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THE THREAT AGAINST MAN AND THE REACTION OF THE CHRISTIAN – AN ECONOMIC VIEWPOINT*

I refer here to the study on trade boycotts that I undertook on behalf of the Institute for the Advancement of Calvinism and on which this paper is largely based.

When I have to discuss the subject of threatened man as seen from an economic angle, this theme would have been somewhat negative, should one not look further than the threat alone. Therefore it is more positive to discuss the challenges of present-day man. This remains my viewpoint throughout: View the economic phenomena realistically and identify the threat therein, but do not allow the threats of today ever to become more than the challenges of tomorrow and never forget – not only are there threats, but so also are there many more opportunities which we ought to avail ourselves of through our abilities.

We are certainly able to point out numerous economic threats to our Republic and the irony is that we loudly trumpet them forth – to the great diversion of exactly those who wish to bring our country to her knees. I often ask myself why we always seem to take pleasure in the negative view, while the positive side is too lightly regarded. In the discussion of this threat against our country and its people, I am going to limit myself to briefly outlining some of the most important threats and at the same time attempt to indicate that the entire situation demands real action. Though the threat against South Africa and her people is discussed here, these phenomena are universal and many of them are valid internationally. The approach remains macro, but it may also be analysed on a micro level. However, in order to illustrate the threat in the present period more fully and clearly,

* Paper presented on the occasion of the Interfaculty Lectures, 15th March, 1978, PU for CHE.

I am going to discuss the whole problem of economic sanctions more comprehensively.

1. Inflation

Not so long ago Anton Rupert labelled inflation as our "enemy number one". For the past few years we have grown so accustomed to inflation rates of more than ten per cent that we tend to assess this threat too lightly. During the twenties a rate of inflation of this magnitutde was termed "galloping inflation" and led to disastrous results and chaos by disturbing the whole economic order. In this lies our challenge in becoming aware of this problem, the action which we can take and the realisation that this problem is fundamental to many other threats for which we should be prepared. We should also realise that no easy and magical solution exists, but only the will to work at it first and independently and not to wait for someone else, the authorities or whoever.

2. Recession

At present we are experiencing a recession which is generally considered to be the most serious since the thirties. This is true of the whole world and the rate of recovery is very slow. This limits the development potential with the result that the improvement of the general prosperity is retarded. As a result faith in the economic system as well as in the political dispensation has been undermined. Our greatest challenge here is to create a climate of confidence so that a spirit of expectation and enterprise may be created.

3. Unemployment

One of our most serious problems is the relatively high rate of unemployment which our country is at present experiencing. It would seem as if it is not expected to increase in the coming year, but the large number of unemployed remains a serious threat. Apart from the direct burden of distress which the unemployed and their families must shoulder, it also holds the indirect danger of frustration and idleness. It creates the opportunity for activities which do not advance anybody or anything, least of all the political and economic stability. The challenge here is to create adequate work opportunities. This may seem an impossible task, but should the recession be halted, this may already contribute much towards a solution.

4. Balance of payments

South Africa has always been an important trading country. This has led to great interdependence and perhaps also vulnerability. This is discussed more fully later. The balance of payments and in particular the trading aspect, has been a serious source of worry during the last few years as aresult of great deficits. Last year, however, a change set in and a surplus was shown which showed an improvement of almost R2 000 million over the previous year. Of course, the favourable price of gold will exert a further positive influence, but it should not for one single moment be forgotten that the balance of payments remains a delicate matter in our economy. The same improvement in the future is not to be expected and large repayments on debts still remain to be made. Pressure will not decrease rapidly. However, the present improvement shows that the challenge towards positive action may be justified by intensified export drives and substitution of imports by especially buying South African products.

5. Capital and investment

One of the most important problems with regard to the balance of payments is the shortage of the influx of capital. As a result of the rapid development of South Africa, foreign sources had of necessity to be utilized to provide the capital required. Internal political instability, poor returns on investments and the poor economic conditions in other countries led to a serious reduction in capital from these sources. The challenge we face is having to provide an increasing proportion of the capital required for such investment from local sources. This will demand greater savings and because of the slow growth rate, the former will necessitate a reduction in consumption which in turn will affect our standard of living.

