A VICTORY OVER APARTHEID
Story of the Campaign to End IMF Loans to South Africa

Last November Congress passed and President Reagan reluctantly signed a bill that would, among other things, restrict future International Monetary Fund loans to South Africa. Just one year earlier, the IMF had given South Africa a billion-dollar loan, and this law made a repetition very difficult.

It was the first anti-apartheid legislation passed in five years, and set a hopeful precedent for other measures now before Congress: a ban on any more U.S. bank loans and private investment beyond the fifteen billion dollars already there, and tougher export controls on police equipment such as electric-shock batons which the Reagan administration shipped to South Africa in 1982.

And already, the legislation seems to be pointing in the right direction. The abrupt removal of the IMF safety net has created new uncertainties for South Africa. In January the regime showed new interest in a Namibia settlement, and the factor that officials mentioned most was the cost of keeping forty thousand troops in the bush. It cost a billion dollars a year, treasury officials spoke of “horrifying” cost overruns, and Finance Minister Owen P. Horwood described the economy as being in the worst shape since the Great Depression.

This report tells the story of the six-year international campaign to stop IMF loans to South Africa. Historically, the United Nations was the first to act against these loans, but an inspiring part of the story is the contribution made by private citizens. And for Americans the decisive role of the Congressional Black Caucus is a particularly gratifying episode.

The effort is still far from over, but already citizens and legislators have made a difference in affecting both the policies of their own governments and those of even so rigid a government as South Africa’s.
Norway and the United Nations' lawyers strongly contested the special-privilege clauses in the agreement between the IMF and the United Nations on the grounds they would undermine the authority of the world body. They were defeated, and both the World Bank and IMF emerged independent. The issue flared up in 1966 when the General Assembly called on the World Bank to cease loans to Portugal and South Africa because of their colonial and apartheid policies. The bank defied the General Assembly and Secretary-General U Thant, lending ten million dollars to Portugal and twenty million dollars to South Africa. The bank said that its charter excluded political criteria, but shortly thereafter found good technical reasons to confine its loans to Third World countries. This left the IMF the only "specialized agency" in potential noncompliance.

The potential turned to actual in 1976 when the IMF approved three loans to South Africa totaling $464 million—all but $93 million of them after the massacre at Soweto. The British executive director, in approving the initial $93 million, noted the loan would give the South African authorities "some additional room for maneuver and some feeling of international support, which they deserved." Again the United Nations issued its resolutions, but to no avail.

Clearly, if IMF loans were to be stopped, there would have to be a weightier commitment from some quarter than had been seen so far.

Research Gleanings

In 1977 the Center for International Policy was reviewing various IMF decisions on Third World countries. The decisions followed a predictable routine, with discussion of noncontroversial technical matters only, until the executive board turned to South Africa. Immediately an undertone of concern crept into the discussion. The Belgian representative philosophized long and hard about South Africa's loan application. He noted that South Africa had one of the largest gold hoards in the world and might even be expected to give to the IMF rather than take from it. He eventually approved the loan on the grounds that South Africa's gold reserves would be difficult to sell without bringing down the price.

The West German and Italian representatives also raised technical problems. They charged that the IMF management had tailored its estimates of South Africa's financial shortfall to match almost exactly the size of the loan Pretoria had requested. This discovery did not prevent them from approving the loan either, but the discussion was heating up.

Of all the arguments of the executive directors on South Africa in 1976 the one given by Antoine Yameogo, representing Upper Volta and seventeen other black African nations, touched the most significant points. Technically speaking, the loan may have been justified, he said, although South Africa could borrow the amounts it needed from private sources. Its gold at true market value equaled six months' reserves, an adequate margin. South Africa's short-term problems could be handled, he insisted.

"The basic problems in South Africa," Yameogo said, "are structural ones." The black population, which represented 83 percent of the total population, occupied only 13 percent of the land. The main source of labor in the future would be the black population, "but the education of black people in South Africa was not free, their wages and salaries were very low relative to those of whites, and the distribution of income and of opportunity in general was heavily weighted toward the white population.

"The future of the South African economy depends upon the education and training of the black population," Yameogo went on. By 1980 South Africa would need 3.7 million skilled workers. At most, only 1.7 million could come from among whites, and the nonwhites would have to supply at least 2 million. "As a result of the need for black workers, there will have to be a radical change in the policies of education and training of Africans, and industry will have to be freed from the many restrictions that handicap the efficient and maximum use of African laborers."

