A BILLION DOLLARS FOR SOUTH AFRICA

By Jim Morrell

On November 3, 1982 the International Monetary Fund (IMF) granted South Africa the largest loan in the country's history—$1.1 billion. In the voting on the IMF executive board, the United States voted for the loan, and it passed with 52 percent of the votes.

The House Banking Committee has approved an amendment to require the U.S. executive director to the IMF to actively oppose any loan to any country that practices apartheid. The bill now goes to the House floor.

This report reviews South Africa's billion-dollar battle in the IMF last fall and explores the issues raised by the anti-apartheid amendment—the first attempt in five years to legislate human rights concerns into the IMF's operations.

International Monetary Fund assistance to South Africa has enormous significance because the IMF is the last international public agency still helping South Africa.

The recent $1.1 billion loan by the IMF to South Africa roughly equals the cost of the war in Namibia and Angola over the past two years. The IMF's loans may be fairly said to cover the costs of the Namibian campaign.

As London's International Institute for Strategic Studies reported:

The costs to South Africa of carrying the war to her neighbours, and particularly her highly aggressive campaign in Angola, were substantial. Her defence budget rose by 30%, to a record level of almost $3 billion for 1981/82. Furthermore, by keeping under arms the large numbers of skilled men needed to support highly mobile warfare in Angola, the government was depriving the civilian economy of badly-needed technical expertise. (Strategic Survey 1981-1982, London, 1982, p. 112.)
Since IMF money goes into the treasury of the recipient government which may use it for any purpose, there is absolutely no bar to South African use of the money for the war in Namibia. Under economic re­trenchment plans inaugurated last year, aggregate non­military expenditures are held nearly constant, leaving the military the fastest-growing budget item.

In January, 1976, South Africa borrowed $93 million and was back in August and November for funds that brought the year's total to $464 million, a year in which defense expenditures increased by $450 million. In both 1976 and 1982, IMF loans covered the costs of South Africa's military spending increases.

This year Congress and all Western parliaments are considering the request of their respective financial ministries for forty-three billion dollars to increase the size of the IMF. In the United States, the Dixon bill is under consideration; in Europe, the British Anti-Apartheid Movement is monitoring the introduction of human rights amendments in various parliaments. These votes will be the last chance for years to prevent future IMF loans to South Africa.

**IMF Loan Violated Fund’s Rules**

Western nations defending their support of South Africa's loan from the IMF claimed alternate action would have politicized the IMF. Five executive directors of the IMF felt otherwise as they lodged strong technical arguments against the loan at their November 3, 1982, closed-door board meeting. These IMF officials insisted the South African loan did not meet the standards of conditionality imposed on all other borrowers, in addition to their questioning the necessity of the loan based on IMF predictions of a $1.6 billion trade surplus in 1983.

The loan was "poorly constructed," said A.S. Jayawardena, alternate executive director for India. Bangladesh, Sri Lanka, and Bhutan. It had "weak economic justification," charged executive director Ghassem Salekhno of Iran. South Africa was "taking advantage of the Fund's cheaper resources" instead of borrowing commercially, said Saudi Arabia director Yusuf A. Nimatallah. "No convincing case has been made for the loan based on IMF predictions of a $1.6 billion trade surplus in 1983.

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IMF officials also made these points:

- The November loan was "likely to be the first of a series. South Africa would "approach the Fund again."
- The loan package was dangerously front-loaded, with South Africa getting 80 percent of its $1.1 billion before fulfilling any conditions at all.
- The IMF secretly sent a team to South Africa without telling Third World executive directors about it, causing "some embarrassment."
- "Adverse publicity for the Fund" resulting from the loan "could have serious repercussions for years to come."
- The executive board should have postponed con­sideration of the South Africa loan, consistent with its "informal practice of accepting an executive director's request for a postponement when the request did not prevent the board from fulfilling its duties."

South Africa's fiscal, monetary, and exchange rate policies were "disconcerting, regrettable and, indeed, unacceptable," argued executive director Jayawardena in summary. South Africa had made "no progress in dealing with the labor market constraints" generated by apartheid, he added.

Altogether, seven executive directors representing sixty-eight countries refused to support the loan; nine called for a postponement. However, executive directors representing the United States, Canada, and Western Europe backed the loan and prevailed with 52 percent of the vote due to the IMF's contribution vote weighting system.

