



ACOA

The American Committee on Africa

198 Broadway • New York, N.Y. 10038 • (212) 962-1210

M. William Howard, *President*
Elizabeth Landis, *Vice President*
Jennifer Davis, *Executive Director*

To: Friends and Supporters of ACOA

From: Jennifer Davis

Re: Recent Congressional Testimony on Sanctions

ACOA Projects Director Rob Jones testified in favor of the Dellums legislation in early June and I thought you might like to read a copy of his testimony.

We still hope to pass strong sanctions out of the House in July but even in the House prospects for passage don't look as good as they did a few weeks ago. If you can help with our lobbying effort or just need an update I'm sure Rob would be happy to brief you.

Additional copies of this testimony are available from the office.



Testimony of

Robert Jones
Project Director
American Committee on Africa

Committee on Ways and Means

House of Representatives

June 9, 1988

Mr. Chairman, I want to thank the Committee for the opportunity to testify today in favor of HR 1580, which would impose extensive sanctions on South Africa. In 1986 the passage of the comprehensive anti-apartheid act put an end to the era of "constructive engagement" and made sanctions the official U.S. policy toward South Africa. Today, two years later, we are faced with the task of making our sanctions policy effective.

The provisions contained in HR 1580 are the next logical step in the process of putting economic pressure on the South African government to abandon apartheid and support the Black majority's demand for a democratic society based on one person, one vote in a non-racial and unified country.

The American Committee on Africa was founded in 1953 to support freedom and independence in Africa. Much of our work over the years has focused on South Africa. Twenty-five years ago the American Committee on Africa helped coordinate a public statement by two Nobel peace laureates, the Rev. Martin Luther King Jr. and Albert Luthuli, then president of the African National Congress, which called on the people of the world not to trade or invest in South Africa. Clearly, these two men were far ahead of the rest of the world and knew then that the economic isolation of the racist government was the one policy that could force the South African government to listen to the demands of the Black majority.

As we sit here today, these demands have been made clear again. Workers in South Africa only yesterday were staging one of the largest and most successful stayaways ever held, to protest new repressive measures by the apartheid government. More than two million workers took part in three days of action this Monday, Tuesday and Wednesday despite government intimidation and threats by the employers to fire those who failed to show up for work.

What they were protesting is the system of apartheid--a system of racial exploitation that is unique to South Africa. Under apartheid whites, who are less than 14% of the population, totally dominate the whole society. Africans cannot vote for parliament. Racial segregation is mandated by law. Blacks must either live in segregated townships or in the tiny reservations called bantustans which occupy about 13 percent of South Africa's land area. Even hospitals are segregated. White hospitals have many empty beds while hundreds of Blacks must sleep on the floor due to overcrowding in Black hospitals.

The government has adopted increasingly repressive tactics to maintain this system. These tactics have included the declaration of a State of Emergency, which has now been in effect for two years.

Between June 1986 and today, some 31,000 people have been detained by the South African government. These are people jailed for months without being charged with a specific offense. Currently it is estimated that some 3,000 people are in detention, about 300 of whom are children of 18 years old or younger. In the first three and a half months of this year, more than 500 people per month, or more than 16 per day, have been detained. Some 300 have been in detention for more than 21 months without charge or trial.

Thousands of people have been detained, tortured and even killed for the simple crime of opposing apartheid. And the people take enormous risks as they oppose apartheid in every aspect of their lives. One form of such struggle is the rent boycott. Almost all Black housing in the segregated townships is owned by the South African government. Many thousands of township residents have stopped paying rent. This has been an extremely effective protest, costing the South African government millions of dollars. But those participating in the boycott face eviction. It is a credit to the brave people of South Africa that despite the massive repression, including the use of the military in the townships to supplement police, these protests have continued.

This February the South African government took its repression one step further, imposing sweeping bans on 17 organizations, including the two-million member United Democratic Front, which have been leading the struggle against apartheid. These 17 organizations were prohibited "from carrying on or performing any activities or acts whatsoever." The government simultaneously imposed a series of restrictions on South Africa's largest labor federation, the Congress of South African Trade Unions (COSATU).

