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-10-

about whether these cooperative efforts can be continued.

In response to the internal unrest of the past year, United Party leader Graaf has endeavored in recent months to forge a united opposition with the Progressive Reform Party. This led to the disaffection of many United Party supporters and in recent local elections, the Party suffered severe losses both to the National Party and the Progressive Reform Party. Many observers see this as evidence that the growing threat to white security has led to a polarization of whites, a climate in which the temporizing United Party cannot maintain its present position, and will either change or decline even further in importance.

Given the parliamentary odds against them, many advocates of change within the English-speaking community, and some Afrikaners, have placed greater emphasis on extra-parliamentary efforts to gain greater support for the system among Africans. Many South African firms and Chambers of Commerce have announced plans to improve the conditions of African workers, and a group of 150 businessmen, led by Oppenheimer and Afrikaner businessman Anton Rupert, met late last year to establish an Urban Foundation, to work for improvements in African living conditions.

A number of predominantly English-speaking church leaders, particularly the Anglicans and Catholics, have taken steps to desegregate some of their activities in South Africa. Some Catholic secondary schools have admitted a number of black students. Government officials have declared racial integration in these cases to be illegal, but the church has persisted, and the issue is at a stand-off.

The prospects for efforts to break down racial barriers outside of the political arena will depend in large measure on the willingness of the government to permit private institutions to engage in racial policies of their own choosing. So far, it is too early to judge whether this will be the case.

~~CONFIDENTIAL~~



DEPARTMENT OF STATE
BRIEFING PAPER

HUMAN RIGHTS IN SOUTH AFRICA

South Africa's system of minority rule based on race necessarily involves the imposition of considerable restrictions on human rights, particularly of blacks, but also of whites. One of the most pervasive aspects of the limitations on the rights of Africans is the "influx control" system, which requires Africans residing in or near urban areas to carry pass books at all times. The pass book, which must be constantly renewed and updated, specifies the one place where the African is allowed to reside and to work. In order to ensure that Africans not qualified to remain in urban areas do not do so, the authorities require that each pass be constantly updated. Africans are frequently stopped to have their passes checked, and hundreds of thousands are arrested each year for various infringements of the pass requirements.

To protect the discriminatory system against those it alienates, the South African Government has had to go further, and has set restrictions upon the political and personal liberties of its citizens of all races. For example, the Terrorism Act (enacted in 1967) defines "terrorism" so broadly as to include the encouragement of "feelings of hostility between white and other inhabitants of the republic." The Act provides for indefinite detention incommunicado not only of persons believed to be "terrorists" under this definition, but of persons having information about such "terrorism." It specifies that persons having such information may be arrested without a warrant and that such detention is beyond the purview of the courts. The Internal Security Act of 1976 empowers the Minister of Justice to imprison without trial for up to a year anyone whose activities he considers dangerous to the security of the state and the maintenance of public order. It enables the government to prevent people accused of violating security laws from being released on bail, and to detain material witnesses in such cases for up to six months.

In early March 1977, nearly 400 people were believed to be in detention under this and other legislation. Among those detained within the past

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- 2 -

year (most of them nonwhite) have been prominent educators, journalists, attorneys and religious leaders. It is not unusual for an individual to spend six months or more in detention and never be charged with any crime.

Another infringement on human rights is the South African practice of "banning", whereby restrictions are placed on a person's physical movement and his social and political activities. Such restrictions, which are imposed without trial, often include a prohibition against attending any gathering of more than two persons, and against publishing or being quoted in the media. Banning orders are issued under the Suppression of Communism Act, passed in 1950, which extends the definition of "communism" to include any doctrine or scheme "which aims at bringing about political, industrial, social, or economic change within the republic by the promotion of disturbance or disorder", terms broad enough to include any sort of peaceful protest. In short, the South African Government possesses, and constantly exercises, the power to impose any limitations it believes necessary on any individual it considers a threat to the established order, without any reference to the judicial system.

Finally, there have been a growing number of reports of police torture of detainees. Since January 1976, 13 Africans have died while in detention for political reasons. While police explanations of these deaths as suicides or accidents have not been disproved, there is widespread skepticism of these explanations and increasing pressure for a full and public investigation.