Thus an executive director of the IMF itself had broached the issue: if the IMF concerned itself with all aspects of economic inefficiencies in other member countries who asked for loans, then why not South Africa? If it insisted on corrections elsewhere, then why not in South Africa? These points were only implicit in Yameogo's arguments and the staff and other directors ignored them. Yameogo had 2 percent of the votes. But the questions he raised would not go away.

This obscure IMF debate clearly touched fundamental issues of human rights. The Center published a special report, "How the IMF Gave $464 Million to South Africa." The Washington Post prominently covered it on December 24, 1977, and the UN Special Committee Against Apartheid invited the Center to present its findings at a hearing. Members of Congress queried the Treasury Department.

Research in primary documents had brought publicity; publicity had provoked stirrings in the United Nations and Congress. But could any of this change policy?

First Round in Congress, 1978

During the mid-1970s Congress had passed human-rights restrictions on nearly every form of U.S. aid, including that funneled through the World Bank and regional development banks. But because the IMF had not requested money during that period, Congress had not debated human-rights standards for it. The Center's research on South Africa came out just at the moment when the IMF was approaching Congress for a new $1.8
billion appropriation.

In February, 1978 the House Banking Committee met to consider the request. Rep. Parren Mitchell of Maryland, a leader of the Congressional Black Caucus, led the campaign to extend general human-rights legislation to the IMF. "I call your specific attention to the matter of South Africa," he told his colleagues on the committee. It was a "government which carries on the most gross kind of apartheid policies which violate human rights every day, not only for black Africans but for other white South Africans."

Rep. Parren Mitchell (D-Md.)

"... Policies which violate human rights every day."

Rep. John Cavanaugh of Nebraska agreed. "The example of South Africa is extremely poignant," he said. "There is no way that South Africa could have expended $460 million on arms—arms used to suppress a portion of its population, purely on the basis of race—if it had not received supplemental funding" from the IMF.

The South African example swayed votes. As committee chairman Henry Reuss said, "The debate on this hotly contested point is one of the most absorbing we have heard, and there is a considerable chance that, for once, the actual debate will influence votes, including those of the Chair."

The debate did not influence enough votes in the committee, and on April 6 Rep. Tom Harkin of Iowa, author of all the economic-aid human-rights amendments since 1975, brought the issue to the House floor. He cited the South African loan as an egregious case. The House approved his human-rights amendment by voice vote.

The Senate rejected the amendment that summer, as it had most other human-rights amendments. A House-Senate conference committee dropped the amendment. Once more Representative Harkin sought to rally a coalition of concerned liberals and anti-aid conservatives—the same unholy alliance that had overturned a conference report the year before when it came back without human-rights standards for the World Bank. But the wave of post-Vietnam soul-searching had already crested and was now ebbing. The House accepted the conference report minus Harkin's amendment. The IMF would remain as the only significant foreign-aid agency without human-rights restrictions.

Looking back over the year, the Center could say a little research had gone a long way. Revulsion against apartheid had nearly been translated into human-rights law. But the Center was a research organization, not a lobby group. It provided accurate information but failed to reach the wider circle of concerned citizenry who might press their elected representatives for change. It resolved to widen its impact.

South Africa's Secret Approach to the Fund, 1982

During 1977-81 South Africa's economy recovered and had no need for IMF loans. In 1980-81, however, South Africa did take advantage of the IMF's Special Drawing Rights allocation scheme to collect over a hundred million dollars. Prof. David Gisselquist, a University of Maryland economist and consultant to the Center, uncovered these transactions in 1981. The United Nations commissioned him to write a technical study which aroused considerable interest on the Decolonization Committee and the Council for Namibia.

In the spring of 1982 Professor Gisselquist made a bold prediction: South Africa would ask the IMF for a billion dollars before the year was out. He based this prediction on a study of South Africa's balance of payments and its past history with the Fund. As yet there was not a word out of the Fund that any loan was contemplated.

Jacques de Larosiere

Sent secret mission.