Significantly, many of these restrictions are aimed at preventing us from hearing the voices of Black South Africans. The restrictions placed on the trade union federation COSATU last February, for instance, prohibit it from advocating sanctions. The South African government, in fact, has consistently used its full range of repressive legislation and emergency regulations in an attempt to stop Black South Africans from calling for strong sanctions and to jail many of those who make such statements. Despite these government actions, last year, COSATU's largest affiliate, the National Union of Mineworkers passed a resolution reaffirming "its support for all forms of international pressures, including sanctions and disinvestment." And a major survey of Black South Africans at the end of last year indicated that two thirds supported sanctions.

The government has always understood that sanctions are a threat to the very survival of apartheid. In 1972, former Prime Minister John Vorster said "Each trade agreement, each bank loan, each new investment is another brick in the wall of our continued existence." South Africa has specifically tried to use international agreements such as GATT as a defense against sanctions. In an interview in April 1985, the foreign trade secretary of the Associated Chambers of Commerce stated: "It must be stressed that South Africa's GATT membership is critically important. Without it, trade sanctions against us would be a relatively simple procedure." And in a further effort to blunt the impact of international sanctions, the government has spent billions of dollars subsidizing strategic industries, including agriculture, steel and the construction of massive facilities to convert coal to oil.

In this context the Anti-Apartheid Act of 1986 was an important milestone in the struggle for freedom in South Africa. In 1986 Congress said to Black South Africa, we hear you and we are responding. The Anti-Apartheid Act of 1986 prohibited new U.S. investment in South Africa and most new bank loans. In addition it prohibited the import of steel, uranium, textiles, agricultural goods and the Krugerrand gold coin, and prohibited sales to the police and military and "apartheid enforcing" agencies.

Last year the Committee on Ways and Means passed the Rangel Amendment to the Budget Reconciliation Act denying foreign tax credits to U.S. corporations doing business in South Africa. This was an important extension to the Anti-Apartheid Act and has increased the effective tax rate for U.S. corporations with South African operations and significantly decreased the profits these companies are making from apartheid. As Congressman Rangel said at that time, "Congress is making it the foreign policy of the United States not to subsidize apartheid." Jennifer Davis, the Executive Director of the American Committee on Africa, testified before this Committee in favor of the Rangel Amendment and we have since informed parliamentarians in other countries of this measure. Several have expressed interest in seeking adoption of similar measures in their own countries.

The U.S. measures, combined with the range of other international actions to isolate apartheid that are already in place, are beginning to have an impact. The international oil embargo against South Africa, while not cutting off petroleum shipments, has forced the government to pay a premium of up to \$2 billion a year to evade the ban.

And South African business leaders, who have benefited from and traditionally been supportive of apartheid, are beginning to raise questions as a result of the threat of sanctions. Shortly after U.S. banks cut South Africa off from new credit a delegation of South African business leaders arranged a highly publicized meeting with the leaders of the African National Congress. More recently, the American Chamber of Commerce in South Africa following a visit to the U.S. issued a strong warning to the government: "Instead of looking outside the country for the reasons for sanctions and blaming the world for the problems of South Africa we must proceed on a course of real reform."

The chairman of the giant De Beers corporation, Ogilvie Thompson, pointed to these effects when he wrote in the corporation's Annual Report this year that, "More than ever it is urgently necessary to negotiate and implement a constitution which can provide equal opportunity and political participation for all, protected by a bill of rights."

Perhaps the most revealing statement on the effect of sanctions came from South Africa's own Minister of Finance, Barend du Plessis. The South African economy is "hamstrung" by sanctions said the Minister in his annual budget speech to parliament this past March. While the minister quite naturally tried to argue that sanctions were counterproductive, he had to concede "they serve a purpose insofar as they force us to put everything into using our own resources."

These statements indicate quite clearly that the limited sanctions already imposed are beginning to have an impact. However, these measures do not go anywhere near far enough. U.S. corporations still play a key role in supporting

the apartheid economy and in directly aiding the government. At a time when the government has banned virtually the entire non-violent opposition, U.S. corporations are continuing to profit from apartheid. U.S. direct investment in South Africa is currently still about \$1.3 billion.

