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ECONOMIC SANCTIONS AND SOUTH AFRICA

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INTRODUCTION*

The term sanctions[1] is increasingly part of the lexicon of twentieth century life. Although the idea of intervention in the normal affairs of the market is often resisted on principle, the attempt to regulate economic relations according to moral or political criteria is neither new, nor likely to go away.

This paper looks at the history of the most celebrated case of economic sanctions, South Africa, and examines the principal debates on this issue during the eighties. It also assesses the likely role of sanctions in the context of negotiations between the Government and the African National Congress (ANC) to create a non-racial and democratic South Africa.

Events in the Persian Gulf have underlined the importance which sanctions are likely to play in the construction of a new global order to succeed the Cold War. In this context, South Africa provides a unique example since the question of sanctions came to define the basic framework of international policy towards the country during the past decade.

Not only national governments and the United Nations, but also local governments, individual citizens, private companies and non-governmental organizations have applied sanctions of various kinds — trade, diplomatic, cultural and sporting — against South Africa. Furthermore, this pressure has been developed and sustained over a very long period — almost forty years. In international debate about South Africa, the application of sanctions has become the model against which those countries opposed to sanctions must make their case for alternative policies.

*This paper and revisions to it were completed by the author on August 10, and no attempt has been made to reflect developments after that date.

SANCTIONS AND SOUTH AFRICA: 1945-1988

From its independence, India barred trade with South Africa, setting a standard which most developing nations have followed. The first global pressure for sanctions began in the early 1960s following the Sharpeville Massacre, and intensified throughout the decade, with developing countries leading calls in the United Nations for mandatory and comprehensive economic sanctions. In 1973, the Organization of Petroleum Exporting Countries (OPEC) agreed to ban oil sales to South Africa, a measure which the European Community (EC), the US, and the Commonwealth all supported more than a decade later.

The most striking success for sanctions came with the adoption in 1977 of a Security Council resolution placing an embargo on arms sales to South Africa. Although it is binding on all member states, the embargo has not succeeded in stopping illegal arms sales to South Africa. In addition, an undesired side effect has been the expansion of the South African arms industry. However, the embargo has prevented the South African armed forces from obtaining many advanced, high-priced weapons such as attack aircraft.

During the past five years, the focus of external action has shifted from oil and arms to finance, investment and trade. The range of targets in national government sanctions has included computers, nuclear technology, trade promotion, and some export credits. South African exports — agricultural goods, coal, iron, steel and minerals — have all been subject to bans by a number of Western nations. Further bans on investment and loans have been introduced.

Parallel to these official actions, hundreds of foreign companies withdrew from South Africa, and a banking crisis in 1985 brought new international lending to a halt. The cumulative effect of these actions intensified an atmosphere of political crisis, and put in question the long-term ability of an *apartheid* economy to function normally within the world economy.

SOUTH AFRICA AND THE WORLD ECONOMY

South Africa has traditionally been viewed as a strong industrialized economy with enormous reserves of valuable natural resources, most especially gold. This picture has been consciously promoted by the South African Government among the industrial democracies with which white South Africans identify. However, despite its strong industrial sector, South Africa's economy is structured more like that of a developing, than a developed, country. It produces only five percent of the capital goods which its domestic industry needs — the machinery, motors, computers, electrical equipment, chemicals and transport. Critical technology comes from the industrialized countries, and must be paid for by exports of raw materials, or through loans and capital raised on international markets.

During the sixties and early seventies, the strong price of gold — which today still accounts for forty percent of export earnings — and South Africa's good credit rating, maintained a strong inflow of foreign capital, and generated high growth levels. However, following the Soweto Uprising in 1976, international financiers began to have doubts about the political stability of South Africa. The flow of capital continued, but investors preferred to make loans rather than buy shares, and lenders switched from long-term to short-term loans. Business confidence faltered, recovered, but was then shattered by the political turmoil which began in 1984.

The level of protest was such that the Government lost control of large areas of the country, control which was regained only through the establishment of a State of Emergency in June 1985; this measure was renewed a year later. Over thirty thousand people were detained, almost half of these children. Very few were charged or brought to trial, and all major anti-*apartheid* organizations were restricted or banned.

The economic and political consequences of these events reshaped international policy towards South Africa. The US, the EC, and the Commonwealth applied trade and investment curbs against South Africa, although these fell far short of the full-scale sanctions called for by the majority in the UN General Assembly. More seriously for the long-term viability of the economy, the international business community withdrew finance and investment on an unprecedented scale.

