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MY TELNO 558 (NOT TO ALL): COMMONWEALTH COMMITTEE OF FOREIGN
MINISTERS ON SOUTH AFRICA (CCFM-SA): MEETING IN TORONTO ON 2-3
AUGUST

SUMMARY

1. THE COMMITTEE'S CONCLUDING STATEMENT (FULL TEXT FAXED TO SAFO,
FCO) EMPHASISED THE IMPORTANCE OF SANCTIONS AND PRODUCED SOME MINOR
PROPOSALS FOR INTENSIFYING THEM (DETAILS IN MIFT). THEY WELCOMED
THE CANADIAN PAPER ON CENSORSHIP AND PROPAGANDA. THEY PUBLISHED
THAT PAPER AS WELL AS A STATEMENT ON SOUTH AFRICA'S RELATIONS
WITH THE INTERNATIONAL FINANCIAL SYSTEM (MAIN POINTS IN MY SECOND
IFT) AND THE MORE DETAILED STUDY ON WHICH IT WAS BASED, AND ALSO
A STATISTICAL ANALYSIS OF SOUTH AFRICA'S TRADING PATTERNS.
NEXT MEETING TO TAKE PLACE IN HARARE IN JANUARY/FEBRUARY 1989.

DETAIL

2. CENSORSHIP AND PROPAGANDA (C AND P). THE CANADIAN PAPER WAS
WELCOMED AS PROVIDING A BASIS FOR DEVELOPING A PRACTICAL COMMONWEALTH
RESPONSE TO THE CHALLENGES POSED BY THE SOUTH AFRICAN C AND P.
SOME GOVERNMENTS WERE TO GO AHEAD WITH SPECIFIC PROPOSALS. THE
SECRETARY GENERAL WAS INVITED TO ESTABLISH A COMMONWEALTH WORKING
PARTY, NOT NECESSARILY CONFINED TO COMMITTEE MEMBERS, TO REVIEW
NATIONAL ACTION PLANS AND ELABORATE AN OVERALL COMMONWEALTH
PROGRAMME.

3. SANCTIONS. THE COMMITTEE NOTED THE CONCLUSIONS OF THE EXPORT STUDY GROUP'S INTERIM REPORT (COPY BY BAG TO FCO ONLY) THAT THE TRADE SANCTIONS WERE HAVING A DISCERNABLE IMPACT ON SOUTH AFRICA, THAT ITS ECONOMY WAS COMING UNDER PRESSURE AND THAT THE IMPACT OF SANCTIONS WOULD BE ENHANCED IF THE SANCTIONS THEMSELVES WERE MORE WIDELY ADOPTED AND THEIR APPLICATION INTENSIFIED AND TIGHTENED. THE COMMITTEE AGREED ON A PLAN FOR INDIVIDUAL AND CONCERTED DEMARCHES ON BACKSLIDERS. THEY ALSO INVITED COMMONWEALTH AND OTHER GOVERNMENTS 'TO CONSIDER ADOPTING' CERTAIN MEASURES RECOMMENDED IN THE INTERIM REPORT (DETAILS IN MIFT).

4. FINANCIAL LINKS. THE COMMITTEE AGREED TO PUBLISH THIS REPORT (COPY FOLLOWS BY BAG TO FCO) AND PUBLISHED AS AN ANNEX TO THEIR STATEMENT THEIR OWN CONCLUSIONS ON IT (COPY FAXED TO SAFD). THE MAIN POINTS ARE CONTAINED IN MY SECOND IFT.

