

On college campuses, at stockholders meetings, and in liberal publications, Americans are calling for US economic pressure against South Africa's apartheid regime. Those demanding the withdrawal of corporate investment from and United Nations economic sanctions against South Africa, misunderstand both the effectiveness of economic pressure and the profound commitment of the South African government to maintain a segregated and unequal society. Demonstrations for corporate divestment and economic boycott will not aid the struggle for black liberation, and may actually strengthen support for apartheid among white South Africans.

Will the apartheid regime accept majority rule under the pressure of economic sanctions? Western policymakers, the Organization for African Unity, and many of the regime's most distinguished domestic critics have argued for economic sanctions to expedite African liberation. The self-exiled white South African editor, Donald Woods, believes that a UN embargo could avert the inevitability of a racial war. The late African Chief Albert Luthuli, who received the Nobel Peace Prize, years ago called for economic sanctions to shorten "the day of blood" which Africans would have to fight for their freedom.

The record of UN sanctions suggests that neither the threat nor the reality of sanctions will deter Pretoria from pursuing its spiraling course of repression, racism, and violence. In 1966 the UN imposed economic sanctions against Southern Rhodesia. This experience is especially relevant to South Africa. Rhodesia and South Africa share a related colonial history, similar economic, social, and political systems, and a common racist ideology legitimizing the exploitation of African labor and the gross denial of African rights. However, since Rhodesia lacks South Africa's abundant resources, large domestic market, technological expertise, nuclear power, and superior military force, Rhodesia probably had less potential for economic self-reliance in 1966 than South Africa has in 1979.

Economic Sanctions Against South Africa? – Lessons From Rhodesia

JOEL RICHARD PAUL*

*Joel Richard Paul is working toward the M.A.L.D. degree at The Fletcher School and the J.D. degree at Harvard Law School.

In November 1965 the British were negotiating to grant independence to Rhodesia under a black majority government when Rhodesian Prime Minister Ian Smith's minority government illegally declared independence to prevent majority rule. Britain responded by boycotting Rhodesian imports and exports, and Prime Minister Wilson confidently predicted that the cumulative effects of the economic and financial sanctions "might well bring the rebellion to an end within a matter of weeks rather than months."

Although Britain was Rhodesia's largest trading partner and many other African and western governments joined the embargo, Rhodesia was not deterred. In December 1966 the UN Security Council applied selective sanctions against Rhodesia, and when these failed, the Security Council further extended sanctions in May 1968 to prohibit all foreign trade, diplomatic relations, military aid, and international transportation and communication. Under the UN Charter any state which continued to trade with Rhodesia illegally could be subject to economic sanctions by the Security Council.

In fact, the Security Council could not enforce sanctions against Rhodesia as South Africans, Zambians, Portuguese, Australians, Japanese, Germans, Swiss, and Americans scrambled for a share in the profitable Rhodesian metal trade and for access to high-paying "closed" Rhodesian consumer markets.

How did the UN boycott affect Rhodesia's developing economy? UN sanctions eliminated some of Rhodesia's export markets and made it difficult for Rhodesians to obtain and to afford some foreign imports. The production of tobacco, Rhodesia's primary cash crop, fell by more than 50 percent after the British Commonwealth countries boycotted Rhodesian tobacco. Rhodesians rationed petroleum products for a few years after sanctions, but with the covert support of British and American oil corporation subsidiaries in South Africa, a serious oil shortage was averted.

Sanctions have only partially hindered Rhodesia's steady economic growth, and both white and black Rhodesians enjoyed greater prosperity after sanctions than ever before. Real gross domestic product per capita rose 5 percent from 1965 to 1970 and rose even faster during the next five years. Rhodesia's real gross national income increased 75 percent in a decade — one of the world's highest rates of growth for that period.

As Rhodesians prospered, they reinvested their new wealth at home rather than abroad due to sanctions. Savings and capital formation shot up 150 percent from 1965 to 1975. The impressive growth of capital made it possible for Rhodesia to restructure its productive output. Rhodesia de-emphasized agricultural production and expanded mining and manufacturing industries. The infusion of capital and the unavailability of some consumer items, partially because of government import restrictions, ignited a minor industrial revolution. More than 400 new industries opened in 1968 alone. These new industries

diversified production, reduced Rhodesia's dependence on foreign imports, and provided a new source of exports.

