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POLICIES OF APARTHEID OF THE GOVERNMENT OF SOUTH AFRICA

Note by the Secretary-General

The Secretary-General has the honour to transmit, in response to General Assembly resolution 43/50 D of 5 December 1988, the attached report of the Centre against Apartheid.

ANNEX

Restrictive measures affecting externally dependent areas of the South African economy

Report of the Centre against Apartheid

CONTENTS

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CONTENTS (continued)

CONTENTS (continued)

Page

Appendix

I. INTRODUCTION

1. The present report has been prepared in accordance vith General Assembly resolution 43/50 D of 5 December 1988, in which the Assembly requested the Secretary-General to submit to it at its forty-fourth session a report on new legislative and/or comparable measures adopted and Implemented by States against South Africa, especially in areas in which the South African economy depends on the outside world, In that resolution, the Assembly urged all States that have not yet done so, pending the imposition of comprehensive and mandatory sanctions, to adopt legislative and/or comparable measures to impose effective sanctions against South Africa and also urged all States to monitor strictly the implementation of such measures and adopt, when necessary, legislation providing for penalties on individuals and enterprises violating those measures.

2. The present report focuses on areas in which the South African economy is dependent on the outside world and describes the restrictive measures that have been adopted affecting these areas. The report does not discuss as such measures stemming from the mandatory arms embargo on South Africa imposed by the Security Council in its resolution 418 (1977) of 4 November 1977, since they are beyond the scope of the mandate. A separate report of the Secretary-General on concerted international action for the elimination of apartheid (A/44/533) contains the replies of individual Governments concerning national legislative or other appropriate measures adopted to increase the pressure on South Africa to end peacefully the system of apartheid. In addition, the annual report of the Intergovernmental Group to Monitor the Supply and Shipping of Oil and Petroleum Products to South Africa (A/44/44) describes the degree of implementing and monitoring the oil embargo against South Africa, in accordance with General Assembly resolution 43/50 J. Furthermore, the annual report of the Special Committee against Apartheid (A/44/22), inter alia, discusses sanctions imposed by States and provides an assessment of their impact on the South African economy.

II, THE SOUTH AFRICAN ECONOMY AND EXTERNAL DEPENDENCE

3. The South African economy is highly dependent on the outside world. The country's foreign trade has represented, on average, over 50 per cent of South Africa's gross domestic product (GDP) in the 19808, while inflows of foreign capital, in the form of investment or loans, have been essential to the country's economic growth. The potential of externally applied pressures on the South African economy is therefore great. A number of restrictive measures against South Africa affecting both the country's foreign trade and the inflow cf foreign capital have been adopted and have had discernible impact on the *economy*. At this juncture, with inflows of foreign investment capital and long-term loans to South Africa drastically curtailed, the importance of foreign trade as a provider of foreign *exchange* is *even* more pronounced.

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The structure of the economy

4. Manufacturing is the leading sector in contribution to South Africa's GDP, accounting for 24.5 per cent of GDP in 1988, with mining accounting for almost 13 per cent and agriculture for just under 6 per cent (see table 1 in the appendix below). Historically, manufacturing has been the dynamic sector of the economy, growing faster than other productive sectors in periods of cyclical expansion. However, the sector is a net consumer, rather than a net producer of foreign exchange, importing four times as much as it exports.

5. Three features in particular characterize the manufacturing sector in South Africa. First, with the domestic market predominantly geared to the demand of the small white minority, the pattern of import substitution that was adopted by the manufacturing sector was tied closely to white demand, thus eliminating the possibilities of economies of scale in anything but the most basic industries that could also cater for the demand of the black population. Secondly, the sector has suffered from the education systam in South Africa, which has resulted in severe shortages of skilled and technical labour, This, in turn, has ruled out significant research and development and the emergence of a domestic technological capacity. Thirdly, consumer goods manufactured in South Africa have been handicapped in their competitiveness *in* world markets by the high wage costs of white labour and generally low levels of productivity,

6. Thus, although today almost entirely self-sufficient in consumer goods, South Africa does not produce the technologies, the heavy machinery and equipment needed to manufacture these *consumer* goods, or to service the other sectors of the economy. The vast bulk of the capital goods used in the economy are imported. It is estimated that as much as 80 per cent of the country's imports are comprised of capital equipment and intermediate goods without which the economy cannot sustain itself. 1/ Since the end of the Second World *War*, South Africa has acquired the foreign exchange to pay for these essential imported inputs into its economy from two sources : earnings from the export of primary products: primarily minerals and principally gold; and various forms of foreign capital inflows - investment, non-equity capital and loans,

7. In the present international context, South Africa's access to funds from both these sources is potentially precarious. Global demand and prices of base metals have weakened in recent *years*, while gold prices have fallen significantly. The South African economy has thus increasingly become dependent on inflows of foreign capital to finance its growth. The country's access to capital markets, however, has been curtailed. Following the 1976 Eoweto uprising, the inflow of foreign investment declined sharply and short-term loans to the Government and the public and private sector became the predominant form of capital inflows to South Africa, paying for the consistent deficits on the current account of the balance of payments. Following the moratorium on $10 billion of short-term debt declared by the Government of South Africa in 1985, *on* which agreement was later reached with creditors under the Leutwiler Accord and the Stals Accord on a schedule of repayment, South Africa has found access to capital markets extremely tight.

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8. The situation created in South Africa by the dearth of foreign capital has boen compounded by the low levels of savings and investment within the country, sometimes referred to as "internal disinvestment". It has been estimated that real gross domestic fixed investment in South Africa in 1988 was only on approximately the levels reached in 1973. Furthermore, high real interest rates in the 1980s have inhibited economic growth. At the same time, the Government of South Africa has allocated an increasing amount of the country's financial resources to "protection services", namely; defence, police, justice and prisons and to "security-related" items. It has also embarked on a policy of upgrading basic facilities in selected black townships and of employment creation at a rate higher than population growth, estimated at 2.8 per cent.

9, To finance these strategies, a minimum economic growth rate in the range of 3 per cent to 5 per cent is required, according to various estimates. Measured against its performance throughout most of the 1980s, 1988 was a good year for the South African economy, The 3.2 per cent growth rate in real GDP was the biggest increase since 1904, and the first time in several years that real GDP growth exceeded the population growth rats. 2/ The upswing, however, caused severe pressure on South Africa's external current account, and the total outflow of capital, not related to reserves, reached 2.1 billion rend (R) in the second quarter of 1988, a level three times as high as the average over the previous five quarters. 3/ In the third quarter of 1988 the authorities imposed a series of restrictive measures designed to curtail imports and reduce consumer spending. Further restrictive measures were adopted in the 198911990 budget to abort the upswing, *since* South African authorities felt that the country could not afford a 3 per cent growth rate. Firstly, the foreign capital necessary to investment and growth is lacking in the present circumstances; secondly, given the structure of the Soutn African economy, the surge of imports associated with economic expansion and the resulting weakening *of the* current account puts a strain on reserves of foreign exchange, already inadequate, and brings into question South Africa's ability to keep to the schedule of debt repayment.

10. In sum, the difficulties and constraints on the South African economy are structural in nature. They have been exacerbated by sanctions measures taken against South Africa but were not caused by them. These structural constraints render the South African economy axtremely vulnerable to external pressure. It is in the context of these constraints that the impact of externaliy imposed measures should be assessed.

III. MAIN AREAS OF EXTERNAL DEPENDENCE AND RESTRICTIVE MEASURES ADOPTED

A. External trade

11. South Africa imports essentially capital goods, oil, armaments and labour. It exports primarily gold, a number of other minerals, some strategic (see table 2). An unknown volume of armaments is also exported. The country's traditional trading partners have been the developed market economies of Europe and North America and its neighbours in southern Africa, with Japan playing an important role beginning in the 1963s. However, over the past five years, some important changes have been

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generated in South Africa's pattern of trading relations as a result of its limited access to foreign capital markets and the wide, although highly uneven, range of trade and other sanctions imposed against it by a large number of countries. South Africa's main trading partners in its import trade in 1986 and 1987 are shown in table 3 (see appendix).

1. South Africa's vital imports

(a) Capital goods, including technology

12. South Africa produces very small quantities of capital goods: only 5.5 per cent of the manufacturing output, and this mostly on the basis of imported technologies. 4/ South Africa is, therefore, highly dependent on imports of high technology products, capital equipment and components for assembly operations. The demand for such items rose very rapidly in the post-Second-World-War period, but the shortfall in fixed investment in the 1980s has somewhat reduced the demand for capital equipment. Nevertheless, machinery and transport equipment accounted for 40.5 per cent of South Africa's total imports in 1987, or 45.5 per cent if scientific instruments are included. The four major categories of intermediate goods imports comprise a further 24.5 per cent (see table 2).

13. In the transfer of technology to the South African economy, transnational corporations play a crucial role, The most vulnerable sectors of the Soutn African economy that need continued technology transfers by transnational corporations are probably the electrical engineering and computer sectors. The impact of technological retardation will be felt more in the long run than in the ahort term, as factories will be running essentially with the same technology and machinery probably for a number of years in the near future. 5/

14. South Africa's dependence on foreign technology is most evident in the electronics industries, which now play a dynamic role in industrial development comparable to that played by textile and steel technology in earlier industrial periods. Such technology is transferred to South Africa both through equity and non-equity links maintained by transnational corporations, Another conduit for the transfer of technology to South Africa has been the investments made broad by a number of South African electronics companies.

(b) Flow of skilled personnel

15. South Africa's relatively low technological capacity is related to the shortage of technical and scientific skills in the country. The proportion of engineers and scientists in the electronic workforce in 1984 was just 2.7 per cent; in other countries, the proportion can exceed 20 per cent, 6/ South Africa has therefore long given priority to attracting technically skilled immigrants. Immigration to South Africa has declined steadily throughout the present decade and, since 1986, the country has experienced a net loss of people, particularly marked in the professional, technical and related workers category. Calculations from migration figures indicate a total loss of 2,100 professional, technical and related workers in the two-year period 1966-1987. 7/

16. Thus, South Africa's strategic electronics industry cannot in the short term reduce its dependence on transfers of external technology. As such, it. is an area of high vulnerability to external restrictive measures.

(c) Technology transfer in other sectors

17. Another area of external independence is the automobile industry, with imports far exceeding exports; in 1985, the deficit on external trade related to the automobile industry amounted to close to R 1.5 billion (almost $700 million). With a real foreiqn exchange deficit projected for the auto industry of R 6 billion in 1991, this is clearly an area of high external dependence.

18. The pattern of transfer of technology here also is largely through transnational corporations, with initial equity links being often superseded by non-equity links, The major visible mechanisms of technology transfers at present are throuqh trade, product specifications, blueprints and human technical assistance. According to a United Nations report, although 63 per cent of automobiles made in South Africa are produced by domestic companies, these are assembly plants which "operate effectively as if they were the subsidiaries of foreign-based transnational corporations." 8/ The major exception in the automotive sector is the State-owned Atlantis diesel engine part. plant. established to evade the impact of the 1977 United Nations arms embargo, which included trucks for army and police use.

(d) Major suppliers of capital goods and technology

19. The evidence indicates that ongoing equity and non-equity links of transnational corporations provide the major source for the transfer of technology into all sectors of the South African economy. Moreover, transnational corporations are concentrated in the most strategic and high technology sectors of the South African economy, which have in fact been developed with the technology they introduced into the economy. The United Nations Centre on Transnational Corporations lists over 600 companies that still maintain an equity holding of 10 per cent or more in one or more South African affiliates at the end of 1988. 9/ A total of 277 other transnational corporations disinvested from South Africa between January 1984 and mid-April 1989 by disposing of their equity holdings in their South African subsidiaries. 10/ The Investor Responsibility Research Center, Inc. indicated that at least 50 per cent of these companies have retained some form of non-equity link in the form of licensing, distribution, assembly or franchise agreements.

20. The three leading countries in volume of investments in South Africa are the Federal Republic of Germany, the United Kingdom of Great Britain and Northern Ireland and the United States of America (see table 4). For capital goods and technology, these three countries and Japan are the four major suppliers Lo South Africa, accounting for over 70 per cent of all South Africa's intermediate and capital goods imports and close to 80 per cent of the various technology transfer agreements in 1984. The round of sanctions imposed in 1986 undoubtedly had an impact- on this trade, as indicated in table 4. Details of South Africa's imports

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of arms and oil are a State secret and considerable differences exist in the estimates of the volume of this trade.

(e) Oil

21. Despite almost 25 years of exploration by the State-owned oil and gas exploration corporation, SOEKOR, South Africa produces no crude oil. Although the Government has moved rapidly to reduce its dependence on oil imports, they remain a crucial area of external dependence, According to the report of the Intergovernmental Group to Monitor the Supply and Shipping of Oil and Petroleum Products to South Africa, "South Africa remains potentially vulnerable to supply disruptions because it is believed to derive much of its imported oil from a number of sources that could be eliminated by changes in government policies and/or by increasing the vigilance of the international community". 11/

22. Currently, oil provides only around 20 per cent of South Africa's energy requirements. Coal is estimated to provide about 80 per cent of energy needs, with the country's single nuclear power plant providing for the remainder. 12/

23. About 25 per cent of South Africa's oil consumption is provided by the three SASOL oil-from-coal plants, the first of which was set up in 1955. Further oil conversion projects are under consideration under the impact of sanctions, which weighed heavily in the provisional decision in 1987 to proceed with a R 3.4 billion project to exploit offshore gas reserves near Mossel Bay and convert the gas into liquid fuel. This will provide for an estimated 10 per cent of current import requirements, albeit at increased marginal unit costs. 12/

24. In a further effort to protect itself from external measures, South Africa has built up substantial stockpiles, estimated to cover current consumption levels for six to seven months. 14/ It is reported that foreign bank loans were used to increase South Africa's strategic reserves of oil when oil prices dropped sharply in 1986, 13/

25, While oil constitutes a relatively small proportion of South Africa's total energy consumption, this in no wey translates into an absence of external dependence. This dependence is evident at three levels. Firstly, the oil from coal and other proposed liquid fuel projects have always been based on imported technologies and equipment.

