

URGENT

THE WASHINGTON OFFICE ON AFRICA

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TO: People concerned about United States - South Africa policy

FROM: Washington Office on Africa

RE: Administration decision on weakening Export-Import Bank policy
towards South Africa

President Ford will soon make a major decision on weakening Export-Import Bank policy towards South Africa. The decision is expected any day and will almost certainly come before the end of February.

It is urgent that Ford hear from those who oppose any change in the policy, because the pressure from the other side - from U.S. companies, members of Congress, and South Africa - has been intense.

Briefly, this is the issue. In 1964, the Johnson Administration put the following restrictions on Export-Import Bank transactions involving South Africa:

- 1) no loans or guarantees to South African companies or the South African government;
- 2) no direct loans to American companies for South African transactions over \$2 million; and
- 3) loan guarantees to U.S. companies can be granted only for five-year "medium-term" loans.

Now a move is underway to end the first restriction, to allow the Export-Import Bank to make loans directly to the South African government, specifically to the government-owned Sasol II coal gasification project.

This decision has both symbolic and actual significance. Denial of loans to the government of South Africa has been seen as a public statement of United States policy opposing apartheid and any direct support for it. Reversal of this public posture would be a major propaganda victory for the South African government. Furthermore, South Africa genuinely needs the Export-Import Bank loans. Foreign capital is vital to the growth of South Africa's economy, and liberal financing arrangements are essential if more Western capital is to be attracted. South Africa has been hit by inflation and a devaluation of its currency, and has been experiencing a particularly difficult credit problem recently.

Please write or cable President Ford immediately opposing any weakening of Export-Import Bank policy towards South Africa.

Attachments: Background sheet on current decision
January 31 New York Times article

For more information, contact Chris Root or Ken Vickery at 546-7961.