Some Western representatives did criticize the content of the loan program, however. "The proposed measures are unlikely to eliminate the root causes of the current economic problems," said Giovanni Lovato, representing Italy, Greece, Portugal, and Malta. He added that Greece and Malta did not favor the extension of any credit to South Africa, and said he held "strong reservations" about the "structural rigidity" that had "prevented an efficient functioning of the labor market."

Ireland also stated for the record that it had "strong reservations" about the IMF loan and wished to abstain.

**Lack of adjustment.**

"Lack of satisfactory adjustment" was a complaint raised by a majority of executive directors. Government overspending, inappropriate fiscal, monetary, and exchange rate policies, and the "complicated structural imbalance in the labor market"—i.e., apartheid—were other subjects of complaint. This combination of misguided policies led South Africa into its recent difficulties and there remains no sign of correction of any of these problems, especially the "structural" one.

**Government overspending.**

Speaking for India, executive director Jayawardena said the South African authorities, riding the gold price boom of 1979-80, went in for "greatly increased budgets" along with other inappropriate policies which caused a marked deterioration in the balance of payments. Then the price of gold dropped. This price drop was not the factor most responsible for the reversal in South Africa's economy, Jayawardena contended. More important was the "remarkable expansion in government expenditure." Spending to keep the price of coal at a third of its international price was another of Jayawardena's criticisms, particularly "in the light of South Africa's dependence on oil imports."

He also warned against taking South African promises of cutbacks at face value. Pretoria had made those promises before, yet "expenditures had consistently exceeded the original intentions," and "there was little reason to be optimistic about South Africa's ability to maintain with ease the planned expenditure constraints."
Fiscal adjustment.

IMF programs normally require a decline in the ratio of the budget deficit to gross domestic product. An analysis of South African data showed "the ratio of the budget deficit to GDP in 1982-83, the year of fiscal adjustment, would be the same as in 1981-82, the year without adjustment. Hence, it seemed incorrect to conclude that the proposed program called for adjustment on the fiscal front."

Monetary policy.

If fiscal adjustment was nebulous, South Africa's monetary policy was also a "cause for concern," said Nimatallah, because it "raised doubts about the effectiveness of South Africa's adjustment program." Tight monetary policy is usually a major feature of an IMF adjustment program, yet South Africa had just lowered its reserve requirements and allowed a decline in interest rates.

Jayawardena criticized what he called an "extraordinarily accommodating monetary policy." The thrust of monetary policy, including its lowered reserve requirement and "additional liquidity created by lowering the requirement" was not appropriate, he charged.

Exchange rate and import surcharge.

Jayawardena assailed what he called the Fund's "benign neglect" of South Africa maintaining a dual exchange rate regime contrary to IMF precepts. The recent levy of a 10 percent import surcharge was "even more disconcerting." "Import levies greatly distorted prices and trade" when there were better domestic fiscal measures available to raise money.

Structural adjustment.

This is the euphemism executive directors used at the November 3rd discussion to refer to the problem of apartheid. The IMF staff's analysis "completely ignored the important need for structural adjustment in South Africa." Nimatallah said. "Rigidity in the labor market" caused widespread shortages of skilled labor, pushed up labor costs, and fueled inflation. Removal of these bottlenecks should be part of the IMF program, he argued.

Executive director Mohamed Finaish, representing fifteen Arab countries, took the same position. The staff "ignored the impact of South Africa's chronic structural constraints resulting from its labor policies." He called on the IMF to carry out a "comprehensive appraisal of the structural constraint of labor immobility and of the administrative and budgetary costs of the resultant rigidities."

Jayawardena recalled the IMF taking up this issue with South Africa in 1976, when it borrowed $464 million. "Despite the assurances that remedial measures would be taken, there had clearly been no progress in dealing with the labor market constraints." Since the South Africans had reneged on their 1976 promises, "mere expression of similar hopes at the present stage should be regarded as totally inadequate."

South Africa's real need.

Another major objection to South Africa's request was its degree of need for IMF help. The staff reported South Africa had nearly exhausted its potential for short-term private loans. Nimatallah found the claim implausible. He doubted South Africa had actually tried to raise further loans because it "had the capacity to borrow further from the private capital markets—on both a short- and long-term basis—without straining its economy, as its credit rating was favorable, its debt service burden remained very small, its reserve position was relatively strong, and its per capita income was relatively high."

