

## **Invest, don't sanction**

by the sanctions lobby, since 49 percent favored "conditional disinvestment." But by definition these respondents also supported conditional investment. They agreed with the following statement: "Foreign firms should not be allowed to invest here unless they actively pressure the government to end apartheid and recognize the trade unions chosen by workers." Thus Orkin's results were virtually identical to Schlemmer's, since a full 75 percent supported conditional or unconditional investment. Only 24 percent supported disinvestment, despite the questionnaire's linking this position to black radical organizations like "the ANC, the Pan-Africanist Congress, Azapo, ... and the UDF" as well as "some trade unions."

### **After disinvestment**

Since disinvestment accelerated in 1985-86, the Johannesburg stock exchange has boomed. Canadian, US and European multinationals have sold their South African assets to local investors at bargain-basement prices. In most cases, technology and spare parts are still supplied from former parent firms, and typically brand names (e.g., GM) are retained as well. GM has divested its financial interest, but its South African plants, now South African-owned, still produce Opals. Several months after the much-publicized pull-out of Barclay's bank, and its sale to Anglo-American for a nominal 500,000 rands, branches retained the familiar logo (with small and obscure new "National Bank" stickers here and there), and people still bought booze with Barclay cards. In fact among all disinvested firms, only Kodak, Polaroid and Barclays are no longer marketing their products in South Africa. Little wonder that the typical South African consumer, of any race, is vaguely aware if at all that foreign firms have divested.

What will hurt in the long run is the reduced inflow of direct and portfolio investment. The net capital flow from South Africa is outward, especially since the dramatic decision by major US and European banks in August 1985 to call their short-term credit lines, a decision which caused the rand to plummet within weeks from fifty to thirty-five cents. But the capital outflow, plus current account debt service payment, is more than matched by a huge trade surplus, encouraged by the low rand.

Yet the negative effects of disinvestment and sanctions thus far have been negligible. This is particularly so for whites. The most dramatic effect on whites has been that some have got paper rich. Over the long haul, reduced capital inflows will slow real growth. The most dramatic effect of this will be on blacks, whose rate of absorption into the market economy will be slowed down.

### **Failure of sanctions**

In sum, sanctions have done absolutely nothing to accelerate the reform process. Indeed, what reform there has been was set in motion before sanctions were even mooted. Since then, the reform process has slowed down. This has been partly in "emergency" response to the violence, but partly also because divestment and cultural and political boycott have removed much-valued Western moral and financial support from the (very significant) indigenous white reform movement, weakening the political middle. On the right, the Afrikaner government has been goaded into an ugly and reactionary mood, and on the left, young black radicals are angrier than ever.

Among white South Africans, there is a widespread feeling that with sanctions the West has played its cards and can now

safely be ignored. Before sanctions, the US enjoyed far more credibility with the liberal business community than it does now.

### **What Canadians should do**

Canadians concerned about racism and injustice in South Africa, or about peace and prosperity in the southern subcontinent, or about keeping the West's staunchest African ally, should do the following. They should invest rather than sanction. And they should seek every opportunity for personal contact with South Africans, rather than indulging in the cowardice of boycott. They should visit South Africa and discover whether real ostriches also bury their heads in the sand. Shareholders willing to suffer losses from divestment should instead invest their potential losses in black or liberal white South African enterprise.

Blacks can now own property and businesses, in white urban areas as well as black, and a black entrepreneurial class has existed for over a century. The black businessmen's chamber of commerce in Johannesburg now has over 15,000 members. It might serve as a clearing house for such investment. White big business in South Africa has vociferously opposed apartheid all along. Many firms would welcome joint ventures with Canadian business.

Concerned Canadians of charitable bent also have many options. They could choose an existing black organization or white charity; or, they could manage their own. Education would be an excellent place to start. Black pre-university education is wide open to private funding and initiative, and there are no laws restricting racial integration outside the government system. Black universities could benefit enormously from a Canadian connection, perhaps one that would exchange students and faculty as well as send funds. On white campuses, black-oriented programs are a growth industry: for example the business school at the University of Cape Town now has a research and education center for black management.

One well established white charity is the Urban Foundation, largely inspired and funded by Harry Oppenheimer of Anglo-American, which works to mobilize mortgages for black housing, and, more recently, aid for black education. It was the Urban Foundation, not sanctions or outside pressure, which in 1984, after a year of research and another year of well-placed lobbying, succeeded in getting influx control and the pass laws scrapped. For the more radically inclined, there is United Democratic Front, which despite government discomfort is still legal, and open to all races. Or there is the Black Sash, originally formed by white women to provide legal aid for blacks arrested under the pass laws. And there is no limit to the variety of charities that Canadians could organize on their own.

Most important of all, concerned Canadians in a position to do so should visit South Africa, whether as tourists, business people, politicians, religious people, academics, sports people, artists or entertainers, and they should encourage their South African counterparts to visit Canada. When Canadians take employment in South Africa, they should use what leverage they have to insist on completely color-blind conditions.

North Americans have never been happy punishing other countries. Two years after Germany's defeat, US Secretary of State Marshall proposed massive aid to put her back on her feet again. If North Americans are wise, it will not be necessary to destroy South Africa before it can be rebuilt with racial justice. If North Americans are wise they will once again set an example for the free world and help South African reform peacefully. □