26. Secondly, regarding oil, South Africa has a dependence on transnational corporations. Approximately 20 per cent of South Africa's energy requirements provided by oil is refined at four major refineries, three of which were owned, until Mobil Corporation sold its interests in 1989, by foreign oil companies. The disinvestment by Mobil has left one major refinery in the hands of Shell/BP and another in the ownership of Caltex; the Natref refinery in Sasolburg is controlled by SASOL. Since the SASOL oil-from-coal plants produce petrol rather than diesel, the other major refineries play a particularly strategic role as South Africa's only source of diesel fuel, which is vitally important for military and police activities, heavy road transportation, agricultural machinery and other industrial activities.

27. Thirdly, despite South Africa's relatively low dependence on oil *energy*, and its oil-from-coal production capabilit 'es, it must import large volumes of crude oil without which its economy will grind eventually to a halt. Direct petroleum import-; were its second largest category of imports in 1987 after vehicles and transport equipment. The $1,860 million total estimated cost of these petroleum imports was 25.3 *per* cent higher than in 1986. It is extremely difficult to establish precisely the source of these oil imports. The Intergovernmental Group to Monitor the Supply and Shipping of Oil and Petroleum Products to South Africa has investigated 64 alleged cases of oil deliveries to South African ports reported to it in 1988 and 32 in 1987. 14/ J , addition, in 1989 the Intergovernmental Group requested clarification from Governments regarding approximately 530 cases of possible deliveries of crude oil or petroleum products to South Africa in the period 1 January 1986 to date. The sharp rise in the number of ca: es under investigation does not necessarily reflect any increase in shipments in the current year, but rather the enhanced capabilities of data collection.

28. These evasions of the oil embargo are expensive. Much of South Africa's oil imports have to be bought on the spot market, and there are no doubt additional costs arising from transporting the oil to South African ports. The President of South Africa acknowledged in 1986 that the embargo had obliged the Government to spend R 22 billion more on oil imports in 1974-1984 than would otherwise have been necessary. 15/ Measured in the rates of exchange prevailing during this time, this is almost exactly equal to the foreign debt South Africa was unable to repay in 1985. The Shipping Research Bureau estimates the annual cost to South Africa of the oil embargo at around $US 2 billion, although the recent glut in international oil markets has reduced the "oil premium" from its peak of around $8 r barrel to $2. 16/

29. These three aspects of South Africa's external dependence n respect of oil underscore the country's vulnerability in this area.

(f) Labour

30. South Africa's longest running import-dependence has been on foreign labour. For the past century, its mining industry, and to a lesser extent agriculture and manufacturing, have relied very heavily on imported low wage migrant labour from neighbouring countries . Following the independence of Mozambique in 1975 and subsequent events in the region, the foreign labour component in South Africa, especially in the mining industry, has been drastically reduced. By 1986, the number of registered foreign workers in South Africa's mines had fallen to 243,000, almost half the peak 1974 figure. 17/

31. The extent of the net loss of highly skilled people, especially from the technology sec tor, was discussed above. However, net "brain drain" is having an impact throughout the South African economy. The mining industry reported the emigration of 5 per cent of its engineers in 1985-1986. Disinvesting companies have cited the difficulty of recruiting accountants, actuaries and computer operators. Shortages of managerial and professional, technical and related workers have been reported at all levels of the economy. 17/ The domestic supply of trained and skilled people in any country is closely related to the educational

system, In recognition of this, the Government of South Africa has revised it6 lo-year plan to achieve “equal (segregated) education for all”. At present and for the immediate future, South Africa’s only source of additional skilled, technical, professional and managerial labour is external.

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32. In the case of the five Nordic countries, a virtual total ban on all trade with and investment in South Africa exists. The transport of oil to South Africa on Norwegian-registered ships is almost totally prohibited, Norway also prohibits the transport of other materials on its vessels, as well as the provision of services to South Africa. New investment, most financial services, the transfer of technology and leasing of capital equipment are all now illegal, Medicines, medical equipment and news materials are excluded from the ban. In all five Nordic countries violation6 of the embargo are punishable by fines and/or imprisonment.

33. Certain forms of technology transfer are banned under the general arm6 embargo, al though widespread evasions occur, As indicated above, the two most common forms of technology transfer are through direct foreign investment and licensing, distribution, technical and other agreements between transnational corporations and South African companies,

34. Japan is South Africa's only significant trading partner to have imposed an outright ban on all forms of direct investment in South Africa. However, licensing agreements are permitted, and product6 of Japanese origin (and embodying Japanese technology) are market leader6 in many sectors, including automobiles, consumer electrical good6 and other sectors. For other countries that maintain direct foreign investment in South Africa, technology transfers via existing direct foreign investment continues unhindered, Various codes of conduct do, however, limit the provision of certain technologies to the military or police.

35. Widespread technology transfers occur through various forms of non-equity links with South African operations, Only the Nordic countries have specifically prohibited technology transfers through patents, licences or manufacturing rights. In 1988, the Commonwealth Foreign Ministers Committee recommended the prohibition of technology transfers to South Africa that would enable it to circumvent oil, arms and computer sanctions, 18/ Although Canada has since banned the sale of high technology good6 to the South African private sector, this appears not to include transfers by way of licensing.

(a) Computer hardware, software and data

36. Prior to 1985, the provision of computers to the South African security forces was covered by various (mainly voluntary) codes of conduct, The 1985 (Nassau) Commonwealth list of possible actions included a ban on export6 of computers able to be used by the military and police, to be implemented by member Governments. Australia banned exports of computer hardware the same year, and New Zealand withdrew licences for computer export6 to South Africa. Canada's existing prohibition was extended to cover the private sector in 1388.

37. The 1985 European Community ban on sensitive military and police equipment has been interpreted to include computers. France has made such items subject to licensing: the Netherlands has banned computer exports and Ireland requires a user guarantee that the equipment is not destined for the security forces. Other countries forbidding computer exports for army and police use include the United States, Austria and-Japan. The United States ban on computer sales to the regime's security forces also includes data and software transfers to those branches of the South African Government that enforce apartheid. The other restrictions on computer transfers do not cover software, and Canada and the Nordic countries appear to be the only countries expressly forbidding computer sales to the private sector.

38. Despite these bans, it would appear that, with the exception of critical armaments technology, the South African economy enjoys fairly unrestricted access to the technology it needs. In some cases, computers are sent to third countries. The Taiwan Province of China has expanded its penetration of the South African market, and the Federal Republic of Germany, Japan, Italy and France have all increased such sales to South Africa. In 1987, computers and computer parts were followed by electronic components and parts as respectively the second and third single biggest categories of imports into the Southern Africa Customs Union, following after vehicles and transport equipment. Table 4 shows that South Africa's imports of the three major categories of capital goods actually increased in 1987, particularly from the Federal Republic of Germany, Japan and the Taiwan Province of China.

(b) Oil

39. The first oil embargo was imposed by the Organization of Arab Petroleum Exporting Countries in 1973, which recommended additional measures in 1981, including a system of control over all petroleum contracts and introducing an "end user" clause to ensure that petroleum did not reach South Africa. Norway's oil embargo extends to the carriage of crude oil by Norwegian vessels to South Africa and by any foreign vessel at the disposal of Norwegian companies. Similar legislation has been enacted in Denmark, and the Nordic States are collectively pledged to strengthen the oil embargo.

40. Following the 1985 Commonwealth (Nassau) Accord, Australia banned oil exports to South Africa, while Canada imposed a voluntary ban. In 1985, the European Community (EC) recommended the prohibition of EC-produced oil to South Africa, extended in 1986 to include non-EC-produced oil. This did not include oil in bonded warehouses in the EC, nor refined products. Implementation has been uneven. United Kingdom oil is exported only to parties to the International Energy Agency import-export agreement, which do not include South Africa. The Netherlands ban covers only the export of Dutch North Sea crude oil. Luxembourg and Italy deny licences for oil exports to South Africa. Greece has banned oil exports and France and Belgium have extended their bans to include refined products.

47. The 1986 United States Comprehensive Anti-Aoartheid Act included a ban on the export of oil and petrolewn products to South Africa. A number of Latin American countries have also prohibited exports or direct transportation of oil or oil

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products to South Africa. These include: Argentina, Brazil, Mexico, Peru and Venezuela. The Government of Israel banned the sale or transfer of oil and petroleum products to South Africa in 1987.

42. However, some types of exports are not covered by existing oil sanctions in some countries, Petrol and fuel feedstocks are not included in the French ban; the United Kingdom ban applies only to exports of crude oil. Neither France, the United Kingdom nor Canada prohibit storage of oil in transit to South Africa, nor national vessels from carrying either crude or refined oil Lo South Africa. In the British and Canadian cases, the bans are not mandatory.

43, Moreover, only a few bans are implemented via legislation. Penalties for violation are either weak or not imposed, action against companies violating the embargoes is infrequent, and end-user certificates are not widely monitored. Widespread violations of the various bans and embargoes have been alleged, 19/ As indicated above, the Intergovernmental Group has concluded that South Africa remains potentially vulnerable to disruptions of its oil supplies.

(c) Labour

44. The flow of migrant labour to South Africa from neighbouring countries has been reduced but not terminated. Given that a large number of migrants from the neighbouring States have provided skills particularly needed in the gold mining industry, their input into the South African economy and its export capacity is significant. The member States of the Southern African Development Co-ordination Conference (SADCC) are seeking to increase their economic co-operation as a prime means of reducing their dependence on South Africa.

45. The acute shortage of managerial, professional and technical labour in South Africa has had a dampening effect on economic activity and has prompted the withdrawal of at least one transnational company, The shnrtages result primarily from conditions prevailing in South Africa and not from externally imposed sanctions against labour flows. Other legislative measures unevenly implemented are the provisions of a few States forbidding their citizens to provide military service to another State; however, the vast majority of the foreign citizens serving in the South African Defence Forces are not citizens of those States.

3. South Africa's vital exports

46. South Africa obtains the foreign exchange for its essential imports firstly by exporting agricultural and mineral commodities in their raw or semi-processed form, and secondly, by trying to attract other forms of foreign capital transfers, most importantly, foreign investment and foreign loans, A further source of foreign exchange to South Africa could be its unknown volume of armament exports.

47. Between 1980 and 1985, exports averaged 30 per cent of South Africa's GDP, a love1 exceeded by only a few other countries. Currently, the mining industry accounts for about 70 per cent of South Africa's export earnings, with gold alone contributing around 40 per cent. Coal, agricultural produce, iron and steel and

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uncut diamonds each account for a further 5 to 7 per cent. It has been estimated that only 5 per cent of total exports are made up of finished industrial products and chemicals. Thus, three primary commodity groups dominate South African exports: gold; minerals/base metals) and raw and processed agricultural products. Although their precise contribution to the total value of exports fluctuates annually according to international commodity prices, particularly the gold price, their combined contribution, over the past 40 years, has never been less than 75 per cent and sometimes as high as 90 per cent. The overwhelming role of gold in the economy is also clear from table 5.

48. South Africa ceased publication of detailed trade statistics in 1986, In the 15 years prior to 1986, the major customers for South African exports were the same four countries that supplied South Africa with more than half of its merchandise imports: the United States, Japan, the United Kingdom, the Federal Republic of Germany, and, in the case of exports, Switzerland. Together, these five countries regularly accounted for between 51 per cent and 56 per cent of South Africa's non-gold exports from 1970. Table 6 lists South Africa's partners in its export trade and indicates changes in the trading pattern after 1985.

(a) Gold

49. Gold has played a prime role in building the South African economy. The 1988 gold sales of R 19.7 billion were equivalent to over 16 per cent of GDP. Over half a million people are employed in the country's gold mines, and gold is a key base of the major conglomerates in the corporate sector, which in turn account for the bulk of the domestic saving. During the past 15 years, gold has never contributed less than 40 per cent of total export earnings and, at the height of the speculative gold price boom in 1981, made up 51 per cent. In 1988, gold accounted for very nearly three quarters of the total mineral products export earnings of R 27 billion, 20/ The R 19.7 billion in receipts from gold sales alone covers almost two thirds of the total value of merchandise imports, and pays for a very substantial part of the technology and capital goods imports on which the entire South African economy rests.