In July, TransAfrica, a black American lobby for Africa and the Caribbean, circulated copies of a State Department cable revealing South Africa's plans to apply for an IMF loan. In it the U.S. embassy advised the South Africans to wait until after the next IMF-World Bank annual convention in September in order to dodge criticism. The South Africans followed this suggestion. They also requested IMF's managing director Jacques de Larosiere to keep the executive board in the dark about the negotiations, which he did. Such secrecy was unpre-
cedented in the Fund's history. The Fund's own executive directors would learn about South Africa's request only by reading the newspapers.

The Center reacted to these developments quickly. Professor Gisselquist briefed members of Congress and in September, twenty-two of them led by Rep. Tom Downey of New York wrote the Secretary of the Treasury protesting the loan. On October 4 South Africa formally announced its application for $1.1 billion. Professor Gisselquist had been right on the mark.

South Africa's secret approach to the Fund had kept the opposition off balance. The announcement came after the IMF's convention in Toronto and while Congress was in recess. Under the Fund's rules, the executive board would consider the loan in one month.

But while a tactical success, their loan application was a strategic blunder. First, they did not really need the money; half of the motivation was probably to confound the "sanctions lobby." The pro-government Afrikaans-language daily Beeld exulted, "It is not a matter of weakness... actually we could go along without the loan, but... the interest rate is so attractive..." and "it's a feather in our cap since granting of such a loan means our house is in order."

Second, the delay worked against them. As it was, they timed their loan just a month before the IMF would go to Congress to ask for a record-high $8.4 billion replenishment. This was the only time Congress or any legislature had leverage over the IMF.

The Center soon learned that the IMF would approve the loan. It prepared a research memo which the New York Times reported as, "$1.1 Billion Loan to South Africa Reportedly to Get I.M.F. Approval."

The front-page article galvanized both the U.S. Congress and the United Nations. Chairmen of three special UN committees issued a statement condemning the loan. The Center sent a representative to tell the UN Decolonization Committee that the loan was "preposterous." The General Assembly passed a resolution condemning the loan by a vote of 121 to 3, with only the United States, Great Britain, and West Germany in opposition.

But the IMF was a different story; there, the industrial countries had a majority of the votes. The day before loan consideration the Third World countries caucused. They decided to base their opposition on the same point as had been raised by executive director Yameogo in 1976—the economic distortions of apartheid.

At the Fund's executive board meeting nine Third World directors moved for a postponement of the discussion—the greatest show of opposition to any loan in the Fund's history. Counting the industrial countries' weighted votes in his head, managing director de Larosiere blandly declared, "The sense of the meeting is to hold the discussion as scheduled."

Saudi Arabia gamely led the opposition. Mohamed Finais of Libya, representing many Arab countries, also spoke against the loan. Indian did likewise, China took the same position, and the Iranian director, spokesman for six other countries as well, emphasized that approval of the loan would violate the spirit of international cooperation and show disrespect for the United Nations.

The industrial countries overwhelmed this opposition and the IMF approved the loan, the largest in South Africa's history.

Rebellion in the Ranks: The Congressional Black Caucus

Rep. Julian Dixon, a Democrat from Los Angeles, was the leader of the nineteen-member Congressional Black Caucus. On October 15 he read the New York Times article about South Africa's loan. He signed the letters to Treasury Secretary Donald Regan and watched them being blandly ignored. He resolved to do something more. In late 1982 he introduced a bill that would have the United States "actively oppose" any more IMF loans "to any country which practices apartheid."

At the United Nations, the Council for Namibia also resolved to do something more. Council president Paul Lusaka of Zambia had signed the initial protest against the loan in October, but now he made available sizable funds for the international campaign to prevent new loans. He hoped these funds would put some muscle behind the UN's statements and resolutions, which the IMF had so easily ignored.

Strong support for this decision also came from the government-in-waiting of Namibia, the Southwest Africa People's Organization (SWAPO). Theo-Ben Gurirab, SWAPO's man at the United Nations, especially resented the billion dollars the IMF had given South Africa because it almost exactly matched the amount Pretoria was spending on the military subjugation of his homeland. Elimination of such loans would be a practical step toward getting South Africa out, he felt.

Meanwhile the Center for International Policy researched the IMF's decision. The Third World representatives had analyzed the skilled-labor shortages...
caused by apartheid, a system which resulted in thirteen times as much money being spent on educating a white child as a black. They concluded that apartheid caused economic inefficiencies that should be subject to the IMF's usual conditionality. The analyses by the U.S., Canadian, and Western European directors, by contrast, minimized the distortive effects of apartheid.