The U.S. oil companies Mobil and Caltex (jointly owned by Chevron and Texaco) are the largest U.S. investors in South Africa and control 40% of the petroleum market. Oil refined by these U.S. companies is used by the police and military. Because the oil is not exported or reexported from the United States, U.S. oil companies have been able to avoid the provisions of current U.S. law prohibiting sales to the police and military.

U.S. computer companies, including Control Data, IBM and Unisys, have some 50% of the market. While U.S. law prohibits sales of computers to the police and military, there are no such restrictions on sales to the private sector, even when the South African companies are known contractors with the South African military. If members have any doubt about the importance of high technology items, I would refer you to an article earlier this month in South Africa's weekly Financial Mail. That article reported that South Africans are scrambling to buy up and stockpile high technology, motors and transportation equipment, because these items "may be harder to find elsewhere in the world if a total embargo is enacted by the U.S. government later this year." The largest of these orders, the magazine noted, was for digital computer units.

U.S. imports from South Africa have markedly declined since the passage of the Anti-Apartheid Act of 1986, although in a testament to the need for further action, there have been some exceptions. For example, U.S. imports of wood pulp from South Africa have increased since these sanctions were imposed. The U.S. subsidiary of Courtaulds PLC, a British company, has been importing eucalyptus pulp from South Africa, which it uses to make rayon. Courtaulds's eucalyptus pulp comes from a company it jointly owns with the South African government. Because wages in South Africa are so much lower than in the U.S., Courtaulds has been able to price its rayon significantly below its U.S. competitors who get their wood pulp from the Pacific Northwest.

U.S. exports to South Africa, however, have not decreased since passage of the 1986 Act. U.S. exports to South Africa are largely capital goods including non-electrical machinery, electrical machinery, transportation equipment and chemicals.

This trade is critically important for the apartheid system. South Africa is extremely dependent on its ties to the world economy, with foreign trade accounting for close to 60 percent of GDP according to some estimates. Yet U.S. trade with South Africa as a percentage of total U.S. worldwide trade is less than one percent. This is clearly an area where strong action can be taken against South Africa without significantly affecting the U.S.

Mr. Chairman, the American Committee on Africa believes that HR 1580, as passed by the House Foreign Affairs Committee, would impose an important series of sanctions against apartheid. This legislation would send a strong signal to South Africa, a signal that the American people are standing with the Black majority of South Africa in opposing apartheid. HR 1580 would mandate the withdrawal of U.S. companies, end most trade and mandate those owning stock in South African corporations to sell their holdings. The Foreign Affairs Committee looked extensively at the arguments for sanctions, but I would like

to go over a few points of relevance to this committee.

One of the important aspects of HR 1580 is that it would require all U.S. companies to disinvest from South Africa. For many years now, the anti-apartheid movement has been pressuring companies to withdraw from South Africa. Individuals, churches, states, municipalities and others have pressured the companies through methods ranging from shareholder resolutions to divestment--the selling of shares of companies that do business in South Africa.

To date, 23 states and more than 70 cities have taken some kind of economic action against companies that continue to do business in South Africa. As a result of these campaigns, more than 160 U.S. companies have ended direct investment in South Africa, although some continue to do business through license, franchise or management agreements. These state and local actions, combined with the actions of hundreds of colleges and universities, churches, trade unions and other civic organizations indicate a strong sentiment in this country in favor of effective economic action against apartheid. This is a sentiment that members of Congress should now reflect at a national level.

It should be noted in this regard that for most U.S. corporations their South African subsidiaries represent less than 1% of their worldwide assets and sales. The effect of forced withdrawal on these companies would be negligible. But the effect on South Africa would be dramatic, denying key technology to the apartheid government and helping to provide pressure for real change.

Similar campaigns for the international isolation of apartheid exist in other countries. More than 60 United Kingdom based companies have withdrawn from South Africa. Companies such as Renault from France, Alfa Romeo from Italy and SHV Holdings of The Netherlands have withdrawn from South Africa. Similarly, 10 of the 55 Japanese sales agencies have closed their offices in South Africa since the start of 1986. Much of this activity has resulted from the U.S. example.