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THE VICE PRESIDENT
WASHINGTON

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ACTION

Memo No. 862-77

April 21, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: The Vice President *WJ*
SUBJECT: My Meeting with Vorster

I have discussed Ambassador Bowdler's message (Cape Town 591, at Tab A), with Cy and Zbig. We agree that Vorster's reply to your telegram (at Tab B) is disappointing, although it was to be expected. We now have the question before us as to whether we wish to put the prestige of your Administration on the line by my meeting with Vorster -- and what it is we hope to achieve.

Our analysis of Vorster's reaction is this:

- We believe that Vorster envisages another Kissinger-type meeting, at which he would explain to us that we don't really understand the situation, that his is the proper way to avoid chaos, and that South Africa is defending the West against Communism.
- There certainly is little in Vorster's comments to Bowdler which would lead us to think otherwise: concerning Southern Rhodesia, all he has said is that he will guarantee Smith follows any agreement to

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E.O. 12958
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BY *CS* DATE *5/11/06*

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-2-

be reached by Smith himself. On Namibia, he reiterated his concern that the views of the participants at the Turnhalle Conference be respected. He was sensitive and defensive concerning domestic changes in South Africa. Vorster's reaction may have been conditioned as well by the belief, perhaps encouraged by Owen, that I already had decided to come to South Africa, regardless of his answers.

-- South African Foreign Minister Botha told a meeting in Johannesburg this week that the United States should begin to realize that no threats or arm-twisting will lead South African whites to negotiate their own downfall. Later, on television, Botha referred to my "assignment to oversee American foreign policy," observing that "Vice President Mondale is known as a liberal and we know what the liberals think of our situation. So there is nothing new for me in his appointment or in the possible demands he will be making. From that point of view there is not much significance in it and I don't expect much of a change."

Thus, the prospect of immediately visible progress as a result of a meeting with Vorster is remote. It is conceivable that some small movement on the five-power talks on Namibia or the UK proposal for a Rhodesian constitutional conference might take place. However, we would have to plan on the contrary assumption that I will simply meet with him to make clear that our policy is to support majority rule in Namibia and Rhodesia and the progressive transformation of South African society. We should expect a rough meeting and one whose payoff lies in the long-term consequences of the changed perception of both black and white in Africa that we are not going to come to the rescue of white minority regimes.

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-3-

At the same time, my private remarks with Vorster would stress our willingness to work positively with South Africa if there were real progress on Namibia, Rhodesia and, importantly, South African apartheid policy. I would also stress our willingness fully to support with both economic and military assistance moderate majority regimes who come to power legitimately. (This would exclude internal solutions.)

You should also be aware that Owen wants to move quickly now to announce the constitutional conference, including our involvement, even though many key Africans question our proposed role. Owen also suggests announcing my trip at the same time.

Cy has sent a message asking Owen to slow down a bit so we can have some genuine consultations on how to proceed. David Aaron will be in London on Friday to talk with Owen to share our thinking on my trip, and to pave the way for a small group from the State Department which we propose to carry out these consultations in London early next week.

Our Approach

1. We recommend as the next step that Bowdler convey our reaction to Botha and Vorster and draw them out further on the positive steps that Vorster would be prepared to take with regard to Namibia, pressure on Smith in Rhodesia, and improvement in internal South African policies.

2. Once we have Bowdler's report from this new round of consultations, a reading on the five-nation discussions with Vorster on Namibia which start next

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-4-

week, and have consulted further with the British, we should be in a position to decide on the timing and site for my meeting with Vorster.

3. Cy and Zbig both believe that unless the Bowdler consultations produce firm indications of progress from Vorster, I should plan on meeting him in Europe rather than South Africa. We have in mind the middle of May for the meeting, after your return from the Summit.

Recommendation:

That you approve the above approach.

Approve ☒ Disapprove ☐ Other ☐

Very Important

*Let's avoid timidity -
Get our goals clear &
move strongly
J*

~~SECRET~~



Department of State

INCOMING
TELEGRAM

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PLEASE PASS EYES ONLY FOR THE PRESIDENT FROM AMBASSADOR.

E.O. 11652: GDS.

