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ECU

bc PC

10 DOWNING STREET

From the Private Secretary

14 September 1985

Dear Richard,

SOUTH AFRICA

I have written separately about the follow-up to the recent seminar on South Africa and in particular the question of withdrawal of military attachés from South Africa.

The Prime Minister was surprised to hear it asserted in the course of discussion by Ministers and officials following the Seminar that the work of our military attachés in South Africa was "of little use" and consisted mainly of sending back excerpts from papers and journals and making the occasional visit. She would find it helpful to know what importance the Ministry of Defence themselves attach to the work of the military attachés in South Africa, whether they are satisfied with the way the attachés do their work and the total cost of keeping them and their staff there. If the Ministry of Defence agree that their work is of only very limited use, the Prime Minister would be grateful for an explanation of why in that case they have been kept in their post; and to know whether there are other similar cases where we maintain military attachés without any obvious benefit.

I am copying this letter to Len Appleyard (Foreign and Commonwealth Office).

Yours sincerely,

(Charles Powell)

Richard Mottram, Esq.,  
Ministry of Defence.

CONFIDENTIAL AND PERSONAL

ECU

Subject  
cc master set.

10 DOWNING STREET

bc: Sir A. Adland  
Mr E. Fergusson  
NW  
BI  
PC

From the Private Secretary

14 September 1985

Dear Sir,

**POLICY TOWARD SOUTH AFRICA**

I enclose a note on the seminar which the Prime Minister held at Chequers yesterday on South Africa, together with a list of those who took part. The note covers also the subsequent discussion involving Ministers and officials alone. No decisions were reached as a result of this, but there are a number of points on which follow-up action is required.

Presentation

It was agreed that further work should be done on the presentation of the positive aspects of Britain's involvement in South Africa. A statement should be prepared setting out the facts on the benefits which British trade and investment has brought to the black community; the positive effects in South Africa of British firms' application of the Code of Conduct; and our good record in this respect compared with some other countries'. There will no doubt be other points. This work should be done in conjunction with the United Kingdom-South Africa Trade Association: indeed it may be for them to issue the statement. Consideration should also be given to encouraging UKSATA to issue a statement of support for political reform and dialogue in South Africa.

We should also prepare material setting out the consequences for jobs in the United Kingdom which would result from the application of trade sanctions. This will be the more effective if it can spell out the implications for particular regions of the United Kingdom.

Code of Conduct

It was suggested in the course of the seminar that there were still cases of firms which were failing to apply the Code of Conduct fully e.g. Cadbury-Schweppes. It was also suggested that more effective policing of the Code was required; and that the Code itself might need strengthening in some respects. I should be grateful if these points could be considered further, in conjunction with the review of the Code which I believe is already in hand in the European Community.

Constitutional Reform in South Africa

It was recognised that the South African Government would be extremely suspicious of proposals for constitutional reform emanating from outside the country. But it was felt that further work could usefully be done on possible federal solutions and on the scope for a National Convention, on which we could subsequently draw in contacts with the South African Government. I should be grateful if this could be put in hand.

CHOGM

It was recognised that we would come under very heavy pressure at CHOGM to subscribe to more extensive sanctions against South Africa. We need to examine the scope for diverting this pressure, and in particular to work up the idea floated at the Seminar (see attached note) of proposing the establishment of a Commonwealth Contact Group on South Africa. The Prime Minister would like a paper on a possible initiative to establish such a Group as soon as possible.

European Community/Ten aspects

Before a decision can be reached on whether to adhere to the joint statement issued by the Nine on 10 September on which we placed a reserve, action is needed:

- (a) to establish whether, in return for our adhering to the statement, France and Germany would commit themselves to block any attempt by the Commission to take action under Article 113 of the Rome Treaty;
- (b) to assure ourselves on the position in regard to the Guidelines on UKCS oil, in particular to establish that any commitment which we may undertake in relation to the statement by the Nine would impose no new obligations upon us, and would not risk extending Community control over our oil export policy;
- (c) *Paragraph deleted and retained under  
Section 3(4) (Wayland  
24 June 2014*
- (d) to prepare a draft of the statement which the United Kingdom might make in rallying to the joint position of the Nine, which makes clear that the measures are being taken by the United Kingdom on its own national authority (and can therefore be rescinded as and when we judge appropriate);
- (e) to prepare a draft of the line which we would use with the press and Parliament to explain our decision to lift our reserve on the statement by the Nine (in particular in relation to withdrawal of military attachés).

