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FM CAPE TOWN

TO DESKBY 100800Z FCO

TELNO 312

OF 091525Z JUNE 86

*ms*

PERSONAL FOR ACTING HEAD OF SOUTHERN AFRICAN DEPT: YOUR LETTER OF 30 MAY TO ARCHER: MISC 118

1. MANY THANKS FOR GIVING ME A CHANCE TO COMMENT ON THE DRAFT PAPER. LITTLE IF ANYTHING IS SAID ABOUT THE LIKELY IMPACT OF MEASURES ON SOUTH AFRICA. I AM GLAD TO SEE FROM YOUR LETTER THAT THIS IS TO BE DISCUSSED IN THE MISC GROUP AS IT SEEMS AN IMPORTANT LACUNA IN THE PRESENT DRAFT.

2. I AM THE FIRST TO REALISE THE DIFFICULTY OF ASSESSING THE LIKELY POLITICAL AND ECONOMIC EFFECT OF EACH MEASURE. POSSIBLY ONE CANNOT DO MUCH MORE THAN INDICATE SOME GENERAL POINTS WITHOUT ATTEMPTING TO BE TOO SPECIFIC IN EVERY CASE. IN LOOKING AT ANY PARTICULAR MEASURE, MUCH WILL DEPEND ON THE OTHER MEASURES BEING TAKEN AT THE SAME TIME. CERTAINLY THE SOUTH AFRICANS WILL SEE THE PACKAGE AS A WHOLE. ITS TOTAL EFFECT WILL BE GREATER THAN THE SUM OF ITS PARTS. WE SHOULD ALSO BEAR IN MIND SECONDARY OR KNOCK-ON EFFECTS. FOR INSTANCE, IF YOU MAKE AIR TRAVEL MORE DIFFICULT YOU MAY TIP THE BALANCE OF DECISIONS BY UK FIRMS WHETHER THEY WILL CONTINUE TO OPERATE IN SOUTH AFRICA OR NOT. SIMILARLY, WHILE THE ECONOMIC EFFECT OF A MEASURE MAY BE RELATIVELY UNIMPORTANT IN ITS OWN FIELD, THE IMPRESSION WHICH IT MAKES ALONG WITH OTHER MEASURES ON BUSINESS CONFIDENCE OUTSIDE SOUTH AFRICA MAY LEAD TO FURTHER PRESSURE ON THE RAND, THUS HAVING AN EFFECT HERE BEYOND THAT OF THE MEASURE ITSELF.

3. IN CONSIDERING POSSIBLE RETALIATION BY THE SOUTH AFRICANS, ONE WILL AGAIN NEED TO LOOK AT THE COMBINED PACKAGE AS WELL AS ITS INDIVIDUAL PARTS. IMPACT AND RETALIATION ARE LINKED, BECAUSE THE DEEPER OUR MEASURES BITE THE MORE STRONGLY WILL THE SOUTH AFRICANS CHARACTERISTICALLY REACT. REMEMBER ALSO THAT THE SOUTH AFRICANS WILL NOT NECESSARILY RETALIATE IN THE SAME FIELD. OVER VISAS, PERHAPS THEY WOULD RETALIATE IN KIND. BUT THEY ARE QUITE CAPABLE OF ACTING AGAINST OUR INTERESTS IN WAYS WHICH CAUSE US MAXIMUM INCONVENIENCE AT MINIMUM LOSS TO THEMSELVES E.G. OVER CERTAIN PRECIOUS METAL SUPPLIES. IN MUCH THE SAME WAY THEY WOULD PROBABLY REACT TO GENERAL ECONOMIC MEASURES TO WHICH NEIGHBOURING COUNTRIES WERE A PARTY BY APPLYING SELECTIVE MEASURES OF THEIR OWN AGAINST THOSE NEIGHBOURS E.G. OVER MIGRANT LABOUR.

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4. MY NEXT POINT IS ALSO RELATED TO SEEING ANY PACKAGE AS A WHOLE. I HAVE LONG ARGUED THAT A SET OF MEASURES INTENDED TO STOP SHORT OF DRIVING BRITISH FIRMS AWAY FROM SOUTH AFRICA COULD NEVERTHELESS HAVE THIS RESULT THROUGH THE APPARENT POLITICAL SIGNAL THAT WE WERE ON THE ROAD TO SANCTIONS, THE INCREASED PRACTICAL DIFFICULTIES OF MAINTAINING LINKS BETWEEN UK PARENT COMPANIES AND LOCAL SUBSIDIARIES, AND A HEIGHTENED LOSS OF BUSINESS CONFIDENCE IN SOUTH AFRICA. THUS MODESTLY-TARGETTED MEASURES COULD GIVE QUITE A SERIOUS EXTRA TWIST TO THE DOWNWARD SPIRAL IN THE ECONOMY.