Today, the economy is in serious trouble: inflation is rising steadily, unemployment among blacks is more than one in three and the Rand is chronically weak. Real per capita growth in the economy fell from an average of 5.8% in the 1960s, to 3.3% in the 1970s and then to 1.8% in the 1980s. Declining per capita incomes are predicted for the next five years. These statistics do not convey the desolation and grinding poverty of the homelands, and the overcrowded townships that are home to South Africa's expanding urban black population. Increasingly, the constraints on the economy have begun to affect poorer whites. Economic stagnation now seems to be intrinsic to the *apartheid* system.

THE DECADE OF DISINVESTMENT

The role of foreign companies based in South Africa has long been controversial. Low wages and the repression of trade unions have provided decades of high profits. In the 1970s, pressure on international companies produced various codes of conduct to measure corporate performance in the areas of wages, labour relations and impact on the wider community. These voluntary codes, which were developed in the US, Europe and Canada, were intended to press foreign companies to take a lead in promoting black advancement. A good performance in this area would, it is argued, provide a rationale for the companies' continued presence in South Africa.

Despite these attempts to improve conditions for black workers, there has been strong pressure from the anti-*apartheid* movement — particularly in the United States and Britain — for foreign companies to withdraw from South Africa. This pressure, combined with dramatic events seen daily on television screens around the world, along with the poor economic outlook, caused a trickle of withdrawals to become a flood. About 180 American companies withdrew in the five years leading up to 1987. One hundred or more European companies withdrew in the same period. A total of 410 companies had disinvested by the end of 1987, although many of these were small businesses. The psychological impact of these withdrawals has been strong — reinforced by the public abandonment of the US code for the promotion of black South Africans by its architect, Reverend Leon Sullivan. The economic consequences have been more muted, due to the way in which disinvestment has been carried out.

With few exceptions, disinvestment has represented a strategic reorganization of the enterprise, rather than a complete withdrawal of the company. Over eighty percent of the plants were transferred to South African companies or managers. In most cases, the disinvesting company has established licensing, distribution and franchise agreements, and other arrangements which may include future buy-back options. Through these arm's length relationships — referred to as non-equity links — companies have protected their market positions, but avoided the pressures and obligations which direct presence brought.

Many South Africans, including those who advocate sanctions, have been severely critical of disinvestment. The General Secretary of the Chemical Workers Industrial Union has described many pull-outs as "corporate camouflage" in which the disinvestors lose 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.

Accurate data on South African trade is increasingly difficult to obtain, since trade statistics are no longer made available. A Commonwealth study of nine countries which have applied trade sanctions shows that these nine had cut their trade with South Africa by a third, and cost South Africa seven percent of its foreign exchange earnings in 1987. At the same time, South Africa had restructured its foreign trade by increasing exports to countries such as Taiwan, Switzerland, Argentina, Brazil and Turkey.

Another study, by the *Economist Intelligence Unit*, states that approximately sixty percent of total exports are not particularly vulnerable to embargoes — gold, diamonds, platinum, chromite, wool, and pulp and paper. What is vulnerable are the bulk export commodities such as coal, iron and steel, and agricultural products. Further pressure on these products — which make up about one-third of South African exports — would seriously undermine South Africa's capacity to repay debt, finance domestic investment, and pay for essential imports.

To date, bans on sales to South Africa have been restricted to oil, arms and nuclear exports. In addition, some countries have barred computer exports. Restrictions on South Africa's necessary imports would pose an immediate threat to the operation of its economy. Such restrictions on crucial goods have so far been few. When the US pulled back as a key supplier, West German and Japanese exports surged — to the embarrassment of these countries and the clear annoyance of the US. The US president has the power to penalize countries which exploit the US import ban, but this power has not been exercised.

Thus, these are the three pressure points of the South African economy: trade, foreign investment, and international credit. It has become fashionable to present disinvestment and the withdrawal of loans as purely hard-headed, economic decisions on the part of business leaders. This view simplifies a complex phenomenon. At the root of many private sector decisions has been the recognition that the public disapproves of doing business with South Africa. Governments, too, have responded to this form of domestic political pressure.

Sanctions have become one of the key factors affecting South Africa's economic prospects over the next ten years. The debate about sanctions has become prolix, bitter, and inextricably linked to the survival of *apartheid* itself.