6. Standard of living

Complementing the above factors, the decrease in the standard of living is a real threat, as it is on this principle that the success of economic sanctions is dependent.

7. Economic Sanctions

7.1 Introduction

For many years economic sanctions have been a fundamental threat to the Republic of South Africa. Ever since the UNO has condemned South Africa's domestic policy, various measures have been adopted to bring South Africa to its knees. Apart from political pressure which was openly enforced and which apparently had a limited influence, this was the only other instrument of the UNO and/or other countries in attaining their goal, which was to damage the international trade of the RSA to such an extent that it would cease altogether.

Before examining the probable influence on and reaction of the Republic, it is essential to fully understand how the argument of economic sanctions and trade boycotts can be used in reaching political goals. The argument is more or less as follows: Trade boycotts have a direct influence on international trade, as both import and export can be cut off (although it is not easy to cut off imports as long as the victim has enough foreign exchange to meet his obligations). The initial attempt is therefore firstly made on exports, which results in a slump in all export sectors. At the same time it can be expected that a restriction on imports will also be detrimental to the import sectors. A cumulative process is thus triggered off, which will result in a drop in general income for the country. Should the Government try to keep the income at a high level, a shortage in production will result, which will lead directly to inflation.

Both these attempts will result in a decrease in the income of the population. This decrease could then put enough pressure on the government to force it to change its political attitude. The longer these changes can be delayed, the worse living conditions in the country will become. Pressure on the government will increase, and if no change should occur, extensive emigration may take place. This will weaken the position of the minority government even more, to such an extent that the government will be overthrown. From this brief and simplistic explanation it is clear that the theory rests on the premise that, should the nation's income and standard of living be threatened, it will serve as an effective threat to force a country to adopt a different political attitude.

Apart from the fact that this premise rests mainly on a materialistic approach, and therefore does not take into account the versatility and adaptibility of the Christian, one important element in the economy of a country should be present before economic sanctions can be used as an instrument for political objectives. The economic structure of the country involved must be constructed in such a way that it should be mainly dependent on international economic relations for its economic progress.

Before one can judge the Republic of South Africa's reaction to trade boycotts, one should first examine her dependence on international relations. This dependence will determine the possible influence of economic sanctions. At the same time one should try to point out where the arguments fail of those who are in favour of trade boycotts.

7.2 The dependence of the Republic of South Africa on the International Economy

The first aspect to be investigated is the extent of the Republic's international trade with the rest of the world. However, this is not the only aspect of importance, because the nature and quality of international trade should also be investigated. Apart from this, the total participation in the international community should be examined, but here one need only to look at the economic aspects, since other aspects open up a whole new field of study.

It is relatively easy to determine the degree of dependence on international trade, as one only has to look at the ratio of international trade to the gross national product, i.e. the import and export of products and services of the country in relation to the gross national product. In 1963/64 the ratio for the Republic was 52 percent, which points to a high degree of dependence. For most other countries, except for the USA, the ratio was also high, e.g. for Tanzania 60 percent, for the most Latin-American countries an average of 57 percent, for Europe 57 percent, and for Asia 47 percent. In some African States the figure was as high as 102 percent, and in Europe the figure for the Netherlands was 94 percent. The exception was the USA with a ratio at 9 percent. Since that time the ratio has not altered much. This also holds good for the Republic of South Africa. For 1975 the ratio was still 52 percent, gold exports excluded. It should be mentioned that this figure fell below 40 percent some seven years ago, but since then it has risen again to the curren level.

When the analysis is extended, two factors are found to be responsible for the Republic's dependence on international relations. First there is the sharp 306 percent rise in imports for the period 1966 to 1975. In contrast the exports increased by R2 400 m, from R1 126 m to R3 618 m. This is an increase of just below 200 percent. This large deficit resulted in the second factor which was responsible for the great dependence on international economic relations, i.e. the sharp rise in the value of gold production and its resulting export.

In 1966 gold production amounted to R769 m. It increased to R2 450 m. in 1975 – an increase of about 220 percent. Gold production thus served to balance the great increase in imports. Put differently, the availability of gold enabled the government to finance the deficit on imports.

