The Political Economy of Race and Class in South Africa

Bernard Makhosezwe Magubane

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the Nationalists a new system of repression—more subtle, more diffuse, and more effective as an exploitative device—has developed, one that has clearly been beneficial to all sectors of capital. Thus, the present state structures in South Africa can best be described as a functional alliance between international and settler capitalism, after a considerable period of nonantagonistic conflict between them.

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Imperialism and the Political Economy of South Africa

The ring of distant primary producers was evidenced from North America and Russia, to tropical and subtropical lands and, beyond them to Australia and South African areas, and lines of commerce that had previously been self-contained dissolved into a single economy on a world scale.

—*The New Cambridge Modern History*

Whatever the outcome of the war, America has embarked on a career of imperialism in world affairs and in every other aspect of her life. . . . At best, England will become a junior partner in a new Anglo-Saxon imperialism, in which the economic resources and the military and naval strength of the United States will be the center of gravity. . . . The scepter passes to the United States.

—Virgil Jordan, president of the U.S. National Industrial Conference Board, in a speech to the Investment Bankers' Association, December 10, 1940

Over two-thirds of the globe, along the great arc stretching from Europe to Japan, no treaty can be signed, no alliance can be forged, no decision can be made without the approval and support of the United States Government. Only the great Communist bloc is impervious.

Times (London), August 29, 1951

The characteristic features of South Africa, as a social formation, reflect the interaction of internal developments, represent-ing the historical process leading to the present structure of society and its classes plus the impact of the imperial factor, that is, the specific way in which the South African social formation relates to the world capitalist socioeconomic formation.

The imperial factor assumed great significance with the discovery of diamonds and gold. It influenced the shaping of South Africa's political economy. In the structure that characterized the British Empire in the late nineteenth century, the specific location of the various countries was determined by their resource potential. The British Empire was characterized by a configuration of states which in their internal developments were expected to complement the economy of Great Britain. Eric Hobsbawn has described a set of economies dependent on and complementary to the British, each exchanging the primary products fitted to its geographical situation:

> Cotton in the Southern states of the USA until the American Civil War, wool in Australia, nitrates and copper in Chile, guano in Peru, wine in Portugal, etc. After the 1870s the growth of a massive international trade in foodstuffs added various other countries to this economic empire, notably Argentina (wheat, beef), New Zealand (meat, dairy products), the agrarian sector of the Danish economy (dairy products, bacon) and others. Meanwhile South Africa developed a similar relationship on the basis of its gold and diamond exports, the world market being controlled from London.[1]

The integration of the South African political economy with the world imperialist system increased dramatically in 1886, when the Witwatersrand gold reef was found in the heart of the Transvaal. A speculative boom in the "Kiffers" (as the gold stocks are called) on the London money market followed in 1888–1889, and by 1894 the gold of Johannesburg was believed to be practically inexhaustible. By the end of the second gold boom of 1895–1896, £57 million had been invested in the Rand. Five years later it was producing a quarter of the world's gold supply.[2] South Africa had become an important part of the capitalist world economy, enmeshed in financial and diplomatic dependence.

In a sense, the Anglo-Boer War was a logical outcome of this: the Transvaal government had to be forced to recognize Britain's superior claim to the recently discovered gold mines. Just prior to the war the British colonial secretary wrote that if Britain were forced into a war, "I should try to seize and defend the gold-bearing district. This is the key of South Africa and if we could hold this we need not follow the Boers into the wilderness."[3]

Since the end of the Anglo-Boer War, South Africa has been integrated into the capitalist world economy by every social, economic, cultural, and geopolitical bond that history can bestow. The present rulers never tire of telling the world that they are a Western outpost in the dark continent. Thus, in the study of South Africa what we need to understand is the relation between the economics of imperialism and specific internal political developments. What has been, despite conventional wisdom, an ever increasing volume of foreign capital in South Africa has gone hand in hand with the growth of the worst form of political repression. Furthermore, South Africa's dependence upon foreign capital bears qualitatively upon its political economy and independence. In the process of development, and in the struggle with its internal contradictions, South Africa's capitalism turns increasingly to foreign capital, thereby becoming ever more integrated into the imperialist world economy.