But much more remains to be done. The Anti-Apartheid Act of 1986 authorizes the President to limit the importation into the United States of any product or service of a foreign country that takes advantage of any sanctions in the act. This provision, also contained in HR 1580, has already had a significant effect. A member of our staff met with Hitachi, which sells IBM compatible mainframe computers in South Africa. Hitachi informed us that they do not sell to agencies in South Africa to which sales would be illegal by a U.S. company and they will not increase their sales in South Africa. Clearly the U.S. can strongly influence our allies to take similar measures and thus significantly increase the effectiveness of sanctions.

HR 1580 would not only require companies to withdraw from South Africa but would require U.S. nationals to sell their holdings in stocks in South African companies. Most South African stock owned by foreign nationals is in gold mines. Historically, it has been foreign capital that has made the development of the gold mines possible. Although there are no precise figures available, a large percent of the stock of gold mines or mining houses such as Anglo American Corporation Ltd. are owned by nationals in the United States and the United Kingdom.

Gold has long been at the heart of the apartheid system. It provides half of South Africa's foreign exchange. To ensure a constant flow of cheap labor

for the gold mines, South Africa developed a tightly controlled and regimented labor system. Black workers on the mines are forced to be migrant laborers. By law in South Africa, Black workers on the mines may not live with their families in the communities in which they work. Rather, miners live in single sex barracks away from their wives and children, who are forced to live on the 13% of the land allocated for African occupation. How cruel a system that won't let a man watch his own children grow on a day to day basis. The destructive nature of this system of migrant labor on family life is extremely clear. The National Union of Mineworkers has challenged this system, but the mining companies have resisted changes.

But South Africa's gold industry faces significant challenges. South African gold production declined by 40% between 1970 and 1987. As recently as 1980, South Africa produced 70% of the non-communist world gold. Today, that figure has dropped to about 50%. Many South African gold mines are becoming exhausted and the average grade of the ore mined has significantly declined. In order to even maintain its current level of production and world market share, South Africa will have to invest large sums of money in exploration and in new mines. The gold mined in South Africa is deep underground the costs of mining are high. To raise the necessary capital, South African companies will need to issue and sell stock. If the U.S. market is no longer open to the trade of this stock, it will be much more difficult for the mining companies to raise the capital they will need. This action will also end an important U.S.-S.A. link where those who own gold shares are helping to finance one of the most destructive elements of the apartheid system--migrant labor.

Mr. Chairman, there is not time here today to detail all of the important aspects of the legislation pending before this committee, but I think it is important that the committee reflect on the key elements of this bill. Despite resistance of the Reagan administration, the U.S. has, thanks to Congress, been a leader in moving towards comprehensive sanctions against South Africa. The Anti-Apartheid Act of 1986 was an important step in this direction.

Sanctions, such as those in HR 1580, will not end apartheid over night. The primary struggle needs to be won by the South African people themselves. But we can support those struggling for change by the passage of this legislation.

These hearings come at an important point in South African history. This coming Saturday, June 11, will mark an important anniversary for many South Africans. For hundreds of long term detainees it will mark two years of detention without trial and for the Black majority in South Africa it will mark the second anniversary of the State of Emergency the government imposed on June 11, 1986. We strongly suspect that the white minority government will renew the State of Emergency tomorrow, sending a signal once again to the world of its defiance of the wishes of the Black majority.*

*On June 11 the South African government announced the continuation of the State of Emergency with increased restrictions on the press and political activity.

The U.S. Congress and the American people need to send their own signal to South Africa, a signal to the South African government that says the U.S. will no longer do business with apartheid. But most importantly a signal to the South African people that says, "we hear you, we hear your cries for stronger international pressure and we are responding."

Mr. Chairman, I want to thank this committee for allowing me to testify today and I would like to end with a quote. It is a quote from the Rev. Allan Boesak, a prominent churchman from Cape Town. Last December when we spoke with Rev. Boesak he described to us in detail the detentions without trial that were and are taking place in South Africa. And then we asked him what we could do. He said to us: "We are pinning our hopes on the Dellums/Cranston legislation."