THE CASE AGAINST SANCTIONS

The case against sanctions has shifted substantially over the past thirty years. In the 1960s, opposition to sanctions was based on strategic factors, such as South Africa's importance as a naval base in the South Atlantic, its abundance of gold, or its wealth of minerals essential to Western industries, especially defence. By the 1980s, these arguments had weakened, especially because of changes in superpower relations. The old arguments were still being put forward in the case of strategic minerals, but, in general, public arguments against sanctions began to emphasize the impact that sanctions would have on the people of South Africa, especially blacks.

Today, the most important arguments against sanctions run something like this: economic growth, supported by the international community, will eventually erode *apartheid*. Sanctions will only deepen economic crisis and entrench attitudes, making change less likely. This line of reasoning underpins the opposition to sanctions coming from the white liberal opposition in South Africa, large parts of the business community, black leaders such as Gatsha Buthelezi, and the governing Nationalist Party. It is presented in two variants: positively, that growth will generate black political empowerment; and negatively, that sanctions hurt blacks most and harden white resistance to change.

CHANGE THROUGH GROWTH?

Economic growth, it is argued, strengthens black consumer and labour power, and the political leverage of the black community. In the words of the director of the South Africa Foundation: "apartheid is being destroyed by the very antithesis of sanctions and disinvestment, namely increasing black economic empowerment." Major South African companies have developed economic models to demonstrate this argument, and the impact of sanctions on growth. Dr. Ronald Bethlehem, of the mining group, Johannesburg Consolidated Investments (JCI), says that economic sanctions will lower black incomes to under twenty-five percent of the GNP by the year 2000, down from its current twenty-eight percent. Without sanctions, this figure could be expected to rise to thirty-five percent, with the creation of an additional two million jobs.

Proponents of change through growth point to the role of black economic empowerment and the potential of black advancement. Increasing numbers of blacks are obtaining tertiary education, and there has been a growth in black-owned business during the 1980s. The removal of some petty *apartheid* laws adds weight to this argument. Black workers and consumers are now allowed into some urban areas due to economic changes.

Nevertheless, black participation in the economy remains marginal. Black businesses are principally conduits of goods and services to the black community, concentrated in retailing. They remain a very small percentage of the total economy — about one percent. Increasingly, even in successful sectors of black business — such as taxis — ownership and control rests with white investors, since access to capital for blacks is restricted. The management of the economy remains firmly in white hands, and black professional organizations have become disillusioned with "black advancement" programmes operated by large companies.

The growth argument is plausible because the political influence blacks seek will come partly through greater economic leverage. However, this type of analysis does not come to grips with the current position of blacks in South Africa. Even under Bethlehem's most optimistic scenario, without sanctions, black unemployment would still be forty-four percent, or 7.8 million, at the turn of the century — a long wait for such meager results. Moreover, *apartheid* became entrenched during the boom years of the sixties, not during recession. It is not clear why growth *per se* would generate reform, as opposed to an increasing share of the pie for blacks.

The principal difficulty, however, is simply the logic of the market itself: as the behaviour of the banks and companies has shown, without guarantees of stability, international capital will never resume the kind of capital flows needed for renewed growth. As a result, black income can be expected to stagnate with or without sanctions. Growth is not the key to reform; reform is a condition of any economic development for South Africa. This fact, always true for blacks, now applies to the white community, too.

SANCTIONS, POVERTY AND REACTION

The British Government has become the standard-bearer for the camp which says that sanctions obstruct change by causing black poverty, and political reaction among whites. In presenting "Britain's view," as distinct from the other forty-eight Commonwealth countries, Mrs. Thatcher stated that sanctions "bear hardest on the poorest and weakest members of South Africa's black population" and that "there seems to be a clear correlation between the imposition of additional sanctions by the US Congress and Commonwealth and the strength of extreme right-wing parties utterly opposed to change."[2]

Opinion Polls and Black Opinion

In June 1989, the Chamber of Mines released an opinion poll which claimed that over four in five black South Africans opposed sanctions and disinvestment. Another study from 1987 contradicts this, stating that two-thirds of blacks give conditional support to sanctions, favouring them if there were no direct job losses to blacks.

Opinion polls may be questionable at the best of times. In South Africa, without freedom of expression, the result depends largely on who asks which questions, and why. The polls do confirm what is already known: that there is no monolithic position on sanctions in the black community. This said, the most important black organizations, such as the trade unions, the churches and the African National Congress (ANC), plus their leaders — Naidoo, Tutu, Mandela — are overwhelmingly in favour of sanctions.