In the international division of labor the imperialist interests decided that South Africa was to be the key supplier of the gold necessary for the worldwide exchange system. Between Southern Africa, Britain, the United States, West Germany, France, and Japan there exists a complex network of horizontal and vertical economic, political, diplomatic, and military relations of considerable and enduring importance. These networks change in form and character over time as the fortunes of particular imperialist countries fluctuate with wars, depressions, financial resources, and the contest for world supremacy between capitalism and socialism. When Britain was the leading imperialist nation, it was also the arbiter in the affairs of Southern Africa. Now, however, the United States seems more and more to be both arbiter and beneficiary in the affairs of South Africa.*

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* Since the collapse of Portuguese colonialism in Angola and Mozambique, world imperialism is making a unified stand to arbitrate the conflict in Zimbabwe

Though British capital is still strongly entrenched, there is no question that the decline of Britain as a world power has forced the United States to fill the vacuum. After a modest beginning at the beginning of the century, the United States has, for instance, supplanted Britain as South Africa's number one supplier of imported goods and is the number two investor in the economy.

The case of South Africa clearly illustrates not only the international division of labor among imperialist countries, but also the penetration and a fusion of capital from the leading imperialist nations. It also demonstrates the ways in which imperialism adapts itself to changing circumstances. In the last chapter I showed how the strength or weakness of the English, as opposed to the Afrikaners, could not be analyzed solely in terms of the position of each within their own country. Capitalist development tends to create social relations of production at the world level, so the position of a fraction of the national bourgeoisie must be analyzed in relation to other national bourgeoisies. In this sense, the relative strength of the two bourgeois fractions in South Africa has always depended on which outside group supported which fraction. The Afrikaner bourgeoisie, weakly developed economically despite its political power, has until recently been marginal in resource ownership and manufacturing, and hardly better in finance and trade, precisely because the British imperialist bourgeoisie favored its kith and kin: the English-speaking sector of the South African bourgeoisie.

Anglo-American Rivalries and Accommodations

During World War I, the South African economy began to be penetrated by American capital. The war inaugurated a phase of

and Namibia. Britain, the United States, France, Germany, and Canada are currently engaged in an effort to persuade South Africa to withdraw its troops from Namibia so that elections can be held to decide the future government of that disputed territory. In Zimbabwe, Britain and the United States have united to work out a "peaceful" transfer of power from the white minority. These efforts are being prompted by the common class interests of the capitalist world.

monetary instability. The international gold standard, which had provided an unlimited market at fixed prices for the output of the gold mines, was no longer working well. The problem for the mining industry was to acquire sufficient capital to open up new mines despite the unwillingness of investors to risk capital. The formation and history of the Anglo-American Corporation is illustrative of these problems. In 1917 Ernest Oppenheimer, in order to obtain the capital necessary to launch himself in South Africa, called on American financiers to contest the British domination of South African mining. Writing to Herbert Hoover, then president of Morgan Guaranty & Trust Company, Oppenheimer stated: "If American capital wishes to obtain a footing in South African mining business, the easiest course will be to acquire an interest in our company."[4] With the capital obtained from Morgan Guaranty, Oppenheimer formed the Anglo-American Corporation (AAC)* and was able to finance and open up the Far West Rand, the Klerksdorp fields, and the Orange Free State, all of which called for large supplies of capital.[6]

The investment of American capital was publicly welcomed in Britain. The announcement of the formation of the new company was hailed by the London *Times* of September 28, 1917, as marking "the beginning of a new epoch, for it is the first occasion on which a definite arrangement has been made for the employment of American capital on the Rand." The *New Statesman* of October 18, 1917, commented:

> One would think that with the ever increasing rise in the price of commodities, and the consequent fall in the purchasing power of gold, gold-mining would cease to be a paying proposition, except where the gold contents were of a high percentage; but one cannot

* An interesting aside to the formation of the company was the dispute over its name. Oppenheimer suggested "African-American," but W. L. Honnold, who had left South Africa for America and had become associated with Hoover, declined to accept this because, in his words, "African-American would suggest on this side our dark-skinned countrymen and possibly result in ridicule." On July 6, 1917, Oppenheimer replied: "After full discussion with Hull, consider it very necessary American identity should form part of Company's title. Suggest the Anglo-American Corporation of South Africa Limited."[5]

teach the Americans much about gold-mining and presumably the founders of the Anglo-American Corporation know what they are about. The matter is of interest, as it denotes a further stage in the development of the American financial exploitation of the world, which the war has made imminent. If American skill, industry, and inventiveness thereby penetrate into hitherto undeveloped, or only partially developed, areas of the world (and goodness knows there is room enough in Russia, Brazil, and South America generally), American financiers certainly—the inhabitants of the respective countries and the world at large, possibly—will benefit very considerably.

