

m Sir Robert Crichton-Brown
KCMG., CBE., TD

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London W1X 7FB

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RCB/BMFC
22nd July 1986

F.E.R. Butler, Esq.,
Second Permanent Secretary,
Public Services,
H.M. Treasury,
Parliament Street,
London SW1P 3AG.

PRIVATE & CONFIDENTIAL - BY HAND

Dear Robin,

Charles

We spoke. The source of these documents
should not be revealed outside No. 10.

Robin.

I enclose some papers which may be of some value to the PM, although I
imagine that she is well aware of the content.

As you know, we have no interest in or business activities with South
Africa.

It is interesting to note, however, that the tobacco industry imports
substantial quantities of leaf from Zimbabwe, and in the event of these
supplies being cut off Canadian leaf is a suitable substitute!

Looking forward to seeing you soon.

With all good wishes.

Yours ayn,

Bob.
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LCF *COO. 347*
st. put on south
Africa pl e bring
forward wh we
prepare for the
(media meeting) in
early August. OMD



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P.O. Box 1597
Harare
Zimbabwe

5th November 1985

Dear


Enclosed please find various papers relating to the imposition of sanctions on South Africa and the effects of this on the Front Line States.

All the papers are self explanatory and go some way to show that a lot is being done to put the whole situation in prospective.

I hope you find these papers informative and also reassuring.

With kindest personal regards,

Yours sincerely


I.S. TAYLOR

encl/

Directors: R. H. Hywood (Chairman), D. F. Bell, W. T. Hunt, A. B. Scaries, I. S. Taylor, K. D. Walker, T. Whitley
Alternate: I. N. Fraser,
J. J. Giffen.

ZIMBABWE TOBACCO EXPORT ROUTES

NATIONAL RAILWAYS OF ZIMBABWE

In the last three years major improvements have taken place in the services and efficiency provided by our National Railways. The employment of expatriate staff and the establishment of training centres are now showing positive results in all aspects of the NRZ functions.

The tobacco industry continues to enjoy top priority in the allocation of export rail wagons and the Association is represented on the Export Committee which places weekly bids for rail wagons required for submission to the Railway Priority Committee.

With the assistance of National Railways of Zimbabwe exporters of tobacco, members of our Association, form tobacco unit trains for destination either through Durban or Beira and are guaranteed minimum transit time.

We continue to enjoy full co-operation with our railway system and are in constant contact with their Head Office.

EXPORTS THROUGH DURBAN

The movement of tobacco for export through Durban continues to be extremely fluid and once again very close co-operation is enjoyed with the South African transport system and many concessions have been granted to tobacco exporters on preferential rates for export through their route.

Unit trains of 39 wagons, the equivalent of 78 6 metre containers, travel on a regular basis to the port of Durban in a transit time of approximately five days.

EXPORTS THROUGH BEIRA

The Association has been actively engaged in increasing movement of tobacco through the port of Beira since mid 1983 and has successfully established a working relationship with the national railways of Mozambique, Caminhos de Ferro de Mozambique (C.F.M.), and the Port Authorities.

Representatives of the Association visit Beira on a regular basis, so far four times this year, the latest visit was on 21st August, 1985, and we are confident that progress, though slow, is taking place in improving rail link and port facilities.

It is understood that foreign aid from different sources has been earmarked for the improvement of the rail line between Zimbabwe/Mozambique border and Beira, the rehabilitation of the wharf, construction of a permanent container stacking area and the building of a Ro-Ro vessel berth.

It is considered that Beira is the natural port for the export of Zimbabwe tobacco and it is sincerely hoped that projects now in hand for the improvement of this export route will be implemented in the near future. We are confident that the assistance we are receiving from the local authorities and those in Mozambique will result in the full re-establishment of Zimbabwe's shortest and easiest route to the sea.

Unit trains of tobacco are currently running between Harare and Beira and receiving priority traffic movement in Mozambique, thus ensuring minimum transit delays.

Successful negotiations have taken place with C.F.M. authorities in view of reducing the cost of railing through the port of Beira.



