BRITAIN'S SANCTIONS RECORD

A Memorandum Produced at the Request of the Parliamentary Foreign Affairs Committee by the Anti-Apartheid Movement.

"Not only is the package of measures adopted by Britain the weakest of any of South Africa's major trading partners, but its enforcement has been extremely limited."

AAM Submission to the Committee, July 1990

"There is a very clear message. That is that the UK has been a reliable - probably the most reliable trading partner. The UK has actively and successfully opposed, not just abstained, from United Nations Security Council resolutions calling for sanctions ... and even rebutted strongly attempts to interpret more widely the limited measures already agreed."

Sir James Cleminson, Chairman of the British Overseas Trade Board, 13th October 1988.

Anti-Apartheid Movement
1st December 1990

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Introduction

On 4th July 1990 the Anti-Apartheid Movement (AAM) presented evidence to a meeting of the House of Commons Foreign Affairs Committee. During the meeting Members of the Committee questioned the representatives of the AAM on a written submission presented in advance of the meeting.

In particular the Committee asked whether the AAM was being fair to the British Government in making the claim in its submission that *"not only is the package of measures adopted by Britain the weakest of any of South Africa's major trading partners, but its enforcement has been extremely limited."*

Specifically, the Committee drew the attention of the AAM's representatives to Annex D of the Department of Trade and Industry's (DTI) memorandum to the Committee (SA35) which it believed contradicted the statement made by the AAM.

The Anti-Apartheid Movement undertook to substantiate the claim. It was not possible at the time to give a detailed response to the DTI's memorandum, since it was only provided to the AAM's representatives at the hearing. The Committee therefore requested that the AAM provide further information. This memorandum is in response to that request.

South Africa's Major Trading Partners

The UN General Assembly voted in 1962 for trade sanctions against South Africa and this policy has been respected by the great majority of UN member states since then. However sanctions were opposed by a number of countries, in particular those with significant economic relations with South Africa. As the situation in South Africa deteriorated during the 1970s and 1980s a number of "restrictive measures" were imposed against South Africa, such as the Gleneagles Agreement on sporting relations and the UN mandatory arms embargo.

It was only in the period 1985/6, against the background of the brutal repression of Black opposition to apartheid, especially in the townships, that a series of sanctions packages were agreed which affected South Africa's economic relations with its major trading partners.

As far as Britain and South Africa's other major trading partners were concerned the most significant of these packages were those agreed by the European Community (EC) Council of Ministers in September 1985 and September 1986; by the Commonwealth Conference in Nassau in October 1985 and the Commonwealth Review Meeting in August 1986; and by the passage of the US Comprehensive Anti-Apartheid Act in October 1986. Whilst South Africa's international isolation gradually increased from the early 1960s onwards, trade-related measures which directly impacted onto the South African economy mainly came into force in the latter part of 1986.

South Africa's major trading partners in 1986 were as follows[1]:

	US$m
United States	3,194
Japan	3,096
Federal Republic of Germany	3,010
United Kingdom	2,335
Italy	1,684
France	755

Between them, these six countries accounted for 68% of all South Africa's trade. As a consequence of the imposition of sanctions during 1986, South Africa ceased publication of detailed trade statistics in that year. Figures produced by trading partners are, however, available and are collated by the International Monetary Fund (IMF). Figures for 1988, the latest available, show that these six countries continue to account for the majority of South Africa's international trade (66%).

Investment

In addition to trade-related measures a range of restrictions were imposed during the 1985/6 period on new investment, bank loans, capital transfers etc. These measures also indirectly impacted on South Africa's trading performance. The importance of South Africa's major trading partners, and especially of the UK, to the South African economy is further emphasised by an examination of foreign investment in South Africa. South Africa only breaks down the source of foreign investment into broad categories in its published figures. These show that 67.8% of direct investment at the end of 1988 was from the EC, with a further 20.5% from North and South America[2].

Whilst not providing a quantitative picture of investment patterns, the relative importance of different countries can be gained from consideration of the number of companies from each country operating in South Africa.

	No. of companies[3]
United Kingdom	216
United States of America	131
Federal Republic of Germany	107
Switzerland	28
France	14

No other country reaches double figures. The overwhelming dominance of three countries, the UK, USA and the FRG is apparent. Indeed, Britain alone is estimated by the Confederation of British Industries (CBI) to account for 50% of all direct investment in South Africa[4]. AAM estimates are broadly in line with this figure[5].

