

**Comprehensive Economic Sanctions Against Apartheid:
Decisive Action for Freedom and Justice by the
Rev. Audrey Chapman**

World Issues Secretary for the Board of World Ministries of the United Church of Christ, Rev. Chapman chairs the Human Rights Committee of the National Council of Churches of Christ in the U.S.A. and ICCR's Southern Africa Issue Group. Following are excerpts from her April 1988 testimony before the House of Representatives Africa Subcommittee.

There are few issues on which the religious community is so united as opposition to apartheid and support for comprehensive economic sanctions against South Africa. The escalating crisis in South Africa requires strong and immediate action.

South Africans Call for Sanctions

Even though their action could be prosecuted as economic sabotage and subversion under South African law, in June 1985, the National Conference of the South African Council of Churches advocated disinvestment and economic sanctions. Representing 14 million South African Christians, on the eve of the declaration of the first state of emergency in South Africa, the SACC resolved

to ask our partner churches in other countries to continue with their efforts to identify and promote effective economic pressures to influence the situation in South Africa, towards achieving justice and peace in this country and minimizing the violence of the conflict.

In May 1986 the Southern African Catholic Bishops Conference called for economic pressure on the South African government by the international community:

We believe that economic pressure has

been justifiably imposed to end apartheid. Moreover, we believe that such pressure should continue, and if necessary, be intensified should the developments just referred to show little hope of fundamental change.

In October 1987, SACC General Secretary Rev. Frank Chikane advocated sanctions that

include economic, military, diplomatic, cultural and any other action that seeks to exclude South Africa from the community of nations and is designed to increase the cost of maintaining apartheid.

The South African Council of Churches joins the majority of the people of South Africa in calling for immediate comprehensive and mandatory sanctions that are aimed at sapping the energy of the apartheid state.

The international community has endorsed and supported the call for comprehensive sanctions against South Africa. In 1985 church leaders from Western Europe, North America, Australia and other areas met in Harare, Zimbabwe and collectively committed themselves to supporting the international sanctions campaign as one of the few remaining peaceful means to bring about change.

The Current Crisis

Since 1985 the daily assault on black men, women and children in South Africa has risen to a deafening crescendo. In the past 18 months, 150 church workers have been detained. Some church leaders have faced defamation and torture for their opposition to apartheid. During the most recent crackdown, eighteen antiapartheid organizations were banned. Many senior church leaders were arrested and briefly held, their newly formed Committee for the Defense of Democracy effectively ban-

ned and the Vice President of the South African Council of Churches restricted and placed under house arrest.

This situation has led Nobel Prize laureate, head of the Anglican Church of South Africa Archbishop Desmond Tutu to despair that

Peaceful paths to change are being closed one by one and those wanting real change are being encouraged by the government's actions to turn to violence.

With the most recent restrictions on democratic organizations in the country, the church became one of the last avenues of resistance. Archbishop Tutu and other major religious leaders have pledged to take up the restricted activities of other antiapartheid organizations, no matter what the consequences.

In a February 25 statement church leaders said:

We now hope that the international community and especially South Africa's major trading partners will wake up to the fact that this illegitimate government is threatening their interests as well as the lives and security of black and white South Africans. It must be isolated to force it off the awful path it has chosen.

The Call for Effective and Comprehensive Sanctions

While the limited sanctions passed into law in 1986 have had an impact, stronger legislation is needed if such economic pressures are to exert effective leverage on South Africa's white minority government. The existing sanctions

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legislation has only affected 18 to 25 percent of U.S. trade with South Africa. While imports of platinum and precious metals and stones have dropped below their 1986 levels and aluminum imports have been suspended, some iron and steel imports have not been included under the legislation. Further, as recently as two weeks ago, despite the ban on uranium imports, a shipment of uranium hexaflouride was unloaded in Virginia, where it is currently being enriched.

Moreover a significant loophole in the 1986 sanctions act permits short-term credits, used by South Africa to finance 70 percent of its trade. These financial instruments enable U.S. banks to extend credits to domestic suppliers to finance production and exports to South Africa, as well as imports from that country. Such credits also permit U.S. suppliers to provide credit to South African entities which purchase their goods "on open account" and pay after receiving the merchandise.

