Conclusion

The reader may find this list of potential problems incomplete. However, it is doubtful that other problems will be as critical as those specified above. Obviously, changes in bilateral relations between the United States and Panama will create contingencies that may make parts of this analysis obsolete or may raise entirely new issues that are now implausible.

It is most important that we understand that the difficulty in solving the problems stem from the fact that they will, to a large extent, be due to differing national interests. It may very well be that these interests will grow even more rigid and parochial over time. It may also be the case that, because of these distinct national interests, there can be no mutually acceptable solutions to many future problems. If that is the case, then the year 2000 will come none too soon as far as United States-Panamanian relations are concerned. After 2000, should a residue of ill-will permeate bilateral relations, we will have to adjust our perceptions or suffer the consequences of turmoil and dispute.

The latter prospect is not conducive to the formulation of rational and positive bilateral relations. We must recognize that there may be no completely palatable solutions to certain issues and that there may be little or nothing we can do to prevent problems from arising. But we can prepare ourselves for these contingencies in an attempt to avoid the emotionalism which has characterized bilateral relations on too many occasions in the past.

The Myth of the "Laager": Using U.S. Business to Pressure South Africa

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Election results in Zimbabwe signaled a warning to policymakers in Pretoria and Washington. "Internal settlements" and white proxies, like Bishop Muzorewa, can only delay black demands for significant change — they cannot satisfy them. American policy towards South Africa must stop treating black demands as a disease rather than a symptom and associating regional stability with the military strength of the white regime. It must attack the real cancer of minority rule that threatens to erupt in violence and instability.

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Southern African instability must be seen in a broad context of causes and ultimate consequences. The cause is minority rule that excludes the majority from political and economic power. This has been the source of struggles in Zimbabwe, Angola, and Mozambique. It is also the cause of increasingly sophisticated urban terrorism in South Africa itself, as evidenced by recent daylight attacks on a bank and police station and the successful bombing of the SASOL coal liquefaction plant. The consequence of minority rule in Africa is violence that has historically resulted in victory for the black majority. Policies that ignore the inherent instability of minority rule are based on a narrow and ill-conceived perception of short term stability.

Although it is still impossible to predict if and when revolution will engulf the country, the formulation of a U.S. policy towards the minority regime must not be delayed. Washington should realize that phony settlements and token changes serve only to postpone the day of difficult decisions. It is argued here that, first, South Africa's invincibility to external pressure has yet to be tested; and second, a realistic U.S. policy aimed at gradually increasing pressure can and should incorporate the leverage provided by American corporations active in South Africa.

A transition to a just power-sharing with a minimum of violence ostensibly remains the main objective of U.S. policy.[1] While South Africa's future will ultimately be determined by internal forces, this does not preclude an important role for external pressure. For many years Western nations have been reluctant to confront or constrain South Africa's apartheid policies. They have justified hesitation by alluding to the notion that the obstinate Afrikaaners would retreat into the "laager" — a defensive white fortress — and resist all forms of international relegation. This hypothesis merits examination in its historical context.

Those, like George Ball, who argue against putting pressure on the minority regime, place the onus of apartheid on the Nationalist Party victory in 1948. Until that point, they argue, the benevolent English-speaking population governed South Africa and "seemed to be moving toward a workable multiracial state through peaceful means."[2] By exculpating the English-speaking South Africans, the responsibility for apartheid is shifted entirely to the Afrikaaners. Then, the argument proceeds, pressure will only drive the obstinate and backward Voortrekers further into the "laager." The correlative seems to be that without pressure the Afrikaaners will somehow emerge from their defensive fortress and accept change.

This analysis lacks the benefit of historical accuracy. In fact, the consolidation of white power began with the Union Settlement. From 1910 to 1948 the

1. Clyde Ferguson and William R. Cotter, "South Africa: What is to be Done," *Foreign Affairs*, January 1978, p. 255.
2. George Ball, "Asking for Trouble in South Africa," *Atlantic Monthly*, October 1977, p. 44.

groundwork of apartheid was laid under the aegis of English-speaking political power. British concessions during the Union Settlement gave the white South Africans a free hand, and set the pattern for repression and racial subjugation. The Colour Bar Act, the Native Land Act, and the Cape Franchise all enabled the Afrikaaners in 1948 to finish rather than initiate the work of apartheid. It was the absence of international pressure throughout this period that contributed directly to the fortification of the white redoubt.

External pressure alone cannot hope to radically alter the Afrikaaner mindset. The Afrikaaners demonstrated their tenacity and resistance during the Boer Wars and no one doubts their recalcitrance. Yet in an age of increasing global interdependence, white South Africans cannot help but be more susceptible to international pressure. The South African anomaly can only seem more jaded as black Africans seize power from the other minority regimes in the region. Furthermore, even the leaders of the Nationalist Party cannot welcome South Africa's position as an international pariah.