TAGS: PFOR SF

SUBJ: MEETING WITH PRIME MINISTER VORSTER

REF: STATE 005992, CAPE TOWN 0568

1. OVER LUNCH TODAY I CONVEYED TO PRIME MINISTER VORSTER THE POINTS CONTAINED IN YOUR MESSAGE. HE WAS ACCOMPANIED BY FOMIN BOTHA AND OFA SECRETARY BRAND FOURIE. THE LUNCHEON WAS SOMEWHAT HURRIED BECAUSE THE PRIME MINISTER HAD TO HASTEN BACK TO PARLIAMENT FOR THE BUDGET DEBATE.

2. AFTER MY PRESENTATION THE PRIME MINISTER FIRST ASKED THAT I GO OVER THE SECOND PARAGRAPH OF THE POINTS, PARTICULARLY THE SECTION EXPRESSING NEED FOR PROGRESS ON RHODESIA, NAMIBIA AND SOUTH AFRICA. HE THEN INQUIRED WHETHER THE SPECIAL ENVISSARY WOULD BE COMING TO SOUTH AFRICA. I TOLD HIM THIS WAS NOT EXCLUDED. IT WOULD DEPEND, HOWEVER, UPON WHETHER SIGNIFICANT CONCRETE DEVELOPMENTS CAN BE ACHIEVED. SUCH DEVELOPMENTS WOULD BE NEEDED IN ORDER TO ESTABLISH A POSITIVE FRAMEWORK FOR CONTACTS WITH A CROSS-SECTION OF SOUTH AFRICANS OF DIFFERENT RACES AND POLITICAL PERSUASIONS

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per 4/27/06 NSC/Hr re N/JC-06-018
BY 5 NARA DATE 5/11/06

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Department of State

INCOMING
TELEGRAM

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PAGE 02

CAPE T 00591 191715Z

WHICH A HIGH-LEVEL EMISSARY WOULD BE EXPECTED TO MAKE DURING A VISIT TO SOUTH AFRICA.

3. FOMMIN BOTHA THEN ENTERED THE DISCUSSION TO INQUIRE WHAT WAS MEANT BY SIGNIFICANT RESULTS. HE ASKED WHETHER THE RESULTS REFERRED TO HAD TO BE ANTICIPATED BEFORE THE DECISION WAS TAKEN TO SEND AN EMISSARY OR COULD FLOW FROM THE DISCUSSIONS AFTER HE ARRIVED. THE PRIME MINISTER JOINED IN THIS REQUEST NOTING THAT CONVERSATIONS WITH FORMER SECRETARY KISSINGER LAST YEAR PRODUCED GOOD RESULTS WHICH FLOWED FROM THE TALKS. THE FACT THAT IT WAS NOT POSSIBLE TO IMPLEMENT THEM DID NOT DETRACT FROM THEIR POSITIVE QUALITY. HE ADDED THAT HE DID NOT THINK IT POSSIBLE TO STATE IN ADVANCE WHAT THE RESULTS MIGHT BE SINCE THESE WOULD DEPEND UPON THE UNDERSTANDINGS REACHED. HE SAID HE DID NOT KNOW WHAT MORE HE COULD DO ON RHODESIA EXCEPT SUPPORT THE OWEN EFFORT, WHICH HE WAS PREPARED TO DO. ON NAMIBIA, THE DISCUSSIONS WITH THE FIVE POWERS WERE PENDING AND THE WISHES OF THE SWA PEOPLE HAD TO BE TAKEN INTO CONSIDERATION. HE DISPLAYED SENSITIVITY ON THE DOMESTIC FRONT SAYING THAT SOUTH AFRICA COULD NEVER ACCEPT DICTATION ON DOMESTIC POLICY.

4. I REASSURED THE PRIME MINISTER THAT NO ONE WAS TALKING ABOUT DICTATING. YOU WERE INTERESTED IN AN INDICATION OF HIS VIEWS ON ACTIONS WHICH SOUTH AFRICA MIGHT TAKE TO ADVANCE PEACEFUL SETTLEMENTS IN RHODESIA AND NAMIBIA AND HIS THINKING ON HOW PROGRESS MIGHT BE MADE ON THE DOMESTIC FRONT. THIS WOULD BE HELPFUL IN DECIDING WHETHER A VISIT BY A HIGH-LEVEL EMISSARY AT THIS TIME WOULD BE USEFUL.