The Center analyzed this intense IMF debate in a study that was reported in the New York Times, Wall Street Journal, London Financial Times, and other newspapers. The word was seeping out: the IMF itself had criticized apartheid. (See International Policy Report, April, 1983.)

Legislative Campaign Jells: From Committee to Floor Vote

In March, 1983 Christine Root took over as legislative director of the Center’s South Africa work. She had worked at the Washington Office on Africa, a well-regarded legislative office supported by many American church denominations. In 1978 she had helped engineer the ban on further Export-Import Bank loan guarantees to South Africa, which cost South Africa hundreds of millions of dollars in easy credits.

She bombarded the Hill staffers daily, compiled voting lists, and reached out to constituents, working cooperatively with TransAfrica and the Washington Office on Africa.

Reinforcing her during the crucial votes was Tim Atwater, an experienced former church lobbyist who knew all the banking committee staff, Democratic and Republican.

As he had promised, Dixon promptly reintroduced his anti-apartheid bill at the beginning of the Ninety-eighth Congress, and soon he had ninety co-sponsors. On May 2, the House Banking Committee considered the issue. TransAfrica and the Center for International Policy brought in two distinguished economists to testify. Richard Eckaus, Ford Professor of International Economics at the Massachusetts Institute of Technology, testified on the impact of apartheid:

Apartheid spreads its economic influence over the entirety of South Africa. It limits the recruitment of black labor into the skilled labor force. It profoundly constrains the education and training of black Africans. The shortage of skilled labor is a persistent theme of the IMF staff reports.

Apartheid shapes the composition of investment and drives it into exorbitantly expensive attempts to substitute domestic production for foreign imports. It distorts the patterns of production and of regional development into more costly uses of resources than would otherwise occur.

Why, in the IMF, which is an institution which is rightly preoccupied with the achievement of economic efficiency, should such an overwhelming distortion of the economy be ignored? . . . Consistency itself would require that financial assistance not be provided to any country practicing apartheid.

The committee next heard from Dr. Colin Bradford of Yale University. Bradford had been director of the Office of Multilateral Development Banks at the Treasury Department. He cautioned the committee that not only a donor nation, but also a borrower nation could “politicize” the Fund. An analysis of South Africa’s debt situation showed that it did not really need the IMF loan. South Africa should not “be allowed to make major drawings and use them as a form for achieving international legitimacy.”

This expert testimony impressed the committee. However, Stephen Neal of North Carolina, Chairman of the Banking Subcommittee on International Trade, worried about the precedent the amendment would establish.

“What do you think would happen if an amendment were offered on the floor of the House that the money would not be lent to any Communist country—wouldn’t the overwhelming majority vote for that?”

These were prescient remarks. To limit the precedent set by Dixon’s amendment, the committee decided to cast it in economic terms. On May 5 Representatives
Mike Lowry of Washington and Jerry Patterson of California offered the amendment with new language citing the economic distortions caused by apartheid. Neal's subcommittee approved it, 9 to 8.

**From Committee to Floor Vote**

With their close victory in the House Banking Committee, anti-apartheid forces held the high ground. The front-page headline in the *Washington Post* announced, "House Panel Bars U.S. Vote for IMF Aid to S. Africa." Organized by TransAfrica, two dozen prominent black Americans including Mayor Thomas Bradley of Los Angeles, Mayor Marion Barry of Washington, Mayor Coleman Young of Detroit, Rev. Leon Sullivan, and Sidney Poitier wrote to the Banking Committee.

Several major American church denominations, including representatives of the United Methodist Church, the Presbyterian Church, the United Church of Christ, and the Episcopal Church, wrote members of Congress. The Coalition for a New Foreign and Military Policy appealed to their national grassroots network for letters. The American Committee on Africa even wrote to state legislators who had supported local divestment campaigns.

These letters had all the more leverage because the entire IMF bill was now in jeopardy. Eight billion dollars was a high international request at a time of record U.S. deficits. The majority of Republicans would vote against the bill notwithstanding its White House backing; the bill would need the nineteen votes of the Congressional Black Caucus. The votes would be there if the provision stayed in, Dixon told the committee. Gratefully, Rep. Fernand St. Germain, Democratic chairman of the Banking Committee, pledged his full support for the provision.

