

14 July 1986

TALKING POINTS FOR THE DDI

Southern Africa: Economic Vulnerabilities

South Africa's dominates a regional economic network that provides significant economic benefits to neighboring black countries and gives Pretoria considerable regional leverage. We have little doubt Pretoria will make good on its threat to retaliate economically against neighboring countries if the West imposes new economic sanctions against South Africa. Such moves would impose major and immediate hardships on regional economies. Pretoria's neighbors have no ready or economically feasible alternatives to their dependence on Pretoria, and would feel the effects almost immediately. All will almost certainly turn to the West for relief.

The View from Pretoria

South Africa's major leverage comes from its control over transportation links and the flow of migrant labor.

-- Pretoria controls 75 percent of the region's rail network and has the area's most efficient ports.

75% of rail + most ports

-- Some 350,000 workers from neighboring states are legally employed in South Africa and probably between 200,000 and 700,000 work in South Africa illegally. Remittances from legal workers alone probably support some 3 million addition people in neighboring countries.

350,000 working in SA

-- South Africa is a major supplier of chemicals, petroleum, machinery, finished consumer goods, and grain and other foods for the region. South Africans also have invested heavily in neighboring economies.

Major supplies

Pretoria earns about \$1.2 billion in foreign exchange from trade and other economic ties to neighboring countries, but would suffer little if it imposed selective economic sanctions.

-- Pretoria would lose more than \$100 million in revenue if it cut regional rail service.

-- Foreign workers makeup nearly 40 percent of the mining workforce, but Pretoria is convinced--probably rightly so--that the dismissal of selected workers would cause only shortterm disruptions given high regional unemployment.

earns \$1.2 bil from this

Pretoria's Likely Moves

In the event of new Western economic sanctions, Pretoria's initial response probably will be measured, designed primarily to showcase its regional economic might and indicate to the West the cost of sanctions to the region.

-- Pretoria's threat earlier this week to reduce revenues going to neighboring members of the regional customs union probably was in part a signal to the West that they mean business.

-- Opening salvos from Pretoria are likely to include expelling selected foreign workers or disrupting selected rail links.

-- Pretoria also could engage in a campaign of economic sabotage, perhaps attacking Zimbabwe's oil routes through Mozambique, or striking at Angola where its leverage is limited.

Neighboring Countries' Options

Neighboring African countries have no realistic short-term options for lessening their dependence or developing economically feasible alternative routes for imports and exports.

-- Alternative transportation routes through Angola, Mozambique, and Tanzania either already are being used to capacity, incapable of handling additional traffic because of poor maintenance or operating problems, or unreliable because they pass through politically unstable and militarily insecure areas.

-- Alternatives for shipping crude oil and refined petroleum products--such as from Dar es Salaam via the Tazara pipeline--are prohibitively expensive.

-- There is little effective contingency planning these countries can do, other than to plead with the West, and particularly the US, that they need and deserve special and substantial economic relief.