UPDATE ON SOUTH AFRICA AND THE IMF

The International Monetary Fund's extensive lending to South Africa became an important debating point in last month's House consideration of IMF funding. Congressional human rights advocates led by Rep. Tom Harkin cited the $464 million lent to South Africa during 1976-77 as proof of the need for an amendment that would require that the status of human rights in a recipient country be taken into account when it applies for a loan.

Few people in Washington, or elsewhere in the country, knew much about South Africa's borrowing from the IMF until a Washington Post article on December 24th showed that IMF's lending to South Africa over the last two years was exceeded only by its loans to England and Mexico, and almost exactly equaled the increase in South Africa's military expenditures over the same period. The enclosed pamphlet published in January expanded the controversy by leaking minutes of secret IMF Executive Committee meetings in which the loans were approved with the support of the U.S. and Britain over the objections of the African representative.

What the House was Considering

The House of Representatives has taken the lead during the last two years in attaching human rights amendments to most bilateral and multilateral U.S. aid programs. But this is the first time it has affected South Africa. Since South Africa's white economy is industrialized and is considered to be "developed", South Africa is not eligible for bilateral or international economic aid programs. A unilateral U.S. arms embargo in force since 1963 meant that no openly authorized military aid has gone to the Vorster regime.

The bill the House was considering would provide a $1.7 billion U.S. contribution to the IMF's supplementary or "Witteveen" financing facility. The facility is intended to help bail out countries which are facing severe balance of payments problems, particularly those caused by the recent hikes in oil prices. While proponents of the facility have emphasized that it will help meet the needs of Third World countries, any country which has serious balance of payments deficits and which has already used up the credit they can get from the International Monetary Fund can apply for help.

South Africa would thus be eligible for loans from the Witteveen facility, but at this point probably would not apply for them in the near future. Last year South Africa used up all but $8 million of its credit tranche drawings (see enclosed pamphlet). It could still draw an equivalent of one-quarter of its quota to the Fund under compensatory financing before approaching the Witteveen facility. While Witteveen facility loans have a longer repayment period, they also would require acceptance of stringent
economic austerity measures. Furthermore, South Africa's balance of payments position has improved since it applied to the Fund for loans in 1976-77. Its trade balance in the third quarter of 1977 was a positive 240 Rand as compared to negative 175 Rand at the same time the year before.

Will the Human Rights Amendment matter to South Africa?

The short answer is "Probable not". Rep. Harkin's human rights amendment, which was adopted by voice vote on February 23rd, left a lot of loopholes. (The Senate will probably consider the bill in April after the Panama Canal debate is finished.) As Business Week commented after the vote, the task of the Treasury Department was "to word the amendment in such a way that it will placate Congressional opponents of the bill without actually restricting the lending authority of the IMF." The language of the amendment seems to have come pretty close to attaining this goal. The amendment requires the U.S. Director on the Fund to "take all possible steps" to ensure that loans from the Witteveen facility will not "contribute to the deprivation of basic human needs, nor to the violation of basic human rights ..." While this language might have some impact on economic programs like the ending of food subsidies that led to riots in the streets in Egypt last year, it's almost unimaginable that this language would ever lead to a U.S. "No" vote on a loan on human rights grounds. It would have to be demonstrated that the loan itself would worsen human rights conditions, not that the overall policies of the recipient country grossly violate the human rights of its citizens. In addition, Rep. Stephen Neal (D-N.C.), the manager of the bill, went to some length to ensure that Harkin's amendment would cover only the Witteveen supplemental facility and not the entire operations of the Fund. So South Africa, or any other country, can continue to apply for credit from the Fund without any concern that its human rights record will influence the outcome.

The most significant aspect of the debate was the publicity given to this little-known form of U.S. indirect assistance to South Africa, rather than the impact of the legislation itself.