T.D. de CHASSART
CHIEF EXECUTIVE

3 September, 1985
TDdC/cmdj/1(7)b

SANCTIONS AGAINST SOUTH AFRICA: EFFECTS ON LAND-LOCKED FRONT-LINE STATES

Introduction

1. Economic sanctions against apartheid (minority rule) have been advocated for well over 20 years. Now, for the first time, however, the sanctions campaign has achieved such momentum that they have become a serious possibility in the foreseeable future.
2. Outside South Africa itself, the campaign has always been led by governments and groups remote from the region, to whom sanctions would cost little or nothing. Their motives range from a desire to express moral outrage at apartheid, to interest in a "political free lunch". Black opinion inside South Africa is divided on sanctions, (though all agree that the struggle will be primarily an internal process). It is generally assumed that sanctions, once applied will remain in force until the whites surrender power to the majority - a process which could yet take some decades.

Effects of Sanctions on South Africa

3. These are unpredictable, and in any case of only secondary concern to most advocates of sanctions. But there is no reason to suppose that they would have a significantly greater effect on economic and political developments in South Africa than they had during the 15 years of global, comprehensive, mandatory sanctions against Rhodesia. Annex A suggests the main effects on Rhodesia. But the main point is that real living standards for the white minority rose steadily throughout the UDI period. And the main reason was that businessmen, with a financial incentive to do so, proved better at evading sanctions than civil servants were at enforcing them. At least 60 countries, from all regions, are known to have traded with Rhodesia; and few governments were assiduous in denying jobs to their own citizens for the benefit of their competitors. Thus the practical effects of sanctions inside South Africa are likely to be marginal.

South African Counter-Measures

4. President Botha has said he will pass on the effects of sanctions to the FLS, whether or not they themselves apply sanctions. South African options range from partial to total interruption of road and rail access to South African ports. They could also deny transit traffic, while permitting 2-way trade with South Africa itself, thus tying the land-locked FLS economies even more closely to their own. In addition, South Africa can cut other outlets to the sea by military means.

Economic Effects on Land-Locked FLS

5. If President Botha means what he says, these would be far more serious for the land-locked FLS than for South Africa itself, since a physical blockade could not be evaded. Annex B sets out the dependence of the land-locked FLS on South African transit routes. Simply by closing two frontier points, at Beitbridge and Mafeking, South Africa could reduce

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the physical trade flows of the land-locked FLS overnight by 85% to 15% of normal. The consequences are readily imagined. Factories, mines and commercial farms would progressively shut down. Most urban people would become unemployed. The tax base would shrink rapidly. Inflation would soar. Social services would decline. Large numbers of public servants would be dismissed. Most people who could leave would do so. The economy affected would move fairly quickly back towards subsistence level, as the formal sectors crumbled.

Political Effects on Land-Locked FLS

6. These are unpredictable. Popular discontent would, however, certainly become acute, especially as it became clear that FLS populations were suffering severely, while South Africa itself was relatively unaffected. Political instability would increase. Riots and military coups could not be excluded. It is difficult to see how governments in the countries concerned could avoid sooner or later, coming to terms with South Africa. (It would also seem likely that multiple "Nkomati"-type agreements of this kind would set back rather than advance the liberation struggle in South Africa itself.)

Land-Locked FLS Counter-Measures

7. In the long term, the development of alternative routes to the sea, notably through Beira, would reduce land-locked FLS dependence on South Africa, (though such routes would always remain vulnerable to South African military action). Annex B suggests that, with approximately \$5 billion spent on the Beira and Nacala routes, a minimum of 2 years for construction, and a doubling of efficiency on the Tan-Zam railway/Dar es Salaam port route, trade for the affected countries could rise from 15% to 65% of current levels. But aid resources on anything approaching this scale are unlikely to be forthcoming.

8. The notion of an air-lift is wholly unrealistic, because of the tonnages, distances and costs involved.

Conclusion

9. The application of sanctions against South Africa, before the land-locked FLS have reduced their dependence on South Africa to manageable proportions, and are thus able to survive the consequences, would entail massive costs to the FLS with at best minimal and at worst negative benefits in terms of political pressure on apartheid.

22 August 1985

PARENT EFFECTS OF SANCTIONS ON RHODESIA1. Economic Effects

- (a) An equivalent to a 10-15% tariff on Rhodesia's imports and exports.
- (b) The skewing of total investment resources away from rural areas into import-substituting industries.
- (c) The diversification of agriculture away from its virtual mono-export crop, tobacco.
- (d) The development of a more dynamic and ingenious business community.
- (e) Some diversification of Zimbabwean trade patterns away from traditional OECD markets and towards Japan, the Third World, notably Latin America and the Far East, and Eastern Europe.
- (f) A steady run-down only in those major items of imported infrastructure which only major firms could supply; all of whom were unwilling to do so, such as telecommunications, and power-generating plant.
- (g) Nonetheless the real standard of living of the white community rose steadily throughout the years of sanctions (at the expense of the black community) leaving aside hardships resulting directly from the liberation struggle itself.
- (h) Outside Rhodesia the main effect was the enrichment of several thousand middlemen/traders in many countries, who were consistently better at evading sanctions than civil servants were at enforcing them.