Sanctions have not hurt Rhodesia's trade balance. By 1968 the Rhodesian economy was prepared to withstand the structural and psychic blows of total UN mandatory sanctions which were imposed in May. The gradual shots of sanctions which the British and then the UN administered to Rhodesia had already inoculated that economy for the worst. Rhodesian exports barely dipped three percent after total UN sanctions, while ironically imports rose 11 percent. There has been no long-term downward trend in Rhodesia's balance of payments. Since 1967 erratic deficits in the current account caused by the sharply increasing costs of foreign freight services have been matched by erratic surpluses in the capital account. Rhodesia's quick recoveries from deficits to surpluses indicate a rigorous economy with remarkable resilience to adjust to a fast-changing economic world.

Just as UN sanctions did not thwart Rhodesia's economic growth, sanctions also failed to break Rhodesia's political will to resist external opposition. The political consequences of sanctions have been perverse. Sanctions represented a threat of foreign interference which aroused white Rhodesian nationalism. Critics of Smith's iron-fisted rule were considered suspect of disloyalty to the republic. Whites realized that their personal economic well-being depended upon Rhodesia's political destiny. The relatively liberal business class felt compelled to support the Salisbury regime — if only out of economic self-interest. Progressive business leaders closely cooperated with Smith to arrange secret foreign trade.

Although Smith's regime has at last agreed to surrender at least nominal power to black majority rule, this apparent concession is unrelated to the economic strain of UN sanctions. The initial impact of sanctions has long worn off. However, since 1972 the intensifying violence has been a severe burden to the economy. The emergency has left a growing gap in skilled manpower with every fit man under 58 eligible to be drafted for military service. Moreover, the rising numbers of casualties have frightened many whites out of the country. Roughly 20,000 Europeans out of a total European population of 280,000 have emigrated since 1976. While the effect of economic sanctions has ebbed, the accelerating level of violence poses a real threat to maintaining order and managing an economy with a desperate shortage of skilled workers.

Ironically, economic sanctions have not hurt Rhodesia alone; the most faithful parties to the UN boycott — the United Kingdom, Zambia, and Mozambique — have paid dearly for it. The British have lost a cheap source of fine tobacco and a reliable customer for their exports. As legal sovereign for their rebellious colony, the British had to repay Rhodesia's loans to the World Bank when Ian Smith's government defaulted. For 1966 alone, the British

estimated that Rhodesian sanctions had cost them from \$250 to \$350 million. Zambia lost its profitable trade with Rhodesia and lacked Rhodesian coal to power the pumps to mine Zambian copper. Mozambique's port city of Maputo, which once prospered from shipping goods to and from landlocked Rhodesia, has become economically depressed since Mozambique closed its borders in 1976. In this sense, UN sanctions have cost Zambia and Mozambique more than \$500 million. Only South Africa, with its even more repressive racist regime, has profited from its position as Rhodesia's vital link to world markets.

Proponents of sanctions have argued that if sanctions were *enforced* against Rhodesia, they would be effective. Is it in fact possible to enforce sanctions? When UN economic sanctions were first imposed, South Africa and Mozambique, then under Portuguese control, refused to comply. Yet, their actions alone were not the sole cause for the failure of the economic boycott. South African and Portuguese cooperation facilitated indirect trade between Rhodesia and other countries. Other governments winked at the most blatant violations of UN sanctions by their nationals. West Germany, France, Switzerland, Australia, Zambia, Malawi, and the US each admitted importing large amounts of Rhodesian goods. In 1967 Japan reported that Rhodesian imports fell by 90 percent, but imports from South Africa, presumably of Rhodesian origin, increased by the same amount.

Rhodesia established government corporations to coordinate covert trade in minerals, tobacco, and petroleum behind a curtain of phony businesses set up around the world, secretly managed by Rhodesians. Foreign funds quickly realized the potential for large profits from Rhodesian trade. In time, these illegal channels for goods widened and became more efficient. International metal traders, for instance, could readily negotiate secret contracts and purchase illegitimate certificates of origin from South African firms engaged in the trade. An executive of one international metal company admitted that by 1970 Rhodesia was turning away his company's traders because they had no problem selling their metals. Rhodesia did not even have to undercut by much the world prices for metals in order to attract customers.

As sanctions failed against Rhodesia, they will fail against South Africa. Unlike Rhodesia, South Africa has been preparing for this contingency for years — stockpiling strategic materials, storing vast supplies of petroleum in coal mines, and developing alternative sources of industrial goods, weapons, and fuel.

