

EPISCOPAL CHURCHMEN
for
SOUTH AFRICA

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—For A Free Southern Africa—

15 October 1982

Secretary Donald T. Regan
Department of the Treasury
Washington, DC 20220

Dear Mr Regan:

I write to urge the United States Government to disapprove South Africa's application for a loan from the International Monetary Fund. Pretoria's claim of sound fiscal policies and that it is a good credit risk may be enticing. The boast of Dr Gerhard de Kock, governor of the South African Reserve Bank, that such a loan would be a 'stamp of approval on South Africa's household financial policies' might read like the words of a confident banker in a normal situation. But South Africa is neither alluring nor in a normal state.

The country itself is ruled by a government which excludes the vast majority of its citizens from any determination in the running of that government. Literally millions of black South Africans have been, are being and will continue to be uprooted from their homes and parceled out among the backwater bantustans created by the Pretoria regime. The phrase 'household financial policies' is a grisly joke in human terms. It is a financial disaster when one considers the enormous amount of South Africa's budget which must go into the civil bureaucracy, the police and the military which maintain the apartheid system.

Pretoria needs money for the insatiable demands that apartheid makes not only within South Africa but increasingly for that government's aggressive policies against the states neighboring it. This \$1.1 billion loan is for the country's imports, chiefly oil and military hardware. South Africa is arming itself drastically and its intentions in holding on to occupied Namibia, ever deepening assaults into Angola, destabilization efforts in Zimbabwe, Mozambique and other countries in the region are plain to see. This huge loan, if approved, would serve neither the peaceful development of Southern Africa nor the interests of United States foreign policy.

We call on you to exert your influence to assure a 'No' vote on this loan application from South Africa at the meeting of the IMF's executive board.

Very sincerely yours,

William Johnston
William Johnston
President

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- SEND YOUR MESSAGES TO SECRETARY REGAN - IMMEDIATELY

- CONTACT: Mr Richard Erb, USA representative on the IMF
700 19th Street, NW
Washington, DC 20006 PHONE: 1-202-477-7000

- PRESS THIS ISSUE WITH ALL CANDIDATES IN THE UPCOMING ELECTION

MAKE THEM TO TAKE A STAND ON ANY USA SUPPORT FOR THE PRETORIA REGIME

\$1.1 Billion Loan to South Africa Reportedly to Get I.M.F. Approval

By RAYMOND BONNER

The International Monetary Fund is about to approve a \$1.1 billion loan to South Africa, according to I.M.F. and Reagan Administration officials, despite strong objections by groups critical of South Africa's racial policies.

A fund official, who asked not to be identified because of the sensitivity of the issue, said the loan would be approved because it was "technically feasible." But he called it "politically objectionable" to groups and individuals opposed to South Africa's policy of apartheid, or racial separation, and to its intervention in Angola and Namibia.

The Treasury Department, which supervises the activities of the United States in the I.M.F., is expected to support the loan because there are no technical or economic grounds not to, according to an Administration official who also requested anonymity.

Treasury officials would not comment publicly on the loan, which will be considered by the I.M.F.'s executive board on Nov. 3.

Strong objections to the loan have been raised by the United Nations General Assembly, Democratic Congressmen and human rights groups, raising again the issue of whether the I.M.F. should allow political factors to influence lending practices.

More broadly, the loan application focuses new attention on relations between South Africa and the United Nations, of which the fund is a specialized agency. South Africa was ousted from the General Assembly in 1974 and has been suspended from membership in other United Nations agencies.

The General Assembly has repeat-

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edly voted — most recently in November 1981 — to ask the fund not to approve any loans to South Africa, and to examine its relationship with South Africa. The I.M.F. has not followed all such recommendations. Through its agreement with the U.N., the fund reports to the General Assembly, but is not bound by its resolutions.

"There is no doubt the loan will be approved," said James Morrell of the Center for International Policy, a non-profit organization in Washington that monitors American foreign policy and its impact on human rights, and this would "be great encouragement to private banks to increase lending" to South Africa. He said private lenders viewed I.M.F. loans as a form of security, as well as an endorsement of policies in recipient countries.

There are two parts to South Africa's loan application: \$689 million from the compensatory financing facility and \$394 million for a standby arrangement, which South Africa could draw upon as needed. The compensatory financing would be the largest ever from this facility, Mr. Morrell said.

Export Earnings Have Shrunk

Compensatory financing is designed to help a country that has suffered a decline in export earnings. At the end of August, foreign exchange reserves were not sufficient to cover one week's imports for South Africa, which is in its deepest recession in half a century. Loans negotiated by the country's central bank soared from nothing at the end of 1980 to \$1.1 billion in March 1982.

South Africa's economic problems have been caused in part by a decline in the price of gold, which accounts for about half of the country's foreign earnings. The price of gold plummeted from a high of \$820 an ounce in 1980 to below \$300 in mid-June of this year, leaving South Africa with a projected trade and services deficit for this year of at least \$3.4 billion. The price of gold has recovered from its mid-June low to about \$440 currently.

Government subsidies to the white agricultural sector and heavy military spending have also contributed to South Africa's economic problems.

In spite of the country's economic problems, South Africa's loan proposal to the I.M.F. "is a strong one," the fund official said. The country's international credit rating is good and export earnings are expected to increase in coming years.

Administration officials said the application should be judged under solely economic criteria. In a letter this week to Congressmen opposed to the loan, Treasury Secretary Donald T. Regan said that to oppose it on political grounds would violate the "apolitical nature" of the I.M.F.

"The United States has already politicized the I.M.F.," Mr. Morrell of the human rights group argued. For example, he said, the United States has forced the fund to "flagrantly and repeatedly" violate its economic and technical guidelines in order to give El Salvador money. The fund recently approved an \$85 million loan to El Salvador, primarily because of pressure from the United States, according to I.M.F. sources.

In an effort to block the loan to South Africa, several Democratic Congressmen, including Thomas J. Downey of Long Island and Howard E. Wolpe of Michigan, who is chairman of the House Subcommittee on Africa, are planning to take what one aide called the "extraordinary step" of asking for special hearings during the pre-election recess.

The Congressional Black Caucus is preparing legislation that would bar the United States from supporting loans by the I.M.F. to countries that violated human rights, according to the legislative assistant to Walter E. Fautroy, the Democratic House delegate from Washington, D.C., who is chairman of the caucus. A similar provision already applies to loans from the Inter-American Development Bank.

On the international front, the Fourth Committee, a United Nations committee with jurisdiction over decolonization issues, is expected to recommend that the loan not be approved, according to a source at the United Nations.

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