Finaish cited an IMF staff report that forecast a $1.6 billion trade surplus for South Africa in 1983. "That appraisal of the immediate prospects of the South African economy underscored the temporary nature of the present difficulties and cast serious doubt on South Africa's need for financing by the Fund," Finaish said. The loan program was based on the staff's assumption that the average price of gold would not rise above $315 an ounce. Finaish cited a contending staff prediction that the price of gold could well remain significantly above the $315-an-ounce level for the program period. "The availability of market financing for South Africa could be gauged by the debt service ratio, which was estimated at 7.9 percent in 1982 and was expected to fall to 7 percent in 1983. "That ratio was much smaller than the ratios in member countries of similar size and with comparable resources," he noted.

The $689 million Compensatory Financing Facility loan to South Africa, the largest such loan to any country in the Fund's history, "was a serious cause for concern," Jayawardena stated. This facility had been set up to help raw materials exporters insulate their fragile economies from the vagaries of international trade, which effectively confined it to low-income developing countries who had little or no access to capital markets. "South Africa's creditworthiness, low debt service ratio, and large reserves did not place it in the category of needy member countries," executive director Salehkhou reiterated.

Fund image.

Executive directors at the November, 1982 meeting warned that granting a huge loan to South Africa despite its lack of need would damage the IMF's image. Executive director Nimatallah worried out loud that "the U.S. Congress and European parliaments might find it difficult in the near future to legislate quota increases and other contributions to Fund resources if the resources were channeled to countries that, like South Africa, could borrow in the commercial markets because of their continued economic strength and creditworthiness."

Executive director Salehkhou said the loan "could result in unfortunate setbacks in the effort to improve the Fund's public image, since it was difficult to separate political and economic issues concerning South Africa, as the economic matters encompassed social, cultural, developmental and labor factors."

Salehkhou also argued that the loan "would not be
VOTE ON SOUTH AFRICA LOAN, NOVEMBER 3, 1982

A simple majority of votes is required to pass a loan request before the executive board. The board does not take a formal vote; rather, executive directors make speeches and indicate their positions. At the end of the discussion, chairman Jacques de Larosiere takes the sense of the meeting. The following chart shows directors spoke in favor (marked as voting yes), those who withheld support by expressing opposition or reserving position (marked as voting no), and those who did not speak at all during consideration of the loan (marked as nonvoting).

<table>
<thead>
<tr>
<th>Director</th>
<th>Alternate</th>
<th>Total of Fund Vote</th>
<th>Per Cent of Fund Total</th>
<th>Vote on South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>APPOINTED</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Richard D. Erb</td>
<td>United States</td>
<td>126,325</td>
<td>19.64</td>
<td>Yes</td>
</tr>
<tr>
<td>Charles H. Dallara</td>
<td></td>
<td>44,125</td>
<td>6.86</td>
<td>Yes</td>
</tr>
<tr>
<td>John Anson</td>
<td>United Kingdom</td>
<td>32,590</td>
<td>5.07</td>
<td>Yes</td>
</tr>
<tr>
<td>Christopher Taylor</td>
<td></td>
<td>29,035</td>
<td>4.51</td>
<td>Yes</td>
</tr>
<tr>
<td>Gerhard Laske</td>
<td>Germany, Fed. Rep. of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guentier Winkelmann</td>
<td>France</td>
<td>25,135</td>
<td>3.91</td>
<td>Nonvoting</td>
</tr>
<tr>
<td>Bruno de Maulde</td>
<td></td>
<td>21,250</td>
<td>3.30</td>
<td>No</td>
</tr>
<tr>
<td>Anne Le Lorier</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teruo Hiran</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tadaie Yamashita</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yusuf A. Namatullah</td>
<td>Saudi Arabia</td>
<td>21,250</td>
<td>3.30</td>
<td>No</td>
</tr>
<tr>
<td>ELECTED</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miguel A. Senior</td>
<td>Costa Rica, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Spain, Venezuela</td>
<td>31,325</td>
<td>4.87 Nonvoting</td>
<td></td>
</tr>
<tr>
<td>Jose L. Feito</td>
<td></td>
<td>26,885</td>
<td>4.18</td>
<td>Yes</td>
</tr>
<tr>
<td>Robert K. Joyce</td>
<td>Bahamas, Barbados, Canada, Dominica, Grenada, Ireland (recorded no), Jamaica (recorded no), St. Lucia, St. Vincent</td>
<td>26,944</td>
<td>4.19 Yes</td>
<td></td>
</tr>
<tr>
<td>Michael Casey</td>
<td></td>
<td>25,255</td>
<td>3.93</td>
<td>Yes</td>
</tr>
<tr>
<td>J.J. Polak</td>
<td>Cyprus, Israel, Netherlands, Romania, Yugoslavia</td>
<td>25,255</td>
<td>3.93 Yes</td>
<td></td>
</tr>
<tr>
<td>Tom de Vries</td>
<td></td>
<td>23,586</td>
<td>3.67</td>
<td>Nonvoting</td>
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<tr>
<td>Giovanni Lovato</td>
<td>Greece (recorded no), Italy, Malta (recorded no), Portugal</td>
<td>22,864</td>
<td>3.56 No</td>
<td></td>
</tr>
<tr>
<td>Costa P. Caranicas (Greece)</td>
<td>Australia, Korea, New Zealand, Papua New Guinea, Philippines, Seychelles, Solomon, Western Samoa</td>
<td>22,864</td>
<td>3.56 No</td>
<td></td>
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<tr>
<td>A.R.G. Prowse</td>
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<td>22,765</td>
<td>3.54</td>
<td>Yes</td>
</tr>
<tr>
<td>Kerry G. Morrell</td>
<td></td>
<td>21,990</td>
<td>3.42</td>
<td>No</td>
</tr>
<tr>
<td>Mohamed Finaish</td>
<td>Bahrain, Iraq, Jordan, Kuwait, Lebanon, Libya, Maldives, Pakistan, Quatar, Somalia, Syrian Arab Republic, United Arab Emirates, Yemen Arab Republic, Yemen, (PDR)</td>
<td>21,990</td>
<td>3.42 No</td>
<td></td>
</tr>
<tr>
<td>Tariq Alhaimus</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jacques de Groote</td>
<td>Austria, Belgium, Luxembourg, Turkey</td>
<td>22,765</td>
<td>3.54 Yes</td>
<td></td>
</tr>
<tr>
<td>Heinrich G. Schneider (Austria)</td>
<td></td>
<td>21,990</td>
<td>3.42</td>
<td>No</td>
</tr>
<tr>
<td>A.S. Jayawardena</td>
<td>Bangladesh, India, Sri Lanka</td>
<td>21,990</td>
<td>3.42 No</td>
<td></td>
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</tbody>
</table>