From the above, it is clear that South Africa's international economic relations are dominated by four countries - the United Kingdom, the Federal Republic of Germany, Japan and the USA - with France and Italy also playing a significant role.

The Anti-Apartheid Movement's assertion that *"the package of measures adopted by Britain [is] the weakest of any of South Africa's major trading partners"* is based on a comparison with the countries identified above and takes into account an evaluation of the impact different measures have on the South African economy.

The DTI Memorandum (SA35)

The Department of Trade and Industry's memorandum to the Committee, to which the AAM were asked to reply, does not seek to provide a detailed analysis of sanctions against South Africa nor their impact on the South African economy. Instead in Annex D of the memorandum there is what amounts to a 'shopping list' of 33 sanctions and other measures imposed by 23 countries, including the six major economic partners.

This 'shopping list' approach is an extremely crude form of analysis which in our judgement is fundamentally flawed for the following reasons.

Firstly it involves no evaluation as to the comparative effect different measures have on South Africa. An arms embargo imposed by an arms-manufacturing country will be of much greater significance than one imposed by a country with no such manufacturing capacity (although such an embargo is still important since it prevents exports via third countries).

Secondly the table fails to indicate the importance of different sanctions. An arms embargo is self-evidently of much greater strategic significance than a ban on the promotion of tourism. Whilst the AAM has always called for a policy of comprehensive sanctions, we have recognised that certain elements of such a package would be of greater significance than others. This approach has always informed our work (see, for example, the specific recommendations made to the UN General Assembly in "Six Months of Change", which the Committee have already been provided with). It is worth noting that the British government itself has adopted a similar approach in relation to sanctions, most recently against Iraq. In this case immediate action was taken to freeze assets and to ban imports of oil (arms sales were already subject to an embargo) prior to the imposition of comprehensive sanctions through the UN Security Council.

Thirdly the DTI approach is flawed since no indication of the degree of implementation is given: on the oil embargo, for example, Britain relies on voluntary guidelines that cover only North Sea crude oil. As a contrast, Norway, which shares North Sea oil with the UK, backs its embargo with legislation, includes petroleum products as well as all crude oil, not just that of Norwegian origin, and covers oil shipments even under foreign-flagged ships. The DTI's approach does not distinguish between these two extremes on the scale of implementation.

In addition a few brief points need to be made relating to the compilation of the list. Items 06 and 07 described as "discourage cultural and scientific events" and "discourage cultural and scientific agreements" are almost identical measures imposed by the Commonwealth and the European Community respectively. Listing both separately simply gives Britain a better record since it is the only member of both the Commonwealth and EC. Furthermore, Britain is listed as adhering to these categories when, in fact, the sanction was lifted in February 1990. Secondly category C - committed but not applicable - implies that a *de facto* sanction is in force and therefore is as relevant as category B. Any assessment of performance should record items in both categories. Finally the nature of the categories gives rise to ambiguities. For example Italy has never entered into a "double taxation" agreement with South Africa which in itself is significant. This means that it is unable to terminate such an agreement. Likewise one category "a ban on new government loans" is largely meaningless since none of the governments concerned have made loans to South Africa. It is listed as a Commonwealth measure and therefore Britain scores but it is not listed in relation to EC members. Since it was not applicable it was never raised within the Council of Ministers. Moreover it is implicit within the EC ban on new investment that such loans would not be made.

As stated above, the Committee suggested that the AAM's statement that Britain's package of measures was *"the weakest of any of South Africa's major trading partners"* was not fair. This was based in particular on Britain's performance on the 'shopping list' (see page 171 of Minutes of Evidence Taken). Specifically, reference was made to the number of 'Bs' - sanctions which have been committed and implemented - when stating that: *"Britain has 14; Japan also has 14; the Federal Republic of Germany has 13; France has 11"*.

In fact, taking into account the inaccuracies listed above and the measures lifted by the UK, the table for the major trading partners should read, in relation to categories B and C combined, as follows: USA 22; Japan 15; Italy 15; France 13; FRG 13; UK 12. Thus even on criteria which we believe to be flawed, it is the case that none of South Africa's major trading partners has a weaker sanctions package than Britain. As will be shown below, we believe that on a number of the most important items in the list, the British government cannot be said to have implemented the relevant measure effectively and has even actively undermined formally agreed positions. This is why we continue to assert that Britain's package is the weakest of any major trading partner.