Chris Stals, Director General of Finance of South Africa, underscored the importance of trade credits to the South African economy in the December 1986 *Euromoney*:

If the world banking community should effectively exclude South Africa from international trade and payments systems, it would be a much more effective sanctions measure than the trade sanctions applied by governments. It would put us on a barter system overnight.

US Companies Maintain Apartheid Ties

While numerous U.S. corporations have sold their South African assets during the past two years, the majority retain non-equity ties through which they continue to supply South African entities with important products and services. IBM, for example, supplies and services its former South African customers and subsidiary with the same product lines as before and with new hard and software as these are developed.

General Motors, through its former subsidiary Delta Motors, and Ford, through SAMCOR, are now free to expand into new markets proscribed by U.S. sanctions legislation, such as the South African police and military. Last year Ford's management opposed a

shareholder resolution calling for Ford to cut off sales to the South African military and police on the grounds that

Government sales, which are important to SAMCOR's revenue base, likely would be lost if SAMCOR were to try to terminate sales to the South African military or police.

Corporate Taxes to Support Apartheid

Those corporations which have not sold their South African assets, though they may decline to make new investments, are nonetheless making a hearty contribution to the apartheid economy. Recent estimates, based on figures from the IRS and the Department of Commerce's Bureau of Economic Analysis, suggest that approximately 50 percent of profits earned by U.S. corporations operating in South Africa are paid in taxes to Pretoria. During the first three years of this decade alone, U.S. corporations in South Africa paid over a half a billion dollars in taxes to the South African government. An estimated \$3.2 billion in income taxes and more than \$8 billion in total taxes were paid by U.S. corporations to the South African government between 1977 and 1985.

A five year study revealed that U.S. corporations paid taxes to the South African government amounting to more than fifty-two times their donations under the Sullivan Principles. From 1977 to 1985, these companies paid the South African government taxes totalling sixty-nine times the amount they spent on Sullivan programs.

While many corporations argue that their presence in South Africa allows them to make positive contributions to the well-being of their employees and communities, the Rev. Leon Sullivan and numerous others maintain that while such donations may ameliorate apartheid, they do little to abolish it. Archbishop Tutu clearly stated, "We do not want our chains polished. We want them broken."

Strengthening the Apartheid Military and Police

Corporations with millions of dollars invested in South African assets, such as Unisys, Control Data and

Goodyear, have made a double contribution to South Africa. While their computer, motor and mining products offer strategic support to the South African economy, their government assessments have fed tax dollars into Pretoria's coffers.

Such contributions to the South African treasury have subsidized the swelling defense budget which grew by 860 percent between 1971 and 1981. It has risen sharply since then with a projected increase of 31 percent in 1987-1988. The police budget alone has nearly doubled during the last four years. Moreover, this budget does not include the costs of numerous special assignments generated, for example, by the military occupation of black schools, paid out of the education budget.

Invigorating Vulnerable South Africa

Comprehensive sanctions can be substantially strengthened with regard to the oil industry. Foreign oil companies refine crude oil and market and distribute petroleum products upon which non-oil producing South Africa depends. Studies publicized by the Shipping Research Bureau in Holland reveal that South Africa could not survive more than 250 days without imported oil. To obtain, refine and distribute such oil, in the face of the international oil embargo, Pretoria has paid more than \$20 billion over and above the price of imported crude oil between January 1979 and January 1988.

The South African government, under the National Supplies Procurement Act, is empowered to force foreign-owned companies to produce strategically critical oil products. Since such companies are prohibited under South African law from placing conditions on the resale of their products, they may therefore be further obligated to supply the South African police and military upon demand. The Official Secrets Act prevents foreign-owned oil companies from obtaining any information on (much less monitoring) these or any other sales by their South African subsidiaries.

These policies stand in defiance of the intent of our Anti-Apartheid Act of

1986, which, under Section 322, prohibits cooperation with the Armed Forces of South Africa. If collaboration with the South African government, police and military is a prerequisite for oil companies to do business in South Africa, such business must be severely penalized.

Oil Industry Sanctions Needed

If we are to impact the South African economy as quickly and effectively as possible, thereby hastening the end of apartheid and minimizing the suffering it enforces, it is essential now that we exercise strategic leverage on both U.S. and foreign oil companies which continue to extend a lifeline to oil-dependent South Africa.