Administration lobbyists still attempted to defeat the anti-apartheid provision, but their main goal was passage of the bill. This seemed increasingly difficult because the IMF this year drew opposition from an odd assortment of conservatives and anti-big bank populists. "Free the eagle!" activated a conservative group over the rural air waves in generating mounds of mail against the IMF increase.

When the bill came to the House floor on August 3, no one even attempted to delete the anti-apartheid provision. Instead, what Neal had predicted came to pass. The conservative Texas Democrat-turned-Republican Phil Gramm introduced an amendment that would have the United States vote against any IMF loans to Communist dictatorships. Because it was anti-Communist, the Gramm amendment was approved.

Now it was politics-as-usual in Congress. In a move that backfired, the Republican Congressional Campaign Committee sent out press releases to the districts of twenty Democratic members of Congress claiming that they were pro-Communist because they had voted against the Gramm amendment. The Democrats were now infuriated and demanded an acknowledgement by President Reagan that they were only supporting the president's position.

These atmospherics now dominated what was left of the House debate. Meanwhile, negotiations began with the Senate. The House Democratic leadership was committed to retention of the House anti-apartheid language according to its agreement with the Congressional Black Caucus. At the same time, the leadership decided to attach onto the IMF bill an eighteen-billion-dollar domestic housing bill which President Reagan had made known he would veto if it came to him separately. Both the black caucus and the Democratic leadership badly wanted the subsidized-housing bill, since Congress had been unable to pass it for three years.

On the second-to-last day of the 1983 congressional session, Senate Banking Committee chairman Jake Garn gained Senate approval of a new version of the entire IMF and housing package, with compromise language affecting South Africa. In order to win passage of the entire bill, the black caucus and House Banking Committee chairman St. Germain accepted the compromise.

The provision on apartheid which became law requires the United States to oppose South Africa loans unless the
Secretary of the Treasury certifies in person before the banking committees that the loan conditions would reduce the distortions caused by apartheid. On request of either the House or Senate Banking Committee, the Treasury Secretary would have to demonstrate: (1) the loan would bring about a substantial reduction of the pass laws (“restrictions on the geographical mobility of labor”); and (2) South Africa could not raise the money elsewhere. Furthermore, the administration would have to give a three-week public notice of another IMF loan to South Africa.

The administration now had its “wiggle room,” and could certify to the absurd as it routinely did on El Salvador, but the requirement that the Secretary of the Treasury personally appear and make such absurd claims left the administration with an unappetizing prospect. U.S. support of IMF loans to South Africa was not absolutely prevented. But it was severely restricted.

**Canada and Europe**

The IMF was an international organization and any campaign against its South Africa loans had to go international as well. In theory, if the United States cast its 20 percent of the vote total against a loan, and the Third World cast its 36 percent also against the loan, then the loan would be defeated. But this scenario was not entirely assured. For one thing, the administration might interpret the congressional mandate “actively oppose” as meaning to abstain, which is a form of opposition in the IMF because it is so rare. Since 1976 legislation had required the United States to “oppose” multilateral bank loans to human rights violators, and two administrations satisfied that requirement 120 times by abstaining.

Under IMF rules, a loan decision is carried by a simple majority of the votes cast. And, silence is counted as approval. So the United States could abstain, the Third World could cast its 36 percent against, and the rest of the world—Canada, Western Europe, Japan, Australia—could either speak in favor or keep silent. The loan would then pass, 44 percent to 36 percent.

The Center considered it essential to reach Canada and Europe with its information and provoke policy changes there.

**Canada.** In the November, 1982 voting on the billion-dollar loan, Canada cast its 4 percent of the votes in favor. Both Ireland and Jamaica, whom Canada also represents on the board, dissented from that vote.

The Canadian financial bureaucracy was unsympathetic to arguments against apartheid, considering them “political” and inappropriate to the international financial institutions. The Toronto Globe and Mail and the Toronto Star reported the South Africa loan application in 1982. Canadian citizens active in the anti-apartheid movement appealed to their government. The Toronto-based Taskforce on the Churches and Corporate Responsibility wrote, “Opposition to the inhumane system of apartheid ought not to be restricted to certain fora or certain occasions.” The taskforce represented the Anglican Church of Canada, the Canadian Conference of Catholic Bishops, the Canadian Council of Churches, the Lutherans, Presbyterians, and eight other religious bodies. These appeals were unsuccessful.