50, South Africa's share of total world gold production declined from 51.9 per cent in 1980 to 32.5 per cent in 1986, and its share of gold production outside of the Council for Mutual Economic Assistance (CMEA) declined from '10.4 per cent in 1980 to 45.1 per cent in 1987. Its total production levels have tended to decline during much of the 1980s, with its 1988 production standing at 617 tonnes. Over 99.5 per cent of total production is exported, In the early 1980s krugerrands absorbed over 100 tonnes of annual gold production, but the wide embargo on krugerrand6 has virtually ended their production and all South Africa's gold exports are now in the form of pure gold. Fluctuations in the gold price are thus crucial to South Africa's balance of payments, and capacity to import. A $10 fall in the gold price over a year translates into lost export earnings of $200 million,

51. There are relatively few direct outlets for South African gold. The destination of gold exports is classified, but expert estimates suggest that in 1986 between 300-350 tonnes were handled by the Zurich gold pool, 200 tonnes were

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routed through the London gold market and 113.5 tonnes were shipped to Italy, primarily for its jewellery industry, almost half of whose production is imported by the United States. About 50 tonnes of South African gold was sold in relatively small quantities to other countries, primarily Japan and the Taiwan Province of China, The London gold market is dominated by a small number of banks from various countries, while the Zurich gold market is completely controlled by the three leading Swiss banks. These Swiss banks have also carried out quick swaps of South African gold reserves to provide the foreign exchange to pay for the run on South African banks in 1985 and 1986, and the rapid expansion of its imports in 1988. 21/

(b) Coal

52. Coal plays a pivotal role in both South Africa's domestic economy and its external trade. Coal-based energy accounts for approximately 75 per cent to 80 per cent of South Africa's energy consumption and oil-from-coal processes account for 25 to 30 per cent of liquid fuel consumption. In 1985, South Africa was the world's fifth largest coal producer. Since the early 1980s, coal has been South Africa's second largest export earner, Although oniy 25 per cent of the total volume mined is exported, exports accounted for 62 per cent of the coal industry's total earnings in 1985. Coal accounted for 12 per cent of all export sales in 1987. Following an estimated 15 per cent decline in coal export tonnage between 1985 and 1987, South Africa's coal export receipts rose by almost 20 per cent in 1988 over the 1987 level to reach R 2.73 billion. 20/

53. The bulk of South Africa's coal exports are of low quality steam coal; only marginal quantities of coking coal are exported. Labour costs of South African coal are very low in relation to those of other major producers, and this, coupled with the depreciation of the rand in the 1980s, puts South Africa in a very advantageous competitive position. Its large quantities of low price coal arc, the source to which buyers turn when demand increases. While some small exporters in other countries try to undercut South African coal, they do not have the volumes available to South Africa. In these circumstances, South Africa can be highly flexible in marketing its coal. Around 60 per cent of South African coal is sold on spot. When French, Danish and United States markets were lost through sanctions in 1986, South Africa was able partially to mitigate these losses by selling on European spot markets and to Far Eastern markets.

54. South Africa has two major coal export markets, Europe and East Asia. Sales to European countries accounted for half of South Africa's estimated 1987 coal exports, compared with 59.3 per cent in 1985. Seven countries accounted for over 92 per cent of the estimated 20.1 million tonnes of South Africa's European coal sales in 1987. These were (in million tons): Italy (5.3); Spain (4.4); Federal Republic of Germany (2.6); Belgium (2.4); Netherlands (1.7); France (0.8); Portugal (0.8) and Greece (0.6). 22/

55. The non-centrally planned Asian economies accounted for about 45 per cent of South Africa's estimated 1987 coal exports, compared with 34 per cent in 1985. Japan is by far the largest single buyer of South African coal, although its total purchases have declined from 8.7 million tonnes in 1985 (or 19.6 per cent of South Africa's total coal exports) to 7.3 million tonnes in 1987 (or 18.1 por cent).

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South Africa's coal exports to Japan are unique in that more than half are made up of *coking coal*, with Japan taking 100 per cent of these exports in 1985 and nearly 86 per cent in 1987. 22/ Hong Kong, the Republic of Korea and tha Taiwan Province of China are among the other major exports markets for South African coal, and have dramatically increased their purchases since 1985 (see table 7).

56. Foreign transnational corporations play a major role in promoting South Africa's coal trade. Some of the major oil corporations have interests in mine production or a coal terminal or both.

(c) Strategic minerals

57. South Africa is the leading exporter of a wide range of strategic minerals essential to international steel making, electronics and defence industries. These minerals include; precious metals (gold, platinum, diamonds); industrial metals and minerals (andalusite, antimony, asbestos, copper, fluorspar, lead, nickel, vermiculite); the steel and alloying metals (vanadium, manganese and chrome); and the non-oil fuels, coal and uranium. South Africa is the major. and in some cases the only source of such minerals outside of the Union of Soviet Socialist Republics (see table 8). Moreover, owing to regional infrastructural transportation links, much of the mineral exports of the other Southsrn African counties have to be shipped via South Africa, 23/

58. Despite the clearly crucial position of South Africa in world strategic mineral markets, a significant shift in perception on the economic importance of South African supplies of these minerals has occurred. Upward revisions of estimated reserves have followed exploration and improved mining technologies which have brought significant new sources of supply onstream. Moreover, the demand for many minerals did not reach the levels that had been predicted before the 1973 oil price increases, and instead of the expected shortage of many minerals, the combination of lower demand and expanded output has led to oversupply and the collapse of prices for minerals such as, copper, uranium, coal, asbestos and manganese. Many countries also maintain significant stockpiles which, wher coupled with the possibilities of conservation, recycling and substitution, "have undermined the credence of claims of Western economies 'grinding to a halt' in the face of a cut-off of South African supplies". 23/

59. A 1986 United States Department of the Interior study, entitled South Africa and Critical Minerals, concluded that replacing South African manganese and vanadium would be relatively simpler "in 1984, surplus world manganese capacity was nearly one-and-a-half times total South African production and a similar amount of production could be brought onstream (largely in Australia) in one or two years". With regard to vanadium, "a disruption of South African supplies would have minimal domestic (United States) impact, initially because of substantial private stocks (equivalent to 21 months 1984 domestic consumption)" 24/ and because molybdenum can in most cases be substituted for vanadium.

60. Roughly three quarters of chromium is turned into ferrochrome for use in steel production and South Africa is the major world producer of the cheapest form, charge chrome. The United States Department of the Interior study shows that

surplus world capacity is 68 per cent of present South African annual production. It also notes that United States consumption of "new" chromium could be reduced by 30 per cent through improved processing to promote more efficient chromium use and increased recycling of stainless steel. The study concludes that a sudden cut in South African ferrochrome exports would cause some disruptions and some costs because stainless steel producers would have to modify their processes and ferrochrome prices would jump, but that market mechanisms would sort out ferrochrome use and stainless steel supplies.

61. The United States study reached a similar conclusion concerning the practicality of surviving a cut-off of South African platinum. Again, the combination of reducing platinum use, recycling and higher prices bringing some *new* supplies onstream implied that "under fairly reasonable assumptions, world platinum demand would fall to about 45 per cent of present levels. Of this, one third would be supplied by non-South African sources. Reserves and the backlog of automobile catalysts would meet the remaining gap for more than five years". Thus, for example, the equivalent of more than a year of South Africa's platinum group metal production is tied up in the exhaust pipe of scrapped cars, and substitution and conservation could cut United States consumption by 15 per cent to 35 per cent still leaving its automobile industry with adequate supplies. 25/ In general, some experts have tended to down-play both the vulnerability to a cut-off of South African supplies as well as the strategic relevance of the issue. 26/ However, other analysts believe that it would be very difficult to replace South African platinum, pointing to the expected increase in demand with the introduction of emission controls for automobiles in the European Community, and the shortages which resulted in increases in platinum prices from under $250 per ounce in 1985 to close to $600 per ounce in 1986. 23/

62. Other mineral importing countries have also published contingency studies to assess the extent of possible disruptions to their economies from interruption in the supply of minerals from South Africa. 27/

63. The main markets for South Africa's exports of base metals, uranium and other non-metallic minerals are indicated in table 9.

(d) Agricultural products

64. Raw and processed agricultural and fisheries produce has historically been South Africa's third largest export, after gold and other minerals/base metals. In 1985, the last year for which detailed data were published, South Africa exported R 1.8 billion worth of agricultural products, accounting for fractionally less than 5 per cent of the total. These were primarily raw and processed fruits, vegetables, grains, wine, sugar, meat, fish and dairy products. If wool and wool products are included, the share of farm produce in total exports rises to 6.3 per cent. The traditional export markets for South African fruit, wine and wool are the United *Kingdom* and other European Community countries, with surplus maize exported to the Far East.

65. By 1986, however, Japan had emerged as the single largest export market for South African agricultural produce, accounting for 23.8 per cent of South Africa's

fruit, vegetable and grain exports (and 25.5 per cent in 1987), 21.1 per cent of meat, fish and dairy exports (an% 26 per cent in 1987), and 40 per cent of sugar exports. However, European Community member countries were also very large buyers of South African produce, In 1986, the United Kingdom, the Federal Republic of Germany an% France together purchased 42 per cent of South Africa's fruit, vegetable and grain exports (rising to 47.7 per cent in 1987), while Italy, France an% Spain together bought 27.3 per cent of South African meat, fish and dairy exports in 1986 and 46 per cent in 1987 4/ (see table 10). In addition to Japan, major sugar export markets are the Republic of Korea (20 per cent) an% Israel.

(e) Other exports

66. Other significant South African exports include iron and steel, other manufactures an% arms, South Africa is the eighth largest producer of iron ore, with about half of its production exported. In 1985, 10 million tons were exported, bringing total revenues of R 319 million. European Community countries and Japan were the major buyers. As the fourteenth ranked steel producer, South Africa suffers from severe over-capacity and low profit margins on exports. Iron ore powder made up 1.3 per cent of all exports in 1986 an% 1.2 per cent in 1987, while iron an% steel products accounted for a further 5.2 per cent in 1986, falling to 3.9 per cent in 1987, The most important export markets are Japan and the Taiwan Province of China. 28/

4. Measures affecting South Africa's vital exports

67. Widespread bans on South African exports are in force in many countries that have been traditional trading partners of South Africa. The Nordic embargo virtually covers all exports from South Africa. The 1986 Unite% States Comprehensive Anti-Apartheid Act covers most South African exports with the exception of certain strategic minerals. The Commonwealth package covers coal, iron and steel, some strategic minerals, an% agricultural. products, Japan has banned most uranium an% iron and steel imports - however, not coal, while several States in the European Community have a ban on coal an% the Community has impose% a total ban on iron an% coal. Sanctions as they affect South Africa's major exports are describe% briefly below,

(a) Gold

68. Since 1985, the following countries have banned imports of krugerrand: Australia, Austria, Japan, the Nordic countries, Unite% States and the countries of the European Community. Canada has discouraged, but not forbidden, the import of South African gold coins. This ban has been remarkably effective and krugerrand production has virtually halted.

69. Bans on gold bullion exports are considered more problematic. Gold plays a central role in regulating exchanges in the international economy, an% as a store of speculative an% hoarded investment. Attempts to de-monetise gold have not been successful . However, proposals for a ban on South African gold exports continue to be put forward. 29/ It bears restating that concerted action against bulk gold exports would have a dramatic! effect on the South African economy.

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(b) Coal

70. Coal imports to the United States are banned under the Comprehensive Anti-Apartheid Act. In 1906 the Commonwealth Heads of Government - with the exception of the United Kingdom - agreed to ban imports of South African coal. Australia, Canada and New Zealand have done so. In August 1988, the Commonwealth Foreign Ministers Committee declared a ban on coal imports from South Africa as a priority item in a new international programme for tighter and more effective sanctions,

71. It is reported that within the European Community, coal sanctions were opposed by the United Kingdom and Portugal, and a decision on coal sanctions was postponed. The Government of France decided unilaterally in 1985 not to renew South Africa coal contracts, and shipments ceased in 1987. British, Irish and Dutch parastatals do not handle South African coal.

72. Against these measures, South Africa has been able to exercise considerable flexibility and has been able to switch its coal exports to other, mainly Far Eastern markets, particularly Japan. The activities of transnational corporations have been another factor enabling South Africa to continue to export coal,

(c) Other strategic minerals

73. The import of South African minerals and base metals is banned by Australia, Canada, France and New Zealand. The Nordic embargo makes allowance for exemption by special permission. Japan has banned imports of South African uranium. The exact extent of imports of South African and Namibian uranium processed in other countries is not known.

74, The United States Comprehensive Anti-Apartheid Act likewise bans imports of South African uranium. However, the Act's prohibition of imports from South African parastatal organisations exempts strategic minerals certified by the President to be essential for the economy or defence of the United States. The United States Bureau of Mine; has reported that alternative sources exist for 6 of the 10 such exempted South African minerals, and estimates the cumulative five-year cost of an embargo on all South African minerals (excepting platinum, rhodium, a specific type of industrial diamond and grade of chrysotile asbestos) at $9.25 billion. 30/

(d) Agricultural products

75. The United States Act bans the importation of South African agricultural products and sugar. Ireland also banned such imports in 1986, empowering the Minister of Agriculture to determine the origin of such products in case of doubt, The Commonwealth countries, with the exception of the United Kingdom, agreed to a similar ban in 1986. The fairly widespread bans of South African agricultural exports do not normally include wine.

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76. Raw and processed agricultural exports have been reported to be a major area of sanctions evasion. Figures on agricultural trade may, therefore. underestimate reai exports. Table 10 shows that, despite the near total loss of the United States, Canadian and Swedish markets, receipts from recorded 1987 South African agricultural exports were 34 per cent higher than 1983-1985 levels (and 3 per cent higher in the case of meat, fish and dairy products), with dramatic increases in imports from South Africa registered by the Taiwan Province of China (285 per cent), Italy (159 per cent), France (144 per cent) and Japan (135 per cent). The Canadian market for South African sugar was lost through sanctions, and the United States transferred South Africa's 35,000 ton sugar quota to the Philippines - a combined loss of 16 per cent of the sugar export tonnage.