Britain's Package of Sanctions

The British package of "restrictive measures" consists of a range of measures imposed from 1963 onwards when the first restrictions were introduced on the export of arms. It became most comprehensive in 1986 following the adoption of a series of sanctions by the EC Council of Ministers in September 1986. This package was set out in Appendix C of the DTI's evidence. However of the measures then in force, three were voluntary: the ban on new investment; the ban on the promotion of tourism; and the oil embargo. Moreover two of these measures, together with the discouragement of scientific and cultural links, were lifted by the government in February 1990.

To assist the Committee in evaluating the British package of sanctions we have briefly examined the importance of specific sanctions and have looked at the mechanisms used by the British government to enforce them.

We should stress that, not surprisingly, sanctions targeted against areas of particular economic weakness or strategic importance have generally been the most effective. In part this reflects the greater degree of universality that some such sanctions have enjoyed. Sanctions against arms, oil and financial links have been far more universally applied than trade sanctions. It is precisely the problem of third countries undermining sanctions that has been behind the AAM's insistence that all sanctions measures should be universally-applied.

It is also worth noting that even the South African government has drawn attention to the importance of the arms embargo and financial sanctions in bringing about change. Speaking at the Natal Conference of the National Party, the Foreign Minister 'Pik' Botha admitted that: *"We were on our way to becoming a bankrupt state where effective military force could have been used against us."*

Arms

The first mandatory decision to impose sanctions against a member state of the UN was taken in November 1977 when the UN Security Council imposed a mandatory ban on the export of arms and related material of all types to South Africa.

Despite its position as a permanent member of the UN Security Council, Britain's record in enforcing this mandatory decision has been far from comprehensive. In 1985 the Anti-Apartheid Movement carried out a major review of the measures taken to implement the arms embargo entitled "How Britain Arms Apartheid". This identified a number of key issues. Britain's definition of "arms and related material" is narrow in scope and allows for a range of strategic equipment which have a clear military potential. A related issue is "dual purpose equipment": British regulations permit the export to South Africa of equipment with a military purpose provided that it is not specifically designed for military use. Controls over the supply of arms via "third countries"; over the manufacture under licence of military equipment in South Africa; as well as controls over the export of spare parts and components are also severely restricted in their scope. The memorandum also considered the procedures for the enforcement and monitoring of the arms embargo and highlighted the arrangements for the granting of export licences, the weaknesses in the mechanisms for investigating breaches in the arms embargo, as well as the level of penalties which can be imposed for breaching the embargo.

In 1984 the arms embargo was extended by a non-mandatory ban on the importing of arms from South Africa. This was a significant move to counter South Africa's capacity to finance the development of an indigenous arms industry through overseas sales. Britain introduced no specific controls over such arms imports from South Africa and a number of cases have arisen when this ban has been breached. Most recently, in relation to the Ferranti case, the then Prime Minister, Mrs Thatcher, confirmed that no controls exist over the importing of missile components from South Africa.

Britain is not alone in having a poor record in implementing the arms embargo. The US State Department in a report presented to Congress on 1st April 1987 identified seven countries, France, FRG, Israel, Italy, Netherlands, Switzerland and the UK, as being involved in breaches of the embargo.

Oil

Oil is the one strategic commodity which South Africa lacks. Faced with a gradually tightening oil embargo, the South African government has adopted a number of strategies to increase self-reliance in oil and energy generally. Foremost among these has been the construction, at vast cost, of synthetic fuel manufacturing facilities. Despite such measures, South Africa is still dependent on imports for three-quarters of its oil requirements. Since all oil producing countries, including Britain, are formally committed to the oil embargo, South Africa is forced to pay a premium over the market price to obtain oil. The combined costs of this premium and of uneconomic synthetic fuel manufacture are estimated to have cost $25 billion over the last ten years, equivalent to roughly 10% of total export earnings[6].

Of South Africa's major economic partners, only two, Britain and the USA, are oil producers. Britain is committed to a "ban on the sale and export of oil to South Africa"[7]. However, no legislation has been enacted to implement this ban and it covers only North Sea crude oil. Instead the government relies on 'guidelines' to oil exporters. The government maintains that these guidelines are effective, but, in practice, it relies on the voluntary adherence of oil companies to them. By contrast, the US ban on the export of oil is backed by legislative provisions with a maximum penalty of $50,000 ($1,000,000 for corporations) and ten years imprisonment.