5. THE PRIME MINISTER'S RESPONSE TO MY EFFORTS TO DRAW HIM OUT WAS EVASIVE. HE SAID THAT RESULTS CANNOT BE ANTICIPATED. THEY SHOULD FLOW FROM THE CONVERSATIONS AND NOT BE COMMITTED TO PAPER IN ADVANCE. HE ASKED THAT

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Department of State

INCOMING
TELEGRAM

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PAGE 03

CAPE T 00591 191715Z

I CONVEY TO YOU THAT "HE THINKS IT WOULD BE WORTHWHILE TO HAVE THE DISCUSSIONS" AND THAT "HE WAS SURE THAT POSITIVE RESULTS CAN FLOW FROM THE DISCUSSIONS." LATER ON HE SAID THAT THE DISCUSSIONS WOULD: (A) PRODUCE A BETTER UNDERSTANDING OF THE SITUATION, (B) CLARIFY MISUNDERSTANDINGS AND MISCONCEPTIONS, AND (C) PROMOTE PEACE IN SOUTHERN AFRICA WHICH WE ARE ALL LOOKING FOR.

6. WHEN THE DISCUSSION TURNED TO LATEST DEVELOPMENTS IN RHODESIA AND NAMIBIA, THE PRIME MINISTER WAS SLIGHTLY MORE FORTHCOMING. ON RHODESIA HE SAID HE WANTED TO REITERATE TO YOU HIS SUPPORT FOR THE OWEN EFFORT AND TO GUARANTEE THAT HE WOULD SEE TO IT THAT SMITH LIVED UP TO WHATEVER AGREEMENT IS REACHED. ON NAMIBIA, HE SAID THAT LEADERS OF THE GROUPS PARTICIPATING IN TURNHALLE WOULD BE COMING TO CAPE TOWN NEXT FRIDAY, APRIL 22. HE WOULD BE SEEING THEM. AMONG THE ITEMS TO BE DISCUSSED IS THE FIVE-POWER DEMARCHE. HE WANTED TO ACQUAINT THEM WITH ITS TERMS. (BOTHAS ADDED LATER THAT THE DISCUSSION WOULD ALSO INCLUDE THE IMPLICATIONS OF THE DEMARCHE FOR TURNHALLE.) IMPLEMENTATION OF THE TURNHALLE AGREEMENTS DEPENDED ON THEIR WISHES. IF THEY WANT ACTION THIS PARLIAMENTARY SESSION, THEY MUST ASK FOR IT BY THE MIDDLE OF MAY. HE STRESSED THAT ENABLING LEGISLATION FOR AN INTERIM GOVERNMENT DECIDES NOTHING ON A PERMANENT BASIS BECAUSE THE DECISIONS ON THE SHAPE OF THE INDEPENDENCE GOVERNMENT REMAIN TO BE TAKEN. I NOTED THAT SETTING UP AN INTERIM GOVERNMENT WOULD COMPLICATE REACHING AN INTERNATIONALLY ACCEPTABLE SOLUTION. HE DISAGREED ASSERTING THAT IT MAKES IT EASIER. ON THE DOMESTIC FRONT, HE WAS RELUCTANT TO SPEAK BEYOND SAYING THAT HE WOULD BE HAPPY TO EXPLAIN TO THE ENVISSARY WHAT HIS LONGER TERM PLANS ARE.

7. IN THE END THE PRIME MINISTER ASKED THAT I CONVEY TO YOU HIS INTEREST IN RECEIVING THE VICE PRESIDENT. HE IS

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Department of State

INCOMING
TELEGRAM

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PAGE 04

CAPE T 00591 191715Z

CONVINCED THAT IT WOULD LEAD TO POSITIVE RESULTS BUT
WAS NO MORE SPECIFIC. HE SAID THAT IF YOU HAD ANY
PARTICULAR QUESTIONS, HE WOULD BE HAPPY TO TRY TO
ANSWER THEM. IT WAS CLEAR THAT HE REGARDS THE BALL
IN OUR COURT, HAVING GIVEN WHAT HE REGARDS AS A
FAVORABLE RESPONSE.

BOWDLER

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~~SECRET - SENSITIVE~~

VICE PRESIDENT'S TRIP TO SOUTH AFRICA

I. Three options are currently being considered:

- A. Vice President to go to South Africa and other black African countries.
- B. Vice President to go to Europe to meet with Vorster on one of several stops.
- C. Secretary of State to go to South Africa.