(e) Other manufactures

77. Imports of South African iron and steel have been banned in a number of countries, including the United States, the European Community, Japan and some Commonwealth members. However, there is very wide variation in the scope of such measures. The United States ban excludes ferro-alloys, as well as iron and steel containers. The European Community ban covers only pig and cast iron (including scrap) semi-finished bars, rods and sheets. Australia has banned wire imports, as have Canada and New Zealand, but their bans also cover tubes and pipes and tanks, drums and vats. The Hong Kong ban excludes iron ore, but includes ferro-alloys, wire and tubes and pipes. In September 1987, Israel undertook to keep iron and steel imports at current levels.

78. However, as table 11 shows, despite these measures, while iron ore and powder exports dropped by 18 per cent in 1987 over the 1983-1985 levels, South Africa's receipts from exports of ferro-alloys rose by 12 per cent and of iron and steel by 26 per cent, with major sales of iron and steel being made to countries in the Far East and to Turkey. Major increases in the purchases of South African ferro-alloys were registered by Turkey, the Taiwan Province of China, Spain and others.

79. The United States and Canada have also banned the importation of South African textiles.

B. Finance and foreign capital flows

80. Inflows of foreign capital have been essential to the African economy. Until 1988, periods of economic growth had always been accompanied by, and were indeed essentially stimulated by, inflows of foreign capital. Beyond financing current account deficits, foreign capital has played a key role in financing domestic investment.

1. Capital flows 1975-1985: towards a crisis

81. Between 1955 and 1975, external current account transactions were more frequently in deficit than in surplus. The deficits were covered by a generally positive balance on capital account. Net capital inflows in the same period stood

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at over R 3.9 billion, as foreign investors took advantage of the high rates of return on South African investment. 31/ South Africa was thus able to finance the large volume of imports essential to its growth through infusions of foreign, mainly investment, capital. Reflecting the high rates of return on capital invested in South Africa in the 1960s, the R 4.2 billion total direct foreign investment in 1970 accounted for 59 per cent of total foreign liabilities. 32/

82. This pattern began co change in the 1970s. A declining return on investment, and particularly growing political instability culminating in the 1976 Soweto uprising, provoked a net capital outflow of over R 6.1 billion in the period 1977-1980. While the total stock of foreign capital invested in South Africa rose from R 7.5 billion in 1975 to R 12.3 billion in 1980, as much as 80 per cent of this increase was financed by re-invested profits. Indirect investment and, in particular foreign loans, became the major form of capital inflow, accounting for 52 per cent of South Africa's foreign liabilities in 1980, rising to 66 per cent in 1985,

83. Measured in local currency, direct foreign investment more than doubled (from R 12.3 billion to R 27.9 billion) in the period 1980-1985. However, much of the increase reflects the rapid depreciation of the rand which almost halved in value during this period. The small real increases in foreign investment were financed almost exclusively by reinvested profits.

84. The main feature of South African foreign liabilities in the early 1980s was the dramatic increase in borrowing by both the public and private sectors, bringing a total net inflow of over R 5 billion in the period 1981-1984. However, substantial current account deficits during this period produced net declines in foreign reserves (see table 12). Moreover, a growing proportion of this influx of loan capital was in the form of short term loans of one year or lees. By 1984, short term loans accounted for 42 per cent of total foreign liabilities (as against 19 per cent in 1980). Debt-servicing payments doubled between 1980 and 1985 and, as the financial crisis of July-September 1985 showed, the high proportion of short term liabilities left the country seriously exposed in the svent that creditor banks called in their loans.

85. Even before the dramatic change6 of 1985-1986, the South African economy was overstretched and its structure had rendered it vulnerable. By the mid-1970s, South Africa had reached the limits of economic growth based on import substitution. Its inability, firstly, to produce its own capital qoods and technologies, coupled, secondly, with its inability to cover the cost of these essential imports by its exports made the country extremely dependent on large infusions of foreiqn capital. During the 1960s and early 1970s, when the economy offered very high returns on invested capital, there was no difficulty in securing such inflows. In the period 1975-1985, however, increasing political instability in the country made investors decidedly more cautious about long-term commitments in South Africa and compounded the building strains on the economy.

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2. "Market sanctions" and access to foreign capital

86. In July 1985, the Government of South Africa declared its first State of Emergency. The transnational banks refused to roll over $US 10 billion in short-term loans due in September 1985; this was followed by South Africa's moratorium on loan repayments and a wave of disinvestments by transnational corporations in 1986-1988. The economic impact of these changes then reinforced a process already under way in 1985: "internal disinvestment" by South African companies replacing domestic investments by investments overseas. Collectively known as "market sanctions", these processes have had a major impact on the already strained South African economy.

(a) Loan capital and trade credits

(i) Access to loan capital

87. Following the loan repayment moratorium declared by South Africa in 1985, complex negotiations between the major banks and South Africa produced the 1986 Leutwiler Accord and 1987 Stals Accord. 28/ The Stals Accord froze $14 billion of South Africa's foreign debt, with no interest payable until 1990. A total of 13 per cent of the principal was to be repaid during the standstill period, on a specified schedule. The agreement also vrovided two "exit" options for conversion of the debt "caught in the net", either to be rolled over into long-term (10 year) loans at an interest rate 1 per cent above that payable before the moratorium, or for conversion of claims into investment in South Africa, which can only be repatriated via the discounted financial rand.

88. In terms of the Stals Accord, total payments of principal inside and outside the net from June 1987 to June 1990 amount to around $8 billion. When the agreement expires in 1990, out of its total outstanding debt of $21 billion, South Africa was originally scheduled to repay $11 billion to around 400 foreign commercial banks. The amount due to the banks has now been reduced by about $4 billion, to around $7 billion, as some banks have chosen to exercise "exit options": reports indicate that as much as $3.5 billion of the loans frozen inside the net had been rolled over into long-term loans by January 1989, with a further $0.5 billion converted into equity. 33/ In addition, $1.8 billion is due in 1990 "outside the net" to the holders of South African bonds. A further $2 billion outside the net is due in 1991.

89. South Africa's access to international capital markets since 1985 has been described as "very limited", although a September 1988 report by the United States General Accounting Office suggests that "the lending climate may be improving". 30/ Capital inflows have been limited for the most part to trade-related credits, mainly from official trade financing agencies. Agencies of the Federal Republic of Germany, France and the United Kingdom together account for over 90 per cent of officially insured credits, which rose by almost $1 billion to $8.4 billion in 1986, declining to just under $8 billion in 1987. Other post standstill credits for South Africa include some new medium and long-term public and private sector credits from creditors whose South African assets were excluded from the standstill.

90. South Africa's debt in 1986 was held by four types of creditors: foreign transnational banks, non-bank credits from suppliers and foreign government trade credit agencies, the International Monetary Fund (IMF) and foreign bond holders. The 1982 IMF drawing of $1 billion was paid off in 1987. Transnational banks held roughly three quarters ($16,867 billion) of the outstanding $22,616 billion debt. in December 1987, with bond holders ($3.7 billion) and non-bank creditors ($2.1 billion) holding the balance, 21/

91. Over 90 per cent of South Africa's debt to transnational banks is held by the banks of the following countries, in order of magnitude of exposure: the United Kingdom, United States, France, Federal Republic of Germany, Switzerland and Japan (see table 13).

(ii) Access to trade credits

92, An increase in the level of export credits since mid-1986 has played a vital role for South Africa. The credits have included official export credits and off-balance-sheet support for South Africa, such as provided by Swiss banks in the form of gold swaps and gold loans.

93, The financing of South Africa's primary exports requires only short-term credits, while capital goods and other products exported to South Africa generally have to be provided on a medium to long-term basis. The recent trend towards furnishing trade credit to the supplier rather than the buyer has the dual advantages from thu lending bank's point of view of transferring the risk from South Africa onto the domestic exporter (to whom the South African buyer remits payment) and reduces the bank's direct lending to South Africa.

94. Trade credits play a key role in South Africa's interim survival strategy. South Africa requires between $4-7 billion to finance its trade, while the total assets in the Reserve Bank and overall banking system in 1987 stood at $4.66 billion, much of which was inaccessible as a ready source of foreign exchange. 13/ Export credits are still available from all major trading partners. While the United States has terminated government guarantees, trade credits by the private sector are still permitted. As much as 30 per cent of South Africa's trade is currently backed by foreign Governments through their official export credit agencies. Short-term trade credits can sometimes be extended for as much as five to seven years. 34/

95. Trade credit6 have clearly provided South Africa with a crucial safety net since 1986 and have been vital to the country's financial survival since then. However, they are more cumbersome than conventional lending and bond issues and are little more than a stop-gap solution, To rebuild its access to regular capital markets, it will be necessary for South Africa to abide by the repayments schedule established under the Stals Accord, This was a major factor motivating the Government to deflate the South African economy in the 1989/90 budget. There are some indications that the Government's efforts to improve access to international capital markets have met with some success. In late 1988, a consortium ot Swiss banks agreed io provide South Africa with a lo-year loan of SwF 55 million. Moreover, the exercise of exit options by banks under the 1987 agreements has

reduced the amount "in the net" due in June 1990 to around $7 billion, Yet even this reduced amount is roughly equal to half of South Africa's export earnings.

96. The renegotiations beginning in 1989 concerning the end of the standstill in 1990 come at a period of severe financial pressure on South Africa as a result of the 1988 import boom, the sharp decline in gold prices and the fall in reserves of gold and foreign exchange to very low levels. The renegotiation of the standstill is a point of maximum vulnerability for South Africa.

(b) Government sanctions

(i) Loans and credits

97. The Nordic countries have adopted legislation prohibiting loans and credits to the Government of South Africa or to private persons and institutions.

98. Measures adopted by the Commonwealth in 1985 and 1986 cover new loans to the Government of South Africa, and to public or private creditors in South Africa. The United Kingdom has not accepted this recommendation, while Australia had already implemented it. Canada has banned loans to the South African Government and has called for voluntary restraint on new lending by Canadian banks. This has recently been extended to a request not to increase trade credits to South Africa,

99. At a meeting in August 1968, the Commonwealth Foreign Ministers Committee on Southern Africa considered a report on South Africa's relationship with the international financial system. The Committee decided to target financial sanctions against South Africa, and to ask financial institutions in their territories to ensure that there was no expansion of trade credits to South Africa; to ask banks in their own countries to press for rescheduling arrangements of South Africa's debt which did not exceed one year at a time; to press for an international ban on insurance cover by official export credit agencies on loans to South Africa) and to intensify their efforts towards restricting new lending to South Africa.

100. A European Community ban on new investments covers long-term loans, namely, longer than five years, Japan banned loans to South Africa in 1974, but this has been interpreted as a voluntary restraint. The Government of Japan has recently appealed to its national banks not to make loans to the Government of South Africa.

101. The 1986 United States Comprehensive Anti-Apartheid Act bans loans to the Government of South Africa or to its entities, excepting certain loans for housing or educational and/or humanitarian activities. It also prohibits all new loans to the private sector, but does not cover, for example, the conversion of existing short. term loans into long-term debt. Under the Act, United States citizens are prohibited from lending money to South African creditors. These provisions do not apply to ehort-term credits.

102. In 1987 the Government of Israel prohibited the granting of government loans to South Africa.

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(ii) Restrictions on official export/import financing and trade promotion

103, Although the bans on new investments and loans have largely left short-term trade credits intact,, a number of measures have been adopted restricting the financing or promotion of trade with South Africa.

104, The United States Comprehensive Anti-Apartheid Act prohibits the use of public funds to assist trade with South Africa, In 1985, the Commonwealth recommended the prohibition of any government funding for trade promotion with South Africa. The Canadian official export insurance programme has been ruled inapplicable to transactions with South Africa, and Australia has removed all official facilities for trade with South Africa.

105. A number of Governments have banned South African trade promotion activities, even if they have not imposed a trade embargo. Such measures include the exclusion of South African exhibitors from trade fairs, and restrictions on travel to South Africa, such as the restrictions imposed by Japan in 1986 and 1987. Peru, for instance, has created a South Africa desk to recommend alternative trade possibilities.

(iii) Double taxation agreements and bank accounts

106. In 1986, the Commonwealth countries, with the exception of the United Kingdom, adopted a ban on double taxation agreements. Canada rescinded its agreement with South Africa in 1986. The 1967 Rangel Amendment rules out tax credits on taxes paid in South Africa by United States tax entities or their subsidiaries. The United States also prohibits the Government of South Africa or its branches from having bank accounts in the United States for Anything other than diplomatic or consular purposes. The President is also empowered to recommend a ban on accounts in United States banks by South African citizens.