Member of parliament Pauline Jewett raised the issue in 1983. Canada’s largest newsweekly Macleans reported on August 8, “Ottawa may find itself under more pressure for tough action than it feared in the IMF’s private boardroom.”

On October 27 Professors Eckaus and Bradford, who had testified before the House Banking Committee, attempted to repeat their success in Canada. They appeared before five members of the Canadian parliamentary Standing Committee on External Affairs and National Defense, but to no avail. A Canadian official told the press, “If we try to introduce political criteria, we defeat the purpose.” Almost every country in the world is on “somebody’s hate list.” The church-supported human rights amendment failed in a parliamentary floor vote.

**Scandinavia.** In 1978 Sweden passed a law prohibiting new private investment in South Africa, the first such law in the West. But during the voting on the 1976 and 1982 loans the Scandinavian IMF representatives had remained silent, in effect contributing to an affirmative vote.

**Pauline Jewett**

Member of Parliament, Canada.

_Dagens Nyheter_ reported that the Scandinavian director had helped South Africa get its loan, and the Copenhagen daily _Information_ called the government’s argumentation “untenable.” The trade unions, the Danish UN Association, and the social-democratic political parties protested to the minister of finance. On February 2 the Socialist People’s Party formally questioned the Danish government in parliament.

All the major anti-apartheid groups sent a joint letter to the Scandinavian foreign ministers before their meeting in Oslo on March 24. First fruit of this pressure was the statement by Swedish foreign minister Lennart Bodstrom after the meeting. He said Scandinavia’s representative in the IMF should criticize South Africa loan requests using arguments consistent with the IMF’s
statutes and purpose. This seemed to clear the way to opposition on economic grounds.

Meanwhile, the Norwegian Council for Southern Africa in Oslo, an umbrella group uniting twenty organizations, contacted parliament. This led to a vote on May 20 in which a majority of members of Norwegian parliament—all the non-governing political parties with the exception of the conservatives—expressed regret for the stand taken by the Scandinavian representative to the IMF the previous November. The majority also recommended that Norway should object to any future loans to South Africa. This means it will be very difficult for the Scandinavian representative to vote in favor of a loan to South Africa.

Holland. In January, Eveline Herfkens, spokesperson on Third World matters for the opposition Labor Party, introduced a motion requesting Dutch opposition to any more IMF loans to South Africa. The Christian Democratic Party debated this question internally without reaching a conclusion.

The largest weekly in the country Vrij Nederland announced on its front page on February 26, “From the secret minutes of the IMF: The Loan to South Africa.” Nevertheless, the center-right ruling coalition brought out a report concluding that economic sanctions were illegal and useless. On June 21 and 22 parliament debated the sanctions issue. The Christian Democratic party had not adopted the IMF as a plank of its South Africa sanctions position, concentrating instead on preventing new private investment. The IMF remained an opposition party issue.

Belgium. The Belgian anti-apartheid movement (Aktiekomitee Zuidelijk Afrika) took up the issue. On February 2 Social Democratic member of parliament Jef Sleeck asked the minister of finance, Willy De Clercq, "Why did Belgium approve the credit of one billion dollars in the IMF to South Africa last year?"

The minister, a right-wing liberal, answered, "That is a technical question."

"Why hasn’t the Belgian director at the IMF followed the negative advice of the 121 UN members?"

"That is a technical question."

"Aren’t the South African deficits a result of its expenditures on the military?"

"That is a technical question."

The Flemish newspaper De Morgen reported this absurd exchange in a front-page story headlined "Technical Question."

The anti-apartheid movement gamely persisted, and on June 17 a member of parliament, Marcel Colla, introduced an anti-apartheid amendment to the IMF bill. The amendment was defeated in committee, 12 to 3.

West Germany. Social Democratic Party member of the Bundestag Uwe Holtz objected to West Germany’s vote in the General Assembly in favor of South Africa’s IMF loan. In May, the West German Anti-Apartheid Bewegung formed a six-person working group focusing on the IMF loan. Marieluise Beck-Oberdorf, a Green Party member of the Bundestag, raised pertinent questions, but equally encouraging was the increased interest of Gunther Verheugen, the Social Democratic Party spokesman on South Africa. He repeatedly raised the issue in parliament. Two other Social Democrats, Ingomar Hauchler and Alvin Bruck, took up an interest.