This memo aims to consider option A as it relates to USG interests.

II. Advantages:

- A. The Vice President, as personal and special emissary of the President, indicates the seriousness with which the USG believes that USG-SAG relations are at a watershed.
- B. Strong human rights statements by the Vice President, both privately to Vorster and publicly for South African, international and US consumption will create additional pressure on SAG for change and signal, to our advantage, our clear opposition of USG to continuation of domestic South African apartheid.
- C. The Vice President's visit will enable the USG, and particularly the President, to subsequently speak and act on the basis of having allowed the SAG at the highest level, to "have their say" and having seen "at first hand" South African conditions through this personal emissary. (This assumes unrestricted Vice Presidential itinerary within South Africa, meeting with full range of black groups, and adequate time for fullest possible inquiry.)

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per 4/27/06 NARA/HRG NLS-06-p18
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- D. To the extent that it is possible for the USG, by diplomatic initiative (as opposed to economic or other concrete measures), to influence the course of events towards a transformation of South African society, the Vice President, speaking strongly against apartheid, in South Africa, will exercise considerable leverage. This leverage would probably be somewhat increased by recent declarations of US corporations on South African operations plus their concrete measures of implementation.

In sum, the Vice President's visit within the next two months to South Africa could signal change in US policy to South Africa and to the world in a strong fashion, and exercise some measurable leverage on the SAG towards an unknown quantity of change. It also may put the USG in a stronger public position to make subsequent stringent statements and take commensurate action against the SAG's policy of apartheid.

III Disadvantages:

The risks to USG influence, credibility, and prestige of doing so will be high, so high that it is recommended here that option A should probably not be pursued at this time, or only pursued under the most carefully and explicitly defined conditions -- a definition we have not yet made. The risks stem from the following factors:

- A. The thirst of the SAG for international "legitimacy" and their constant search for opportunities, implicit and explicit, to use foreign government activities to confirm and propagandize it.
- B. The history of the SAG's successful efforts at using other high-level government visits in a way that confers recognition of the rightfulness of apartheid, of whites remaining in control under current conditions, and the current rate of change re South African blacks and whites. The Malawi initiative in 1967 and President Banda's visit in 1969 (?) were designed as a mechanism for leverage on the SAG, but

they were completely swallowed up by ensuing claims of the SAG as to the legitimacy conferred on the SAG by the fact of the visit itself at that high a government level. Subsequent Liberian and Ivorian visits had the same effect. The USG has greater resources than these, but the risk remains constant.

Indud!

- C. The uses by SAG of A and B above to yoke other governments into being international "allies of the moment" on one or another facet of SAG policy. They have necessarily become extremely skilled at this since 1948 (the beginning of the UN campaign vs. apartheid) as a survival strategy.
- D. The recent restrictions of the SAG and threats against the South African press - effective though not yet enacted into law - which will give the SAG greater ability to prevent widespread domestic dissemination of the most telling parts of the Vice President's statements. Also, the ability of the SAG to filter incoming international news of same pronouncements.
- E. The widespread perception internationally and among South African blacks and some whites that the handwriting may be on the wall for South African apartheid. This is not to forecast an imminent black revolt, nor to suggest a timetable, but to emphasize the current perceived impermanency of SAG's policy of apartheid. These perceptions would appear to rest on a combination of factors, including the current status of white Rhodesia, the progress in Namibia, the decline of white immigration, and the pressure from the manufacturing sector to relax South African apartheid restrictions to make black South African workers more easily available. The most important factor is the June 16 Soweto uprising, the spontaneity of it, the rapidity with which it spilled over from Soweto to most urban areas, and then for the first time into rural South Africa including the Bantustans, the intense international outcry against the brutality of the SAG, the perceived bankruptcy of SAG's policy in response and the quickness and completeness from its opening date with which it moved in a wide spectrum of blacks from a protest against specific abuses to a protest against the entire apartheid system.