The vulnerability of neighbouring states to the spill-over effects of sanctions was another important element in the debate in the mid-1980s. Sanctions were said to be undesirable because they would strangle the economies of the region. In practice, although South Africa can cause extreme difficulties for most of its neighbours, it also depends on them as export markets for manufactured goods, and as a source of foreign exchange from transport services. Given South Africa's critical external debt, there are powerful reasons why passing on the costs of sanctions to the rest of the region would be self-defeating from a South African standpoint. It is South Africa's programme of regional destabilization, not sanctions, which has cost the states of the Southern African Development Coordination Conference (SADCC) billions of dollars. Although SADCC countries are exempted from applying sanctions themselves, getting rid of *apartheid* is a necessity for their development, and external pressure to this end has been consistently supported.

White Reaction

The second general argument, in Britain's view, points to the negative impact of sanctions on white opinion. One critic of sanctions has argued that there must be a correlation between the threat and the demand attached to it. In 1974, for example, a large coal shipment was barred from the US because parts of the South African Labour Code were deemed to turn miners into "indentured labourers." The relevant section of the Code was repealed because of that pressure; the cost and the return were judged commensurate. By contrast, demands for comprehensive political change in South Africa are seen to be unmeetable, thus creating a white backlash against any change.

Short-term reaction to pressure has indeed manifested itself in "rallying 'round the flag," and the growth of the extreme right, which almost doubled its seats in the 1989 election. General economic problems — sanctions among them — have caused the living standards of white workers and white poor to decline. This economic downturn has fuelled the backlash. In a report to Congress in October 1989, the US Administration acknowledged this relationship, but differed sharply from the British view. The report emphasized that "sanctions have played a role in stimulating new thinking within the white power structure. It is now increasingly clear . . . that the well-being of the white minority cannot be sustained without a negotiated political solution." The results of the 1989 election, in which seventy percent of whites voted for either the Democratic Party or the governing Nationalists, both of which stood on a platform of 'change', make the British Government's argument seem at least erroneous, and perhaps disingenuous.

SELECTIVE OR COMPREHENSIVE SANCTIONS?

Among those South Africans in favour of sanctions, opinion is not uniform. Given the entrenched opposition of the major trading partners such as the UK and West Germany, comprehensive and mandatory sanctions are seen to be unlikely. Thus, a debate has arisen over the advisability of targeted, or selective sanctions as first steps.

This debate was stimulated by the disinvestment experience. The Rev. Allan Boesak expressed his fears when he said that he hoped for "quick and effective sanctions ... not a long, drawn-out disinvestment that goes on over five, six or seven years and in the end leaves us with an economy that is a wasteland."[3]

It has also been argued that black trade unions, which represent the strongest part of the opposition in the post-Emergency phase, may be weakened by disinvestment. Some pro-sanctions academics have taken the argument further, stating that emphasis should be on financial, rather than trade sanctions, since these will cause less damage to trade unions. Factories, for example, could be closed down overnight if their markets were to disappear. The response of unions has been to sustain support for sanctions, including disinvestment, but to qualify this by demanding safeguards for workers in such situations.

Partial sanctions have been opposed by many in the democratic movement. They insist that deviating from the call for comprehensive sanctions undermines the case for external pressure, and provides loopholes which can be exploited by the South African Government. Total isolation is a clarion call, easy to understand and providing a straightforward goal.

This debate is echoed in discussion of the cultural, academic and sports boycotts, which have grown in strength over the past two decades. Critics of a total boycott have argued, with some success, that the outside world should maintain contact with organizations inside South Africa which oppose *apartheid*, and which are working actively to create what the ANC President, Oliver Tambo, called "a new South Africa." Artists, academics, and lawyers who oppose *apartheid* should be recognized and assisted in their efforts to bring about change. Sanctions should avoid damaging the very institutions which are part of the broadening opposition to the *apartheid* system.

The majority of South Africans who favour sanctions recognize the need to identify priority targets. Sanctions are not an end in themselves. Nor are they a moral crusade. They are a tool to assist the cause of peaceful change. As such, timing and strategy are fundamental if sanctions are to exert maximum pressure on the Government, and strengthen the opposition. At the same time, mandatory and comprehensive sanctions remain the formal public goal which unites the pro-sanctions movement in the country.