Could sanctions be enforced against South Africa? Proponents of sanctions argue that unlike Rhodesia, South Africa could not depend upon the support of a neighboring white government to evade sanctions. However, South Africa could continue to trade with most countries despite the best efforts of their governments to enforce sanctions. South Africa's vast mineral wealth of

diamonds, uranium, and gold will tempt violations of sanctions by international traders if they are imposed. For the UN effectively to enforce sanctions it would have to seal off South Africa by land, air, and sea. The UN is ill-prepared to organize an international naval force to blockade South Africa's 2,000-mile coastline at the risk of attack by South Africa. (Would the supporters of sanctions also support American involvement in a war against South Africa?)

Moreover, considering the extent of American violations of Rhodesian sanctions, should Prime Minister Botha take seriously American threats of a boycott against Pretoria? Until 1977, the US openly permitted the importation of Rhodesian chrome under the Byrd Amendment in flagrant violation of our treaty obligation to enforce sanctions imposed under the UN Charter. The Congress exempted Rhodesian chrome from the embargo on the grounds that it was an essential strategic import. Botha can be confident that if UN sanctions are imposed, some conservative factions will argue that South African chrome and uranium ore are also strategic imports which should be exempt.

Assuming sanctions were effectively and comprehensively enforced against South Africa, sanctions would still fail. The one strategic import upon which South Africa is most dependent is oil. Besides stockpiling at least a three-year supply of petroleum in case of sanctions, South Africa has also developed the world's largest capacity for manufacturing oil from coal shale, with which South Africa would have adequate supplies of oil for the interim period while its capacity for manufacturing oil and developing other alternative energy sources could be rapidly expanded. Consequently, South Africa is not essentially dependent upon foreign trade for either its military security or its industry.

What would be the political consequences of sanctions against South Africa? Many advocates of sanctions assume that with the initial psychic shock of economic isolation, South African whites would acquiesce to pressures for liberalization. These proponents argue that whites accustomed to affluence and ease will be unwilling to suffer economic hardship. The experience of the Germans and the British during the Second World War, the Israelis since 1948, and the Rhodesians since 1965 demonstrates that even affluent western societies will resist economic and political isolation to preserve their national character when faced with economic sanctions. Rhodesians recognized that their destiny had become linked to the survival of their political regime. The external threat galvanized the national will.

In the final analysis, what choice will white South Africans have between tolerating the inconvenience and disruption of economic boycott and conceding the economic and social structures of their racist society? Apartheid is not an aspect of South African society; it is its foundation. Unlike white Rhodesians, the fiercely nationalistic Afrikaner is not a first or second generation

colonial settler. The Afrikaner prides himself on having settled on South African territory before any black African had reached the Cape. Third and fourth generation Afrikaners will not flee South Africa as British emigres left Rhodesia; Afrikaners will stay and fight. Afrikaner ideology has been shaped by the frontier experience and the difficult struggle for an independent identity. By ostracizing the Afrikaner from the world community, sanctions will fuel his sense of paranoia and self-reliance in a hostile world. Sanctions will snuff out domestic white opposition to Botha's rule, strengthen the regime politically, and encourage more extremism and repression of dissidents.

Some advocates of sanctions will insist that even if sanctions cannot be enforced and cannot force concessions from Botha's government, sanctions ought to be applied as a moral gesture. American liberals are fond of moral gestures which cost them nothing. Admittedly, American corporations could readily afford to lose South African investment and trade, albeit at a cost to stockholders. However, this country's European allies, particularly Great Britain, could ill afford the loss of trade and investment at a time of stagflation and high foreign debt. Sanctions could damage the frail British economy by denying Britain South African markets and cheap imports. South Africa is Britain's fourth largest trading partner and annually buys \$1 billion worth of British goods. British nationals have direct and indirect South African investments approximating \$5.25 billion, which would probably be expropriated if sanctions were imposed. British Foreign Secretary David Owen has admitted, "Our economic links with South Africa could not disappear overnight without causing grave dislocation to the domestic economy and having severe repercussions on the level of employment. We are living in a real world and this is a harsh fact which we have to take into account."¹

It is not only unfair that western Europeans should have to pay for extravagant moral gestures, but more obviously, those who call for sanctions on these grounds are being inconsistent. If they argue that trade with a morally repugnant regime "supports" that regime's policies, how can they defend our increasing trade relations with most of the developing and communist countries? If boycotts are encouraged as an instrument for moral gesturing, Senator Jackson and Ronald Reagan will make a mockery of detente and the new economic order with the developing countries.

Yet, Americans are rightly outraged by Pretoria's racial supremacists — only their concern has been misdirected. Demands for corporate divestment and economic boycott cost very little, but benefit black South Africans nothing. Economic pressure and political protests were used to win civil rights reforms in

1. R.W. Apple, Jr., "British in Quandary Over South Africa," *The New York Times*, 26 October 1977, sec. 1, p. 6.