Normally, countries in the early stages of their development are greatly dependent on international economic relations. Firstly, an underdeveloped country needs capital and capital products, such as machines, in its development, but on the other hand it also needs a market for its own primary products such as agricultural and mining products in order to procure its own capital. It is also characteristic that the underdeveloped country in its process of development gradually becomes less and less dependent on international trade. From this can be deduced – and this is important – that the Republic at present still has a more or less "open" economy, and also that overseas countries still have confidence in the Republic. Since 1966 there has been a constant flow of capital to the Republic, with the exception of 1973 and 1977, when the reverse was true. The total inflow for 1975 was approximately R1 774 m., and in 1976 R1 100 m. This resulted in South Africa's greater dependence, especially as far as private investments were concerned. However, it is also positive proof that the relations is not one-sided.

The important matter of economic dependence must further be illustrated by an analysis of the structure of imports and exports. Through the years it has become obvious that there has been a change in the structure of the South African economy, and that import replacement has been practiced for a long time. In 1926/27, 76 percent of all clothing was imported, while in 1963/64 this figure was down to 8 percent. For the same periods the figures for metal products were 67 percent and 12 percent, for textile products 89 percent and 43 percent, for paper and paper products 91 percent and 23 percent, for basic metals 92 percent and 22 percent, and for transport equipment 73 percent and 37 percent. Initially this import exchange was an important factor, especially up to the 1950's. However, there are still possibilities for import exchange, limited mainly to heavy, intermediate and capital products industries. The latter is to a large extent dependent on large markets in order to produce on a competitive basis. In this period the concentration was on extension of production for local markets, and not for export. South Africa still cannot free herself from this tendency, as is evident from the fact that in 1963, 25 percent of the gross national product was still imported. In 1968 the figure fell to 21 percent, but was back to 26 percent in 1975. Exports also struggles: there was a decrease of 19 percent in relation to the gross national product in 1957 to 15 percent in 1971, and a further decrease to 14 percent in 1975, but at the moment there is a more positive tendency. This points to the fact that the country does not yet have the influence of export markets she would like to have had. Another phenomenon is that nowhere in recent history it is evident that greater productivity has led to greater economic development of the country, as throughout more use has had to be made of production factors, especially capital, but productivity had not much influence in this. The only exception here is the mining industry, but here increased productivity was due to the production of high quality ore, and in recent years the sharp rise in the price of some minerals. It is this phenomenon, which can also be termed decreased productivity, which contributed to the continuing problem of inflation.

The increasing tempo of imports up to 1976 can be attributed to two factors. First, the relatively high standard of living and high income of the population of the Republic have resulted in a greater demand for consumer goods, and although the local market benefits from this, a great many products are still being imported. Several examples can be cited. Where are the ball point pens, rulers, spectacle cases, and toys, sold in South Africa manufactured? This list can be extended – there are numerous such products still being imported. On the other hand, the increase in prices has also resulted in a higher value of import products, especially when devaluation is taken into account. The second factor is the fast economic development experienced by the Republic of South Africa up to 1975. Even the tempo in recent years is not to be disdained, especially if contrasted with international tendencies.

Another relationship pointing to South Africa's international attachment is the fact that South Africa has always had historical economic bonds. At first South Africa was part of the British Commonwealth, and because of this, trade connections with all British and former British colonies increased. Quite a number of these are no longer under British rule, and appears to have broken ties with South Africa. Secondly, the Republic went to great pains not to keep herself out of international organisations. The General Agreement of Tariff and Trade (GATT) can be mentioned as an example. The Republic is a founder member of this organisation, and uses the advantages offered, but it also has obligations. Other economic organisations in which the Republic has a part are the International Monetary Fund and its affiliations, viz. the World Bank and the International Finance Corporation. These are not the only international economic ties South Africa has, for in Southern Africa there exists the Monetary and Customs Union of several of these countries. South Africa also has a variety of agreements with neighbouring and adjacent African states. In recent years more distant African states have been involved, and also countries in other continents, such as South America and Israel. In many cases these trade agreements are more extensive and could even be labelled economic unions in some cases.

The abovementioned aspects clearly illustrate that the Republic experiences international economic dependence to a large degree. Now that we have ascertained the degree of dependence, the influence of economic sanctions and the probability thereof can be discussed.