Empirical evidence verifies that external pressure can affect South Africa's policies. The Sharpeville incident in 1960 generated a wave of international condemnation. In response, Prime Minister Verwoerd attempted to mollify internal and external critics by holding out the carrot of "separate development" to blacks.[3] The Bantustans represented the Nationalist Party's design for partitioning South Africa into white and black spheres. Though the Bantustans trace their history to the Native Land Act of 1913, which reserved a meager 13% of South Africa's land for the majority black population, Verwoerd tried to use "separate development" as a means of modifying the unpleasant connotations of apartheid. According to Verwoerd, apartheid no longer meant segregation of blacks by whites. Instead, apartheid allowed for the "separate development" of the races. This was to benefit whites *and* blacks. Today even the white minority government seems willing to admit that "separate development" has failed.[4] Despite the failure and obvious tokenism of black political power in the Bantustans, Verwoerd's pronouncement of "separate development" represented not only an attempt to quell internal dissent but also revealed Pretoria's sensitivity to international pressure.

Similar responses to external pressure have been forthcoming from both Prime Ministers John Vorster and P. W. Botha. Vorster's "Crossroads" speech in 1974 followed the collapse of the Portuguese empire in Africa. It promised change in South Africa. Similarly, Botha instituted several changes in petty apartheid laws and recognized black trade unions in response to the international outrage following the Soweto riots of 1976-1977.

3. Gail Gerhart, *Black Power in South Africa*, University of California Press, 1979, p. 254 and Christopher R. Hill, *Bantustans: The Fragmentation of South Africa*, Oxford University Press, 1964.
4. Robert Rotberg, "How Deep the Change?" *Foreign Policy*, Spring 1980, p. 130.

Clearly, these examples do not indicate movement toward significant change in South Africa. It is possible, however, to contrast the era when whites were free from international pressure and were able to consolidate apartheid, with the more recent international criticism that has produced some, though admittedly minimal, change in the minority regime's policies. The myth of South African imperviousness to change has not been tested. Real pressure must be applied by the U.S. to see whether it can contribute to significant change. The corporate and financial links between the two countries represent one effective vehicle for American policy.

U.S. investments in South Africa have been the subject of great controversy. However, the presence of American corporations creates a number of options for policy makers, ranging from strict corporate accountability and government discouragement of business and financial activity in South Africa, to disinvestment and economic sanctions. Despite their great differences, these various policy options share a common assumption: that American investments represent a form of leverage. The crucial questions involve the effective use of this leverage and what may realistically be expected from the American government.

The withdrawal of American investment would be both difficult and costly. Strict regulations govern asset repatriation and the South African National Supplies Procurement Act empowers the government to seize the goods or facilities of any corporation that fails to cooperate with the state. Sanctions are notoriously porous, and the U.K., France, Germany, and Japan will certainly fill an American void. Pressures on our allies to join in economic sanctions would probably fail. Even such groups as the British trade unions, despite their political rhetoric, have been less than enthusiastic about altering England's vital trade relationship with South Africa.

Domestic political realities in the U.S. pose an even greater obstacle to the withdrawal of investments, or sanctions. The U.S. Congress has been unable to move bills out of committee that would eliminate foreign tax credits for firms failing to implement fair employment practices abroad, let alone seriously consider the imposition of economic sanctions on South Africa.

A realistic policy would require American businesses to play a more active and salutary role in South Africa. However, the prospect of business activism must not be exaggerated. Business, both domestic and international, has historically played a passive role in South African politics. Social and legislative apartheid has created an abundant and cheap black labor force. Businesses have ignored the injustices and exploited the advantages of the system. Yet, while political realities make withdrawal or the imposition of sanctions unrealistic in the near future, U.S. companies still doing business in South Africa can be pressured to play a more activist role.

Some observers have disparaged the potential for American business to effect change in South Africa. It is true that U.S. interests account for only 4% of total private investment in South Africa and the number of workers employed by U.S. firms is a small fraction of the total labor force. Generally speaking, the magnitude of U.S. investment, trade, and credit does not appear to translate into great influence over, or power in, the South African economy. The numbers, however, belie the importance of American investments.

Foreign investment is concentrated in critical industry sectors. Botha's economic adviser has characterized foreign investment as the "engine of growth" in the South African economy — it accounts for one third of the country's annual growth rate.[5] Foreign companies dominate vital industries like petroleum, automobile manufacturing, and computers. U.S.-based multinational companies such as Mobil, Ford, and IBM play a significant role in each industry sector. Not only are these industries critical to economic growth, they also transfer sophisticated technologies to South Africa. Construction contractors such as the Fluor Co. enable South Africa to build coal liquefaction plants that reduce the country's vulnerability to international oil embargoes. The importance of synthetic fuel projects to the viability of the minority regime was further underscored by the cut off of Iranian oil following the revolution.

Investments from abroad also provide South Africa with a tangible link to the West. Despite Western condemnations of apartheid, multinational companies represent an ongoing Western interest in the South African state. As long as Western countries refuse to regulate the actions of their multinationals operating in South Africa, Pretoria receives the psychological windfall of knowing that representatives of the West willingly operate within the confines of apartheid. This gives the minority regime a certain sense of international legitimacy, and enables the whites to portray South Africa as a bastion of Western interests in Africa.