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- F. Re A-E above, a beneficial opportunity would be given to the SAG by a Vice Presidential visit.
- G. Re F above, this visit would occur precisely when the SAG as an apartheid government is widely perceived threatened by a possibility of uncertain magnitude of a black revolt or other forms of collapse. This timing inevitably conveys an air of the cooperation of the USG which the SAG would do its best to exploit, especially when coupled with the State Department's statement on Young's "legitimacy" flap.
- H. Since June 16, from all of the above, the spectrum of meaningful perception in the US and in the UN among black South Africans has been moved by this increasingly polarized situation substantially away from the importance attached to words, speeches, pronouncements, etc., and towards heightening the importance given to actions. The Vice President's presence would be an action, and appear under SAG auspices, regardless of what he said. This would lead any USG policy pronouncements to be discounted among important audiences in the short, medium, and long run, no matter what actions SAG took to exploit the situation.
- I. The negative effect of G and H could possibly be overcome only by substantial and early SAG action in the direction of majority rule, as discussed below. This would seem unlikely.
- J. Failing a positive outcome in I above, the USG would be perceived as having been outmaneuvered or bamboozled by the SAG, or as speaking high-sounding words while really supporting a slow or non-existent SAG pace toward majority rule. In effect, the US would have provided the currency for SAG to buy even more time in a critical period without showing progress in the direction called for in PD/NSC-5.

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the alphabet
soup*

- K. This would tend to undermine US credibility in the UN Security Council, the credibility of the Vice President in his role as the President's watchdog on African policy, the credibility of Ambassador Young as USUN Representative, USG credibility in the forthcoming Rhodesian talks, and in black South African perceptions on US in medium and long run and ultimately USG relations with a black SAG. The UN and Rhodesian consequences here would seem especially critical.

For all of the above reasons, plus the potential of only limited USG leverage on SAG domestic policy under the best of conditions, it is concluded the risks of a Vice Presidential visit to South Africa currently outweigh projected gains. Moreover, there are other equally effective ways to convey the PD/NSC-5 message to Vorster (Options I. B and C).

IV. The magnitude of these risks could be somewhat diminished (see III. I above) by the Vice President, or, since the same risks operate at a somewhat diminished level, the Secretary of State, visiting under the most carefully defined conditions, including:

- A. Full and complete itinerary.
- B. No domestic South African press censorship.
- C. Adequate time.
- D. Confirmed evidence that the SAG will announce either before or simultaneously while the Vice President is there or all of the second, third, or sixth indicators on page 5, Department of State response to PD/NSC-5 of March 29, 1977. (Demonstrated intention to abolish apartheid; commitment to end separate and unequal education; and a move toward full political participation for all South Africans.) The other indicators mentioned are either generally cosmetic re majority rule or have been featured in previous SAG pronouncements.

April 21, 1977

MEMORANDUM FOR JIM JOHNSON

FROM: Denis Clift

Jim, Jay and I have looked at the attached. Its basic message is "hands off Southern Africa." It is interesting reading but not particularly relevant to what we are planning.

ADC

INFORMATION

Memo No. 883-77
April 21, 1977

MEMORANDUM FOR THE VICE PRESIDENT

THRU: Denis Clift /S/
FROM: Jay Katzen /S/
SUBJECT: Your Meeting with Vorster

Attached is background reading material for your trip.

NOTE:
(Enclosures: various books)

Briefing Books Sent to President on South Africa, et al

1. Gerald Cubitt Johann Richter, "South West"
2. "National Geographic", Vol. 147, No. 5, May 1975
3. "National Geographic", Vol. 147, No. 4, April 1975
4. "National Geographic", Vol. 140, No. 6, Dec 1971
5. "The Afrikaners", John Fisher, Cassell, DT 888 .F5
6. "Black Development in South Africa", Benbo
7. "Abantu", Martin West, Jean Morris (An introduction to the black people of south africa)
8. "The Rise of Afrikanerdom", T. Dunbar Moodie, (Power, Apartheid, and the Afrikaner Civil Religion)
9. "South Africa, Civilizations in Conflict", Hoagland, HMCO, DT 763 .H6
10. "People", October 4, 1976
11. "Black Homelands in South Africa", T. Malan & P.S. Hattingh



MEMORANDUM

OFFICE OF THE VICE PRESIDENT
WASHINGTON

INFORMATION

Memo No. 873-77
April 21, 1977

MEMORANDUM FOR THE VICE PRESIDENT

THRU: Denis Clift 
FROM: Jay Katzen 
SUBJECT: Your Meeting with Vorster

Attached at Tab 1 is further briefing material received from State on The South African Economy and US Economic Policies Toward South Africa. We will retain a copy for inclusion with your final briefing materials.

