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RR PRETO  
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TO IMMEDIATE LUXEMBOURG

TELNO 83

OF 021830Z SEPTEMBER 85

INFO ROUTINE PRETORIA, OTTAWA, CANBERRA, WELLINGTON, WASHINGTON,  
ALL EC POSTS, GABORONE, LUSAKA, DAR ES SALAAM, LAGOS, HARARE,  
UKMIS NEW YORK, NEW DELHI

POLITICAL COMMITTEE MEETING: 3/4 SEPTEMBER: SOUTH AFRICA  
FOLLOWING FOR JENKINS

1. IN ANY DISCUSSION AT THE POLITICAL COMMITTEE MEETING OF  
THE PRESENT FINANCIAL CRISIS IN SOUTH AFRICA IT IS LIKELY  
THAT SOME OF OUR PARTNERS MAY TRY TO ARGUE THAT IT SHOWS THAT  
SANCTIONS WORK AND ARE THE WAY TO PUT PRESSURE ON THE SOUTH  
AFRICAN GOVERNMENT. THEY MAY CONTEND THAT THE LIMITED ECONOMIC  
MEASURES SO FAR TAKEN BY A NUMBER OF COUNTRIES, TOGETHER WITH  
THE THREAT OF POSSIBLE FURTHER MEASURES BY THE US AND EC, HAVE  
SERVED TO UNDERMINE INTERNATIONAL BUSINESS AND BANKING  
CONFIDENCE IN SOUTH AFRICA AND THAT THIS IN TURN HAS TRIGGERED  
OFF THE PRESENT FINANCIAL CRISIS THERE AND IMPELLED THE SOUTH  
AFRICAN BUSINESS COMMUNITY TO PRESS THE SOUTH AFRICAN GOVERNMENT

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FOR POLITICAL REFORMS. JOINT ECONOMIC SANCTIONS BY THE TWELVE EVEN OF A LIMITED KIND WOULD PROVIDE A FURTHER STIMULUS TO THESE INTERNAL POLITICAL PRESSURES.

2. IN RESPONSE TO THESE ARGUMENTS YOU (AND OTHER COPY ADDRESSEES) SHOULD TAKE THE FOLLOWING LINE. WE AGREE THAT THE INTERNATIONAL MARKETS ARE NOW EXERTING CONSIDERABLE FINANCIAL AND ECONOMIC PRESSURE ON SOUTH AFRICA. WE WOULD ALSO AGREE THAT THE RECENT REPRESENTATIONS BY SOUTH AFRICAN BUSINESS ORGANISATIONS ARE HELPFUL IN INCREASING THE INTERNAL PRESSURES ON THE GOVERNMENT FOR POLITICAL REFORM. SUCH BUSINESS REPRESENTATIONS ARE NOT NEW, BUT THEY HAVE UNDOUBTEDLY GAINED IN FORCE RECENTLY.

3. WE DO NOT AGREE HOWEVER THAT THESE DEVELOPMENTS GIVE GREATER FORCE TO THE ARGUMENTS FOR GOVERNMENTS APPLYING ECONOMIC SANCTIONS AGAINST SOUTH AFRICA. INDEED, WE WOULD ARGUE THAT IT MAKES MUCH MORE SENSE FOR GOVERNMENTS TO LEAVE IT UP TO THE MARKETS TO EXERT SUCH PRESSURES. THE MARKET-INDUCED PRESSURE ON SOUTH AFRICA IS NOT IN OUR VIEW PRIMARILY THE PRODUCT OF EXTERNAL SANCTIONS OR THREATS OF SANCTIONS. RATHER IT DENOTES A WIDESPREAD LOSS OF BUSINESS AND BANKING CONFIDENCE BOTH INSIDE AND OUTSIDE SOUTH AFRICA IN THE SOUTH AFRICAN GOVERNMENT'S HANDLING OF THE CURRENT UNREST AND ITS ABILITY TO FIND PEACEFUL POLITICAL SOLUTIONS TO SOUTH AFRICA'S INTERNAL PROBLEMS. SUCH MARKET PRESSURE, UNLIKE SANCTIONS IMPOSED BY FOREIGN GOVERNMENTS, CANNOT BE REPRESENTED BY THE SOUTH AFRICAN GOVERNMENT TO ITS SUPPORTERS AS AN 'EXTERNAL THREAT' AGAINST WHICH THEY HAVE A DUTY TO RALLY. THE GOVERNMENT IS SEEN BY ITS OWN SUPPORTERS TO BE GUILTY OF POLITICAL MISMANAGEMENT RATHER THAN THE VICTIM OF FOREIGN BULLYING. THE PRESSURES ON IT TO CHANGE COME FROM ITS OWN BUSINESS COMMUNITY AND ARE CORRESPONDINGLY MORE DIFFICULT TO RESIST.

4. A FURTHER ADVANTAGE OF LEAVING IT TO THE MARKETS TO EXERT THEIR OWN PRESSURE IS THAT ONE IS WORKING WITH THE NATURAL FLOW OF BUSINESS RATHER THAN, AS IN THE CASE OF MOST SANCTIONS, TRYING UNSUCCESSFULLY TO WORK AGAINST IT. INTRODUCING

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SANCTIONS WHICH RUN COUNTER TO THE WISHES OF BUSINESS, WOULD ONLY LEAD TO THE SORT OF EVASION BY BUSINESS THAT BOTH ENCOURAGES THE SOUTH AFRICAN GOVERNMENT AND EMBARRASSES THOSE WESTERN GOVERNMENTS TRYING TO APPLY SANCTIONS. THE EXAMPLE OF RHODESIA SPEAKS VOLUMES ON THIS.

5. RATHER THAN TRYING TO APPLY ECONOMIC SANCTIONS OF THEIR OWN THE GOVERNMENTS OF THE TWELVE SHOULD BE DISCREETLY ENCOURAGING, THROUGH PERSONAL AND OTHER CONTACTS, THE BUSINESS ORGANISATIONS WITHIN SOUTH AFRICA TO KEEP UP THE PRESSURE ON THE GOVERNMENT THERE FOR REFORMS. IT IS NOTEWORTHY THAT THESE ORGANISATIONS HAVE BEEN CALLING FOR PRECISELY THE SORT OF CONCRETE STEPS FROM THE GOVERNMENT WHICH THE TEN CALLED FOR IN THEIR 22 JULY STATEMENT.

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