The U.S. has taken several steps to restrict business involvement in South Africa. Since 1964, the Export-Import Bank has eliminated direct loans to the South African government and to South African companies. However, Ex-Im Bank facilities still provide loan insurance and guarantees in commercial sales for a limited time period. The U.S. Commerce Department in 1976 restricted export licenses for sophisticated computer technologies to South African government agencies — including the military and police. Piecemeal restrictions such as these are doomed to fail however because non-U.S. companies will pick up the slack in any targeted industry sector.

A more effective blanket measure would prohibit new business or financial investments in South Africa. This freezing of investment levels could slow the "engine of growth" as well as serve a psychological blow to the Afrikaaner "laager." A Swedish resolution in the U.N. calls for such an investment boycott,[6] and America should support it. Domestic political hurdles to this

5. Desaix Myers and David M. Liff, "The Press of Business," *Foreign Policy*, Spring 1980, p. 146.
6. Clyde Ferguson and William R. Cotter, *op. cit.*, p. 272.

measure should not be too high since some thirty U.S. companies operating in South Africa have already decided to freeze their levels of investment. These companies, which include Control Data and Ford, represent significant business interests and should be used to lobby a measure through Congress.

Limiting new investment will not result in immediate or radical changes in apartheid. The profitability of the companies already in South Africa and their ability to generate new investment funds internally counteracts to some extent the potential influence of freezing investment levels. The importance of the measure lies in the tough signal sent to Pretoria. The implementation of a legislative or executive order restricting further U.S. investment should be announced with the threat of more severe actions in the future. In this context the South Africans must perceive the U.S. as tightening the economic and political screws. A measure limiting new investment must be envisioned only as the beginning, rather than as the end, of international pressure.

There are other policies which the U.S. should immediately adopt to complement a restriction on new investment. While putting the brakes on new companies and funds flowing into South Africa, the U.S. must also keep a watchful eye on the conduct of businesses already operating in the country. The Sullivan principles, for example, are aimed at moulding U.S. corporate behavior in South Africa into a progressive force. More than 130 American companies have endorsed them.[7] Critics, however, have attacked the principles because they neglect the issue of black trade unions. They note that even the Code of Conduct of the European Economic Community incorporates black trade union recognition. The issue of black trade unions has become divisive within South Africa itself. Botha has adopted many of the recommendations from the much publicized Wiehahn report. Most importantly, he has agreed to recognize and register black trade unions. The power of these unions is as yet undetermined since it is not known whether they will be allowed to engage in collective bargaining.

The U.S. can strengthen the Sullivan principles by requiring American companies to abide by fair employment practices in South Africa. Amending Executive Order No. 10925 could make compliance a prerequisite for awarding government contracts. U.S. companies operating in South Africa would be required to: pay equal wages for equal work regardless of race; pay a minimum wage which takes into account the poverty level and minimum living needs of all workers; recognize in good faith bargaining representatives from black trade unions; submit quarterly reports covering these activities to the U.S. government.[8]

7. Desaix Myers and David M. Liff, *op. cit.*, p. 150.
8. Willard R. Johnson, et al., "U.S. Foreign Policy toward Africa," *Africa Today*, Winter 1973, p. 39.

Critics of greater regulation of business conduct in South Africa maintain that in requiring compliance with our own standards of fair employment practices, the U.S. is exporting morality. However, American foreign policy has stressed human rights in the past and applied both economic and political pressure on Cuba, Vietnam, China, Rhodesia, and others. Furthermore, South Africa's racism must in no way be condoned.

Effective U.S. policy requires an implicit threat of increased pressure. The South Africans must be disabused of the notion that Washington will reward token changes. U.S. policy must be devised around a set of incremental "sticks" to punish South African resistance to significant change. After restricting new investment and implementing fair employment practices, U.S. policy makers should make clear their willingness to eliminate foreign tax credits for firms operating in South Africa if real changes are not forthcoming. In accord with this line of reasoning Clyde Ferguson and William R. Cotter have published a list of graduated steps to increase pressure on the minority regime. The steps range from diplomatic to economic measures. The latter includes: the aforementioned Swedish resolution on freezing investment levels; the amendment of Executive Order 10925; tougher economic steps that involve the prohibition of private lending to the South African state; the denial of foreign tax credits to U.S. firms in Namibia; and a ban on the importation of South African goods that violate U.S. laws prohibiting the importation of goods produced by "slave labor."[9] These progressive steps can form the core of the U.S. economic approach to South Africa in the near future.

The history of white settler colonies in Africa confirms that resistance to majority rule inevitably produces conflagration. Despite Afrikaaner claims to the contrary, demographic changes are rapidly transforming the white population in South Africa into an untenable minority, reminiscent of the settlers in Kenya and Rhodesia. The entrenched power of the whites will delay black demands for majority rule, but as black expectations rise and attitudes harden, the voice of the majority will grow louder. To hasten the transition to a just power-sharing with a minimum of violence, U.S. policy must steadily increase pressure on the minority regime. American businesses provide the leverage which the U.S. Government can use to coerce the Afrikaaners. As internal forces penetrate the myth of an invincible South African security state, the United States should take the lead in debunking the myth of the "laager."

9. Clyde Ferguson and William R. Cotter, *op. cit.*, pp. 269-73.