

Sanctions: Another View

by Michael Spicer

The calls for various forms of economic sanctions against South Africa focus mainly on the immorality of apartheid. The frustration and despair that give momentum to the drive for sanctions are understandable, but serious strategists must take into account the historical record of sanctions situations in evoking a certain well-defined pattern of state and individual behavior. Some of the classic characteristics of the early phase of this pattern are already manifesting themselves in South Africa:

1. Xenophobia

The increased threat of sanctions in the wake of the May 1986 collapse of the Commonwealth's Eminent Persons Group (EPG) initiative has given an unpopular government, under growing pressure from many quarters, an opportunity to rally a widened spectrum of the white electorate into the laager in the cause of opposing what is increasingly perceived as misguided or irrational external pressure. Opinion polls conducted in the past few weeks indicate that the popularity of State President P.W. Botha has grown significantly among whites. If an election is called (and indications are that this may occur before April 1987), the campaign mounted by the ruling National Party will be in a pseudo-patriotic mode calculated to garner support from elements of the Progressive Federal Party on the left as well as the Conservative Party on the right.

In the shift to a siege mentality, Pretoria has not just turned its back on the steps which the international community has deemed the irreducible minimum (releasing Nelson Mandela, unbanning the African National Congress, and entering negotiations with legitimate black political leaders). It has also begun to slow down implementation of its own projected reform program. This slowdown appears to have been reactive rather than strategic, but it now seems likely that major reforms will remain on a back burner while the government focuses on two new priorities — solidifying

its position through the white elections and getting the various dimensions of a counter-sanctions program in place.

As recently as May 1986, observers were confidently predicting the demise of the Group Areas Act within 18 months, with the President's Council playing a leading role in hastening this process. Not only has the President's Council report on the Act been delayed, but the National Party, divided on the issue, seems to be hardening its stance in anticipation of an early election.

2. The Mediator Vacuum

Beyond strengthening the government and delaying the process of limited but incremental change, the sanctions campaign has intensified racial polarization in South Africa. Opinion polls early in 1986 indicated a growing willingness among whites to contemplate the release of Nelson Mandela and talks with the ANC. Over time, however, new threats of sanctions, combined with government accusations of ANC violence and emphasis on the role of communists in the ANC executive, have rendered whites more reactionary in their positions.

Many blacks, on the other hand, are understandably impassioned and frustrated by the slowness of reform and the obscurity of its objectives. Those in the West who encourage a mythology that sanctions can quickly usher in a radically new society respectful of human dignity and responsive to pressing basic needs will only heighten the frustrations. Understating the longer-term costs of sanctions or creating the illusion that these costs will be offset by massive Western aid hardens positions and undercuts opportunities for negotiation and compromise. The EPG's rigid timetable and the threat of additional sanctions implicit in the timetable acted in the end to rigidify the positions of both Pretoria and the ANC.

The sanctions issue has also distracted potential mediators within South Africa. Black trade unionists, faced by the specter of sanctions becoming a reality,

increasingly take the position that business has a duty to keep workers in employment. The business community's response is that it can only do this if sanctions are avoided or evaded. The considerable energy that will go into this standoff will inevitably be lost to the search for political solutions.

3. Loopholes

Whatever the degree of international backing for sanctions, there is no reason to suppose that international compliance would be much greater than in previous sanctions situations.

Predictably, the nine member states of the Southern African Development Coordination Conference were unable to reach agreement at their meeting in Luanda in late August on implementation of the Commonwealth sanctions. SADCC appears to be splitting into hard-line and pragmatic camps on the issue, mainly but not exclusively according to the degree of their economic dependence on South Africa. The "hard-line" group would include Zimbabwe and Zambia, though President Kaunda's recent statement at the Nonaligned Summit in Harare (that sanctions imposed by Zimbabwe and Zambia on their own, without similar action by South Africa's major trading partners, would be "suicide" and "meaningless") suggests that Zambia may be having second thoughts. The "pragmatic" group would include Botswana, Mozambique, Malawi, Lesotho, and Swaziland. Mauritius, though not a SADCC state, falls clearly in the latter category.

Beyond southern Africa, other loopholes are immediately apparent, and each day brings more evidence of preparations to exploit them. Neither Taiwan nor Switzerland is a member of the United Nations and neither is likely to adhere fully to sanctions. The role of Soviet bloc and various Asian countries in helping "bust" Rhodesian sanctions in the 1970s also springs to mind. And despite some recent controversy in Israel over the extent of trade, technology, and security ties with South Africa, it is highly unlikely that there will be more than token restrictions on the many individual, corporate, and parastatal arrangements now in effect between the two countries. (See John de St. Jorre, "South Africa's Non-U.S. Economic Links," in *CSIS Africa Notes* no. 43, May 24, 1985, page 4.) Efforts by the U.S. Congress to attach penalty clauses to legislation directed at U.S. aid recipients seeking to benefit from sanctions seem likely to elicit little beyond a more careful surface pretense on the part of various actors that trade bans are being observed.

4. The Economic Attrition Backlash

Some of the most ardent proponents of sanctions have come to recognize that, given the resilience of the South African economy and the determination of whites to resist sanctions, economic attrition as well as increased political violence will be inevitable if the absolutist agenda is to be met. The effects of the financial sanctions imposed by the international market in 1985

suggest that extended economic attrition would have major implications for post-apartheid South Africa.