A BALANCE SHEET

By the end of the eighties, few disagreed that some sanctions were necessary. Embargoes on arms and on sophisticated computer equipment to the security forces have garnered widespread support. Equally, the majority of commentators agree that sanctions have had an impact on the position of the South African Government. In the words of the Commonwealth study, "partial sanctions have been a partial success."

One success is the process towards independence in Namibia, and the general abating of South Africa's devastation of the neighbouring states. Sanctions assisted in two ways. First, the arms embargo equalized the military balance between South African and Angolan/Cuban forces in 1988, and thus raised the human cost to South Africa of remaining in Angola. Second, by squeezing the South African economy, sanctions forced the Government to reappraise its occupation of Namibia and its war in Angola, which were costing between $1 and $2 billion per year.

Between 1987 and 1989, the State of Emergency curtailed black protests and censorship laws blocked media coverage in the West. This helped limit the pressure for new sanctions. At the same time the argument for sanctions strengthened, particularly among Commonwealth Governments (Britain excepted) and in the US. The main foundation of the sanctions movement — the grassroots and civic action — became stronger than ever, able to maintain pressure on both private and governmental sectors. Broadly-based sanctions targeted against two-way trade with South Africa were firmly established, even in some countries whose leaders were opposed to this.

At the beginning of 1989, as the Mass Democratic Movement (MDM) regained initiative, the prospects for escalating sanctions pressure was strong. The rescheduling of South Africa's private debt in October 1989 restored trade sanctions to a pre-eminent position among options for action. In a report to the Commonwealth Heads of Government, experts developed a comprehensive plan for "ratcheting" up pressure through a steady reduction in trade. Not surprisingly, the most obvious target for further actions are the so-called bulk exports in agricultural products and non-strategic minerals such as coal, iron ore and base metals. In general, these commodities are in abundant supply, and there are readily available alternative sources. According to the estimates presented in the report, up to one-third of all South African exports are vulnerable.

Without Britain, of course, the economic impact of Commonwealth action would be small, but the Commonwealth report reflects the increasing sophistication of the sanctions movement worldwide. In addressing exports to South Africa, for example, it suggests two measures — barring the export of computer equipment and cars — which could be implemented even by those countries professing concern about the welfare of blacks. In both cases, black jobs would be created or at least preserved. The report also highlights the way in which trade credits cushion South Africa's balance of payments problem, and suggests that these be phased out over five years — a financial sanction that would hurt South Africa and dampen its trade.

AFTER THE 1989 ELECTION

The year following the election has seen a dramatic political transformation in South Africa — and the first real hope in decades that the country could be on the road to dismantling *apartheid*. In October 1989, the ANC held its first public rally in South Africa in three decades, and in February 1990, the new Government committed itself to an approach fundamentally different from that of de Klerk's adamantine predecessor, P.W. Botha. The Government unbanned the ANC, the PAC and other political organizations and weeks later released the leader of the African National Congress, Nelson Mandela.

In a landmark speech to Parliament, de Klerk implicitly acknowledged that international pressure plays a critical role in strategic thinking within the Nationalist Party. "Without contact and cooperation with the rest of the world," he stated, "we cannot promote the well-being and security of our citizens." Without divulging particulars, he stated the intention of the Government to commence negotiations for a new constitution acceptable to the majority. In June, the Government lifted the State of Emergency in all areas except Natal, and in August 1990 the way was cleared for full-scale negotiations with agreement on the release of political prisoners, and an ANC announcement that it would suspend the armed struggle.

Despite considerable optimism, the good faith of the Government is still not proven in the eyes of the black community. There remain deep suspicions because of the failed "reformist" rhetoric of previous governments, and a concern that the proposed changes are intended to favour black political participation, but only on terms which do not threaten white control. It is feared that the Government will seek to repeal discriminatory legislation, but entrench economic and social inequalities through special protection of white rights. The living standards of professional and skilled blacks in urban areas would improve, but the conditions of the urban and rural masses be left unchanged.

NEGOTIATIONS AND SANCTIONS

Faced with the radical change in the political environment within South Africa, and the expectation of full-scale negotiations between the ANC and Government commencing later this year, the sanctions debate has been transformed. Sanctions have played an indispensable role in bringing Pretoria to the negotiation table, but do they have a continuing relevance to change in South Africa?

