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**NEWS
RELEASE**

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CBI

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SOUTH AFRICA

The CBI Council today discussed South Africa and reaffirmed the principles on which its policy is based. These are :

- ** We are totally opposed to apartheid
- ** We support all efforts to promote dialogue as the best way to peaceful change
- ** Our attitude to political restraints on trade with South Africa is the same as with any other country and was enunciated in August 1980 in our statement on trade policy.

This attitude is that we deplore any political restraints on freedom to trade, but we recognise that it is for our elected Government to decide what is in the national interest. We will accept their decisions provided that three conditions are satisfied :

- ** That the national economic interest has been fully weighed
- ** That any restrictions are given legal force
- ** That our competitors suffer the same restrictions

X) We do not believe "sanctions" are an all-or-nothing question. There are a range of possible measures. If Sir Geoffrey Howe's mission fails, the Government has said it may be necessary to envisage further measures. Meanwhile we support the strenuous efforts the Government is making, and we await their decision on what action is appropriate on the South African issue.

24 July 1986

*Prime Minister
This is actually quite a good and balanced statement. But there is some risk that X will be perceived as "British industry opens the door to measures against South Africa."
CDD
24/7.*

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NOTE

As approved by Council, after slight amendments. NOT released to Press.

TO THE COUNCIL FOR THE MEETING ON 24 JULY 1986

SOUTH AFRICA

Introduction

- 1 CBI policy on South Africa was set out in the President's letter of 9 September 1985 to Council members, which was noted with approval at the meeting of 18 September. It was then publicly stated in Sir James Cleminson's address to the conference of ASSOCOM in Cape Town in October, and summarised in the CBI leaflet "South Africa: the Business Approach", published in December 1985.
- 2 Events have moved on considerably since that date, and an intense public debate is in progress about South Africa. It was therefore agreed at Council on 25 June that there should be a full discussion of the issues at the meeting of 24 July.

The British Industry Committee on South Africa (BICSA)

- 3 In January 1986, with the support of the CBI and UKSATA, leading companies with South African interests formed BICSA to act as lead spokesman in this area for British industry. BICSA stated its views in February 1986 and again on 20 June: they were well in line with the policy earlier approved by Council and on both occasions the CBI endorsed them. The existence of BICSA does not, however, remove the need for the CBI to take a position on South African issues. Whereas BICSA represents companies involved in that country, the CBI also represents many others without such involvement but whose interests worldwide could be affected by events there. It is therefore appropriate for Council to review CBI policy and confirm or qualify its support of that advocated by BICSA.

The Basis of CBI Policy

- 4 The CBI's prime objective in relation to South Africa is to achieve the end of the apartheid system, in the interests of South Africa as a whole and of the neighbouring states.
- 5 There is at present an immense emotional wave of enthusiasm for "sanctions", and any reservation expressed by British industry about this concept is interpreted as a lack of commitment to the ending of apartheid. We must therefore strongly emphasise that our reluctance to support the movement for general sanctions is because of our doubts of their effectiveness in achieving the goal of an end to apartheid, as well as the very damaging effects such moves could have on British industry and employment.
- 6 Given our firm commitment to this goal, British business because of its broad involvement in South Africa has a particular responsibility to work for its attainment by the most effective means.
- 7 These means are to promote and increase economic growth, which is what exerts most pressure on the South African Government for change. Many of

the concessions forced on that Government in recent years have been due to the economy's increased dependence on the black community. Economic growth thus makes the South African Government more amenable to reform.

- 8 Full economic sanctions would work against growth, and would seriously damage the country's economy at a time when it needs at least to be maintained intact to under-pin the painful transition from the old society to the new. (For example 350,000 new jobs are needed each year merely to keep pace with population growth.) Full economic sanctions would also increase Afrikaner resistance to change, encouraging the "laager" mentality and strengthening right-wing movements.
- 9 It is of course for the British Government to take final decisions on what is in the national interest. The CBI calls on it, in doing so, to ensure that any "negative" measures on which it decides are those which do the least damage to economic growth in South Africa and exert the most effective pressure on the South African Government for fundamental political reform.
- 10 Such measures should be those which do least damage to the economy and employment in the UK, but we stress that in present circumstances this is not the main consideration. Government should ensure that any measures taken in restraint of trade are fully complied with by all South Africa's trading partners.

Support for the South African Business Community

- 11 The CBI fully supports the strenuous efforts of the South African business community to promote peaceful change through political dialogue between the South African Government and all political forces in South Africa including the ANC. We regret that certain trades union leaders are not at present in a position to take part in that dialogue. We also support all efforts to foster and assist social and economic development in the non-white communities through organisations such as the Urban Foundation.

Positive Action

- 12 British companies have a special responsibility for the 100,000 employees of their subsidiaries in South Africa. In their overwhelming majority these companies have a good record of compliance with the EEC Code of Conduct, and many have made heavy social investments to better the lot of their workforce and the neighbouring communities. The CBI fully endorses the new version of the EEC Code, and urges companies to maximise their contribution to social development.
- 13 The CBI will do all it can to support greatly expanded programmes of aid to the victims of apartheid (broadly defined), which are reported to be under consideration by Government and the European Community.

Support for Government Policy

- 14 The CBI supports all Government efforts to bring pressure to bear on the South African regime to move back to the path of negotiation, which the Commonwealth Eminent Persons Group was unable to persuade it to do.
- 15 In voicing this support CBI policy is in line with that advocated by BICSA and by the business organisations within South Africa in which British companies there play an active part.