The Prime Minister will wish to consider the results of (a) - (e) above before any decision is reached.

I am copying this letter and enclosure to Richard Mottram (Ministry of Defence), Rachel Lomax (H.M. Treasury), John Mogg (Department of Trade and Industry), Geoff Dart (Department of Energy), Paul Haston (Minister of State for Trade's Office, Department of Trade and Industry), Adrian Ellis (Economic Secretary's Office, H.M. Treasury), Anthony Cary (Mr Rifkind's Office, Foreign and Commonwealth Office) and Michael Stark (Cabinet Office).

I should be grateful if circulation could be restricted to those who need to be directly involved in the follow-up work.

*yours sincerely,*  
*Charles Powell*

(Charles Powell)

Len Appleyard, Esq.,  
Foreign and Commonwealth Office.

REPORT ON THE SEMINAR ON SOUTH AFRICA HELD AT CHEQUERS ON  
13 SEPTEMBER 1985

The discussion soon showed that a number of propositions were taken as read by all the participants: South Africa's great economic and strategic importance to Britain, the need actively to defend our considerable economic interests there, promotion of peaceful change in South Africa as a means of doing so, opposition to economically destructive or punitive sanctions against South Africa and a desire to avoid the United Kingdom's international isolation. These formed the parameters of the subsequent discussion.

Taking first the situation within South Africa, there was little doubt in anyone's mind that the move away from apartheid was irreversible. The new constitution had, like the South African Government's previous policy of creating Bantustans, proved to be a cul-de-sac because it did not give the black community a role which enabled it to identify with the country. But no blue-print for change existed. Indeed there was something of a "conceptual vacuum": the South African Government was moving away from the ideology of apartheid but had not yet embraced the ideal of a multiracial society. Not all its proposed reforms could be taken at face value. There was considerable ambiguity over some of them. And the positive effect of the steps which had been taken was undermined by the brutal behaviour of the police and army. President Botha had missed an opportunity in his August speech to present the changes which were taking place in the most favourable light.

Among the remaining obstacles to internal change were identified: the need for the South African Government constantly to have an eye to its own supporters (particularly with important by-elections in the offing): the problem for the Government of making concessions from a position of accumulated weakness: and the difficulty for it of finding black representatives with whom to negotiate, particularly

amongst the background of attacks on so-called collaborators. It was pointed out that black violence was predominantly anarchic rather than directed to achieving particular reforms.

On the whole it was thought unwise to try to prescribe in detail what constituted essential change in South Africa. Our broad aim was the ending of apartheid and establishment of political dialogue with blacks leading to eventual power-sharing with them. No-one saw any realistic prospect of the South African Government agreeing to one man one vote in a unitary state, although it might be acceptable in a cantonised state. It was emphasised that the South African Government's dialogue with blacks must embrace a very wide range of black organisations. They could not hope to reach a stable settlement on the basis of dialogue with a few tame groups only. Mandela's release from prison and participation was probably essential to a successful dialogue. Black trade unions could have an important role. Other steps which the South African Government could be encouraged to explore were a declaration of intent on the lines proposed by Chief Buthelezi and the calling together of a national convention. But it might well prove counter-productive for outsiders to press such proposals.

Much of the subsequent discussion dealt with how peaceful change in South Africa could most effectively be promoted, the United Kingdom's role in this and the balance between contact and encouragement on the one hand and external pressure including sanctions on the other.

Taking contact and encouragement first - and it was suggested that the achievements of constructive engagement to date should not be under-estimated - the need was to build a positive strategy which would embolden the South African Government to create a framework within which moderate blacks could take part in political life. Britain was seen as virtually South Africa's only surviving friend and should have the confidence to use that position to engage in dialogue and

persuasion. We should not simply allow ourselves to be swept along by international pressures, bearing in mind particularly that there were forces behind these pressures who would prefer a blood bath in South Africa to peaceful change. But caution was expressed about our getting too directly involved. We risked being held responsible for things which we could not in practice control. There was no parallel with the Rhodesia situation where Britain had direct responsibility.