The UK Government's guidelines can only be implemented by the inclusion of a clause in oil trading contracts prohibiting ultimate delivery to South Africa. Yet even where such clauses have been broken, neither the government nor the oil company concerned has taken any effective action. In the most recent case, which came to light in mid-1988, a cargo of oil was exported from Britain to South Africa aboard the tanker Almare Terza. At the time of writing, some two years later, the government have still not completed its investigations and no action has been taken against those involved.

This case highlights the ineffectiveness not only of the use of guidelines without legislative backing, but also of the UK's monitoring of oil shipments. Despite the failure of this monitoring, the UK refuses to co-operate with the United Nations Intergovernmental Group to Monitor the Supply and Shipping of Oil and Petroleum Products to South Africa. This refusal not only reflects Britain's failure to adopt a serious attitude to preventing embargoed oil from reaching South Africa but also undermines the efforts of the rest of the international community to do so.

Britain has become increasingly involved in the shipment of oil to South Africa, especially through the Hong Kong registered World-Wide Shipping Group. Of 66 identified deliveries of oil to South Africa in 1987-1988, 27 were by tankers of the World-Wide Shipping Group and a further 20 were by tankers from companies based in the UK and Greece (hereinafter London Greek). Preliminary research indicates that a further 28 tankers delivered oil to South Africa in the period 1989 to early 1990. Of these, 12 were by the World-Wide Shipping Group and a further 10 by London Greek companies[8].

Thus not only is Britain's commitment to the oil embargo little more than a paper policy, but the UK and Hong Kong have also become the major centres for shipping companies involved in breaches of the embargo.

Financial Sanctions

The Foreign and Commonwealth Office, in their memorandum to the Committee, recognised that *"until apartheid goes, South Africa will not gain the confidence of the international financial markets which it needs to attract capital in-flows"*. International banks came under mounting pressure from the mid-1970s onwards to refuse to provide loans to South Africa.

This pressure, together with the political crisis South Africa faced in mid-1985, led to its near-total exclusion from international capital markets. This exclusion was triggered by the decisions of commercial institutions and led to the debt crisis of 1985 and subsequent rescheduling of a substantial part of South Africa's debt. However, commercial factors alone cannot be relied upon to sustain financial pressure.

In September 1986, the EC agreed to a ban on new investment in South Africa. Implementation was left to member states. On October 30th 1986, the then Secretary of State for Trade and Industry, the Rt. Hon. Paul Channon MP, announced that Britain would only impose a voluntary ban. The reason given for the ban not being mandatory was that: *"External transactions are not controllable, following the abolition of exchange control regulations, so a mandatory ban could not be effectively enforced"*[9]. However, France which has also abolished its exchange controls, enforces a mandatory ban.

The voluntary ban was lifted by the British government in February 1990 leaving Britain as the only one of South Africa's major trading partners to have no restriction on investment. Even before the ban was lifted, the government sought to narrow its scope.

According to the original statement announcing the ban, *"new direct investment includes new acquisitions of share and loan capital of South African companies"*. Yet in 1987, the purchase of 49 per cent of the South African company Western Platinum by Lonrho was deemed not to breach the ban because *"accumulated dividends were used."* In 1989, the purchase by RTZ of all BP's mineral assets, virtually doubling its exposure to South Africa from 2 per cent of assets to nearly 4 per cent, was ruled not to breach the ban since it involved *"buying existing assets from another British company."*

Furthermore, the Department of Trade and Industry itself recommended that companies break the ban. In a market report on Offshore Gas Development, the DTI suggest that companies *"consider establishing own subsidiaries"* to take advantage of work on the Mossel Bay gas field. The DTI's disregard for the voluntary ban can only have encouraged those who were considering breaking it.

By contrast the German government made direct contact with business seeking their compliance with the ban: the then Economics Minister, Martin Bangemann, wrote to the leading companies of the FRG economy appealing to them to abide by the ban.

France imposed a mandatory ban on new investment by Law and Decree of 27th July 1985. Italy imposed a similar ban through Decree No. 9 of 13th January 1987. Italy has also never ratified a double taxation agreement with South Africa.

The US Comprehensive Anti-Apartheid Act of October 1986 not only provides a legislative framework for the US's investment ban, it also provides a far more wide-reaching definition of investment subject to the ban, covering re-investment of profits and bank loans (other than trade credits). The Act also prohibits US depository institutions from holding any accounts from the South African government or its agencies, including parastatals (other than for diplomatic purposes). The Gramm amendment to the Domestic Housing and International Recovery and Stability Act of 1983 requires the US Director of the IMF to vote against any loans to South Africa. In 1987, the Rangel amendment terminated the US's double taxation agreement with South Africa.

