ownership, but not control. Large profits have also been made by the white South Africans able to purchase company assets at firesale prices. The trade union movement has struggled to come to grips with the poorly understood impact of disinvestment. In isolated cases — such as the buy-out of General Motors — the new South African management sacked shop stewards and took on an aggressive anti-union posture. In general, however, there have been only a limited number of job losses caused by company withdrawals.

Despite the maintenance of non-equity links, the distancing of international business is dangerous for an economy which has been nurtured on foreign expertise, technology and finance. Anglo-American Chairman, Gavin Relly, stated that "a country which falls radically behind in modern technology, in human thinking and ingenuity is simply going to become a slum." For the majority of blacks who are locked out of the economy this statement is redundant; but it indicates that, while some South Africans — including the Government — have publicly dismissed the importance of disinvestment, the critical importance of intimate ties to international capital is not lost on South Africa's business elite.

BANKERS AND *APARTHEID*: THE FLIGHT OF CAPITAL

In 1985, seven US states and twenty-five cities directed their business away from banks lending to South Africa. The decision by New York City to join them is widely credited with prompting Chase Manhattan Bank to refuse to roll over a loan. A subsequent seizure of South African assets by two US clearing banks set the scene for the banking crisis of 1985.

On 1 September 1985, a total of sixty percent, or $13.6 billion of South Africa's external debt — money owed to banks, not foreign governments — was frozen because South Africa could not meet its debt repayments. After six months of intense negotiations an agreement, the Leutweiler Accord, was reached to reschedule this debt. In a matter of months, South Africa's credit rating plummeted, placing a question mark over its long-term access to the foreign capital on which the economy depends.

In a recent analysis of South Africa's place in the world financial system, the Commonwealth stated that "South Africa is not stretched to its limits, but its room for manoeuvre is very small." The ratio of external debt to gross domestic product (GDP) rose from 20.3 percent in 1980 to 45.7 percent in 1984, and this was worsened by a massive flight of capital — R25 billion over four years to 1988 according to the governor of the Bank of South Africa.

Since 1985, those banks which were owed money have demonstrated twice that their first commitment is to their balance sheets. Further rescheduling was agreed to in 1987, and again, in more dramatic circumstances, in October 1989. As the Commonwealth Heads of Government assembled in Malaysia to consider calls for further financial sanctions, South Africa announced that it had agreed with its creditor banks to reschedule its outstanding private debt to the end of 1993. Under the terms of the accord, only one-fifth of the affected $8 billion debt will be repaid by 1993. This agreement helps South Africa over the "hump" of 1990-92 when repayments of approximately $6.5 billion official loans fall due. The third rescheduling, despite its tough terms, dealt a blow to efforts to make financial sanctions the spearhead of international pressure during 1990.

At the end of 1988, foreign exchange reserves fell to their lowest level ever, and although the country's debt ratio is healthier than those of many developing countries, the financial squeeze is severe. The dilemma is acute, since to pay its foreign debts South Africa must cut imports — which reduces investment, future production and growth. Speaking in October 1989, the governor of the Reserve Bank said "the country is currently obliged to finance its economic development entirely from its own resources." As a result, most observers agree that South Africans will face falling real incomes for the foreseeable future.

This situation makes the country highly vulnerable to sanctions which reduce foreign trade, and lower export earnings.

TRADE SANCTIONS

South Africa has a very open economy, with trade making up over half of its GDP — almost twice the ratio of most countries in the Organization for Economic Cooperation and Development (OECD). Major imports are machinery, capital goods and chemicals, while exports are dominated by gold and other metal and mineral products.

Until 1985-86 there were few sanctions applied to trade with South Africa, beyond oil and arms. During this two-year period a range of measures was directed against the export of iron, steel, agricultural goods and gold coins.

The actions of individual states have varied significantly. Denmark and Sweden introduced virtually comprehensive trade and investment bans. The most important anti-sanctioner, the UK, resisted most of the measures which Commonwealth leaders agreed to in 1986 and 1988, such as ending tourist promotion, restricting investments, reducing agricultural and coal imports. However, the UK went along with EC measures which included a ban on iron and steel imports.

In political and economic terms, the most important sanctions have been those of the US. In 1986, the US Congress, after overriding a presidential veto, passed the Comprehensive Anti-Apartheid Act (CAAA). The Act barred a significant proportion of South African exports including coal, iron and steel, fruit and vegetables, and textiles. It also ended direct air links, halted new loans, and restricted the sale of certain strategic goods, such as computers. In its first year, US imports from South Africa fell forty percent, and combined trade dropped from R5,368 million to R3,844 million.

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