(c) Investment capital

(i) Disinvestment

107, At least 299 foreign transnational corporations are known to have disinvested from South Africa between January 1984 and April 1989. This leaves over 600 foreign companies with direct investments in South Africa. Of the 600 companies, more than two thirds are accounted for by the companies of three countries: 195 are United Kingdom companies, 150 are United States companies and 137 are companies of the Federal Republic of Germany. Other countries retaining direct investments are Switzerland (29 companies), France (24), the Netherlands (14), Australia (12), Italy (8) and Sweden (6). Reliable, up-to-date figures on total direct foreign investment in 1988 are not yet available. However, the loss in direct. investment due to the withdrawal of 40 per cent; of foreign companies may well have been largely offset by the reinvestment of profits by the approximately 600 which remain. 30/

108. Of the 299 disinvesting companies, 155 were based in the United States. 10/ The disinvesting companies made up more than 40 per cent of all foreign operations

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in South Africa and 60 per cent of United States undertakings, The number of withdrawals peaked in 1987, then fell off dramatically in 1988. In the first six months of 1989, only 3 United States companies withdrew and a further 10 companies announced their intention to withdraw.

109. Companies from the three countries with the largest holdings in South Africa in 1984 have withdrawn at different rates, Thus, while United States firms accounted for 38 per cent of foreign firms with a direct investment in South Africa, they have made up 52 per cent of disinvestments. United Kingdom firms, on the other hand, made up 34 per cent of the foreign corporate presence in 1984, but only 19 per cent of withdrawals, while the corresponding figures for firms from the Federal Republic of Germany are 13 per cent and 6 per cent.

110. Disinvestment has been concentrated in those sectors of the economy hardest hit by the recession of the early 1980s or which were under pressures to adjust - particularly the automobile industry. With the notable exception of Mobil Oil Corporation, which withdrew in 1909, highly profitable sectors like the oil industry have not seen much disinvestment, Declining overall rates of return seem also to have been significant factors in the withdrawal of United Kingdom and United States companies. Thus, for example, the net earnings of United Kingdom companies from South Africa declined by 19 per cent in the period 1984-1986, compared with a 96 per cent increase in earnings on world-wide investments. 5/ In the case of United States firms, the threat or reality of consumer and city/state boycotts of companies operating in South Africa, and later the Range1 Amendment ending double taxation credits, seem to have played a major role. Consumer boycotts in the United Kingdom were a key factor in the withdrawal of two trananational banks from South Africa.

111. However, while 40 per cent of foreign companies have withdrawn and the stock of fixed direct investment in South Africa has shrunk, at least 38 per cent of all disinvesting companies, and over 50 per cent of United States companies, are known to have retained non-equity links. These figures may underestimate the extent of retained non-equity links *since* the status of nearly a quarter of disinvested companies is not knuwn (see table 14). Such non-equity links may take the form of licensing, trade mark or franchise agreements, a distribution contract, and/or management and technical aaoistance agreements. These may be implemented by way of various mochaniems of disinvestment such as: (a) closing down the local operation) (b) selling to another company) (c) selling to local management under a management buyout arrangement (using funds provided by the "disinvesting" company); (d) transferring the assets of the local operation to a trust fund; and (e) moving the operation to a neighbouring country. A survey of 277 disinveating companies by the Investor Responsibility Research Center, Inc. found the most common method to be (b), followed by (c). 10/

112. The retention of non-equity links allows dieinvesting companies to continue earning profits from South Africa without the political implications of direct investment. These arrangements often include supply contracts which also guarantee the former parent companies access to exports outlets for parts and finished products, It means that they may retain a percentage of their world market which might be lost forever in a total withdrawal. In some instances, it may even open

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elements of the South African market previously closed by the imposition of corporate codes of conduct, or the arms embargo,

113. However, by far the most important consequence is that non-equity links permit the *ongoing* transfer of technology to the South African economy. Given the absolute dependence of the new South African owners on the trade marks and regular inflow of crucial technologies, parts, technical/managerial assistance from their "departed" former parents, such links allow dieinvesting companies to retain a substantial degree of real influence and control over these "South African" operations, Moreover, many of the sale agreements include a clause allowing the parent company to buy back their shares in South African operations at will. This had led some researchers to describe such "disinvesting" companies as engaged in "restructuring ties with the South African economy rather than disinvesting". 34/

114. Disinvestment does not appear to have had a significant impact on the flow of technology to South Africa. South African companies still enjoy virtually unrestricted access to transnational corporations' products and parts and the technology needed to continue operations. Nor has disinvestment provoked the rapid deterioration in South Africa's balance on capital account anticipated by some. However, the overall trend towards a reduction in the stock of direct foreign investment in the South African economy has negative long-term consequences.

115. Firstly, it has enhanced the very high levels of concentration of economic ownership in the South African economy. The big four South African conglomerates have rushed to buy the local operations of bluo chip international companies, using for these acquisitions capital which could otherwise have been invested in generating economic growth. Over the long term this forgone investment must reduce the country's tax base. This points to the second effect of disinvestment. With South Africa now forced to rely on its domestic savings, rather than foreign capital flows to finance investment, the Government has initiated a major privatization programme of the considerable public sector. Apart from other economic consequences, the sales will provide the Government with revenues. The planned programme will focus on the transport, electricity, and postal services, as well as iron and steel, oil-from-coal and phosphate operations. Thirdly, the wave of disinvestment in 1986/1987 had a dramatically negative short-term and long-term impact on South African business confidence. Taking 1983 as a base line of 100, the Business Confidence Index of the Associated Chambers of Commerce dropped 40 78.6 in May 1986. 35/ Although this confidence recovered somewhat when it was realised that disinvestment did not mean the end of access to Western technology, the medium and long-term costs of disinvestment are recognized.

116. Moreover, it should be noted that new third parties appears to be willing to take up the gap of departing companies. The lifting by the Taiwan Province of China of its restrictions on investments abroad and the conclusion of preferential tux agreements between South Africa and the Province has facilitated the entry of Taiwanese investment and growing technological (especially computer) capacities into South Africa,

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(ii) "Internal disinvestment": the export of South African capital

117. A number of important South African companies began to acquire large foreign holdings in the 1960s and 1970s. This export of local Capital increased dramatically with the temporary lifting of exchange controls in 1983-1985. Measured in rend, South African direct foreign investment abroad more than doubled to R 16.6 billion in this period, while the country's total foreign assets increased by 76 per cent to reach over R 30 billion. However, when these figures are adjusted for the depreciation of the rand (and hence higher rand value of foreign assets) these years show a real increase in South African direct investment abroad of over 30 per cent, and only marginal increases in total foreign assets. 36/ Over 90 per cent of these assets are distributed between Africa, the Americas (over one third each) and the European Community (almost a quarter).

118. Since the reimposition of exchange controls in 1985, outward transfer of capital is again very strictly controlled by the South African Reserve Bank, although permission may be obtained especially in the case of the development of South African export markets, The severe economic and political crisis in South Africa since the mid-1980s has accelerated the search by major South African corporations for more secure investment opportunities outside of South Africa.

119. This "internal disinvestment" reflects concern on the part of South Africa's major corporations with regard to the country's economic future. In the context of the 1984-1967 wave of disinvestment by foreign investors and the constraints imposed by the efforts to manage the debt-repayment schedule, these internal disinvestment6 put further strain on the ability of the South African economy to expand its productive capacity. Moreover, in addition to their impact on the domestic economy, the internal disinvestment6 are another area of vulnerability to external pressure. In a number of countries, South African companies operating abroad have begun to come under growing consumer pressure, In Canada, for example, a three-year consumer boycott obliged a South African company to sell its holding in a major brewery to an Australian concern.

(d) Sanctions on investment in South Africa

(i) Direct investment

120. An outright ban on all investment in South Africa was imposed by Japan in 1969. However, licensing agreements are permitted, and products of Japanese origin (and embodying Japanese technology) are market leaders in many sectors, including automobiles and consumer electrical goods, No ban on all direct investment has been imposed by any other country, and technology transfer by way of existing direct. foreign investmant continues unhindered.

121. Several countries have banned new investment in South Africa. The Nordic ban includes technology transfers through the leasing of capital equipment. The 1986 Commonwealth meeting decided to implement a ban on new investment, with implementation left up to member Governments, Canada and Australia banned new investments in South Africa, while the Government of the United Kingdom agreed to a "voluntary ban", The 1986 ban of the European Community ban on new investment includes not only acquisitions, but also expanded participation in existing

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undertakings and loans of more than five years. 37/ Implementation was again left to member States. France suspended *new* investments by subjecting them to a government licence. Italy and Spain enacted legislation in 1987 to implement the ban, The Government of Ireland has instructed its Central Rank to refuse the necessary permits for investment in South Africa. The Government of the United Kingdom has recommended compliance with the ban, while the Federal Republic of Germany seeks to persuade German corporations not to invest in South Africa. Denmark had already banned new investments in 1985, The 1986 United States Comprehensive Anti-Apartheid Act includes a ban on new investment. New investments were banned by Austria in 1986. The 1987 Israeli ban was modelled on that of the European Community, but allows for exceptions in the case of agreement by the Ministries of Foreign Affairs and Commerce together with the Central Bank.

122. Most of the bans on new investment do not affect investments already in place, nor the reinvestment of profits. They cover only further investments through new transfers of capital or expansion into new activities. They have been adopted by way of widely different mechanisms - ranging from an Act of Parliament or Conyress (Denmark, Sweden, United States of America), Royal decree (Spain), Government decision (Japan) and Ministerial instruction (Ireland) - and are likewise implemented and monitored by a variety of departments and agencies. 38/

123, No reliable figures are available on the overall volume of direct investment by foreign countries in South Africa. However, as most of the bans on new investment do not cover reinvestment, they may not have had a dramatic effect on the overall stock of direct investment in South Africa. In the case of United States companies, the reinvestment of profits of the 150 United States companies still operating in South Africa increased the stock of direct United States investment by 4 per cent between 1984 and 1987. Data *on* reinvestment of profits by companies based in other countries are incomplete. 5/

(ii) Indirect investments

124. Sweden banned indirect investment in South Africa in 1985. The 1986 United States Comprehensive Anti-Apartheid Act forbids new issues of stocks or bonds of South African companies in the United States, and subsidiaries of United States financial firms may not underwrite *any* new share or bond issue by a South African company. No specific prohibition exists in Western countries on the listing or trading of shares of South African companies.

C. Other services

1. Transportation

125. Maritime and airfreight links are another area of significant external dependence. Some 90 per cent of South Africa's external trade moves by sea. 111 1984, South *Africa's* total deep sea trade was worth about R 2.8 billion. 4/

126. In the 1960s a good number of African countries denied landing or overflight rights to South African aircraft, The Nordic countries, as well as Canada, Japan

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and the United States, have now also banned direct air links with South Africa. Denmark and Norway have extended this to cover maritime transportation in relation to arms and oil, and Sweden has appealed to its shippers to avoid South African ports. Brasil forbids the shipment or trans-shipment on its territory of products from South Africa, In 1987, the Government of Israel undertook to prevent the transit through its territory of goods destined for South Africa.

127. Although South African Airways maintains a pool arrangement with the carriers of 22 European, African, and Latin American countries, the country's exports are threatened by a chronic lack of airfreight space, particularly for perishables. The recent decision of the Scandinavian and Spanish air carriers to terminate services and the cancellation of the four weekly South African Airways flights to thn United States have intensified South Africa's difficulties in airfreighting its perishable exports.

2. Tourism

128. Promotion of tourism with South Africa has been ended in many countries. The 1986 Commonwealth package included measures in this regard) the United Kingdom did not concur. Canada has banned the official promotion of tourism to South Africa, complemented by a "voluntary" ban on the promotion of tourism to South Africa by private tour companies. The 1986 United States Comprehensive Anti-Apartheid Act prohibits the promotion of South African tourism with public funds, and Israel has prevented active tourist promotion by official bodies. In Norway, the organising or offering of public tours to South Africa has been made a punishable offence. Japan imposed voluntary restraints on tourism to South Africa in 1986.

3. Rendering of services

129. As already indicated, the shortage of managerial, professional and technical skills in South Africa makes the country highly dependent on foreign nationals to help meet its personnel needs and compensate for the steady exodus of trained personnel from the country. Restrictive measures that have been adopted in this area include a 1987 Norwegian law which forbids any person domiciled in Norway from providing any service to the Government of South Africa or South African nationals on a commercial basis. A 1978 ban by Denmark on any assistance connected with nuclear weapons appears to be the only explicit prohibition of the provision of service to South Africa outside of South African territory. United States measures contain provisions which could be interpreted as such a prohibition, but have not been tested in court.

IV. SCOPE, IMPLEMENTATION AND IMPACT OF RESTRICTIVE MEASURES

130. A fairly wide range of official measures have been taken against South Africa. However, the objectives, approach, content, scope, implementation, and enforcement of such measures vary widely, even among countries which have adopted similar collective packages, as does also the impact of such measures.

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131. Although a number of States have adopted restrictive measures against South Africa in efforts to induce the Government of that country to abandon its apartheid policies, many of the measures have been limited in scope and sometimes less than vigorously enforced, Moreover, some of the most far-reaching measures have been applied by States whose economic links with South Africa had been relatively weak and therefore do not have a strong j· act on the South African economy. Some of South Africa's major trading partner on the other hand, have adopted more limited measures, and not always in a co-ordinated fashion,

132. Furthermore, the scope of a particular measure or set of measures has sometimes been weakened by the mode of implementation. In some countries sanctions have been imposed by legislation, in others by decree, *in* still others by non-binding administrative decision. The actual implementation of such measures has often been assigned to bodies already coping with other responsibilities. In the case of collective sanctions packages, their effects have often been diluted by the wide variations among countries in interpretation, scope, implementati‹n and enforcement.