Japan has the longest standing investment ban of all South Africa's major trading partners, having banned all direct investments in South Africa since 1969. As a consequence of this ban, there are no subsidiaries of Japanese companies in South Africa. A partial ban on commercial loans also exists.

Trade Sanctions

Those countries which have imposed only partial sanctions against South Africa, which includes all of the major trading partners, have tended to impose bans on the export of strategic goods, whilst general trade sanctions have been applied only against imports from South Africa. Thus, for example, 73% of the increase in trade between the Federal Republic of Germany and South Africa between 1986 and 1988 was due to increased exports, where general trade sanctions had not been applied (the increase in imports was similarly in non-sanctioned goods).

Britain's only sanctions against trade with South Africa in non-strategic areas (i.e. other than those covered above) are bans on the import of gold coins and certain types of iron and steel (the ban on the funding of trade missions is dealt with below).

Both Italy and the Federal Republic of Germany have the same position in regard to trade sanctions. However, the other three major economic partners have stronger sanctions in this area.

In addition to the bans on gold coins and iron and steel, which are EC agreed measures, France has had a partial ban on coal imports since November 1985, when the government ordered state-owned energy companies to halt new contracts for coal imports, and not to renew any existing contracts that expired after 31st December 1985. Whilst this is only a partial measure, its significance is increased by the importance of coal to the South African economy.

As well as being the second largest export earner (after gold), coal has a crucial role in the country's domestic energy industry, and thus within the economy as a whole. Sanctions against oil and nuclear collaboration have forced South Africa to depend on coal for 75% of the country's primary energy requirements, an extremely high proportion. Development of the export market has allowed South Africa to reduce the costs of domestic production: a high degree of state control led by 1984 to a domestic price less than one-third of the export price[10].

Japan operates a de facto ban on the importation of agricultural products and a partial ban on imports of uranium arising from an announcement in November 1988 that electricity companies would phase out imports of uranium ore from South Africa. Although there is no specific legislation banning imports of agricultural products, the government did not despatch its annual team of quarantine officials in 1986 and therefore no agricultural products were imported.

In addition, since February 1988, the Japanese government has placed pressure onto business to reduce trade with South Africa. This has ensured that South African agricultural products remain out of the shops in Japan and has also had a substantial impact on trade generally. Japan's imports from South Africa fell by 20% between 1987 and 1988. As Mr Hideaki Domichi, head of the Foreign Ministry division in charge of South Africa relations commented: *"Since our campaign, the effect has been speaking for itself"*[11].

The United States has the broadest package of trade sanctions of any of the major trading partners. In addition to bans on gold coins and iron and steel, the US bans imports of agricultural products, including sugars; textiles; coal; and uranium ore. There is a further ban on imports from any firm owned or controlled by the South African state. Since this covers the South African Reserve Bank which markets all of South Africa's gold, imports of gold bullion from South Africa are also banned.

Non-Trade Related Sanctions

Sanctions against sporting, cultural, scientific, academic and diplomatic contacts with South Africa play an important role in isolating apartheid and have had a powerful psychological impact. A number of countries have also broken air links and imposed bans on the promotion of tourism. These have both a direct economic impact and an indirect psychological impact. For purposes of categorisation, they will be dealt with here too.

Britain's only sanction in this area is a commitment to the Gleneagles Agreement on sporting links. Official discouragement of academic, scientific and cultural links and a voluntary ban on the promotion of tourism were lifted earlier this year. Despite the Gleneagles Agreement commitment to take "every practical step" to discourage sporting links with South Africa, the government has failed to take significant action: more sportsmen and women go to South Africa from Britain than from any other country. The former Prime Minister, Mrs Thatcher, refused to use her personal influence in relation to major breaches of the agreement, such as the rugby tour and the 1990 cricket tour, instead leaving responsibility with a junior minister whose interventions lacked the necessary authority.

All South Africa's other major trading partners have restrictions on cultural, academic and scientific links as well as on sporting links. Thus all have more sanctions in this area than

Britain, although France and West Germany, like Britain, have no measures aimed at diplomatic links or tourism.