2. Political Effects

- (a) Some demoralisation among the whites, especially in the early days.
- (b) A compensating emergence of a sense of solidarity under siege. (It is relevant that many businessmen actually enjoyed the excitement of sanctions-breaking.)
- (c) An increased isolation within the white community, permitting the whites to reinforce mutually their conviction that they were right, uninfluenced by outside opinion.
- (d) Some diversion of attention among some nationalist leaders especially in the early years, from the armed struggle, while it was tempting to believe that the international community was going to solve the problem.
- (e) Nonetheless, the prospect of the lifting of sanctions was an inducement to the business community to maintain some modest pressure on Smith throughout the sanctions period to compromise - a view vindicated by the immediate post-Independence boom.

22 August 1985

SANCTIONS AGAINST SOUTH AFRICA: ALTERNATIVE TRADE ROUTES FOR LAND-LOCKED FRONT-LINE STATES

1. The countries concerned are: Zimbabwe, Zambia, Zaire, Malawi, Botswana, Swaziland and Lesotho. The last two, being physically separated from the rest, are not addressed below.

TOTAL TONNAGES INVOLVED

2. At present the total tonnages of goods being imported and exported by the countries concerned are:

Zimbabwe	8	m.t.	per year	(million tonnes)
Zambia	3.7	m.t.	"	"
Zaire				
(Lubumbashi Province)	1.5	m.t.	"	"
Malawi	1	m.t.	"	"
Botswana	0.75	m.t.	"	"

TONNAGES CURRENTLY CARRIED ON NON-SOUTH AFRICAN ROUTES

3. At present the Tan-Zam railway takes about 1.7 m.t. from Zambia, or some 45%; Beira takes some 800,000 tonnes from Zimbabwe, ie, 10% of Zimbabwe's or 7% of the whole region's trade. The lines from Chicualacuala to Maputo and from Benguela to Lobito are currently closed by military action, and would require extensive rehabilitation before they could carry significant tonnages, after the security situation permitted any work to commence. The remaining 12.5 m.t., or some 85% of the region's trade, passes through South Africa.

BEIRA CAPACITY

4. Beira's theoretical capacity with the current port and railway is 1.7 m.t., (eg. 1.2 m.t. for Zimbabwe and 0.5 m.t. for Malawi) - approximately double the present tonnages. It has been estimated that, if US\$300 m. were spent on relaying the railway line to Beira with electrified double track, and deepening and extending the port facilities, together with good management, Beira's capacity could increase to 4 m.t.

OTHER OPTIONS

5. If security could be restored to the line between Malawi and Nacala, and a similar major rehabilitation and extension programme undertaken for it, its capacity might rise to 2 m.t. Theoretically the Tan-Zam railway can take all of Zambia's requirements, though it has never in practice done so.

22 August 1985

THE TOBACCO MARKETING BOARD

PLEASE ADDRESS ALL
COMMUNICATIONS TO
THE GENERAL MANAGER

Telephone: 707255/8
Telegram: Fluecured

P.O. Box UA 214, Union Av.
Harare, Zimbabwe

Z.T.A. House
95 Baker Avenue

MGA/DK/1/103.

22nd October, 1985.

Dear Sir,

Following a recent visit to London, representatives of the Tobacco Trade Association and the Zimbabwe Tobacco Association made this Board fully aware of the deep concern that was expressed by the Directors of your Leaf Departments concerning Zimbabwe's continued ability to export tobacco to its overseas markets. This very real issue has been brought, not only to the attention of our Industry, but also to Ministers in our Cabinet. At a meeting held with the Minister of Lands, Agriculture and Rural Settlement, Mr. Moven Mahachi, senior members of the Board were given the Minister's strong views on the issue, and the enclosed copy of his letter gives a clear position as to our country's attitude towards the problems facing South Africa.

The Zimbabwe Tobacco Industry has also been questioned by your senior Executives on the role it was playing in expanding all its export routes. We wish to assure you that the Tobacco Trade Association, through the most efficient services of its Shipping Committee, has been relentless in its endeavours, which started soon after our country's Independence in April, 1980, and it is worth detailing the progress which the Tobacco Trade Association has made in the spheres of improved efficiency and cost saving.

