctions and disinvestment the question then becomes 'Will sanctions and disinvestment exacerbate the already unjust structure of South Africa's economy by creating greater job loss?' To answer this we need to go back to our definitions. Most forms of divestment and disinvestment will not necessarily result in job loss but will weaken the position of big business and government. Some form of trade sanctions if applied rigidly will result in job loss. It is important to encourage selected targets for sanctions.

The trend of opinion polls, and the pronouncements of black leaders, increasingly confirm a popular readiness to see sanctions imposed. The divisions amongst blacks over sanctions are revealing. On the one hand, all black homeland leaders have opposed sanctions, largely on the grounds that prosperity is a better antidote to apartheid than economic pressure and that the latter would cause great damage and suffering to the black population. On the other hand all extra-parliamentary opposition leaders have supported sanctions including the leaders of FOSATU, and now COSATU, the UDF, AZAPO, CUSA, AZACTU and the ANC.

Many of these groups support sanctions even if it does result in some job loss. Blacks have endured such suffering, they argue, that a little more which will bring the end of apartheid nearer will be worth it. Whereas some of these approaches fall into the same trap as big business (of not seeing the already existing structural contradiction of the economy), their readiness for sacrifice and action must be noted

and their desire for sanctions and disinvestment as a weapon supported.

As was clearly shown in Smith's Rhodesia and in the expansion of Armscor and Sasol here in South Africa, sanctions can in fact stimulate local industry to develop sectors of the economy when imports can no longer be relied on when they have become too expensive because of all the middle - people needed to bust sanctions.

Frontline States

Another argument against sanctions (mostly by the South African government) is that the dependant Frontline States would suffer.

All the Frontline States have pointed out that the degree to which sanctions deniage their economies is within the control of the Western industrial countries. Constructive aid and development could be deflected from South Africa to these areas, at the same time making the Frontline States less dependant on S.A. This in the long-term would be to the benefit of the whole Southern Africa region.