Italy has closed immigration offices to South Africa and no Italian-South African Chamber of Chamber has been acknowledged (by contrast the UK-South Africa Trade Association maintains a semi-official status as Area Advisory Board to the British Overseas Trade Board, despite its role in undermining agreed British government sanctions - see below).

Since 1952, Japan has restricted diplomatic relations with South Africa to consular level. Tourist visas for South African citizens have been suspended since 1986 and visa restrictions for South African businessmen and women were tightened in 1987. The Johannesburg office of the semi-official Japan External Trade Organisation has been instructed to cease any dealings in trade enquiries from South African companies. Air links are banned and, additionally, Japanese government officials are expressly prohibited from travelling by South African Airways.

US government agencies are banned from promoting tourism to South Africa and air links have been cut. The importance of this should not be underestimated. The only direct flight between the US and South Africa since the passage of the Comprehensive Anti-Apartheid Act in October 1986 was when President de Klerk was allowed to fly by South African Airways to meet President Bush. Referring to this, the Times of 27th September 1990 reported that *"a middle-aged woman who confessed [on a radio talk show] to 'having wept when I saw on television the orange tail of an SAA Boeing on a runway in the US again' was by no means unrepresentative."*

Britain's Sanctions Package Evaluated

From the above, it is clear why the AAM made the claim that *"the package of measures adopted by Britain [is] the weakest of any of South Africa's major trading partners"*. Across the range of the most important sanctions areas, Britain's record is consistently poor. In the strategic areas of oil and investment, Britain has weaker measures than any of South Africa's other major trading partners. This is also the case with non-trade related sanctions.

Britain's record in enforcing the arms embargo contains significant loopholes and the implementation of the embargo on arms imports from South Africa is especially weak. However there are serious weaknesses in the enforcement of the UN mandatory arms embargo by all South Africa's major trading partners. Likewise in non-strategic trade sanctions Britain is not alone in having adopted an extremely limited range of measures. However, Britain merely shares this position with Italy and the Federal Republic of Germany. There is not a single category of sanctions in which the United Kingdom has adopted stronger measures than any of South Africa's major trading partners.

Moreover, it is not sufficient to look merely at the government's official position on sanctions. Whilst other countries's implementation of sanctions has sometimes fallen short of that which the Anti-Apartheid Movement would call for, Britain has gone beyond this into actively undermining sanctions, both those imposed by other countries and those to which the government has formally committed itself. Most significantly of all, it is the Department of Trade and Industry itself which has taken the lead in undermining those sanctions to which the British and foreign governments have committed themselves.

This role has been comprehensively examined in "Selling Out to Apartheid", published by the Anti-Apartheid Movement in February 1989, which has been provided to the Committee. Thus, here, we examine only two cases in detail.

Mossel Bay - Undermining Oil Sanctions

As stated above, all oil-producing countries, including Britain, ban the sale of their oil to South Africa and this has been among the most effective sanctions imposed, incurring a considerable cost to the South African economy in higher oil prices and structural distortions of the economy.

In an attempt to bypass the oil embargo, South Africa is constructing a vast facility as Mossel Bay to convert natural gas into oil. The plant, costing R7.8 billion, cannot be justified on commercial grounds and exists solely to undermine the oil embargo. The Star (Johannesburg) reported on 15th April 1989 that *"Mossgas, the company behind the project, admits its* *commercial viability might not look tempting to a private-enterprise company. But it says the project was undertaken not for commercial reasons but to help the country become self-sufficient in fuel."*

The article reported that Mr Mike Smith, a visiting associate at the University of the Witwatersrand, described the project as *"a rip-off from beginning to end ... We could build a refinery to process crude oil for less than 20% of the cost of this project. Obviously, this is not comparing apples with apples. But the fact remains that, economically speaking, Mossel Bay looks sick".*

The Financial Mail, South Africa's most respected financial journal, made much the same point in its edition of 27th May 1988: *"The rational economic arguments for an added tranche of synfuels capability were, in truth, always unconvincing ... To put the political question: how much black housing (or education) could be provided for R5bn? In the context of a rational ordering of social and economic priorities, the Mossgas project remains subject to the suspicion that it will furnish a poor return on capital invested - and even probably require the artificial respiration of a subsidy for many years to come ... The overall conclusion is simple: it is not too late to put the Mossgas project on ice".*

Despite the clear evidence that Mossel Bay exists solely to undermine the oil embargo, to which Britain is formally committed, the British government have spared no effort in supporting the project and encouraging British firms to become involved.