The Anglo-American Corporation was registered as a South African company, which gave it great tax advantages, which Oppenheimer spelled out in June 1923:

> One of the chief considerations which made it possible to found the Anglo-American Corporation as a South African house, and one of the strongest points I was able to urge in support of our proposal to purchase the South African assets of the Consolidated Selection Company, was the fact that here in South Africa the profits of the mines were taxable only by the Union Government at the source, and, further, that the Union Government taxed only income which was derived from a source within the Union. Share-holders living in countries outside of South Africa could, therefore, rest assured that there was nothing to hinder or prevent a company registered in South Africa from undertaking new business in any part of the world, and that any profits accruing from such ventures would not be subject to double taxation.[7]

Since its formation the AAC has developed into the backbone of mining life in both South Africa and the former British dependencies. Its interests have expanded into industry, often by absorbing local firms incapable of resisting the competition from the multinational corporations. On May 6, 1920, Oppenheimer intimated his future ambitions to his American associates, saying that he had a firm belief in a great industrial and agricultural future for South Africa and that he was "satisfied that the right policy for this corporation [AAC] to pursue is to investigate any attractive proposition that presents itself and not merely to confine its activities to the mining enterprises. The

Anglo-American Corporation should be, and is, ready and anxious to play its part in the industrial development of South Africa."[8]

In 1921, summing up his previous discussions with his American associates, Oppenheimer wrote:

> Further to this, from the very start, I expressed the hope that besides gold, we might create, step by step, a leading position in the diamond world, thus concentrating by degrees in the Corporation's hands the position which the pioneers of the diamond industry (the late Cecil Rhodes, Warner Beit, etc.) formerly occupied.[9]

In the 1920s the AAC moved into Zambia (then called Northern Rhodesia), where today it controls the majority of the copper belt concessions. In Southern Africa it controls not only gold and diamonds but also cobalt, uranium, vanadium, iron, copper, coal, platinum, and other metals and minerals; it is also involved in industrial activities of diverse kinds, in merchant banking, estate management, consultancies, and so on. American investment in the Anglo-American Corporation now amounts to more than $100 million.

World War I disorganized the world's currency circulation. The war once again demonstrated the correctness of Marx's understanding of gold's function as world money because only it preserves this function unchanged. The belligerent countries renounced the gold standard by refusing to exchange bank notes for gold in internal monetary circulation. With the abolition of the gold monetary standard, internal money circulation was divorced from the gold basis. After the war U.S. gold reserves exceeded those of Russia, France, Britain, Germany, and Italy combined. Britain's position in the capitalist world never recovered from the consequences of World War I. The United States became the principal creditor country after World War I. It was naturally interested in stability as the primary condition for normal credit relations. Such stability demanded a guarantee of the repayment of debts at a firm exchange rate of currencies or in gold. This demanded a gold cover, but that did not signify a return to the gold standard in its classical sense of the exchange of bank notes for gold. Such maintenance of currency rates with the help of gold and stable liquid assets came to be known as the gold exchange standard.[10]

The world economic crisis of 1929–1933 exerted a tremendous influence on the world monetary system. Nothing indicates the changes in the economic relations between South Africa, Britain, and the United States better than the relationship between the pound and the dollar on the one hand, and gold on the other. After the depression, South Africa went off the gold standard. This reinforced the leading international role of the dollar, which replaced sterling as international money, and from 1934 onward the price of gold was officially fixed at $35 per troy ounce. The Bretton Woods system of 1944 and the International Monetary Fund were devised in recognition of the supremacy of the dollar. The "rules of the game" were based on the belief that the dollar would always be as good as gold, and that therefore all nations would be as willing to accept it as they would be to take gold. The pound was designated a secondary reserve currency, to be backed by dollars.

Since 70 percent of the capitalist world's supply of gold came from South Africa, the changing fortunes of the dollar and the pound were echoed in the South African gold-mining industry. Gold production increased to 14,039,000 fine ounces in 1941, and then fell to 11,936,000 fine ounces by 1945, with the realized value of gold sales falling by £15 million. Increased costs, labor shortages, and tight capital controls made the prospects for gold mining in the immediate postwar years discouraging.