None of the financial sanctions currently being considered by the United States or the EEC threatens anything like the damage already sustained by the South African economy from the drying up of foreign capital inflows, the export of considerable amounts of the existing South African capital stock, and the disinvestment of a number of multinational companies, mainly from the United States. Yet, as is now abundantly evident, these traumas did not lead Pretoria to accelerate its reform program.

The imposition of formal bans on new investment would simply ratify a step which the market has already taken and which the South African economy has survived, albeit at a price. From 1964 to 1974, foreign capital provided 10 percent of South Africa's investment needs; gross domestic product growth averaged nearly 5 percent per annum. In the following decade, there was no net capital inflow; in fact, South Africa had to draw on reserves to achieve a growth rate only half that of the previous decade. Since 1980, real GDP growth has averaged only 1.1 percent per annum, and capital outflows reached a peak in 1985, when over R10 billion left the country.

Given South Africa's population growth rate (2.3 percent overall, 2.8 percent for blacks), any event which makes it more difficult to obtain a high growth rate will also contribute to a burgeoning unemployment rate. In fact, it is commonly held that a 5 percent GDP growth rate is needed to keep unemployment just at present levels. Moreover, companies that disinvest and markets and jobs that are lost may not return for decades (if at all) after apartheid has gone; damage to the economy will be enduring.

Pretoria can mitigate this trend to some extent by altering its economic strategy. Encouraging urbanization, emphasizing the job-creating potential of mass housing programs, and stimulating the informal sector and small businesses are among the options. Boosted by rising platinum and gold prices, the economy is currently showing signs of a modest recovery — though with almost all fundamentals such as consumer demand and investment growing from a low base.

It is perhaps too early to attribute much of a role to import substitution, but the Rhodesian experience is instructive. Although import replacement strategies necessitated by sanctions might provide short-term alleviation, they would skew the pattern of economic development away from its optimal course. In the South African case, much of the accent of both public and private investment would fall for strategic reasons on capital-intensive projects such as the Mossel Bay gas project, rather than on desperately needed labor-intensive developments. There would also be continuing erosion of South Africa's skills base as whites emigrated in increasing numbers and a return to the dramatic decline in gross domestic fixed investment witnessed over the past five years. In the long run, these trends would result in restricted job opportunities for generations of South Africans, black and white.

5. Wing-Clipping

The ending or restriction of landing rights for South African Airways would leave South Africans more reliant on airports in neighboring countries and unable to fly directly to the United States and perhaps Western Europe. One of the aims of such a measure, articulated recently by Australia's Malcolm Fraser, co-chairman of the Commonwealth EPG, is to give the Republic's neighbors some leverage against the threat of South African counter-sanctions.

While anti-SAA measures would undoubtedly inconvenience those South Africans (mostly white) who travel overseas, wing-clipping sanctions would also encourage a sense of isolation and defiance rather than more rapid social and political change. Contingency plans already made by SAA with neighboring governments would reduce some of the cost in lost earnings and lost jobs. White South Africans would adapt.

If migrant workers from Lesotho and Mozambique are eventually repatriated, the reason will be rising unemployment in South Africa — not a counter-sanction ploy.

6. Trade Sanctions Fallout

Trade sanctions, such as ending imports of South African agricultural products, coal, iron, steel, uranium, and gold coins, would involve the greatest economic cost to Pretoria — and to black South Africans as well.

All of these commodities are vulnerable to boycotts, given existing levels of surpluses. (It is noteworthy that some of the most ardent proponents of trade sanctions, e.g., Australia, would stand to gain some of South Africa's present markets.) Except for iron ore, South Africa would be able on current estimates to hold on to at least half to two-thirds of its existing export markets if trade sanctions were imposed. A far more immediate result would be job losses.

If a total ban on the importation of South African iron, steel, coal, and iron ore into the EEC, the United States, and Japan were to be successful (highly unlikely), the Chamber of Mines of South Africa and the Steel and Engineering Industries Federation of South Africa have estimated that a direct loss of 130,000 jobs (over 100,000 of them black jobs) could be expected. Whole towns, including Richards Bay, Saldanha Bay, Witbank, Middelburg, and Newcastle, would be gravely affected. The multiplier effects through the impact on

the Electricity Supply Commission (ESCOM), South African Transport Services, and a range of other parastatal, private, and public companies could lead to a total loss of jobs conservatively estimated at about 300,000. In addition, if the dependents who rely on the salaries and wages of these workers are taken into account, those who would be seriously affected by these sanctions could number close to 2 million.

7. Increased Internecine Strife?

Since even mandatory UN sanctions are likely to be permeable, and the early phase of import substitution would stimulate the economy to some degree, some workers in the industries hit by sanctions would find new jobs elsewhere. But there would be significant regional imbalances within the country and these would contribute to existing tensions, heightening differences between the extremes in a polarized society and institutionalizing further bitterness.

Some of this anger would be directed at employers and the authorities, but increased internecine strife among labor and community leaders could also be expected. The net effect would be to perpetuate political, economic, and social fragmentation and to contribute to increased dissonance in industrial and community relations. Some of this is observable already, even within individual trade unions, as the prospect of job losses looms.

8. The Gold Capers

A multilateral attempt to drive down the price of gold, though given the imprimatur of *The Economist* (and, for a time, the U.S. Senate Foreign Relations Committee), is a nonstarter. There are far too many vested interests in the bullion trade, not the least of which are the expanding but highly price-vulnerable gold mining sectors of Australia, Canada, and the United States. Nor would the Soviet Union, in its current foreign-exchange-starved state, contemplate playing this card.

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