Excerpts from letter from House Africa Subcommittee Chairman Howard Wolpe (D-Mich.) to Secretary of Treasury Donald Regan, October 18, 1982:

One hears the Administration argue that loan decisions are made solely on economic grounds and that to introduce political considerations into the decision-making process would compromise the integrity of the fund. While I could recall cases in the past where I believe this principle has been violated, my intention in writing today is not to condemn past decisions made by the U.S. executive director to the IMF, but rather to express my concern about the proposed loan to South Africa.

To attempt to distinguish between economic and political considerations in South Africa would be to draw false distinctions. South Africa's economy is inextricable bound up with the politics of apartheid. In few other countries do political considerations affect economic decisions in such a stark fashion. For many years, economic requirements have been subordinated to the overriding political imperative of racial separation. The South African economic is in fact a dual economy, divided not only between an urban, industrial sector and a rural subsistence sector to which the majority of black South Africans are relegated, but also, as the enormous differences between income levels and living standards show, between blacks and whites. My greatest concern is that U.S. support for yet another IMF loan to South Africa, the largest international loan in South Africa's history, will be perceived by the South African government as an endorsement of the government's spending priorities and will be viewed by the non-white community within South Africa as support for an unjust status quo.

Moreover, I am concerned that in providing South Africa with additional financial resources at this time, we are providing South Africa an opportunity to continue fueling substantial resources into its war effort aimed at maintaining South Africa's illegal occupation of Namibia. My office has been provided internal IMF memos which document the effect of South Africa's large defense outlays on its economic problems. These documents make clear that the decision makers at the IMF are aware of great increases in South Africa's defense spending and the political genesis of South Africa's economic problems. Coincidentally, the $1.1 billion loan now being requested by South Africa is commensurate to the increase in South Africa's military expenditures from 1980-1982, during which time South Africa stepped up its intervention in Angola and Namibia.

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We are outraged that the Department of the Treasury would even consider supporting the loan to South Africa, and that you intend to consider the loan request strictly on its economic merits. If the United States votes to use the international monetary system to support South Africa, blacks and whites in that country and, indeed, the entire international community will justifiably regard America's action as a vote of support for South Africa's system of racial domination.

This Administration cannot claim with any credibility that its votes in the IMF are determined purely on economic grounds. The Administration has politicized the IMF on a number of occasions: in opposing loans to Nicaragua, Vietnam and Grenada, and in insisting upon a loan to El Salvador despite Western European and IMF opposition on financial groups.

We are convinced that the Treasury's decision on the IMF loan to South Africa will be similarly political. In pursuit of its [constructive engagement] policy, the Administration has taken many unfortunate steps to establish closer ties with the South African government... The South African government has given no quid pro quo in return, either in making internal reforms or in agreeing to a Namibian settlement. A vote for a substantial IMF loan to South Africa would be yet another counterproductive application of this Administration's political commitment to constructive engagement.

We think it impossible to separate political from economic consideration in addressing South Africa's loan request. In South Africa today, political repression and economic repression go hand in hand. South Africa's military adventurism destabilizes the economy of the entire southern African region.

The South African government pursues internal policies that severely restrict economic activity and inhibit the functioning of a free market. Apartheid laws strictly limit economic opportunities for the 75 percent of the South African population that is black.

South Africa's influx control regulations prevent free movement of labor. A black must secure government permission to reside and work in the 87 percent of the country that is officially assigned to whites, and must at all times carry a pass proving his right to be there.

The United States share of the South African loan would amount to $200 million. Such a huge subsidy for apartheid cannot be justified, especially at a time when our own people, and those in other democratic nations with free enterprise economies, are suffering acutely from the world recession.

It is our understanding that the committees on which we serve will soon be asked to consider an IMF replenishment. We will work to assure that the approved funding levels reflect our view that the IMF must not be used to shore up apartheid.