Consistent with the spirit of international cooperation. In this connection, he continued, "the Fund had to take the recent pronouncement by the UN General Assembly into account. The staff should prepare a paper examining the relationship between the Fund and the United Nations, taking into account both the letter and the spirit of international law. An increase in the consultation between the Fund and the United Nations would be desirable.

Center analysis.

The above review of the IMF's decision-making on the South Africa loan clearly shows the compelling technical and humanitarian case against the loan. This evidence casts doubt on the impression—widely spread through State Department press briefings and New York Times and Washington Post editorials—that South Africa qualified technically for the massive loan and shows the case against the loan did not rest solely on moral
<table>
<thead>
<tr>
<th>Director</th>
<th>Casting Votes of</th>
<th>Total Votes</th>
<th>Per Cent of Fund Total</th>
<th>Vote on South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jon Sigurdsson (Iceland)</td>
<td>Denmark, Finland, Iceland, Norway, Sweden</td>
<td>21,440</td>
<td>3.33</td>
<td>Nonvoting</td>
</tr>
<tr>
<td>Lev Videi (Norway)</td>
<td>Botswana, Burundi, Ethiopia, The Gambia, Guinea, Kenya, Lesotho, Liberia, Malawi, Nigeria, Sierra Leone, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe</td>
<td>20,390</td>
<td>3.17</td>
<td>Withheld approval by reserving position</td>
</tr>
<tr>
<td>E.I.M. Mtei (Tanzania)</td>
<td>South Africa</td>
<td>Brazil, Colombia, Dominican Republic, Ecuador, Guyana, Haiti, Panama, Suriname, Trinidad and Tobago</td>
<td>19,995</td>
<td>3.11</td>
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<td>Lev Videi (Norway)</td>
<td>Ghassem Selekhhou (Iran)</td>
<td>Afghanistan, Algeria, Ghana, Iran, Morocco, Oman, Tunisia</td>
<td>18,385</td>
<td>2.86</td>
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<tr>
<td>N’Faly Sangare (Guinea)</td>
<td>Omar Kabbaj (Morocco)</td>
<td>China</td>
<td>18,250</td>
<td>2.84</td>
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<tr>
<td>Lev Videi (Norway)</td>
<td>South Africa</td>
<td>Brazil, Colombia, Dominican Republic, Ecuador, Guyana, Haiti, Panama, Suriname, Trinidad and Tobago</td>
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<td>Omar Kabbaj (Morocco)</td>
<td>China</td>
<td>18,250</td>
<td>2.84</td>
</tr>
</tbody>
</table>