Whilst rolling stock and locomotive power, were at a premium in the early 1980's, National Railways of Zimbabwe is now running an efficient internal rail system and has surplus capacity which it can loan to Mozambique.

In successful negotiations with National Railways of Zimbabwe, the Tobacco Unit Trains were introduced whereby entire liner trains move unbroken from Harare to either the port of Beira or the port of Durban. At the same time, the Tobacco Industry was granted, through the South African transport system, special commodity rates of approximately 60% of standard tariffs. Further, wharfage charges at the port of Durban were reduced by approximately 70% when the introduction of a box rate replaced an ad valorem calculation. It must also be noted that, as an inducement to make better usage of the good container facilities in the port of Maputo, the South African Transport Services has given us a reduced rate for

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traffic from Beit Bridge to Komatipoort, the crossing point into Mozambique. Finally, we have now received full clearance from our own railway system, the South African port authorities and Shipping Lines to carry containerised tobacco under fumigation. There is no doubt that we are enjoying the greatest co-operation from the two national systems, our own National Railways of Zimbabwe, and South African Transport Services.

Turning to our eastern routes, representatives of our Shipping Committee have regularly visited the Mozambican Railway authorities, Caminhos de Ferro de Mozambique (CFM), and port authorities of Beira to discuss ways and means of increasing the volume of traffic through that port. A few weeks ago, the Director of CFM, Engineer Mendes, visited our offices with his delegation to discuss the introduction of reduced commodity rates for tobacco destined for the port of Beira. This has now been successfully concluded, and we are confident that more traffic will move on that line at rates competitive with those offered from South African ports. A great degree of co-operation now exists between NRZ and CFM, and we are confident that our traffic will receive top priority handling into Beira. Whilst it is appreciated that the amount of cargo which can be handled on the railway line to Beira and through the port of Beira is limited, we are well aware that the SADCC Transport and Telecommunications Committee, which was established in 1980, is planning the rehabilitation of that export route and many projects are under consideration. The Chief Executive of the Tobacco Trade Association was invited to join an official delegation led by our Minister of Transport, Dr. Herbert Ushewokunze, to meet with the Mozambican Minister of Transport, Dr. A. do Santos, on 4th October, 1985, to discuss further plans in hand.

Finally, the Industry keeps in daily contact with specific Ministries, such as the Ministry of Transport, Trade and Commerce, Agriculture, and the Ministry of Finance, and keeps Ministers well apprised of the activities of the Tobacco Industry. We receive a hearing of points submitted to those Ministries and, in most cases, their fully committed support.

It is our intention to keep you fully apprised of developments in the field of export facilities by issuing a monthly news letter from the offices of the Tobacco Trade Association.

Yours faithfully,


M.G. ARKWRIGHT
GENERAL MANAGER.



ZIMBABWE

Telephone: 706081

MINISTER OF LANDS, AGRICULTURE
AND RURAL RESETTLEMENT
INGENYAMA BUILDING
PRIVATE BAG 7701, CAUSEWAY
ZIMBABWE

21st October, 1985

The President of the ZTA
The President of the TTA

Dear Mr Ashburner and Mr Morris,

At our meeting held on Monday 14th October, 1985, I was concerned to learn that our very good and long-standing customers, the overseas merchants and manufacturers, are expressing apprehension at Zimbabwe's ability to continue to meet its tobacco export commitments, in view of the international problems facing South Africa.

This letter is to confirm the Zimbabwe Government's stand point that while we support International sanctions against South Africa, Zimbabwe's economy as compared to that of South Africa is very weak to the extent that Zimbabwe as an individual country is not capable to impose effective and meaningful trade sanctions, that is the reasons why we have to maintain a trade mission in South Africa.

At the moment South Africa is our largest single trading partner and provides Zimbabwe with efficient and vital international routes. Therefore it follows that it would not be in the interest of our economy if we were to close our border between Zimbabwe and South Africa.

I understand that you will be communicating with the overseas tobacco manufacturers to appraise them of the Zimbabwe Government's viewpoint.

Finally you must assure all our customers and other potential buyers that Zimbabwe is a stable country, they will get all the quality and quantities of tobacco they need. Zimbabwe Government will do all in its power to make sure the routes to transport tobacco are safe, secure and reliable as it has been in the past.

Yours faithfully,

M. E. MAHACHI

MINISTER OF LANDS, AGRICULTURE AND RURAL RESETTLEMENT

MEM/hm