HOUSE BANKING COMMITTEE ACTION TAKEN ON SOUTH AFRICA AND THE IMF

May 19, 1983

Vote in the Subcommittee on International Trade, Investment and Monetary Policy

On May 5, 1983 the subcommittee agreed by voice vote to include a provision banning U.S. support for IMF loans to South Africa, as part of the IMF replenishment authorization bill. The provision, introduced by Reps. Mike Lowry (D-Wash.) and Jerry Patterson (D-Calif.), reads as follows:

The Congress hereby finds that the practice of apartheid results in severe constraints on labor mobility and other highly 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 to the Fund to actively oppose any credit drawings on the Fund or any of its facilities by any country which practices apartheid.

Adoption of this language followed the defeat by an 8 to 9 vote of a substitute amendment offered by subcommittee chairman Rep. Stephen Neal (D-NC). This amendment would have required only that the US "work for policies" by the IMF to take into account the economic effects of apartheid. It reads as follows:

The President shall instruct the U.S. Executive Director to the Fund to work for Fund policies that will require, in the design of a country's economic stabilization program, full consideration of, along with other macroeconomic policies, inefficiencies in labor markets such as constraints on labor mobility and inefficient differentiation in job opportunities which contribute to a country's balance of payments difficulties, such as the repugnant policies of apartheid practiced by the Republic of South Africa.

The vote on the Neal substitute amendment was: AGAINST (9)—Reps. Patterson, Lowry, Patman (Tex.), Coyne (Penn.), Roemer (La.), Lehman (Calif.), Kaptur (Ohio), Levin (Mich.), and Leach (Iowa). FOR (8)—Reps. Neal, LaFalce (NY), Lundine* (NY), Barnard (Ga.), Cooper (Tenn.), Parris (Va.), McCollom (Fla.), and Dreier (Calif.). (*Lundine later joined in the voice vote in support of the Lowry/Patterson amendment.)

The Lowry-Patterson amendment was based on a bill introduced by Congressional Black Caucus chairman Rep. Julian Dixon (D-Calif.). This bill,
H.R. 1083, had 90 co-sponsors at the time of the Subcommittee vote. It was the subject of a hearing before the Subcommittee on May 3 at which Rep. Dixon and two economists addressed the economic arguments against the $1.1 billion loan which the IMF granted to South Africa in November, 1982.

Consideration by the Full Banking Committee

The full Committee met on May 9 to mark up the IMF legislation, which has been incorporated as Title III of an omnibus financial institutions bill, H.R. 2957. No amendment was offered to the South Africa section, so the full Committee assented to the language adopted by the Subcommittee. Full Committee Chairman St. Germain (D-RI) supported the section in his opening remarks, saying:

The International Trade Subcommittee has added the Patterson-Lowry amendment making clear this nation's concern over the economic and social policies of South Africa. Some oppose the amendment on the grounds that there are other nations in the world which have less than perfect human rights policies. That might well be true, but I question any argument which suggests that the U.S. withhold taking positions on human rights until there is a perfect world. Clearly, that means we never take a stand anywhere anytime.

Completely aside from the moral and human rights issue involved, the repressive policies of South Africa towards its labor force create economic problems for that nation. The IMF has not been timid about imposing severe conditions on nations seeking assistance, and the Patterson-Lowry amendment's instructions to the U.S. director is in keeping with this policy. The amendment should be included in this bill.

Second-ranking Republican Committee-member Rep. Stewart McKinney (R-Conn.) also commended the subcommittee for its adoption of the South Africa language.

Center Analysis of Banking Committee Debate

The message conveyed by a hearing and extensive debate in the committee and one of its subcommittees is that this South Africa provision is a sound and viable legislative approach, backed by the committee and its chairman.

What were the factors in bringing about this success? First, witnesses at a May 3 hearing before the Neal subcommittee established that there was ample cause -- both politically and economically -- to oppose IMF loans to South Africa. Congressman Julian Dixon (D-Calif.) and two economists made these two basic points. Rep. Dixon, the current Chairman of the Congressional Black Caucus, argued that South African apartheid is unique, being the only system in the world in which racial discrimination is enshrined in the constitution and laws of the land. As Rep. Parren Mitchell (D-Md.) said, "Some evils are so monstrous and so venal that they require precedent-setting." Economists Dr. Richard Eckaus from M.I.T. and Dr. Colin Bradford from Yale University made a strong case against loans to South Africa based on the economic guidelines of the Fund itself. As Dr. Eckaus said, "Apartheid interjects the government into labor markets to distort employment, education,
training and occupational and geographic mobility in labor... In order to be consistent, the IMF should have required South Africa to reduce the distortions of apartheid as it has required other, similar borrowers to reduce their sources of inefficiency."

Second, many members of the committee simply did not accept the administration's argument that this amendment would set a precedent for politicizing the IMF. Evidence of prior U.S. politicization of the Fund is incontrovertible. The U.S. refused support for IMF standby loans to Vietnam in 1977 and 1981. It succeeded in reducing the amount and duration of a 1981 loan to Grenada by two-thirds because it opposed construction of an airport on the island that supposedly might be used by the Soviets. And in 1981 the United States pushed through a loan to El Salvador which had not been recommended by the IMF staff -- another case where politics prevailed.

Furthermore, Rep. Stanley Lundine (D-NY) pointed out that it was South Africa that politicized the IMF in the first place, requesting a loan when it did not really need it. Indeed, South Africa has already stopped drawing down its standby loan.

Third, members of Congress built a record showing that a congressional mandate over the U.S. action in the Fund was the only effective option left to them. The administration had rejected repeated offers to resolve this dispute in some less drastic way. Last November, the Treasury Department cancelled three meetings with Congressional Black Caucus members to discuss the loan. During the subcommittee consideration this spring, Rep. Patterson asked Treasury to provide him with a letter that might obviate the need for an amendment, but the response was just another defense of the U.S. position. Rep. Patterson concluded, "I am mortified that I am offering an amendment to be restrictive on the vote... But when pushed to the wall, one has to react."

Finally, our proponents convinced the committee that the entire IMF bill will have a better chance of House passage with the South Africa amendment than without it. Since the IMF quota replenishment is criticized from both the right and the left, members of the Black Caucus and the informal human rights coalition in the House can credibly claim that they hold the key to passage, and that they will support the quota replenishment only if it includes the South Africa amendment.

Next Steps in Congress

The IMF bill will probably be considered by the full House during the second half of July. A weakening amendment might be offered on the floor, perhaps along the lines of the Neal substitute offered in subcommittee or to delete the South Africa section altogether. Either approach would destroy the effectiveness of the current prohibition on U.S. support for IMF loans to South Africa. We urge members of the House to support the South Africa provision as reported out by the Banking Committee, and to oppose any amendment that would weaken it. Following the House consideration, it will be up to the House/Senate conference committee to decide what language will become part of the final bill. We urge Senate conferees to accept the House-passed language on South Africa.
May 6, 1983

Here is the amendment adopted by the House Banking subcommittee yesterday:

Sec. 3. The Bretton Woods Agreements Act is further amended by adding at the end thereof the following:

"Sec. 42. The Congress hereby finds that the practice of apartheid results in severe constraints on labor mobility and other highly 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."

This action is the first major victory in a worldwide campaign around the recent loan that began last August. The amendment's prospects look excellent for the full Banking Committee and quite good for the floor. Then it will depend on the conference committee with the Senate.

The subcommittee's action followed a hearing at which the Center and TransAfrica brought in two economists to testify on the economic inefficiencies caused by apartheid.