7.3 The influence of and reaction to economic sanctions and boycotts

The results of trade boycotts are centred around the following three possibilities:

Firstly, economic sanctions will retard economic growth, as international specialisation of labour cannot be used. This means that countries affected by these sanctions will not be able to use their comparative cost advantages, in other words they cannot specialize in the products which they can produce cheaper than others. This results in a direct rise in costs which will raise the price structure in the countries concerned. The danger of the detrimental effects of economic sanctions has been eliminated to a large extent by the development of international economy, although it still constitutes a threat to lesser developed countries. However, it is generally known that lesser developed countries will find that their trade conditions will become less favourable, i.e. import prices will rise as compared to export prices. This is the result and a slower rise of prices of primary products against other products, especially in the fields of trade and manufacturing goods. The fact that less developed countries specialize in producing primary products, places them in a poor position to negotiate, and so economic sanctions can force a country to go over to the processing of her own raw materials.

In this specific instance, the Republic can also learn something. South Africa is one of the leading producers in the world when it comes to certain primary products, especially minerals. The Republic produces more than 75 percent of the gold in the free world, and more gem diamonds than any other country. It is also the biggest producer of electro-chrome, copper chrome, platinum chrome, ferro-chrome, and ferr-manganese in the world; it shares with one other country first place as producer of manganese, chromium, and antimony, it is number three on the list for the production of asbestos, vanadium, and uranium; it is number five in the production of nickel, etc. Furthermore the Republic has large iron and coal ore reserves. Most of these primary products have shown a price increase on the world markets over the past two years. In this field the Republic can attain considerable leverage if she could use these minerals in the initial stages for her own production processes. On the other hand, economic sanctions will force the Republic to do so, but the demand for primary products (and to this food may be added) will cause most countries to be reluctant to enforce economic sanctions.

One can here refer to Rhodesia. Since 1965 a total ban has been placed on international economic relations with Rhodesia. Only a few countries, among which was South Africa, did not take part. These economic sanctions held great advantages for Rhodesia as regards specialization, for although there had been a loss of export of primary products (the most important having been tobacco and certain minerals), these sanctions forced Rhodesia to forgo international specialization, at least to some degree. The inevitable result was the development of her own industries, or, to put it differently, her export structure. But even with these comprehensive sanctions against Rhodesia, there are still numerous countries which do not enforce these sanctions, as the primary materials produced by Rhodesia are in great demand in the world. It should be noted that the Rhodesian international trade was greatly dependent on Britain especially before the enforcement of economic sanctions. By 1965 Rhodesian import was about 48 percent, and its export 42 percent of the G.N.P. In 1972 these figures were 26 percent and 31 percent respectively. Thus Rhodesia has managed to considerably reduce its dependence on international economic relations.

The second result of economic boycotts is the limitation of economic growth through limiting a country's import capacity. It has to be accepted that less developed countries will be increasingly dependent on international trade. Prebish estimated that, in order to attain a 5 percent economic growth in a less developed country, a minimum propensity to import of 6 percent would be needed. It has already been pointed out that the import of capital and intermediate products is a necessary requirement to stimulate economic growth in less developed countries. This is to a greater extent true for countries which are in the first stages of economic development. The Republic of South Africa is still a good buyer abroad of capital and other durable items, and it cannot be doubted that, should South Africa be forced to do so, she has the potential to supply in her own needs. It is only logical to expect that short-term trade boycotts will have a detrimental effect on economic growth, but the influence in the long run is what counts, and in this respect it would seem that the detrimental effects can be eliminated to a great extent. Here one can once again refer to Rhodesia. There had been a definite decrease in economic activity directly after the introduction of economic sanctions, but within three years Rhodesia was back on the previous level, and since then the economic growth has progressed at a surprising rate, despite the fact that the country has to yield great productivity and technical skills in her fight for security. The important requirement in this instance is that a country should have the potential to convert the restrictions on her import capacity in the application of productive sources in the country herself. In this regard the strategic import products such as oil will necessarily affect economic growth adversely. About South Africa's position little needs to be said, for with the exception of the oil-producing countries, the Republic is one of the few countries which, because of her mineral resources, can look after her own energy requirements, thus cutting imports down to a minimum. The fact that such strategic products can only with difficulty influence a country's economic activities, does not provide an attractive medium for trade boycotts.