133. Monitoring of compliance with sanctions and enforcing their provisions on citizens of the imposing State is problematic. Where sanctions are not imposed by legislation or other legally binding mechanisms, compliance can be a problem; "voluntary bans" are not always observed. Moreover, the enforcement of restrictive measures is often made difficult by the number of separate agencies, departments and offices involved in ensuring compliance. Some measures could lead to bilateral disputes or cross-border litigations over the issue of third-party exploita:ion of sanctions. The United States 1986 Comprehensive Anti-w Act contains wide-ranging provisions against such third-party exploitation and gives United States citizens who have been financially penalized by sanctions the right to retaliate against foreign countries that "benefit from, or otherwise take commercial advantage of" the restrictions imposed by the Act on United States nationals. While the issue of sanctıons evasion is beyond the scope of this paper, a greater degree of concerted attention by the international community would be required to ensure compliance with existing measures.

Economic impact of government measures

134. It has been estimated that bans on specific imports from South Africa apply in theory to 26 per cent of South Africa's 1985 exports. However, owing to numerous loopholes, lacunae and limitations of these bans, substantial markets for these sanctioned products have not been closed, and less than 8 per cent of South Africa'6 1985 exports are effectively subject to sanctions. 39/ Nevertheless, sanctions on even this limited amount of South African trade have had a substantial impact. United States trade sanctions alone cut South African exports by $417 million. A survey of 97 per cent of the market for South Africa's exports ·ied out by the United States General Accounting Office concludes that South !a has not been able to replace the lost United States market by other export .ets and that even after account is taken of the $164 million increase in exports to the Taiwan Province of China, there was a world-wide reduction of $469 million in South Africa's export earnings on the goods under United States sanction. 30/ The 1989 Commonwealth Experts Study found that the nine

industrialised States that committed themselves to reduce their trade with South Africa cut their trade by one third in 1987. 28/

135. Based on assumptions about the multiplier effects of export lossea on the overall economy, it has been suggested that trade sanctions would produce a 4 per cent reduction in South Africa's GDP. However, such a conclusion needs to be qualified on three main counts. 39/

136. First, not only does the evasion of sanctions by South Africa permit a certain level of illegal exports in traditional markets, but also significant alternative export markets have been found, most particularly in countries of the Far East. As indicated in table 6 in the appendix below, this has led to some significant changes in the rankings of South Africa's major trading partners.

137, Comprehensive data on South Africa's external trade in 1988 are not yet available, but analysis of the trade of 24 partner coun.ries relating to the first six months of 1988 compared with the first six months of 1987 indicates an increase of 34 per cent in the overall trade of these countries with South Africa. With the exception of Denmark, Sweden, Australia and Israel, increases in total trade with South Africa were recorded by all the countries (see table 15). Trade figures for the full year 1988, when compared with 1987, show increases in trade between South Africa and 7 out of 10 partner countries for which trade data are available at this time. 40/

138. Second, declines in South African exports after 1985 were due not only to sanctions, but resulted also, to a significant extent, from global oversupply, leading to increased competition and falling prices for a number of South Africa's bulk commodity exports, particularly coal, iron and steel, sugar and maize. 39/

139. Third, by reducing South African export earnings, and raising the cost to South Africa of imported vital capital goods, technology, arms and oil, trade sanctions have an impact on the current account of South Africa's balance of payments. With an outflow of the equivalent of close to R 20 billion in foreign capital since 1985, South Africa's revised schedule of debt repayments obliged it to maintain a current account surplus. This means that the real impact of trade sanctions is crucially linked to the simultaneous existence of financial (capital account) sanctions, to ensure that any loss cf export earnings is not compensated for by inflows of investment or loan capital. Market sanctions do appear to have played a crucial role in constraining tho South African economy. The various bans that have been adopted on investment and on some forms of loans to South Africa have reinforced these market sanctions. However, new investment in South Africa by some non-traditional trading partners appears to be on the increase.

140. Of crucial importance for the South African economy is the matter of foreign loans. Three issues stand out here. The first relates to new loans. While a number of States have taken measures against. new loans, in many cases these nre voluntary, and allow banks to interpret such directives at will, with little or no government sanction.

141. The second issue related to loans is that of trade credits, which, as indicated, have played a key role in South AL rica's financial survival, and a

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substantial proportion of which have been provided by official trade credit agencies of some States. In July 1988 the Governor of the South African Reserve Bank pointed to the "gratifying" recent increase in trade credits which "serves to case the balance of payments constraint on economic growth". 41/

142. The third and most vital issue is the renegotiation of the debt standstili, which is due to begin in June 1990. In August 1988, the Commonwealth Foreign Ministers agreed to ask banks in their countries to press for rescheduling arrangements of not more than *one* year's duration. However, the countries represented on the Ministers Committee are not the major lenders to South Africa.

V. CONCLUDING REMARKS

143. While the official sanctions imposed on South Africa to date overall have been limited in scope and do not always target the main areas in which South Africa is dependent on the rest of the world, their cumulative effect has imposed important constraints on the economy,

144. South Africa's essential imports of oil and petroleum products, capital goods, production material, spare parts and technolc jy have been the object of uneven measures which South Africa has been able to circumvent, albeit at a cost. To a lesser degree, this is also true of official financial measures. Supplementing these, market prsssures appear to have played a major role in constraining the South African economy.

145, Some of the recommendations discussed by the Commonwealth Foreign Ministers in August 1988 and February 1989 addressed a number of these considerations. A Commonwealth Experts Study has made detailed recommendations *for* dealing with South Africa's access to technology by proposing bans on any dual use equipment, the sale of computers and *software and* electronic and telecommunications equipment. Proposals have also been made regarding the matter of South Africa's repayment of foreign debt, and possible terms for its rescheduling, 28/ Norway, in particular, has addressed the issue of flows of skilled personnel, as well as transport links with South Africa by placing a reporting obligation on the masters of Norwegian registered carriers.

146. These are some illustrative examples of recently proposed or implemented official measures, which address themselves to sectors and areas of South African economy tnat have high external dependency.

147. The General Assembly, in the last two years, has focused on the effectiveness of sanctions imposed by traditional trading partners of South Africa. In its resolution 43/50 D, the Assembly urged all States that have not yet done so, pending the imposition of comprehensive and mandatory sanctions, to adopt legislative and/or comparable measures to impose effective sanctions against South Africa and identified areas of the South African economy that it considers would be most vulnerable to outside pressure. It appears that States have taken steps towards implementing some of these recommendations, although in a rather uneven and not always co-ordinated way.

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Notes

1/ Governor of the South Africa Reserve Bank, quoted in S.A. Barometer vol. 1, No. 2, 27 March 1987.

2/ No recent census data are available. An estimated population growth rate of close to 3 per cent is widely accepted.

3/ Financial Mail (Johannesburg) 7 October 1988.

4/ Community Resource and Information Centre, Draft Report on Sanctions and their Effect on the Economy and Jobs. Compiled for the Congress of South African Trade Unions (Johannesburg) January 1988.

5/ Economic and Social Council, Commission on Transnational Corporations, "Activities of transnational corporations in South Africa and Namibia and collaboration of such corporations with the racist minority régime in that area" - report of the Secretary-General (New York) 5-14 April 1989 (E/C. 10/1989/8 and Corr.1).

6/ United Nations Centre on Trensnational Corporations, "The South African economy and transnational corporations" (E/C.10/AC.4/1989/5) (New York) 14 August 1989.

7/ Migration figures calculated from data provided in the South African Institute of Race Relations 1988 report,

8/ United Nations Centre on Transnational Corporations, op. cit., pare. 81.

9/ Economic and Social Council, Commission on Tranenational Corporations, "Follow-up to the Panel of Eminent Persons established to conduct public hearings on the activities of transnational corporations in South Africa and Namibia" - report of the Secretary-General (E/1989/17),

10/ Investor Responsibility Research Center, Inc., Patterns of Multinational Corporations Disinvestment from South Africa (Washington, D.C.) 1989.

11/ Official Records of the General Assembly, Forty-third Session, Supplement No. 44 (A/43/44 and Corr.1), para 10.

12/ Paul Conlon, "International Oil Trade and South Africa's Energy Requirements", Hearings on the oil embargo against South Africa, 12 and 13 April 1989 (A/AC.234/4).

13/ John E. Lind and David J. Koistinen, Financing South Africa's Foreign Trade (San Francisco) Cannicor Research, March 1988.

14/ Official Records of the General Assembly, Forty-Third Session, Supplement No. 44 (A/43.44 and Corr.1).

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16/ The Shipping Research Bureau (Amsterdam), in testimony before the Panel on the hearings on the oil embargo against South Africa, held in New York on 12 and 13 April 1989.

17/ South African Institute of Race Relations, Race Relations Survev 1987188 (Johannesburg) 1988.

18/ South Africa and the International Financial System, report by an inter-governmental group, Commonwealth Secretariat, 3 August 1988.

19/ Official Records of the General Assembly, Fortv-second Session, Supplement No. 45 (A/42/45).

20/ The Star (Johannesburg) 15 March 1989.

21/ "The role of transnational banks in South Africa", report of the United Nations Centre on Transnational Corporations, 1989 (E/C.10/AC.4/1989/6).

22/ Paul Conlon, "South Africa's attempts to reduce dependence on imported oil", United Nations Centre against Apartheid, Anartheid: Notes and Documents 9/85, October 1985.

23/ Merle Lipton, "Sanctions and South Africa: the dynamics of economic isolation", The Economist Intelligence Unit, special report No. 1119 (London) 1988.

24/ See Ken Traynor, "Canada's economic links with South Africa: the impact of Canadian sanctions", Canadian Council for International Co-operation, Taking Sides in Southern Africa (Ottawa) February 1987.

25/ J. Hanlon and R. Ormond, The Sanctions Handbook, Penguin (London) 1987.

26/ See Brian Bolton, Illusions of dependence: South African minerals in the global economy, raw materials report, vol. 2, No. 3 (Stockholm) p. 10; and Andrew Fenton Cooper and Ashok Kapur, La vulnérabilité stratégique des minéraux: Le cas de la République fédérale allemande face á l'Afrique du sud et á l'Union soviétique, Revue etudes internationales, vol. XV, No. 1 (Quebec) March 1984, p. 121.

27/ See Bundesanstalt für Geowissenschaften und Rohstoffe, Versorgungslage bei Rohstoffen: Kurzfassung (Hanover) September 1986, passim; and the Board of Trade of Sweden, Possibilities of Reducing Dependence upon Importation from South Africa of Certain Metals and Minerals, Memorandum (Stockholm) 2 July 1986.

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28/ Experts Study on the Evaluation and Impact of Sanctions, The Commonwealth Secretariat (London) 1989.

29/ Gold sanctions proposals can be found in The Case for a Gold Sanction in the Fiaht Aaainst Apartheid, World Gold Commission (London) 1988; and I. Lepper and P. Robbins, "Gold and international sanctions against South Africa", discussion paper (London) 1988.

30/ "South Africa: summary report on trade, lending, investment and strategic minerals", United States General Accounting Office (GAO/NSIAD-88-228) September 1988.

31/ See "Balance-of-Payments 1955-75", in D. Hobart Houghton, The South African Economy, Oxford University Press (London) 1976.

32/ South African Reserve Bank, A statistical presentation of South Africa's foreign liabilities and assets, 1956-1981 (Johannesburg).

33/ Banks reported to have taken the rollover option include Citibank and Manufacturers Hanover. Sources: Finance Week (Johannesburg) 20 April 1989; Business Day (Johannesburg) 26 April 1989; and Financial Times (London) 16 May 1989.

34/ Community Agency for Social Enquiry (Capetown) 1989.

35/ Associated Chambers of Commerce, "Business Confidence Index", An Overview of Political Conflict in South Africa: Data Trends 1984-1988. Indicator Project South Africa, University of Natal (Durban) December 1989.

36/ Foreign assets in rand from the South African Reserve Bank, Quarterly Bulletin, March 1988: rand values using the exchange rates listed, ibid., June 1988.

37/ Allowing exceptions for investments in training, health and social areas.

38/ See the report of the Secretary-General on policies of apartheid of the Government of South Africa entitled: "Implementation of national measures adopted against South Africa" (A/43/786, table 1) November 1988.

39/ Stephen Gelb, "Analysis of the impact of sanctions", briefing paper prepared for the International Confederation of Free Trade Unions, 32nd meeting of the Co-ordinating Committee on Southern Africa (Harare) 25 to 28 November 1988.

40/ United Nations Statistical Office.

41/ Investor Responsibility Research Center, Inc., Patterns of Multinational Corporations Disinvestment from South Africa (Washington, D.C.) 1989.

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APPENDIX

Table 1. Composition of South African gross domestic product at current prices

Sector	1984 (In million rand)	1988 (In million rand)	1984 (per cent)	1988 (per cent)
Agriculture, forestry, fishing	5 429	10 453	5.4	5.8
Mining, quarrying	13 459	22 634	13.4	12.7
Manufacturing	23 903	43 754	23.8	24.5
Electricity, water	3 932	7 891	3.9	4.4
Construatlon	3 844	5 841	3.8	3.3
Commerae and catering	12 424	22 741	12.4	12.7
Transport, communication	9 357	16 037	9.3	9.0
Finance, real estate	13 481	23 636	13.4	13.3
Community services	1 729	2 912	1.7	1.6
General government	12 598	23 773	12.6	13.3
Other producers	2 488	4 094	2.5	2.3
Less imputations	-2 316	-5 236	-2.3	-2.9
Total	100 329	178 530	100.0	100.0

Source: Central Statistical Services, News Release P0441, cited in South African (Johannesburg) vol. 3, No. 8, 5 May 1989.