Various constituents of such a strategy were identified. We had an obligation to welcome genuine reforms and should do so. Our dialogue with the South African Government had shown itself capable of achieving demonstrable results, for instance over forced removals, and should be continued. We should develop more extensive contacts with black organisations which did not support violence (again particular emphasis was given to the role of the trade unions). We could provide more help for the black community for instance in the teaching of English and training for small business activity. We should encourage discussion of possible constitutional reforms including the holding of a national convention. We should urge the Front Line States to be more active in encouraging black organisations to take part in a dialogue with the South African Government, in the same way that they had pushed Nkomo and Mugabe into negotiations over Rhodesia.

The business community in South Africa could play an important role in two ways: through its members' example as employers and by exerting pressure for dialogue and political reform. We should encourage British business to be active in both ways. On the first count there was scope for more scrupulous application of the Code of Conduct, some reinforcement of it and better policing of observance (though no support from the business representatives present for making it mandatory). Back-sliders should be identified and shamed into compliance. Beyond this business should take a more forward position in support of political reform. There were encouraging signs of the Afrikaner business community's readiness to enter a dialogue with black leaders and

organisations. British business in South Africa should encourage this trend. It could be helpful for SATA to make some public statement on political reform before CHOGM. There was no support however for a suggestion that the South African Government should be encouraged to broaden its base by taking in representatives of business organisations.

We ought also to consider how far we could use the present crisis in South Africa to achieve progress over Namibia. The South African Government might now be more inclined to reach a settlement on Namibia, to reduce the international pressures for internal change ("to give up space to buy time") and blunt the campaign for sanctions. But it was recognised that the effect could equally be the opposite, that is to make the South African Government more fearful of a solution in Namibia because of the implications within South Africa.

This led on to the question: was contact sufficient to achieve change in South Africa and protect British interests? Or did it need to be reinforced by external pressures in the form of sanctions or other measures? And should the United Kingdom subscribe to these - always on the basis that economically destructive sanctions were not desirable or acceptable? The choice had to be seen not only in terms of our capacity to influence the South African Government but of our need to protect our interests in the rest of the world.

On the one hand it was proposed that we should set our face firmly against further sanctions or coercive measures of any sort. They were not effective as a means of influencing the South African Government, indeed would more likely be counter-productive. They would inevitably damage the black population (and the Front Line States). Sanctions were a slippery slope: once embarked on them, we should be remorselessly tugged down the path of ever more severe measures. We should not let ourselves be intimidated into accepting the proposition that opposing sanctions equals supporting apartheid. There was no logic in having resisted



trade sanctions through a period of no appreciable political reform in South Africa, only to apply them at the very moment when such reform was at last taking place. To do so would actually be a disincentive to reform. We should recognise the hypocrisy often involved in support for sanctions. For many countries sanctions were purely verbal: for instance at least 40 African countries traded with South Africa. In so far as external pressures had a role, they were more effective if they operated through the market rather than through politically-motivated measures taken by Governments. The right course for the United Kingdom was to take a stand on the positive aspects and achievements of our policy: the role of British investment in helping black advancement, the record of British firms in applying the Code of Conduct, what we had achieved through dialogue. More should be done to get these positive aspects across.

On the other hand, it was argued that contact and dialogue alone were not enough to produce results. Pressures were needed and could be effective as had been shown by the South African Government's response to the refusal of foreign banks to roll-over short term debt. Limited sanctions were a useful political signal. They could also help strengthen our credibility with African countries and with blacks in South Africa, which would in turn give us a better chance of influencing the latter towards dialogue with the South African Government. Earlier measures in the field of sport and of trade union rights had proved effective.

Moreover if Britain wanted to play a positive role over South Africa, it could not afford to be isolated internationally. Standing out alone against limited sanctions would put us constantly on the defensive. It was better to seek agreed positions with for instance the Ten and (though less feasible) the Commonwealth which would enable us to trim and influence the nature and extent of sanctions. Our aim must be to halt the helter-skelter slide towards mandatory trade and economic sanctions by drawing a defensible line at measures which were useful as signals without being

destructive. Beyond that lay the risk that resistance to any sanctions would expose us to retaliation against our economic interests in other countries.

In subsequent discussion involving Ministers and officials only, an attempt was made to draw some conclusions from the foregoing for future policy.

It was agreed that more effective presentation of the facts of Britain's involvement in South Africa and policy towards it was required. This was partly a task for business and partly for government. The first job was to assemble the facts covering, for instance, the positive role of British investment and our record of compliance with the Code of Conduct as well as the consequences for jobs in Britain of economic and trade sanctions. There should then be discussion with the representatives of British business to consider how they could be more active in encouraging political reform.