5. OTHER POINTS. THE STATEMENT MAINTAINED THAT BLACK SOUTH AFRICANS LOOKED PRINCIPALLY TO SANCTIONS AS THE INTERNATIONAL COMMUNITY'S MOST NECESSARY FORM OF PRESSURE ON PRETORIA FOR PEACEFUL CHANGE AND BELIEVED IT TO BE A PARAMOUNT NEED TO COUNTERACT SOUTH AFRICAN PROPAGANDA THAT SANCTIONS WERE OPPOSED BY BLACKS BECAUSE IT HURT THEM. IT WAS ESPECIALLY IMPORTANT FOR BLACK TRADE UNIONISTS' VIEWS TO BECOME KNOWN. THE COMMITTEE WELCOMED THE REPORT ON THE UN ARMS EMBARGO SUBMITTED BY THE WORLD CAMPAIGN AGAINST MILITARY AND NUCLEAR COLLABORATION WITH SOUTH AFRICA. THIS REPORT WOULD BE CONSIDERED IN MORE DETAIL AT THE NEXT CCFM MEETING. OTHER COMMONWEALTH COUNTRIES WOULD BE ASKED TO PROVIDE UP TO DATE INFORMATION ON THE MEASURES EACH HAD TAKEN TO IMPLEMENT THE UN EMBARGO. OBASANJO'S REPORT ON THE SECURITY NEEDS OF THE FLS WAS WELCOMED AS WAS THE SECRETARY GENERAL'S COORDINATION OF A RESPONSE BY COMMONWEALTH COUNTRIES TO ITS RECOMMENDATIONS. THERE WAS A REFERENCE TO THE SPECIAL IMPORTANCE OF MOZAMBIQUE IN THIS CONTEXT, AND THE COMMITTEE CALLED FOR FURTHER CONTRIBUTIONS TO THE SPECIAL COMMONWEALTH FUND. THERE WERE BRIEF REFERENCES TO NAMIBIA (INCLUDING A WELCOME FOR THE FOUR POWER CONSULTATIONS) AND THE SHARPEVILLE SIX. THE COMMITTEE ALSO EMPHASISED THE IMPORTANCE OF PRACTICAL HELP TO VICTIMS AND OPPONENTS OF APARTHEID IN AND OUTSIDE SOUTH AFRICA, AND ENDORSED 'THE POSSIBILITY OF CREATING A COMMONWEALTH-WIDE PROGRAMME AND NETWORK OF NGOS TO CONDUCT ADVANCED EDUCATION AND TRAINING OF BLACK SOUTH AFRICANS'. SEPARATELY THE CANADIAN GOVERNMENT ANNOUNCED THAT THEY HAD MADE AVAILABLE DOLLARS 106,000 TO ENABLE ARCHBISHOP SCOTT TO UNDERTAKE A FEASIBILITY STUDY FOR THIS PURPOSE.

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MIPT: MEETING OF CCFM-SA: STATEMENT ON FINANCIAL LINKS

1. FOLLOWING ARE MAIN POINTS IN THE FOUR PAGE STATEMENT.

ANALYSIS:

- I) THE SOUTH AFRICAN ECONOMY CANNOT GROW FAST ENOUGH TO PREVENT UNEMPLOYMENT RISING FURTHER WITHOUT STRONG IMPORT GROWTH AND A COLLAPSE OF THE CURRENT ACCOUNT SURPLUSES NECESSARY TO REPAY FOREIGN DEBT. A VARIETY OF POLITICAL AND MARKET FACTORS WILL PREVENT SOUTH AFRICA FROM GAINING SUFFICIENT NEW SOURCES OF FOREIGN EXCHANGE TO BREAK OUT OF THIS TRAP.
- II) THE REFUSAL OF BANKS TO LEND TO SOUTH AFRICA HAS BEEN 'THE MOST SIGNIFICANT SANCTION', WITH TRADE SANCTIONS AND DISINVESTMENT PLAYING A SUPPORTING ROLE, AND DISINVESTMENT CONTRIBUTING TO THE POOR OUTLOOK FOR NEW DIRECT INVESTMENT. NEITHER THE BANK FOR INTERNATIONAL SETTLEMENTS NOR THE IMF ARE LIKELY TO HELP. MAINTAINED AND STRENGTHENED FINANCIAL SANCTIONS WOULD HOBBLE ECONOMIC GROWTH AND MAINTAIN THE ECONOMIC PRESSURE ON THE SAG TO ABANDON APARTHEID.

DECISIONS:

MINISTERS OF THE CCFM-SA WOULD

A) ASK FINANCIAL INSTITUTIONS OPERATING IN THEIR COUNTRIES TO ENSURE THAT THERE IS NO EXPANSION IN THE PROVISION OF TRADE FINANCE.

B) ASK THEIR NATIONAL BANK REGULATING AUTHORITIES TO ENSURE THAT THEIR LOAN LOSS PROVISIONING REQUIREMENTS ARE VIGOROUSLY APPLIED WITH RESPECT TO SOUTH AFRICAN RISK, WHICH SHOULD BE TREATED NO MORE FAVOURABLY THAN THAT OF HEAVILY INDEBTED COUNTRIES.

C) ASK THEIR BANKS TO LIMIT ANY INESCAPABLE RESCHEDULING OF SOUTH AFRICAN DEBTS TO PERIODS OF NOT MORE THAN ONE YEAR AT A TIME.

D) PRESS FOR AN INTERNATIONAL BAN ON INSURANCE COVER BY OFFICIAL EXPORT CREDIT AGENCIES FOR LOANS TO SOUTH AFRICA.

E) INTENSIFY THEIR EFFORTS TO PERSUADE OTHER COUNTRIES TO RESTRICT NEW LENDING TO SOUTH AFRICA.

2. MINISTERS ALSO AGREED TO FACILITATE THE INTERCHANGE OF INFORMATION BETWEEN NGOS ABOUT WAYS OF BRINGING PRESSURE ON THE INSTITUTIONS IN COUNTRIES IN WHICH THEY OPERATED.

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