The Petroleum Anti-Apartheid Sanctions Act, H.R. 3317, [See box on page 3c.] would extend the impact of H.R. 1580 to non-U.S. petroleum companies such as Royal Dutch/Shell, British Petroleum and Total, untouched by the Dellums/Cranston bill. The bill would require such non-U.S. companies — as well as U.S.-based Mobil, Chevron and Texaco—to choose between their South African business ties and their U.S. federal leases or permits for the exploration, development or production of coal, gas or oil.

By encouraging foreign oil companies to cut their business ties to South Africa, the Petroleum Anti-Apartheid Sanctions Act would make it increasingly difficult and expensive for South Africa to obtain the products, services and modern technology currently supplied by foreign oil companies. The impact of such a sanction would be quickly felt by the business community, the apartheid-enforcing agencies and the white minority government.

Similar sanctions with equal impact should be designed to prohibit the import of South African gold and diamonds, 52 percent of the total U.S. imports of uncut diamonds in 1986. Gold production, the mainstay of the South African economy, generates approximately 40 percent of that country's export earnings. Prohibitions on this trade, would directly affect South Africa's economic and political foundations.

Impact of Sanctions Predicted

A comprehensive research study of the economic impact of sanctions against South Africa, undertaken in the past year by the Starnberger Institute of the Federal Republic of Germany, concludes that

two sets of measures together — international governmental sanctions in the sphere of South African external economic relations and the withdrawal of foreign companies and investors — could make a decisive contribution to ending the apartheid regime and facilitating its replacement by a democratic economic and social system.

In support of their conclusion, the report finds clear evidence that:

— the pattern of economic development and the high degree of integration into the world economy make the South African economy highly vulnerable to effective international sanctions;

— it would require the actions of only six countries (U.S.A., U.K., Federal Republic of Germany, France, Japan and Switzerland) to suspend South Africa's integration into the world economy and thus to weaken decisively the apartheid system;

— effective sanctions would entail a fairly small package of measures by these countries with negligible overall negative effects on their own economies.

According to the Starnberger Institute, the denial of new loans to South Africa, combined with effective sanctions by these six countries in the fields of foreign trade and foreign investment would bring about the complete economic collapse of the apartheid system. Foreign investment refers primarily to a ban on imports of South African mining products and of supplies of oil, capital goods and security technology to South Africa backed up by the mandatory cessation of operations in such key areas as mining, energy capital goods and banking.

A Viable Sanctions Target

The history of economic sanctions imposed against other countries also indicates that South Africa is a fairly promising candidate for utilizing economic

H.R. 3317: THE ANTI-APARTHEID PETROLEUM SANCTIONS ACT
sponsored by Robert Wise,
Democrat from West Virginia

Summary:

Unless apartheid is totally dismantled within 6 months of the enactment of this legislation, then effective 12 months after the bill is enacted

No U.S. person may directly or through another person make or hold any investment in South Africa in a business enterprise that refines, stores, transports or distributes goods or technology for use by any other business enterprise that is located in South Africa or is owned or controlled by South African nationals and that refines, stores, transports or distributes crude oil or refined petroleum products.

Penalties:

In addition to any other penalty provided in this act, no agency of the U.S. will issue any lease or permit for the exploration, development or production of coal, gas or oil to any U.S. person or any other person if that U.S. person, other person or any affiliate of such U.S. person

1.) makes or holds any investment described above after that provision becomes effective or

2.) exports to South Africa directly or indirectly any crude oil or refined petroleum products.

Any agency of the U.S. that issues any such lease or permit may require any person subject to this subsection to demonstrate that the person or its affiliate has not engaged in activities as described above.

Companies which violate the act will be fined a maximum of \$500,000. Individuals will be fined not more than \$250,000, including any officer, director or employee of a company involved who willfully ordered, authorized, acquiesced or carried out a violation of the law.

Rationale:

Petroleum is the lifeblood of the modern police and military, which enforce apartheid. In addition, South Africa has no indigenous exploitable oil deposits nor does it have oil stockpiled to last more than a couple of years. This bill would provide a powerful incentive for international oil companies based in both the U.S. and abroad to end their business ties to South Africa. Corporate withdrawal of assets and products would have a strategic impact on the white minority regime by denying the apartheid state products and services related to petroleum production.