The Department of Trade and Industry produced a market report encouraging British business to be involved in the project in August 1986, after the government had specifically committed itself to a ban on oil sales to South Africa. A further report was produced in December 1987, whilst a professional consultancy study, commissioned by the DTI in April 1989, provided still further encouragement and gave details on other synthetic fuels projects in addition to Mossel Bay. The DTI's Country Profile of South Africa, published in January 1990, also makes specific reference to the project and states that *"The UK is in a strong position also to gain a significant share of the contracts for the onshore project."*

As we have shown above, in addition to encouraging firms to become involved in this sanctions-busting plant, the DTI were prepared to flout the government's official commitment to a voluntary ban on new investment - then in force - to do so.

Indeed so great has been the government's commitment to South Africa's attempts to undermine the oil embargo that it has been prepared to risk taxpayers' money on supporting the project. The Export Credit Guarantee Department has insured eight-and-a-half year finance for the project.

It is impossible to square this record of support for the Mossel Bay project with any genuine commitment to oil sanctions against South Africa, or even with respect for the decisions taken by other countries - including our traditional trading partners in the European Community, the United States and the Commonwealth - to impose such sanctions.

Trade Missions

At the Commonwealth Heads of Government meeting in Nassau in October 1985, the British government agreed to stop "government funding for trade missions to South Africa or for participation in exhibitions and trade fairs in South Africa." This remains the policy of the government and is listed in Annex D of the DTI's memorandum to the Committee (SA35) under the title "No Government Support for Trade Missions."

Even under the narrow interpretation of a ban solely on funding of trade missions, the government's record at implementing its own sanctions is poor. At least two trade missions, one organised by the Engineering Industries Association and one by the Leeds Chamber of Commerce, visited South Africa after the signing of the Nassau accord and with government subsidies. A full year after the accord, in November 1986, the British Overseas Trade Board (an arm of the DTI) published a leaflet, openly available from its Victoria Street headquarters, advertising government subsidies for business people attending trade fairs in South Africa.

Examination of the claim in SA35 that there is "no government support for trade missions" shows not merely that this claim is incorrect, but exposes the extent to which the DTI have been prepared to go to undermine agreed sanctions.

In November 1987, the then Minister for Trade at the DTI, Mr Alan Clark, made a keynote speech reported under the banner headline "Government Support for SA trade" in the DTI's monthly magazine British Business. The article reported that: *"It would be wrong to think that the British government do not approve of trade with South Africa"* and *quoted Mr Clark: "As South Africa becomes more industrialised it will continue to present new and exciting opportunities and I hope that British companies will continue to be well represented and to keep winning business from our competitors."*

Although this speech received widespread publicity, the DTI felt it necessary to send teams of officials to regional offices of the BOTB to ensure that the "message" was spread. Even then, the DTI was concerned that the message "has not reached everyone". Mr Brian Harding, the Southern Africa desk officer at the DTI, sent a circular to regional BOTB offices spelling out the message that the government was actively encouraging trade with South Africa. In full, the circular read:

"SOUTH AFRICA: EXPORT ASSISTANCE AVAILABLE

"I fear that the message which my colleagues in the Market Branch here have endeavoured to put across by visits to Regional Offices etc has not reached everyone. I would be grateful if you remind your staff that the Minister for Trade 'is content for officials to continue with the present policy of offering exporters the normal range of assistance apart from those specifically banned'. In practice this simply means that no financial contribution is presently made towards Outward Missions or Joint Ventures to South Africa. All other assistance continues to be available - including a useful Background Briefing Note, which is updated quarterly, and a range of Market Reports."

Following this circular, at least one BOTB regional office, West Midlands, specifically promoted two planned trade missions to South Africa. The letter spoke of the "success" of a previous trade mission by the UK-South Africa Trade Association, who were organising one of the missions promoted in the letter, and provided contact addresses for further information.

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"I fear that the message which my colleagues in the Market Branch here have endeavoured to put across by visits to Regional Offices etc has not reached everyone. I would be grateful if you remind your staff that the Minister for Trade 'is content for officials to continue with the present policy of offering exporters the normal range of assistance apart from those specifically banned'. In practice this simply means that no financial contribution is presently made towards Outward Missions or Joint Ventures to South Africa. All other assistance continues to be available - including a useful Background Briefing Note, which is updated quarterly, and a range of Market Reports."