1. Voting power varies on certain matters pertaining to the General Department with use of the Fund’s resources in that Department.
2. Percentages of total votes in the General Department and the Special Drawing Rights Department (643,098). The sum of the individual percentages may differ from the percentages of the totals because of rounding.
3. This total does not include the votes of Antigua and Barbuda, Belize, Bhutan, Egypt, Democratic Kampuchea, Rwanda, South Africa and Vanuatu, which did not participate in the 1980 Regular Election of Executive Directors. The combined votes of those members total 12,569 - 1.95 percent of those in the General Department and the Special Drawing Rights Department.

**Source:** Center for International Policy, *Aid Memo*, January 6, 1983.

objections to apartheid.

In contrast to IMF treatment of other countries, the loan program required no meaningful adjustment by South Africa. Its budget deficit in relation to gross domestic product in 1983 was no smaller than in 1982. The IMF program required no structural adjustment—no correction of labor market rigidities caused by apartheid—although a majority of executive directors including the U.S. representative Richard Erb criticized labor market immobility as a source of inflation and balance of payments problems. The technical and humanitarian arguments intersect here.

According to five executive directors, South Africa did not really need the IMF’s emergency assistance. The Center has learned that South Africa has stopped collection of loan disbursements leaving a $43 million December allocation untouched (see Table 1). Furthermore, if the price of gold continues to rise, the IMF may...
designate South Africa a source of hard currency for other IMF loans—in effect, making it repay its loan ahead of schedule.

**Early repurchase**

Bowing to this pressure, on June 20, 1983 South Africa announced that it will effect an early repurchase—i.e., repay its loan ahead of schedule. Several IMF executive directors, including Richard Erb, had

<table>
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<th>Table 1</th>
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<tr>
<td>WHAT SOUTH AFRICA COLLECTED</td>
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</table>

South Africa immediately collected the entire compensatory financing loan of $689 million and one credit tranche, or 44 percent, of the $394 million standby:

<table>
<thead>
<tr>
<th>millions of $</th>
<th>millions of SDRs</th>
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</thead>
<tbody>
<tr>
<td>Collected on Nov. 3, 1983:</td>
<td></td>
</tr>
<tr>
<td>CFF—</td>
<td>689</td>
</tr>
<tr>
<td>Standby—</td>
<td>173</td>
</tr>
<tr>
<td></td>
<td>862</td>
</tr>
</tbody>
</table>

It acquired the right to collect another $43 million from the standby loan at the end of December, 1982 but refrained from doing so because of the buoyant price of gold. Altogether it will refrain from collecting the entire balance of the standby loan, or $220 million.

intended to ask South Africa to take this step anyway.

At the executive board meeting on June 20, all the executive directors welcomed South Africa’s agreement to pay back early, although it implied that the loan had never been necessary in the first place. South Africa forgoes a four-year grace period with four years to pay.

**IMF critique of apartheid**

At the June 20 meeting, the staff presented a report critical of apartheid on economic grounds—the first in the IMF’s history. The report finds that apartheid impedes the optimal utilization of the resources of South Africa, especially by creating labor supply bottlenecks. It says that apartheid does not have a short-term effect on the balance of payments but that its effects are felt in the medium and long term.

The report’s conclusions imply that South Africa can no longer count on automatic access to some of the IMF’s conditional facilities unless it dismantles apartheid. Until then, South Africa would have available only the low-conditionality facilities it used last November. That would still give Pretoria $1.5 billion.

At the June 20 meeting, all executive directors referred to the economic costs of labor market rigidities in South Africa. A. Hasnan Habib, the Indonesian director representing also eight other Asian countries, strongly criticized the original loan. The Scandinavian director expressed interest in the economic grounds against IMF loans to South Africa.

**International Campaign to Prevent New IMF Loans to South Africa**

When South Africa borrowed in 1976, no country opposed it. This time executive directors representing sixty-eight countries either opposed it or refused to support it. The UN General Assembly voted 121 to 3 against the loan, with 23 abstaining. This made the loan a Pyrrhic victory for South Africa. The $1.1 billion encouraged foreign bankers, but the controversy surrounding it deeply disturbed them.