A third result of economic sanctions is that they have direct advantages for the industrial development of the country concerned, as implied above. It is a fact that when import products are not readily available, they become more expensive. The result is that local products become more competitive and profit margins become higher, which makes it more attractive to invest in these industries. Without entering into a discussion, Rhodesia's economy can again be referred to. The period of economic isolation forced Rhodesia to work out an intensive programme of import substitution, and a more productive application of her natural resources.

It has been mentioned that the economic productivity of the Republic has not progressed as expected, and leaves some scope for improvement. The most important requirement is that opportunities must exist to develop her own industries. In the case of Rhodesia, which has been greatly dependent on international trade, there was a large variety of possibilities to start various industries with a reasonable possibility of success. But easy and obvious alternatives are soon exhausted because internal markets are limited, in other words, the supply of consumer articles is involved. The next phase to capital and heavy products requires greater investments and technical skills, and also bigger markets, and these are not always easily to come by. This is one of the reasons why there has been such a drastic decrease in Rhodesia's productivity. South Africa has already reached a high level of economic development and the similar possibilities which have been utilised by Rhodesia at the onset of trade boycotts have already been exhausted. Should economic boycotts against South Africa become a reality, less advantage will be obtained from the protection of local industries. One can thus understand why some strategic industries had to be started without the existence of trade boycotts. South African should not ignore the absence of all strategic industries, as is proved by the fact that such industries do exist. There is evidence that even heavy industries may develop if South Africa is forced to do so. It should be stressed that economic boycotts in this field will never be quite effective, as so many methods exist these days to get around them. A country can obtain almost any product if she is able to pay for it, and South Africa has always had her gold. South Africa only has to make her investment potential more attractive. This will lead to an influx of capital which can then be applied to increase the tempo of development.

Another aspect which also has to be taken into account is the relations with the countries with which economic agreements (especially trade agreements) exist. Here South Africa is quite vulnerable, as the Republic traditionally has had economic ties with only certain countries. For example, 30 percent of the Republic's import and exports is with Great Britain. It is possible to apply economic sanctions more effectively in such instances. On the other hand, Rhodesia has proven that there are other countries which are willing to fill such gaps. Here it should be mentioned that the trade structure of the Republic has undergone a greater diversification in the past few years, as Western Europe (especially West Germany), Japan, and some of the African States have become more important economic partners.

Another factor which influences South Africa favourably, is her membership of numerous international organisations. The GATT, and the IMF and its related organisations make it difficult for countries to discriminate against South Africa as far as international trade is concerned. Geographical situation and economic leadership in Southern Africa are also two reasons for countries being reluctant to use sanctions, since it will be all the states in Southern Africa that will suffer and not South Africa alone.

8. Summary

Economic sanctions can only be enforced effectively when a decrease of 17 percent in the real income of the population becomes evident. From what has been said above, it is clear that one cannot see this happening in the Republic of South Africa. The adoption of trade boycotts usually rests on one-sided and simple arguments which do not take into account the Christian's adaptability and perseverance. It has been clearly demonstrated that, at the moment, the institution of economic sanctions against South Africa is a threat that should not cause too much concern. It would be wise for South Africa to strengthen her position in the world economy so that she will become even more indispensable. This means that a policy of isolation should not be followed. Instead, more extensive economic relationships should be entered into, to the extent of moving South Africa up from the fourteenth position on the list of the most important trade countries in the world. South Africa will have to intensify her export drive so that countries abroad will become more dependent on her. This is also a prerequisite for sufficient interior economic development. There is no doubt that South Africa has the potential to ward off economic sanctions. In the short term this will call for sacrifices, but in the long run it is to be doubted whether economic sanctions can be enforced successfully against the Republic of South Africa in the next few years.

This, however, is no reason to sit back and relax. South Africa is threatened economically – this is true beyond any doubt. It is the duty of every Christian to be fully informed as to the possible consequences of this threat. How will we react as believers? Are we going to adopt a wait-and-see attitude? This will only intensify the threat and will offer no solution. There is no alternative but to see these threats and challenges as an opportunity to prove our call and responsibility as believing Christians. This is a responsibility which allows no looking back, which lives and looks ahead, which turns threats into challenges and weaknesses into power points, so that our country will be forced to the top by powerful, aggressive action.

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