Ta. .e 2. South Africa's trade in main commodities

(Millions of rand)

Imports	1986	1987	Exports	1986	1987
Machinery	7 304	7 840	Gold	16 719	17 732
Transport equipment	2 958	3 821	Mineral products	4 957	3 869
Chemicals	3 042	3 148	Base metals	4 763	4 696
Base metals	1 268	1 407	Food, drink and tobacco	2 558	2 613
Textiles	907	1 198	Textiles	966	943
Scientific instruments	1 166	1 421	Chemicals	1 184	1 150
Artificial resins and plastics	1 137	1 312	Diamonds	998	n.a.
Vegetable productr	646	548	Other	9 996	11 654
Other	8 423	8 041			
Total	26 851	28 736	Total	42 161	42 717

Source: The Economist Intelligence Unit, Country Profile: S o -? 1988-1989 (London).

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Table 3. South Africa's imports 1986-1987, by main trading partner
(Millions of United Staten dollars)

Trading partner		1986	1987	Per cent change on 1983-1985: 1986	1987	Per cent change 1987 on 1986	Rank: 1983/1985	1987
Germany, Federal Republio of		1 940	2 546	-3	28	31	1	1
Japan		1 357	1 868	-12	22	38	4	2
United Kingdom of Great Britain and Northern Ireland		1 250	1 565	-19	2	25	3	3
United States of Amerioa		1 173	1 295	-38	-31	10	2	4
France		404	468	-13	1	16	4	5
Italy		352	457	-20	3	30	5	6
Taiwan Province of China		218	423	4	102	94	9	7
Netherlands		254	289	6	21	14	6	8
Belgium/Luxembourg		210	204	-4	30	35	8	9
Switzerland		242	276	9	24	14	7	10
East Asia nes+		47	126	0	172	171	25	11
Hong Kong		74	125	-25	25	67	15	12
South East Asia nes+		90	121	26	68	34	20	13
Sweden		112	108	-24	-26	-3	10	14
Spain		85	99	-15	-2	16	14	15
Canada		137	87	2	-35	-36	11	16
Israel	S	65	62	-23	-2	27	16	17
Austria		76	79	8	13	4	21	18
Republio of Korea		59	79	3	36	33	23	19
Brazil	S	NA	NA				13	20
Ireland		41	61	7	61	50	27	21
Singapore		35	61	-27	26	72	24	22
Australia		53	57	-36	-31	7	17	23
Argentina	S	49	NA	-61			12	24
Chile	S	NA	NA				28	25
Venezuela	S	NA	NA				26	26
Portugal		16	18	-42	-33	15	29	27
Denmark		46	14	-24	-76	-69	22	28
New Zealand	S	11	11	-33	-32	1	31	29
Sri Lanka	S	11	NA	-37			30	30
Côte d'Ivoire	S	NA	NA				33	31
Norway		46	7	-39	-91	-85	18	32
Netherlands Antilles	S	NA	NA				32	33
Peru	S	NA	NA				35	34
Paraguay	S	1	NA	-75			34	35
Finland		3	0	-97	-100	-100	19	36
Total		8 454	10 602	-18	3	25		

Source: "Trade Statistics", table 6.1, Final report of independent experts to the Commonwealth Committee of Foreign Ministers on Southern Africa; baaed on data Prom the United Nations Statistical Office, the Organisation for Economic cc-operation and Development and national trade reports.

nes = not elsewhere specified.

+ = Re-exports via Singapore and Hong Kong.

S = Figures available for the Southern Africa Customs Union only.

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Table 4. Sources of South Africa's capital goods imports 1986-1987*

		1986	1987	Per cent change on 1983-1985: 1986	1987	Pot cent change 1987 on 1986
Vehicles and transport equipment						
Japan		621	984	3	64	59
Germany, Federal Republic of		651	857	-3	27	32
United States of America	S	168	228	-46	-27	36
United Kingdom of Qreat Britain and Northern Ireland		128	161	-50	-37	26
Italy		35	58	-33	11	66
France		38	43	-45	-36	15
Taiwan Province of China		16	31	-7	80	94
Belgium/Luxembourg		8	19	-34	63	149
Netherlands		12	14	13	27	12
Austria		10	7	-11	-40	-32
Spain		19	6	87	-39	-67
Australia		6	6	-50	-54	-9
Sweden		6	4	-60	-71	-28
Canada	S	28	3	182	-65	-88
Switaerland		2	1	-73	-83	-36
Brasil	S	NA	NA			
Total**		1 748	2 424	-16	17	39
Electrical and electronic products						
Germany, Federal Republic of		305	367	3	24	20
Japan		238	292	-22	-5	22
United States of America	S	256	252	-19	-20	-2
United Kingdom of Great Britain and Northern Ireland		224	236	-16	-11	5
Taiwan Province of China		45	100	82	306	123
France		84	95	-9	3	13
Italy		79	64	15	23	7
Netherlands		50	57	8	23	14
Swftaerland		57	55	46	41	-3
Hong Kong	S	15	29	-28	37	91
Belgium/Luxembourg		22	22	-14	-11	3
Singapore		9	17			83
Spain		11	16	-23	6	38
Sweden		17	11	-20	-48	-35
Ireland		15	10	59	9	-32
Israel	S	10	8	-35	-47	-10
Canada	S	6	7	-49	-42	14
Total**		1 443	1 658	-8	5	15

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Table 4 (continued)

		1986	1987	Per cent change on 1983-1985: 1986	1987	Per cent change 1987 on 1986
Machinery and tools						
Germany, Federal Republic of		345	449	-19	5	30
United Kingdom of Great Britain and Northern Ireland		172	242	-30	-2	40
Japan		138	162	-28	-15	18
Italy		85	139	-36	6	64
United States of America	S	112	135	-51	-41	20
France		72	87	-28	-13	20
Switzerland		55	74	-25	0	34
Taiwan Province of China		17	40	-22	84	135
Sweden		33	35	-38	-35	5
Belgium/Luxembourg		16	27	-36	11	72
Netherlands		19	23	-29	-13	22
Austria		21	18	24	7	-14
Spain		8	12	-51	-31	41
Israel	S	6	9	-45	-23	40
Canada	S	4	4	-50	-51	-1
Brazil	S	NA	NA			
Denmark		9	2	-34	-88	-81
Finland		0	0	-99	-100	-100
Total**		1 114	1 459	-31	-10	33
Other manufactured goods						
United Kingdom of Great Britain and Northern Ireland		145	194	-10	20	34
Germany, Federal Republic of		136	171	0	27	26
United States of America	S	105	114	-28	-22	9
Japan		82	106	-26	-4	29
Taiwan Province of China		38	70	-20	46	84
Italy		39	58	-29	5	49
France		38	56	-17	22	47
Hong Kong	S	38	56	-19	18	46
Switzerland		34	35	37	39	1
Belgium/Luxembourg		20	22	-8	1	10
Netherlands		17	19	5	17	12
Israel	S	13	15	-11	3	16

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Table 4 (continued)

	1986	1987	Per cent change on 1983-1985: 1986	1987	Per cent change 1987 on 1986
Spain	10	13	-26	-5	28
Austria	8	9	-18	3	26
Sweden	6	6	-27	-20	10
Ireland	3	3	-63	-58	12
Total**	732	949	-16	9	30

Source: United Nations Statistical Office; Organisation for Economic Co-oporatiou and Development; national trade reports.

* Includes all countries with exports above $US 10 million in any one year, 1983-1987.

** Total of countries for which data are shown.

S = Figures available for the Southern Africa Customr Union only,

Table 5. South Africa's exportss 1981-1987: percentage contribution by sector

	1981	1982	1983	1984	1985	1986 a/	1987 a/
Raw/processed agricultural products	10.0	9.6	6.6	5.2	5.0	n.a.	n.a.
Minerals/base metals b/	31.4	30.4	32.9	30.9	31.7	25.4	21.8
Gold	45.7	44.6	48.0	46.0	42.4	39.7	41.6
Manufactures	7.0	7.3	7.3	8.8	8.7	n.a.	n.a.
Machinery/transport/science equipment	2.5	2.7	2.1	2.0	2.6	n.a.	n.a.
Other	3.4	5.4	3.1	7.1	9.4	n.a.	n.a.

Source: Calculated from data in: 1981-1985 - South African Reserve Bank, Quarterly Bulletin, various issues; 1986-1987 - Economist Intelligence Unit, 1988-1989, Country Profile: South Africa; SA Barometer, vol. 2, No. 9, 20 May 1988.

a/ South Africa ceased publication of detailed t ade statistics in 1986.

b/ Includes diamonds.

Table 6. South Africa's export sales 1986-1987, by country

(Millions of United States dollars)

Trading partner	1986	1987	Per oant ohanqe on 1983-1985: 1986	Per oant ohanqe on 1983-1985: 1987	Per oent change 1987 on 1986	Rank: 1983/1985	Rank: 1987
Japan	2 248	2 280	32	34	1	2	1
Italy	1 914	1 791	18	10	-6	3	2
United States of America	2 520	1 420	8	-39	-44	1	3
Germany, Federal Republic of	1 255	1 242	31	30	-1	5	4
United Kingdom of Great Britain and Northern Ireland	1 227	1 089	2	-10	-11	4	5
France	488	583	-23	-8	19	6	6
Taiwan	319	451	53	115	41	10	7
Belgium/Luxembourg	361	385	13	21	7	7	8
Republic of Korea	369	375	71	74	2	9	9
Hong Kong	348	325	50	40	-7	8	10
Spain	286	319	66	86	12	11	11
Switzerland	87	267	3	218	207	18	12
Ierael S	203	221	18	29	9	12	13
Fur key	202	219	138	159	9	17	14
Netherlande	195	189	40	36	-3	15	15
Aurtr ia	95	107	17	32	13	19	16
Australia	97	90	-7	-14	-7	16	17
Mauritius 8	68	76	66	85	12	22	18
Canada	230	76	65	-45	-67	14	19
Portugal	60	73	58	91	21	23	20
Brazil	60	71	86	119	18	27	21
Singapore	4 '1	69	-13	29	41	20	22
Sri Lanka S	60	NA	162			29	23
Greece	53	58	44	56	9	24	24
Reunion	35	38	17	27	9	28	25
Venezuela	NA	NA				25	26
Chile S	35	NA	53			30	27
Arqent ina S	31	NA	72			32	28
Norway	26	25	-27	-28	-A	26	29
Sweden	21	21	-59	-58	0	21	30
Peru	13	NA	29			35	31
Ireland	22	12	15	-35	-44	31	32
New Zealand S	15	11	-15	-38	-27	33	33
Thailand	10	NA	59			37	34
Ecuador 8	NA	NA				36	35
Denmark	102	4	-28	-97	-96	13	36
Finland	1	1	-96	-95	19	34	37
Total	13 102	11 887	18	7	-9		

Source: "Trade Statistics", Expert Study on the Evaluation and Impact of Sanctions, The Commonwealth secretariat (London) 1989, baeed on data from the United Nations Statistical Office, the Organisation for Economic Co-operation end Development and national trade reports.

S . Figures available for the Southern Africa Customs Union only.

Table 7 , South Africa's coal sales, 1986 and 1987

(Millions of United States dollars)

	1986	1987	Per cent change on 1983-1985: 1986	Per cent change on 1983-1985: 1987	Per cent change 1987 on 1986
Japan	401	312	8	-16	-22
Italy	214	171	4	-17	-20
South Korea	204	168	80	48	-18
Spain	146	132	104	84	-10
Germany, Federal Republic of	172	94	55	-16	-46
Belgium/Luxembourg	97	89	-3	-11	-8
Taiwan Province of China	77	76	68	67	0
Hong Kong	94	74	26	1	-21
Israel	95	71	32	- 1	-25
Netherlands	62	59	101	92	-5
France	95	50	-57	-78	-48
Turkey	22	35	188	359	59
Portugal	15	25	545	1 020	74
Switzerland	14	15	254	359	30
Greece	5	13	-54	8	132
Austria	3	12			244
United Kingdom of Great Britain and Northern Ireland	8	3	-31	-75	-63
Denmark	93	0	-26	-100	-100
United States of America	52	0	54	-100	-100
Total	1 868	1401	16	-13	-25

Source: "Trade Statistics", 1989 Commonwealth Independent Experts Study.