Following this circular, at least one BOTB regional office, West Midlands, specifically promoted two planned trade missions to South Africa. The letter spoke of the "success" of a previous trade mission by the UK-South Africa Trade Association, who were organising one of the missions promoted in the letter, and provided contact addresses for further information.

The letter specifically pointed out that, with the exception of government financial support, *"the full range of DTI services is being made available"*[12].

The promotion of trade missions to South Africa has now clearly become central Department of Trade and Industry policy. The country profile for South Africa published in January 1990 states that:

"Trade missions continue to visit South Africa without Government financial support. The two independent missions which visited in autumn 1989 were considered to be very successful. Further outward and inward missions are planned for this year. For details please contact DTI Overseas Trade Division OT4/3a". It continues by stating that: *"With the exception of Government funding for outward trade missions and participation in trade fairs and exhibitions overseas - for which South Africa is ineligible - there are no constraints on the advice and support the DTI offers exporters to South Africa."*

Assistance is not merely provided in this country to exporters and those organising trade missions. Support is further supplied once trade missions arrive in South Africa. For example, British Business (11/12/87) reported that: *"British consulates in each city contributed greatly to the success of the mission with the provision of on-the-spot research data"*, referring to UKSATA's trade mission of November 1987.

In many cases these trade missions - with clear support from the DTI - have been organised by the UK-South Africa Trade Association. UKSATA is the Area Advisory Board to the BOTB, yet the DTI apparently do not consider this official position to be incompatible with UKSATA's role in undermining the government's official policy.

Furthermore, UKSATA were involved in a clear breach of another of the government's sanctions commitments, without apparent concern from the DTI. A seminar held at the CBI headquarters on Friday 15th September 1989 on "Investment in the Transkei" was chaired, in his official capacity, by Mr Nick Mitchell, Director-General of UKSATA, despite the existence of the voluntary ban on new investment, which was then in force.

From the above evidence, it is clear that the DTI's claim to the Committee that there is "no government support for trade missions" is untrue. The DTI were slow to implement even the narrowest interpretation of the ban and have continued to provide all other forms of assistance. Moreover, this does not merely reflect a lack of enthusiasm for implementation. The DTI have actively sought to minimise the effect of the government's decision and have spared no effort to promote both trade and trade missions, above all those sponsored by UKSATA, itself an official advisory body to the DTI. On at least one occasion, the DTI have even organised a special seminar at their headquarters, and commissioned a professional market report, thus virtually transferring the functions of a trade mission from South Africa to Victoria Street in order to bypass the restriction on government funding.

Conclusion

Britain's sanctions package is the weakest of all South Africa's major trading partners not simply because of the small number of measures imposed. Above all, Britain has failed to implement effective sanctions in the most important areas and has even undermined the efforts of other countries to do so. The government has lost no opportunity to show its disregard for sanctions, even where these have been agreed with our Commonwealth or EC partners, and instead has attempted to narrow their definition almost to vanishing point. The British government, and above the Department of Trade and Industry, have actively sought to undermine agreed sanctions themselves and have encouraged others to do likewise. By contrast, even the worst of South Africa's other major trading partners has accepted agreed sanctions packages with a degree of seriousness sadly lacking from the British approach.

Notes to the Text:

1. International Monetary Fund, *Balance of Trade Yearbook* 1989.

2. South African Reserve Bank quarterly bulletin, September 1990.

3. *List of transnational corporations with interests in South African and Namibia*, United Nations Centre for Transnational Corporations, 18th August 1989.

4. Stated during introductory remarks by Sir Brian Colby, CBI President, on the occasion of the visit to the CBI by Mr Nelson Mandela, 4th July 1990.

5. *Trade and Investment Statistics*, Anti-Apartheid Movement, September 1990.

6. *Fuel for Apartheid, oil supplies to South Africa*, Shipping Research Bureau, Amsterdam, September 1990.

7. Department of Trade and Industry memorandum to the Foreign Affairs Committee, SA35.

8. *Fuel for Apartheid, op. cit.*

9. DTI OT4/3A, Department of Trade and Industry, October 1986.

10. *South Africa Inc.*, David Pallister, Sarah Stewart and Ian Lepper, Simon & Schuster, 1987.

11. Financial Times 29th November 1988.

12. Letter from Mr B.H. Varley, Director, West Midlands Regional Office, BOTB, 5th January 1988, reproduced in *Selling Out to Apartheid*, AAM, February 1989.