On November 9, 1983 Ms. Beck-Oberdorf submitted a detailed questionnaire to the government drafted by an economist with former IMF experience. It was to be the most thorough questioning of any government on this issue. The government acknowledged that the labor-market restrictions were a hindrance to economic growth, but not important enough to mandate disapproval of the loan. Asked whether the passage of the anti-loan amendment by Congress would affect West Germany’s position, the government replied that it would not.

Overall, the results in Europe matched the effort invested. In Scandinavia the anti-apartheid movement coaxed positive initiatives out of the Swedish foreign minister and the Norwegian parliament. In Britain, however, the parliamentary vote on the IMF caught the movement by surprise and their amendment was ruled out of order. In other countries, the traditional anti-apartheid agenda of trade and arms sanctions took precedence. By the end of 1983 only Scandinavia, Greece, and Ireland had moved. In nearly all countries, however, the governments knew that a wide circle of concerned citizenry was watching and waiting.

Results and Prospects

The mood changed in South Africa as the bill gathered momentum in Congress. One South African official threatened to pull South Africa out of the IMF if the law passed. In August headlines in the Rand Daily Mail shouted, “IMF Hits Out At Apartheid.” The story reported an IMF staff study criticizing the inefficiencies of apartheid. When the law finally passed Congress, South African finance minister Horwood called it “the beginning of the end of the IMF.” The law had cut deeply.

The impact of IMF loans was indeed to give Pretoria “room for maneuver and a feeling of international support,” as the British representative to the IMF had noted back in 1976. The anti-apartheid measure now abruptly removed these benefits. But the law was not purely negative. It specified a remedy: removal of the geographical restrictions on the mobility of labor. By rescinding the pass laws South Africa could win back America’s support.

By threatening large sums, the law was effective as a sanction. But it also increased the incentive for peaceful change.

Four factors led to this success. First, the research had been accurate. A glaring searchlight had been cast on IMF decision-making which had fateful consequences for human rights. The economic rationale for the
TEXT OF ANTI-APARTHEID AMENDMENT

Instructions to the United States Executive Director: Sec. 43 (b). The Congress hereby finds that the practice of apartheid results in severe constraints on labor and capital mobility and other highly inefficient labor and capital 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 United States Executive Director of the Fund to actively oppose any facility involving use of Fund credit by any country which practices apartheid unless the Secretary of the Treasury certifies and documents in writing, upon request, and so notifies and appears, if requested, before the Foreign Relations and the Banking, Housing and Urban Affairs Committee of the House of Representatives, at least twenty-one days in advance of any vote on such drawing, that such drawing: (1) would reduce the severe constraints on labor and capital mobility through such means as increasing access to education by workers and reducing artificial constraints on worker mobility and substantial reduction of racially-based restrictions on the geographical mobility of labor; (2) would reduce other highly inefficient labor and capital supply rigidities; (3) would benefit economically the majority of the people of any country which practices apartheid; (4) is suffering from a genuine balance of payments imbalance that cannot be met by recourse to private capital markets. Should the Secretary not meet a request to appear before the aforementioned Committees at least twenty-one days in advance of any vote on any facility involving use of Fund credit by any country practicing apartheid and certify and document in writing that these four conditions have been met, the United States Executive Director shall vote against such program.

legislation which eventually passed Congress was not a hasty improvisation; on the contrary, it had originated within the IMF itself.

The second factor was press impact. The research yielded news and the leading press reported it, frequently on the front page. This coverage in turn gave a fillip to the public and legislative efforts.

Third, the legislative situation was auspicious. The anti-apartheid provision had a solid core of support in the Congressional Black Caucus at a time when support for the entire IMF contribution was shaky. The caucus had a swing vote and was not afraid to use it.

Fourth, there was an outpouring of public concern. National organizations appealed to constituents; constituents wrote their representatives in Congress. On “South Africa Lobby Day,” in July, 1983, dozens of congressional offices received visits.

Finance Minister Horwood called it the beginning of the end of the IMF, but there was another, more benign interpretation. One dared to hope that this victory, and others like it, might mean the beginning of the end of apartheid. But even if it does not, as a minimum it dramatically illustrates to South Africa the cost to it of its unenlightened practices of depriving blacks of its human rights because of color.
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