Table 8. South Africa's share of world mineral production, 1985-1986

	Reserves 1966 a/	Production 1965	Production 1986 b/	Per cent of world total 1985	World Bank 1985
Industrial diamonds (Millions of carats)	70	5.7	5.6	14.5	4
Gem stones c/ (SUS millions)	--	4 550.0	4 635.0	16.6	3
Gold (Millions of troy oz)	800	21.6	21.0	44.7	1
Platinum group (tons)	59 000	115.0	125.0	46.3 d/	2
Coal (Millions of tons)	59 000	X62.0 e/	177.0	3.9 e/	7 e/
Antimony (tons)	254 000	7 394.0	7 250.0	13.4 d/	2 f/
Asbestos (Thousands of tons)	22 000	165.0	150.0	4.0	--
Chromite (Thousands of tons)	5 700 000	3 340.0	3 350.0	43.6	1
Fluorspar (Thousands of tons)	37 200	349.0	350.0	7.3	5
Iron ore (Millions of tons)	9 450	24.4	23.4	2.8	8
Manganese (Thousands of tons)	7 700 000	3 600.0	3 720.0	14.6	2
Rutile (Thousands of tons)	4 700	55.0	56.0	15.1 d/	3
Vanadium (tons)	7 800	14.0	14.5	45.9 d/	1
Zirconium (Thousands of tons)	4 500	200.0 b/	130.0	25.9	2

Source: Merle Lipton, Sanction and South Africa, Economist Intelligence Unit, report No. 1119 (London) 1988. Based on data from the United States Department of the Interior, Mineral Commodity Summaries 1987; British Geological Survey, World Mineral Statistics (for coal only).

a/ Reserve baser include marginal reserves and currently subeconomic resources.

b/ Estimated.

c/ Diamonds and others.

d/ World total excludes United States production which is not published.

e/ 1964 figures.

f/ United States output is not known, but is likely to have been great enough to affect South Africa's world ranking.

Table 9. Markets for South African mineral/base metals exports

(Millions of United States dollaca)

		1986	1907	1986	Per oent change on 1983-1985: 1987	Per oent change 1987 on 1986
Base metals						
Germany, Federal Republic of		160	136	-16	-29	-15
Japan		54	121	-50	12	122
United States of America	S	125	98	-1	-22	-21
Italy		56	69	4	28	23
Taiwan Province of China		30	64	-34	41	114
Belgium/Luxembourg		72	54	-20	-40	-24
United Kingdom of Great Britain and Northern Ireland		40	49	57	92	23
Turkey		16	38			130
Austria		29	27	6	2	-4
Qrance		24	25	-28	-24	5
Hong Kong	8	7	4	-25	-55	-40
Venoauela	S	0	NA	-100		
Total		614	686	-14	-4	12
Uranium and radio-active material8						
France		80	159	-34	31	99
Germany, Federal Republic of		12	25	-74	-45	109
Canada		32	6	-8	-82	-80
United States of America		270	0	67	-100	-100
Total*		394	191	8	-48	-52
Other non-metallic minerals						
Germany, Federal Republic of		66	57	78	56	-13
Japan		49	54	-7	3	11
United States of America		40	41	-17	-15	2
Italy		29	37	8	37	27
Belgium/Luxembourg		22	28	141	209	29
France		16	18	-12	-3	11
United Kingdom		19	16	28	5	-18
Netherlands		9	13	6	56	47
Spain		10	11	34	51	13
Turkey		18	6	258	21	-66
Acatralia		5	4	-55	-64	-19
Thailand		0	NA	-91		
Total		285	287	16	17	1

Source: "Trade Statistics", 1989 Commonwealth Independent Experts Study.

* Underetatedr many importers conceal their trade.

S = Fiqures available for the Southern Africa Cuatoms Union only.

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Table 10. Purchases of South Africa's agricultural exports (by country), 1986 and 1987

(Millions of United States dollarr)

	1986	1987	1986	Per cent change on 1983-1985: 1987	Per cent change 1987 on 1906
A. Edible meat, fish and dairy products					
Japan	34	35	23	25	2
Italy	17	22	48	83	24
Spain	14	20	210	337	41
Francs	13	20	37	103	49
Australia	20	13	-1	-32	-32
Reunion S	11	12	34	49	11
Xong Kong S	12	11	41	37	-3
United States of America S	40	2	-5	-94	-94
Total	161	135	22	3	-16
B. Fruit, vegetables and grain					
Japan	223	252	111	138	13
United Kingdom of Great Britain and Northern Ireland	204	202	-1	-2	-1
Germany, Federal Republic of	125	156	38	72	25
France	70	115	47	144	65
Taiwan Province of China	47	59	209	285	25
Belgium/Luxembourg	29	39	41	88	33
Switzerland	27	32	12	32	18
Netherlands	23	27	-8	8	18
Austria	24	26	46	64	12
Hong Kong	18	22	-4	14	19
Republic of Korea	NA	NA			
I srael	15	20	31	75	34
Italy	9	15	68	159	54
Spain	12	12	39	38	0
Singapore	8	11			36
Venezuela	3	NA	-74		
Canada	25	1	-8	-96	-96
Sweden	0	1	-99	-95	804
United States of America	72	0	-10	-100	-100
Total	934	990	27	34	6

Source: "Trade Statistics", 1969 Commonwealth Independent Experts Study,

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Table 11, Sales of South Africa's iron and steel exports (by country), 1986 and 1987

(Million of United States dollars)

	1986	1987	1986	Per cent change on 1983-1985: 1987	Per cent change 1987 an 1986
Iron, steel and related products					
Iron ore and powder					
Japan	140	136	-15	-17	-2
United Kingdom of Great Britain and Northern Ireland	27	33	79	122	24
Turkey	33	21	101	26	-37
Germany, Federal Republic of	27	14	-49	-73	-47
Italy	9	10	-5	13	19
Austria	10	7	252	155	-27
France	0	0	-100	-99	100
Total	246	222	-9	-18	-9
Ferro-alloys and associated ores					
United Kingdom of Great Britain and Northern Ireland	198	225	-10	2	14
Japan	234	221	6	0	-6
United States of America	196	178	31	19	-9
Germany, Federal Republic of	105	127	9	31	20
France	57	74	-5	23	30
Spain	35	43	47	82	23
Italy	42	39	-7	-15	-8
Canada	15	19	1	23	21
Taiwan Province of China	14	17	85	131	25
Turkey	8	15	51	188	91
Belgium/Luxembourg	7	14	-18	56	91
Sweden	9	11	-38	-22	26
Australia	10	9	23	7	-13
Norway	22	8	28	-54	-64
Total	953	1 000	7	12	5

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Table 11 (continued)

	1986	1987	1986	Per cent change on 19834985 : 1987	Per cent change 1987 on 1986
Iron and steel					
Taiwan Province of China	55	124	67	277	126
Hong Kong	129	109	155	116	-15
Japan	127	91	184	104	-28
Turkey	81	87	94	108	7
Israel	55	52	42	35	-5
Germany, Federal Republic of	44	45	45	49	3
United Kingdom of Great Britain and Northern Ireland	38	32	66	42	-15
Sri Lanka	31	NA	236		
Singapore	21	30			45
Greece	30	26	141	102	-16
Argentina	17	NA	187		
Portugal	16	12	16	-7	-20
Spain	17	12	60	15	-26
United States of America	184	5	4	-97	-97
Canada	10	0	86	-95	-98
Total	855	626	72	26	-27

Source: "Trade Statistics", 1989 Commonwealth Independent Experts Study.

Table 12. Balance of payments and capital flows, 1975 and 1980-1988

Year	Current account balance (R millions)	Net capital movements (R millions)	Change in net foreign reserves (R millions)
1975	1 616	1 774	191
1980	2 816	-2 282	536
1981	-4 069	961	-3 128
1982	-3 345	3 230 a/	-125
1983	-78	52	-26
1984	-2 220	791	-1 429
1985	5 925	-9 231	-3 306
1986	7 196	-6 097	1 099
1967	6 152	-3 069	3 083
1988 b/	2 900	-6 700	-3 700

Source: All years except 1988, South African Reserve Bank, Quarterly Bulletin, relevant issues; 1988 Financial Mail, 17 March 1989,

a/ Includes a loan from the International Monetary Fund.

b/ 1988 figures rounded to nearest R 100 million.

Table 13, Overall exposure of transnational banks in South Africa on a consolidated basis, as reported by the central banks of major creditor countries

Exposure by sector of South African economy

(Millions of United States dollars)

Country	Total	Banks	Public sector	Private non-bank
End 1985r				
United Kingdom of Gre^t Britain and Northern Ireland	4 461	1 706	1 249	1 506
United States of America	3 241	2 I.68	114	959
France	2 430 (est.)	550 (est.)	N.A.	N.A.
Germany, Federal Republic of	1 962	565	N.A.	N.A.
Switserland	1 885	1 194	N.A.	N.A.
other countries	3 024	1 744	—	.-I-.-
BIS* countries total	17 003	7 927	2 249	4.-2222
End 1986:				
United Kingdom of Groat Britain and Northern Ireland	4 245	1 927	1 447	821
United States of America	2 957	1 899	320	740
France	2 346	444	N.A.	N.A.
Germany, Federal Republic of	1 868	423	N.A.	N.A.
Switzerland	1 452	642	424	272
other countries	2 750	1 848	—	—
BIS* countries total	15 618	7 183	2 821	5 389
End 19871				
United Kingdom of Great Britain and Northern Ireland	4 442	1 878	1 762	903
United States of America	2 888	1 918	537	433
France	2 402	429	N.A.	N.A.
Germany, Federal Republic of	2 075	460	N.A.	N.A.
Switzerland	1 607	667	506	306
other countries	2 613	1 695	—	—
BIS* countries total	16 027	6 956	3 540	5 222

Source: United Kingdom Bank of England, Quarterly Bulletin (London); United States Federal Financial Institutions Examinations Council, Country Exposure Lending Survey, (Washington, D.C.); France, Banque de France, Bulletin trimestriel, (Paris); Federal Republic of Germany, Deutsche Bundesbank, Statistische Beihefte zu den Monastsberichte der Deutschen Bundesbank, Reihe 3, Zahlungsbilanzstatistik (Frankfurt); Zurich Schweizerische National Bank, Das schweizerisch, Bankwesen (Switzerland).

* Bank for International Settlements Repotting Area.

Table 14. <u>Disinvestment from South Africa by home country and retention of non-equity links</u>

(Number of companies)

	Total disinvested	Retaining non-equity links	Retaining no links	Unknown whether non-equity links retained
Australia	11	0	9	2
Belgium	5*	3	1	1
Canada	20	3	9	8
Denmark	2	0	2	0
Germany, Federal Republic of	17*	10	1	6
Finland	1	0	1	0
France	11*	4	1	6
Hong Kong	2	0	0	2
Ireland	2	0	1	1
Italy	2*	1	0	1
Netherlands	6	2	2	2
Norway	1	0	0	1
Sweden	4	1	1	2
Switzerland	4*	2	0	2
United Kingdom of Great Britain and Northern Ireland	56	7	28	21
United States of America	155	83	5[illegible]	13

<u>Source</u>: Investor Responsibility Research Center, Inc. (Washington, D.C.), except where indicated with an asterisk, for which the source is United Nations Commission on Tranenational Corporations (E/C.10/1989/8, table 6). These figures are higher than in the report of the Investor Responsibility Research Center.

Table 15. South Africa's external trade first six months 1987 and first six months 1988

(Millions of United States dollars) *

Country**	Total trade 1st 1/2 1907	Total trade 1st 1/2 1988	Total trade Per cent change	Imports from South Africa 1st 1/2 1907	Imports from South Africa 1st 1/2 1988	Imports from South Africa Per cent change	Exports to South Africa 1st 1/2 1987	Exports to South Africa 1st 1/2 1988	Exports to South Africa Per cent change
Germany, Federal Republic of	1 658	2 480	50	549	909	66	1 110	1 571	42
Japan	1 925	2 172	13	1 136	1 034	-9	709	1 138	44
United Kingdom of Great Britain and Northern Ireland	1 221	1 679	38	528	746	41	693	933	35
United States of America	1 225	1 511	23	638	130	15	587	781	33
Taiwan Province of China	431	304	110	244	618	153	187	286	53
France	476	660	39	266	364	37	211	296	40
Belgium/Luxembourg	309	412	33	185	241	30	124	171	37
Switzerland	198	392	98	71	238	233	127	154	21
Hong Kong a/	238	320	35	141	172	22	97	148	53
Netherlands	213	287	35	86	117	37	128	170	33
Spain	182	265	46	141	192	36	41	74	78
Turkey	104	154	47	103	145	40	1	9	665
Israel	147	144	-2	118	I-5	-19	29	49	69
Canada	90	112	24	44	[illegible]0	37	46	52	12
Austria	82	107	31	50	64	28	32	43	35
Australia	104	09	-14	54	33	-38	50	56	12
Portugal	43	51	20	36	39	9	7	12	76
Ireland	33	40	20	5	6	19	2s	34	21
Norway	9	10	19	5	10	109	4	1	-78
New Zealand	9	10	10	5	3	-28	4	7	52
Denmark	[illegible]	8	-12	2	2	-6	7	6	-14
Sweden	85	4	-96	16	0	-10[illegible]	69	4	-95
Iceland	0	1	54	0	1	69	0	0	-50
Finland b/	0	0	U	0	0	-100	0	0	100
Total	8 792	11 812	34	4 421	5 818	32	4 371	5 993	31

Source: "Trade Statistics", 1989 Commonwealth Independent Experts Study.

* Rates of exchange: Organisation for Economic Co-operation and Development (OECD) and Israel in $US. Hong Kong dollars fixed at $US 1 = Hong Kong dollars 7.8. The Taiwan Province of China, mid-period rates: 1987, $US 1 = 32 New Taiwan dollars; 1988, $US 1 = 28.7 New Taiwan dollars.

** Data for OECD countries plus South Africa's three largest non-OECD partners. OECD data from OECD Monthly Statistics of Foreign Trade, January 1989. Israel, Hong Kong, and the Taiwan Province of China using national statistics. No available 1988 data for Greece or Italy.

a/ Hong Kong exports include re-exports.

b/ Total imports and total exports for the period shown amount to less than $0.5 million.
