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Committee on International Relations

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DIGGS URGES VIGOROUS PRESIDENTIAL SUPPORT OF CURRENT EXIMBANK BAN ON LOANS TO SOUTH AFRICA

Rep. Charles C. Diggs, Jr., (D-Mich.) Chairman, Subcommittee on International Resources, Food and Energy, today emphasized the urgent priority that President Ford vigorously and personally oppose any attempt to change the longstanding U.S. policy of prohibiting direct Export-Import Bank loans to South Africa. Specifically, he noted the Fluor Company's application for a preliminary commitment for an Eximbank loan of $225 million to the South African Coal, Oil and Gas Corporation (SASOL). An executive decision is expected imminently.

In a February 25th cable to President Ford, Chairman Diggs stated that any immediate economic advantages which may accrue from a change in policy must be weighed against the longer-term political and economic interests of the United States. He stressed that such direct U.S. Government support for minority rule in South Africa, particularly following the U.S. support for the same side as South Africa in Angola, risks irreparable harm to U.S. relations with independent majority-ruled Africa.

Chairman Diggs also cabled Elliot Richardson, Secretary of Commerce, urging his support for the continuance of the U.S. policy prohibition on direct loans to South Africa.

Concern was also expressed that the additional request for an Eximbank guarantee of $225 million to assist in financing the SASOL project not be permitted, even if the policy against direct loans remains intact.

<u>The text of the February 25th cable from Rep. Diggs to President Ford is as follows:</u>

> It is of utmost importance that you vigorously and personally oppose any attempt to change longstanding U.S. policy of prohibiting direct Export-Import Bank loans to South Africa. As you know, the Fluor Corp. has applied for a preliminary commitment for an Eximbank loan of $225 million to South African Coal, Oil and Gas Corp. (SASOL).
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> Any small, immediate economic advantages from a change in policy must be weighed against overriding longer-term political and economic interests of the United States. Such direct USG support for minority rule in South Africa, particularly following U.S. alignment on same side as South Africa in Angola, would confirm that USG priorities are with the white minority. This could irreparably harm U.S. relations with black Africa, with whom the United States conducts nearly 85 percent of its trade in subsaharan Africa. [redacted] A reversal of the direct loan prohibition would have a negligible impact on U.S. trade with South Africa. A very small part of that trade is certainly not worth a more permanent U.S. identification with minority South African regime.
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> The significance of the policy prohibition on direct loans to South Africa as an overt sign of the United States' political disapproval of South Africa is underscored by urgency South Africa attaches to reversing the policy. There must be no further retreat by the United States re concrete opposition to South Africa, particularly at a time when South Africa is desparately seeking any signs of international political support.
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> Also of serious concern is Fluor's request for an Eximbank Guarantee of $225 million to assist in financing the Sasol II oil-from-coal project. I urge that, even if the prohibition on direct loans remains intact, USG not permit the guarantee.

Black Americans and all rightminded U.S. citizens want to know, particularly, in this Bicentennial year, that USG does more than merely utter its opposition to apartheid in South Africa and to the illegal South African occupation of Namibia. We want to see a USG which acts forthrightly in support of its stated policy. And, direct USG financial and political support to the only country in the world where exclusion from the political system is determined solely on basis of race would be a tragedy.

Excerpts from text of February 25th cable to Elliot Richardson, Secretary of Commerce follow:

Arguments used by Fluor Company in support of its request are totally unfounded. Fluor argues that because of present Eximbank regulations U.S. financing is not competitive with that available to SASOL from other countries. It is further argued that, if there are competitive financial terms, there is an opportunity to place about $800 to $900 million in orders for U.S. goods and services which could translate into about 25 million U.S. manufacturing labor man-hours.

However, financing is not the only consideration re sales. There are others, such as, quality, delivery time, servicing and design. To make an argument hinged on only one element is distortive. Furthermore, U.S. suppliers have, in the past, been able to meet foreign competition because of their superior U.S. technology. Even with the longstanding policy against direct loans, the United States share of South Africa's import market has consistently remained about level at 16 to 17 percent for the past ten years.

Financing available from the Private Export Financing Corporation (PEFCO) is not significantly greater (one-half to one-and-a-half percent more) than Eximbank financing. Such financing is competitive if other factors are considered; therefore, there is no real case that the U.S. seller is disadvantaged by current U.S. policy.

In any event, the overriding issue is that the political cost to the United States of giving direct financial support to South Africa is far greater than any possible immediate economic advantages. A reversal of the direct loan prohibition would have a negligible impact on U.S. trade with South Africa. The longer-term costs however may be irreparable.

I also urge you to oppose Fluor request for Eximbank guarantee of $225 million for SASOL project.

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