The formula for the lifting of sanctions which has broadest support internationally is that devised by Commonwealth leaders — Britain excepted — to maintain sanctions until it is clear that progress to dismantle *apartheid* is "irreversible". The strength of this definition is the flexibility it permits in deciding the moment at which the rolling back of pressure should commence. In practice, it leaves the initiative with the ANC which commands the support of the majority of black South Africans, and particularly with Mandela, who still has the greatest moral authority to "certify" this point of no return. Nevertheless, there is still debate within the ANC on timing; some have stated that sanctions should only be lifted on the formal adoption of a new constitution, others the convening a constituent assembly which would agree a new constitution.

In addressing this issue the ANC will need to balance three crucially interrelated problems.

Firstly, timing will partly condition the prospects of a free South Africa. A new government will have to address the accumulated problems of decades of deprivation and exploitation and an economy in crisis. Prolonging the economic costs of sanctions longer than necessary will further constrain economic and social reconstruction. A turnaround in business confidence will not be rapid. The *Financial Times of London* confirmed after Mandela's release that international business was looking for more changes before being convinced that South Africa was a stable market for new investment.

Secondly, there is already pressure in the West to signal a change in policy towards South Africa. The South African Government has pointed to the fact that it has already met conditions set in the Commonwealth Nassua declaration in 1987, and the CAA Act in the US, without any remission in pressure. For some time, the British Government had been seeking to make the release of Mandela the litmus test of change, and the key condition for the lifting of sanctions. Thus in February, following Mandela's release, Britain unilaterally lifted two EC "voluntary" bans on new investment and scientific contacts. Several other European countries, including Portugal and France, were reported to be contemplating similar responses. Most Western countries, and several African and former East Bloc countries, have effectively resumed high level political and diplomatic contacts with the South African Government.

In his triumphant tour to Western Europe and North America in June, Mr. Mandela succeeded in stopping any rapid decompression of sanctions. He pointed out that while the actions of the new South African Government have been impressive, the object of sanctions is the abolition of *apartheid*, not the establishment of political dialogue, and that *apartheid* remains in place.

Nevertheless, the formal ANC position that all sanctions should be maintained will come under increasing pressure as negotiations proceed. The prospect is that if this line is held unconditionally, there could be a disorderly scramble to remove sanctions over which the ANC has little control.

Thirdly, the ANC will have to decide how to use sanctions as a bargaining tool. Its international influence outweighs that of Pretoria. The promise of the lifting of sanctions — or the possibility of intensification — remains a significant bargaining counter.

The relevance of sanctions as a constructive force for change diminishes at the extremes of progress or regression. Thus, should talks go well and quickly, the parties can be expected to include the removal of sanctions within their own timetable. On the other hand, should de Klerk fail — for example through a coup — the country would face social collapse similar to that which has befallen Lebanon, and the kind of bloodbath of which the Commonwealth Eminent Persons Group warned.

The most likely scenario lies in the middle ground: tough negotiations, haltering progress and some substantial dissent within both black and white communities. In these circumstances, sanctions could be a useful carrot and stick, especially if the "big bang" theory of the complete removal of sanctions in one go was replaced. It would be possible to envisage staged removal of sanctions, and distinguish between "softer" sanctions — such as political contact, or cultural boycott — and the most powerful ones such as the sports boycott, or the bottom line issues of trade and investment.

After his European tour, Mandela indicated that sanctions could be on the bargaining table, although whether as a whole or in parts was not stated: "It is quite possible that an arrangement may be made between the Government and the ANC in which it will be possible to examine the review of sanctions even before a new constitution operates." Major concessions on sanctions cannot be expected until progress on the basis of a new constitution is assured, given the scepticism about government bona fides which is still strongly felt at grassroots level. Whatever the final outcome, sanctions will retain their place in the South African equation until the moment in which South Africa achieves freedom, and takes up a full place in the community of nations.

NOTES

1 A sanction is a measure used to deter a country from breaching a treaty, or other international obligation, to punish it for an action taken, or to encourage it to modify its behaviour. It can be applied by an individual country, group of countries or the international community as a whole. It carries a moral connotation, implying that the target is a wrongdoer, and in this sense, the use of sanctions implies a judgement about acceptable behaviour. Sanctions can touch any activity — including sport and culture — but normally affect the imports and exports of the targeted country, especially access to money, expertise, armaments and advanced technology.

2 "Southern Africa: The Way Ahead: Britain's View," 23 October 1989, document issued at the Commonwealth Heads of Government Meeting, Malaysia.

3 *Ibid.*

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