DEPARTMENT OF STATE
BRIEFING PAPER

The South African Economy and US Economic
Policies Toward South Africa

The State of the Economy

The South African economy rests upon three main bases: manufacturing, mining and agriculture. In the 1960's the economy grew substantially, with an influx of import substitution industries and the undertaking of large government-sponsored infrastructure projects. Economic growth slowed in the 1970's, and South Africa entered its first post-World War II recession in 1976. The recession was in part a delayed response to the 1974-75 recession in Europe and the US. A growing trade imbalance was also caused by a sharp drop in the price of gold, which normally accounts for 40% of South Africa's exports. Capital inflows, which have traditionally offset adverse trade balances, fell off sharply in 1976, as investors exhibited concern over political developments in southern Africa.

The mining, and to a lesser extent, agricultural sectors have not suffered during the current recession. The construction and automobile manufacturing sectors have been particularly hard hit. The economic effects of the recession have been felt most acutely by South Africa's urban black population. Estimates of black unemployment range from 600,000 to 2,000,000, or as much as 20% of the economically active black population. Unemployed black workers are one of the principal groups participating in the unrest in black townships.

Faced with persistent double digit inflation and an abnormally large and growing balance of payments deficit in the first half of 1976, the South African Government applied restrictive monetary and fiscal policies, notwithstanding the recession. The Government decided that any economic recovery must be export-led rather than internally stimulated. Over the past nine months, South Africa's large adverse trade balance has been narrowed somewhat as the growth of imports has been curbed by the recession and specific government measures, while exports have expanded. Expansion of exports has been largely due to increased demand for minerals due to the economic recovery in Western nations. More recently the rise in the price of gold to \$150/oz. has boosted the value of South Africa's exports.

The current recession is expected to continue through 1977, although some observers look for a slight upturn towards the end of the year. The trade deficit should continue to narrow, but capital inflows are expected to remain at lower than normal levels. Continuing requirements for large infrastructure projects and increasing defense expenditures will continue to put pressure on the economy.

US Economic Interests

For many years, the United States has enjoyed a favorable balance of trade with South Africa. In 1976, we exported to South Africa \$1.35 billion in goods (principal categories were machinery, road vehicles and airplanes), about 1.2% of our total worldwide exports, and imported \$925 million (principal categories, excluding gold bullion, were diamonds, gold coins, platinum, sugar, and ferroalloys).

South Africa has welcomed private foreign investment, and US investment has grown steadily over the past decade. The book value of direct American investment in South Africa in 1970 was \$868 million; by the end of 1975 it had reached \$1.58 billion. About half of the total US investment is in manufacturing, while most of the remainder is in the wholesale and retail trade, mining and finance sectors. US investment represents about 16% of foreign investment in South Africa and about 3% of total domestic and foreign investment in the country. It constitutes 40% of US investment in the whole of Africa and about 1% of total US worldwide investment.

A precise country breakdown of foreign investment in South Africa is not available. UK investment forms more than half of the total foreign investment. West German investment is of the same magnitude as ours. French and Swiss investment each accounts for about 5% of total foreign investment. There is a small amount of Swedish investment. While the Japanese Government has prohibited direct investment in South Africa, large Japanese multinational firms provide South African firms with licenses to produce Japanese products. Attached at Tab A is a copy of the most

recent information available on US direct investment by country in sub-Saharan Africa as a whole.

For more than 10 years, the US Government has followed a policy of neither encouraging nor discouraging private US investment in South Africa. Previous Administrations have not encouraged investment in order to demonstrate our deep concern over the apartheid policies of the South African Government. On the other hand, we have not discouraged investment, believing that such an action would not accomplish the purpose which proponents assign to it, of persuading the South African Government to institute meaningful internal change. Discouraging investment, we have believed, would likely strengthen South African resistance to our efforts to promote change. We explain to potential investors the political, economic and social conditions existing in South Africa which they should carefully consider in reaching a decision on whether or not to invest.