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pressure to bring about desired political changes. A 1985 study of 103 attempts since 1914 to change a country's behavior through economic sanctions, *Economic Sanctions Reconsidered*, by Clyde Hufbauer and Jeffrey Schott, explains that sanctions are most likely to work if the target country:

- has significant domestic problems;
- is a close trading partner of the countries imposing sanctions;
- suffers economic losses as a result of the sanctions equal to more than five percent of its GNP.

The impact of sanctions also is enhanced if the countries involved account for a near monopoly of trade with the target nation and only a small number of countries are needed to inflict real economic cost. All five of these conditions are met in the case of South Africa.

Economic Sanctions Reconsidered also identifies factors that work against the effectiveness of sanctions. The authors note that

sanctions imposed slowly or incrementally may simply strengthen the target governments at home as it mobilizes the forces of nationalism.

Moreover, "such measures are likely to be undercut over time either by the sender's own firms or by foreign competitors." This is why it is so critical for sanctions to be comprehensive, not limited, and for the United States government to encourage its European and Japanese partners to coordinate implementation of similar comprehensive sanctions packages.

Sanctions and Suffering

Comprehensive economic sanctions that are effectively implemented could cause economic hardship for blacks as well as whites in South Africa. How can the churches advocate the imposition of economic sanctions at the cost of possible increased suffering to the victims of apartheid?

We do so because responsible religious and trade union leaders, who

are fully aware of the likely consequences, implore the international community to impose comprehensive economic sanctions. We do so because the black South African population has indicated in various surveys their support for sanctions as a means to their liberation and has demonstrated through their own actions in participating in economic boycotts, strikes and stay-at-homes, their willingness to engage in economic pressure strategies. We do so because we are convinced that our South African sister churches are correct in their assessment that comprehensive economic sanctions represent the only real alternative to a prolonged violent civil war in South Africa.

Listen to Archbishop Tutu:

A clear message resounds in recent surveys in South Africa in which more than 70 percent of blacks supported sanctions against the government. Blacks are saying, "We are suffering already. To end it we will support sanctions even if we have to take on additional suffering." I must ask to who is the international community willing to listen? To the victims and their spokesmen or to the perpetrators of apartheid and those who benefit from it?

Different Effects on Blacks and Whites

According to the Starnberger Institute's study, the immediate economic effects of effective sanctions on South Africa's population would be very different for the white minority and the black majority. For the white minority, effective sanctions would rapidly lead to a dwindling of their privileges and a deterioration in the former high standard of living. The intended political message for the white minority would be that apartheid and affluence can no longer coexist.

In comparison, the Starnberger Institute anticipates that for the black majority the negative effects of sanctions would be relatively minimal. Although effective sanctions could result in job losses and unemployment among South Africa's black population currently employed in the modern sector, this rise in unemployment needs to be seen in the

context that apartheid itself produces structural unemployment.

The very basic economic and political structures of the apartheid economy have been responsible for enormous unemployment through the years and will continue to create more unemployment in the future than would be caused by any of the possible short-term effects of effective sanctions. Even the chairman of the board of Barlow Rand, one of the largest industrial groups in South Africa, recently testified to the incontestable causal relationship between apartheid and unemployment:

Whereas the white have been able to enjoy the benefits of a free market economy for the last thirty-eight years of the nationalist government, the blacks have suffered under a "totalitarian socialism." They have not been able to make decisions or own land and start businesses, sell their labor where it was needed or occupy managerial posts without considerable problems.

Biblical Lesson: Sanctions and the Plagues on Egypt

As a pastor, I hope you will forgive me the recollection of a biblical parallel to the situation in South Africa. When God sent the plagues on Egypt (locusts, darkness, hail, boils, flies, maggots and frogs), it was for the purpose of freeing the Israelite slaves. While these plagues were sent as sanctions against the Egyptians to which the Israelites were relatively immune, they undoubtedly suffered some fallout. God knew that the Israelites would understand they must bear these hardships for the sake of their liberation. God said, "Let my people go or I will send plagues upon you." God did not worry about corporate profits or about undermining the economy of Egypt.

God acted decisively for the sake of freedom and justice and that is what the U.S. Congress is called to do in relation to South Africa. The situation in South Africa is rapidly deteriorating. The time for decisive action to promote the dismantling of the apartheid system is now.