5. WOULD MEASURES OF THE KIND BEING CONSIDERED PUT PRESSURE ON THE SOUTH AFRICAN GOVERNMENT TO MOVE FASTER OVER REFORM AND DIALOGUE? WE HAVE ALREADY SEEN HOW LAST YEAR'S DEBT CRISIS MAY HAVE PERSUADED THE GOVERNMENT TO BRING FORWARD REFORMS IN RESPONSE TO BUSINESS PRESSURE AT HOME AND OVERSEAS. BUT EVEN IN THAT CASE WE SHOULD NOT EXAGGERATE THE EXTRA IMPETUS GIVEN TO A PROCESS ON WHICH THE GOVERNMENT WERE ALREADY EMBARKED. THE NEARER WE GET TO REAL CRUNCH POINTS FOR THE GOVERNMENT THE MORE DETERMINED THEY WILL BE NOT TO BE PUSHED INTO CHANGES AGAINST THEIR BETTER JUDGEMENT. THE SMALLER THE MEASURE, THE LESS THE IMPACT. YET STRONGER MEASURES ARE LIKELY TO DAMAGE THE ECONOMY AND INCREASE POLARISATION BETWEEN BLACK AND WHITE. AS A BROAD GENERALISATION, I BELIEVE WE HAVE TO ACCEPT THAT INTERNATIONAL MEASURES WHICH BITE WILL TEND TO MAKE SOUTH AFRICAN WHITES MORE INFLEXIBLE.

6. IT FOLLOWS (AS I POINTED OUT IN MY TELELETTER OF 6 JUNE TO TONY REEVE) THAT THE CASE FOR MEASURES SEEMS TO DEPEND PRIMARILY ON THE NEED TO MAINTAIN OUR POSITION IN THE COMMONWEALTH, THE COMMUNITY AND THE THIRD WORLD RATHER THAN ON THEIR LIKELY CONTRIBUTION TO PEACEFUL CHANGE IN SOUTH AFRICA. ALL THE MORE REASON TO TRY AND ENSURE THAT WE ARE IN GOOD COMPANY IN APPLYING MEASURES. I SUPPORT THE IDEA IN THE DRAFT PAPER OF GOING FOR UNIVERSAL APPLICATION. EVEN HERE HOWEVER THERE IS A DANGER. THE UK COULD BE SEEN AS LEADING THE PACK AGAINST SOUTH AFRICA, NOT CONTENT WITH APPLYING MEASURES OF OUR OWN BUT SEEKING TO GET EVERYONE ELSE TO FOLLOW SUIT. WE MAY HAVE TO BE PREPARED FOR AN OUTBURST OF SOUTH AFRICAN INDIGNATION ON THIS SCORE. THIS WOULD BE ACCENTUATED BY THE AGE-OLD ENMITY OF BRITAIN AMONG AFRIKANERS (WHICH REMAINS SURPRISINGLY CLOSE TO THE SURFACE) AND BY A FEELING THAT BRITISH POLICY HAD BEEN DRIVEN PRIMARILY BY OUR OWN SELF-INTEREST IN PROTECTING OURSELVES WITHIN THE COMMONWEALTH. THE VERY EXTENT OF OUR ECONOMIC LINKS WITH SOUTH AFRICA COULD THEN MAKE US APPEAR THE DE<sup>OR</sup>VIOUS TARGET IN THE GOVERNMENT EYES FOR COUNTER-MEASURES WHEN THE GOING GETS ROUGH.

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7. TURNING NOW TO ACTUAL MEASURES, YOU WILL NOT EXPECT ME TO COMMENT ON EACH ONE INDIVIDUALLY. MAIN POINTS AS FOLLOWS:

- (A) BAN ON AIR LINKS. IF WE CAN GET AWAY WITH A BAN ON SAA, WELL AND GOOD. THE RISK OF COURSE IS THAT SOUTH AFRICANS WILL RETALIATE AGAINST BRITISH AIRWAYS AND OTHER CARRIERS. WE MAY BE ABLE TO COUNT ON THEIR NOT WISHING TO ISOLATE THEMSELVES FROM THE REST OF THE WORLD. I WOULD NOT EXCLUDE THEIR PICKING ON BRITISH AIRWAYS AND ONE OR TWO SIMILAR AIRLINES FOR RETALIATION IF THEY THOUGHT ENOUGH OTHER AIRLINES COULD BE PERSUADED TO CONTINUE A SERVICE TO SOUTH AFRICA. WE WOULD THEREFORE NEED TO MAKE SURE THAT OUR PARTNERS WOULD STAND BY US IN WITHDRAWING SERVICES IN THE EVENT OF THE SOUTH AFRICANS TRYING TO DISCRIMINATE. PROVIDED NEIGHBOURING COMMONWEALTH COUNTRIES WERE ALLOWED EXEMPTION FROM ANY GENERAL BAN ON AIR LINKS WITH SOUTH AFRICA IT WOULD STILL BE POSSIBLE FOR LONG-DISTANCE TRAVELLERS TO REACH SOUTH AFRICA. BUT THE INCONVENIENCE WOULD BE CONSIDERABLE, AND THE EFFECT ON BUSINESS LINKS BY NO MEANS NEGLIGIBLE. IN SOUTH AFRICA THE BUSINESS COMMUNITY AND OTHERS IN THE ENGLISH SPEAKING COMMUNITY WOULD BE MOST AFFECTED. CONSERVATIVE-MINDED AFRIKANERS DO NOT TRAVEL MUCH ABROAD. SO ALTHOUGH THERE MIGHT BE CONSIDERABLE PUBLIC PROTEST AT A BAN ON AIR LINKS, THE GOVERNMENT WOULD PROBABLY BE LITTLE SWAYED BY IT.
- (B) BAN ON NEW INVESTMENT. THIS WOULD HAVE THE MERIT OF COMING CLOSER THAN OTHER MEASURES TO THE BASIC DEMAND OF BLACKS. IT COULD BE PRESENTED AS A FORM OF DISINVESTMENT WITHOUT MAKING MUCH PRACTICAL DIFFERENCE IN PRESENT CIRCUMSTANCES. BUT IT WOULD BE A SYMBOLIC BLOW TO BUSINESS CONFIDENCE. IT COULD ALSO ATTRACT RETALIATION, E.G. BY INTRODUCTION OF CONTROLS TO PREVENT OR RESTRICT REPATRIATION OF PROFITS FROM EXISTING INVESTMENT WHICH ARE ALREADY SUBJECT TO AN ARTIFICIAL RATE OF EXCHANGE.
- (C) BAN ON SPECIFIC PRODUCTS. MORE ECONOMIC THAN POLITICAL IMPACT HERE. LIMITED RETALIATION LIKELY. CHALLENGE IN GATT ALSO LIKELY. TRADING BANS BY SWEDEN HAVE BEEN FOLLOWED HERE BY LICENSING REGIME FOR IMPORTS FROM SWEDEN.
- (D) BAN ON GOVERNMENT PROCUREMENT. RETALIATION VIRTUALLY CERTAIN. SOUTH AFRICAN STATE CORPORATIONS BUY MUCH MORE FROM BRITISH FIRMS THAN THE OTHER WAY ROUND. THERE ARE LARGE ORDERS, E.G. ELECTRICITY SUPPLY, OFFSHORE GAS TO BE LOST. IT WOULD BE ESSENTIAL TO CARRY OUR PARTNERS WITH US ON THIS MEASURE. EVEN SO, THE SOUTH AFRICANS COULD WELL TRY TO FIND WAYS OF CIRCUMVENTING A BAN THROUGH CLANDESTINE ARRANGEMENTS WITH THOSE SUPPLIERS NOMINALLY PARTICIPATING WHO HAD FEWER SCRUPLES THAN OURSELVES.



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(E) VISA REGIME. SIGNIFICANT GESTURE OF DISAPPROVAL. DAMPENER ON TOURISM. UNPOPULAR WITH ENGLISH-SPEAKING SOUTH AFRICANS WHO DO MOST TRAVELLING. BRITISH PASSPORT HOLDERS OF COURSE WOULD NOT BE AFFECTED. MORE OF THOSE ENTITLED WOULD SEEK BRITISH PASSPORTS, SOME MIGHT THINK OF LEAVING. INDIANS IN SOUTH AFRICA MIGHT ALSO BE PROMPTED TO TAKE MORE INTEREST IN THEIR ENTITLEMENT TO BRITISH CITIZENSHIP. MOST AFRIKANERS WOULD PROBABLY ACCEPT THE NEED TO APPLY FOR VISAS. OTHER COUNTRIES REQUIRE THEM.

(F) EXTENSION OF GLENEAGLES. MIGHT HAVE MORE IMPACT IF COUPLED WITH VISA REGIME AND A DENIAL OF VISAS TO ALL SOUTH AFRICANS SPORTSMEN APPLYING TO GO TO THE UK. ANOTHER SYMBOLIC MEASURE WHICH WOULD BE MUCH CRITICISED HERE BUT WOULD NOT SHIFT THE GOVERNMENT.

8. FINAL THOUGHT. THE THREAT OF MORE TO COME IS STILL PERHAPS OUR BEST LEVERAGE.

MOBERLY

SOUTH AFRICA

LIMITED

S AF D  
C AF D  
UND  
ECD(E)  
NEWS D  
LEGAL ADVISERS  
PLANNING STAFF  
CCD  
CONS D  
SCD  
PUSD  
DEF D

PS  
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PS/MRS CHALKER  
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