For some years we have been urging US firms doing business in South Africa to institute, maintain, and expand enlightened employment practices for all of their workers, regardless of race. The State Department in 1974 contacted all US firms known to have operations in South Africa and urged them to set for themselves goals which would include equal pay for equal work, better wages, increased fringe benefits, promotion on the basis of merit, and increased training opportunities. We have also urged US firms to engage in collective bargaining with legitimate representatives of black workers, including representatives of black trade unions where they exist.

The State Department has not favored proposals which seek to coerce US firms to apply enlightened employment practices. There are numerous South African Government policies and general customs which can serve as ready excuses for firms seeking reasons to resist efforts to force them to comply to certain standards of employment practices. We have believed that obtaining the voluntary cooperation of US firms is the most effective way of making meaningful progress in this field. We look to

the firms to use imagination and perseverance in applying progressive practices despite the constraints of the apartheid system. We encourage US firms to meet together to determine how and where they can improve their employment practices. The State Department applauded the March 1 statement of principles subscribed to by 12 US corporations (at Tab B) as a step in the right direction. This statement of principles includes many of the goals which we have recommended to US firms. Reaction to the statement of principles was mixed within South African business, Government, trade union and black circles. Official South African Government comment was favorable, however, and the statement was welcomed by a variety of business and labor leaders. Critics commented that the statement was too little too late, was little more than a repetition of the 1974 State Department guidelines, and contained no mention of black labor unions.

US Government trade policy toward South Africa has been designed to express our strong disapproval of apartheid and to avoid giving an appearance of closeness to the South African Government. This has been done by limiting US Government sponsorship of export promotion activities while at the same time maintaining our competitive position in the South African market. We do not maintain US Trade Centers in South Africa and do not send US Government-sponsored trade fair exhibits and trade missions to South Africa. Our commercial officers in South Africa do provide trade facilitative services, such as identifying major South African projects which have significant export potential for US firms and assisting US businessmen in making appointments with potential South African customers.

As an expression of our disapproval of apartheid, the Export-Import Bank is prohibited from making direct loans to South African buyers of US goods but is permitted to provide (a) guarantees of bank and other private loans to South African purchasers of US goods, (b) discounting of loans up to \$2 million made by US financial institutions to cover some export financing to South Africa, and (c) short- and medium-term insurance on private financing of US exports. For the past nine months, the Export-Import Bank has been very restrictive in issuing long-term (more than five years) guarantees, due to concern over the future political outlook for South Africa.

Department of State

April 1977



U.S. Direct Investment in Sub-Saharan Africa - 1974
(in millions of US Dollars)

	<u>Total</u>	<u>Mining and Smelting</u>	<u>Petroleum</u>	<u>Manufacturing</u>	<u>Other</u>
Angola	217.0	-	217.0	-	-
Botswana	71.7	71.6	-	-	0.1
Burundi	0.7	-	-	-	0.7
Cameroon	11.5	-	10.0	-	1.5
Central African Republic	7.5	7.0	-	-	0.5
Chad	14.2	-	14.0	0.1	0.1
Ethiopia*	23.7	-	20.9	1.2	1.6
Gabon	171.0	101.0	68.0	-	2.0
Ghana	200.0	175.0	-	15.0	10.0
Guinea	121.0	121.0	-	-	-
Ivory Coast	44.7	1.7	27.5	4.7	10.8
Kenya	105.0	5.0	36.0	47.0	17.0
Liberia	258.0	19.0	103.0	2.0	134.0
Malawi*	4.5	-	2.3	2.2	-
Mali	2.1	-	2.1	-	-
Niger	18.7	-	2.2	16.5	-
Nigeria	232.0	-	209.0	19.0	4.0
Rhodesia	57.0	57.0	-	-	-
Rwanda	1.0	-	1.0	-	-
Senegal	19.5	4.2	11.4	0.4	3.5
Sierra Leone*	17.5	10.4	4.7	2.4	-
Somalia	7.0	-	7.0	-	-
South Africa	1,457.0	229.0	360.0	624.0	244.0
Sudan	19.5	-	17.0	2.3	0.2
Tanzania	12.0	-	9.0	1.0	2.0
Togo	1.8	-	1.5	0.3	-
Upper Volta	3.6	1.6	1.0	-	1.0
Zaire	198.9	97.2	23.3	48.9	29.5
Zambia	114.0	84.0	4.0	8.0	18.0
Totals	3,412.1	984.7	1,151.9	795.0	480.5

*1973 Data



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