**IMF quota increase.**

The IMF has requested the industrial and oil-exporting countries to contribute forty-three billion dollars for its quota increase and enlargement of its general arrangements to borrow. In the United States and several European countries, the quota increase legislation provides an opportunity for amendments to have each country vote against future loans to South Africa on economic grounds. Such votes do not violate the IMF charter.

As South Africa’s intransigence becomes intolerable to the world community, the next logical step is cutoff of IMF assistance. The IMF is the last international agency helping South Africa, and since Pretoria has already borrowed one and a half times the total amount it deposited with the Fund, any further assistance comes purely from the international community. It is in no practical sense a “right” of South Africa nor a recoupment of previous deposits.

**U.S. Legislation**

Last year California Democratic representative Julian Dixon introduced a bill barring U.S. support for IMF loans to any nation that practices apartheid.

On May 9 the House Banking Committee adopted Dixon’s bill (see box). The amendment’s chances look good on the House floor, but because the Senate has not adopted a similar measure there will be a struggle in the House-Senate conference committee.

**Western Europe**

On March 28, the Swedish foreign minister, Lennart Bodstrom, redefined Swedish policy as follows:

The Nordic executive director should criticize the proposals for loans to South Africa and use such arguments against the loans as are in accordance with the statutes and the purpose of the International Monetary Fund.
DID BLACK AFRICA SUPPORT THE LOAN?

On May 5, a front-page Wall Street Journal article claimed that the black African directors had supported the loan in the IMF, just days after their representatives in the UN had roundly denounced it. "It is a tale in which countries have taken loud public positions and then turned around to do exactly the opposite behind the closed doors of the IMF board room," the reporter wrote.

The Wall Street Journal story was widely reported across South Africa, and in attempting to correct it the Center is learning the truth of the old Chinese proverb: "Once the word is out, four horses cannot overtake it."

Nevertheless, the fact is the black African directors did not support the loan. The directors representing Ghana and Somalia opposed it. The two directors representing the other forty black African countries reserved their position.

The IMF considers hundreds of loans. Very rarely does a director indicate anything other than approval. Most loans are approved unanimously. For a director to "reserve his position" is to register a vote of no-confidence. His vote is not counted toward the majority needed to approve a loan.

If the United States had "reserved its position" at the November 3 meeting, the loan could not have been approved.

There was a kernel of truth in the newspaper's story: the two African directors could have taken a stronger stance at the November meeting. At the June meeting, the two African representatives remedied that deficiency.

This time Africa was represented by E.I.M. Mtei of Tanzania, who spoke also for sixteen other black African countries; and by wa Bilenga Tshishimbi of Zaire, who spoke also for twenty-two other African countries.

Mtei assailed the original decision to grant South Africa the loan. He emphasized the lack of real need for the loan, which the early repurchase only demonstrated further. Under the IMF's charter, balance of payments need must be demonstrated before the IMF can grant a loan.

The two directors also criticized the lack of adjustment under the IMF program.

Thus the representatives of forty African nations who had merely withheld approval in November now spoke solidly in opposition.

The level of opposition to the South Africa loan was unprecedented in the IMF's thirty-five-year history.

On May 20, a majority in the Norwegian parliament (all the non-governing political parties with the exception of the conservatives) supported the proposal that no IMF loans should be granted to South Africa. At a UN meeting on June 1, the Norwegian delegate, Anne Gjestland, explained that Norway does not want to politicize the IMF but is considering whether economic grounds exist to oppose loans to South Africa. The Scandinavian foreign ministers next discuss the question in August.

Anti-Apartheid Amendment
Approved by House Banking Committee, May 9, 1983

Sec. 42. The Congress hereby finds that the practice of apartheid results in severe constraints on labor mobility and other high inefficient labor supply rigidities which contribute to balance of payments deficits in direct contradiction of the goals of the International Monetary Fund.

Therefore, the President shall instruct the U.S. Executive Director of the Fund to actively oppose any credit drawings on the Fund or any of its facilities by any country which practices apartheid.

In Britain, both the Labor Party and the Social Democratic Party Liberal Alliance are on record as opposing the IMF loan, and the Anti-Apartheid Movement feels confident it can secure their support for a similar proposal to that which was adopted by the House Banking Committee. The question is also under discussion in Dutch and Danish parliament, where the opposition parties have strongly criticized the loan.

All over the Western world, a groundswell of public concern is being conveyed to governments. If this continues, South Africa's billion dollar loan from the IMF, the largest in its history, is also likely to be its last.

Edited by Cynthia Kurimchak
A project of the Fund for Peace.

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