Further thought was needed on the scope for exploiting market pressures, particularly financial ones, as a lever for political change. It seemed likely that a distinguished intermediary such as Herr Leutweiler would be appointed to act between foreign banks and the South African Government. It might be possible for such an intermediary to make plain to the South African Government that there was no prospect of funds flowing back to South Africa until certain steps towards political reform were taken. The problem with such an approach was that banks could not be forced to act against their interests: so no guarantee could be given that any particular steps in the political field would release new lending.

The most pressing problem for us was how to handle the issue of South Africa at CHOGM. Our purpose there would be to avoid being isolated in opposing the adoption of trade sanctions. We should therefore search for alternative proposals which would at least put off attempts to force a decision on sanctions and have the prospect of commanding the

support of the more moderate Commonwealth countries. One such proposal might be the establishment of a Commonwealth Contact Group to hold discussions with the South African Government with the aim of helping start a dialogue between them and black representatives. Such a Contact Group might for instance be the agent for delivering Mandela's participation in negotiations with a guarantee not to pursue violence at least during the period of negotiations themselves. The difficulty of winning acceptance, both from the Commonwealth and the South African Government, for any such Commonwealth role would be very considerable. Both sides would need to be sounded out by an intermediary (probably British) in advance. The Commonwealth would at the least want a declaration of intent by the South African Government to abandon apartheid and to enter a dialogue with black representatives including Mandela. The South African Government for its part would want some sort of assurance that the Commonwealth would go no further down the road of sanctions. There would be great difficulty too in finding acceptable members of a Contact Group. None the less the feasibility of the idea should be looked at urgently.

Consideration should also be given to trying to establish a common position between the United Kingdom and the United States (perhaps extending to the Economic Summit Seven, though this was unlikely to be practicable) based on a commitment not to take any further measures while negotiations between the South African Government and the black community on power-sharing were in progress.

It also remained to be decided whether the United Kingdom should join the position adopted by the Nine in Luxembourg on 10 September. Discussion at the seminar had stressed the importance for our ability to influence events of not being isolated internationally; and virtually all the restrictive measures proposed in the Nine's statement corresponded to our current practice. Moreover lifting our reserve on the Nine's statement gave us the best chance of avoiding or blocking action by the Commission to introduce binding measures under

Article 113 of the Treaty. Rather than simply lifting our reserve on the restrictive measures listed in the statement of 10 September, we could align ourselves with the Nine by issuing a statement of our own listing the measures which we were already taking and adding withdrawal of military attachés. Against this it was argued that a common position of the Ten would be unlikely to last and it was therefore not worth making concessions to achieve it; that there were risks in converting our guidelines on the sale of North Sea oil into, in effect, a trade sanction; and that withdrawal of military attachés was irrelevant to the problem of apartheid and would deprive us of useful intelligence on South Africa. Further work on these points was needed before decisions were reached.

C.D.P.

CHARLES POWELL

14 September 1985

LIST OF GUESTS ATTENDING THE SEMINAR AND LUNCHEON AT CHEQUERS  
ON FRIDAY, 13 SEPTEMBER, 1985 AT 1000 hrs

A. Ministers

The Prime Minister

Rt. Hon. Sir Geoffrey Howe, QC, MP

Rt. Hon. Paul Channon, MP

Mr. Malcolm Rifkind, MP

Mr. Ian Stewart, MP

Minister for Trade

Minister of State, FCO

Economic Secretary, HM

Treasury.

B. Members of Parliament

Rt. Hon. Julian Amery, MP

Mr. Bowen Wells, MP

Mr. Robert Jackson, MP

C. Businessmen

Mr. Patrick Gillam

Managing Director,

British Petroleum

Mr. Michael Hoffman

Chief Executive &

Managing Director,

Babcock International

Mr. A.B. Marshall

Chairman, UK/South Africa

Trade Assn, Chairman,

Commercial Union,

Chairman Bestobell.

D. Academics

Dr. James Barber, JP

Master of Hadfield

College, University of

Durham

Mrs. Merle Lipton

Lecturer, University of

Sussex.

E. Officials

Mr. Anthony Loehnis

Bank of England

Sir Antony Acland, KCMG, KCVO

Permanent  
Under-Secretary, FCO

Sir Percy Cradock

10 Downing Street

Mr. Ewen Fergusson

Deputy Under-Secretary,  
FCO

Mr. C.D. Powell

Private Secretary to the  
Prime Minister

HLLACB