Then, in 1946 the merger of a New York banking group, which included Ladenburg, Thelman and Co., and Lazard Frères, with British–South African interests prepared the way for the acquisition of extensive mining properties and more than one hundred South African industrial companies—an operation that took place in 1947 and was hailed by *Time* magazine as "the first big beach-head of American capital in South Africa."[11]*

* An article in *Business Week* of November 29, 1947, after describing South Africa's gold mining as a magnet, stated that "U.S. money has been literally pouring into South African mining, especially gold." This, according to the article, was not surprising because when the world currencies were realigned at Bretton Woods in 1944, a direct link was established between the U.S. dollar and gold.

In 1951 additional loans totaling $80 million were organized to exploit the new gold fields in the Orange Free State. Eight U.S. banks—including Bank of America, First National City, Central Hanover, Bankers Trust, Chemical Bank and Trust, New York Trust, and Chicago's First National—were organized under the auspices of Dillon, Read & Co. This loan was described by *Time* as "the first such cooperative venture in the banks' history."[12]

Sir Theodore Gregory, Sir Ernest Oppenheimer's biographer, writes that

> by 1955, the development of the Orange Free State field as a whole had involved the provision of some £200,000,000. For the seven mines of the Anglo-American Corporation Group alone, over £63 million had been found by 1954 and the Anglo-American Corporation also provided part of the funds for mines under the control of other groups. Of this amount, over £18 million had been put up by DeBeers Investment Trust (out of a total investment outside the diamond industry of over £28 million). London and the Continent had also contributed heavily. In sum, 40 per cent or more of the total investment was furnished by the Anglo-American Corporation Group alone, and nearly 10 per cent of this amount came from the profits of the diamond industry.[13]

The South African gold industry more than doubled its output between 1956 and 1966. By 1959 the United States held $19.5 billion worth of gold out of a total of $32.9 billion in the capitalist world.

The Anglo-American Corporation has served as the major conduit of imperial capital and is today a powerhouse among multinational corporations. The *Newsweek* of November 24, 1958 noted that Harry Oppenheimer, son of Sir Ernest,

> presides over an empire headed by DeBeers Consolidated Mines, Anglo-American Investment Trust, and Anglo-American Corporation of South Africa. Through these corporations and a subsidiary web of interlocking partnerships, the cartel has assets in the neighborhood of 2.5 billion dollars, reserves of 747 million dollars and a 100-million-dollars-a-year payroll of 20,000 Europeans and

136,000 Africans. The cartel controls almost all the free world's diamonds, most of its gold, at least one-third of Africa's copper, and one-fifth of its coal. DeBeers alone was able to turn a profit of 65 million dollars last year (1957).

In the mining sector several affiliates of British and U.S. multinational corporations have become integrally linked to the mining finance house, often with state and local private enterprise. For instance, Anglo-American Corporation is interlocked with Engelhard Minerals and Chemicals Corporations (Anglo-American owns 30 percent) and Charter Consolidated—the former is U.S.-based and the latter based in the United Kingdom. Forty-nine percent of the shares in the gold fields of South Africa are held by Consolidated Gold Fields, the second largest mining finance house, also a U.K.-based firm.[14]

The American interest in South African mining became potentially much greater at the end of July 1973, when the National Aeronautic and Space Administration and the United States Geological Survey undertook the mapping of South Africa's buried mineral wealth by means of an earth satellite. The satellite's remote sensors mapped the geological strata masked by layers of sand and lava. Stanley Dayton, executive editor of *Engineering and Mining Journal,* gave some sense of the importance of such mapping to investors looking for a safe place for their money:

> Mining corporations must now rate South Africa high on their list of countries in which to invest, because of its political stability as well as its wealth of minerals. I have been surprised at the number of foreign companies which have recently opened offices in Johannesburg. I can see further ventures in South Africa with overseas companies participating financially, while South African companies provide management and mining expertise as well as finance.[15]

The South African gold industry, once the backbone of South Africa's prosperity, has grown to be a component of the higher reality which is the world imperialist system. The close control exercised over the gold industry bears qualitatively on the country's present and future, as we found in chapter 5. The burden of physical production of gold was shifted onto South Africa because of the presence there of cheap black labor. The most important and consistent features of South Africa's development—consonant with its history over the past ninety years—is the ever growing importance of foreign capital in the gold industry, even as gold mining's share in the total income of the country continues to decline.

Foreign Capital and Industrialization

The development of the secondary manufacturing sector that was initiated during World War I had greatly accelerated by World War II. The unsettled situation in Europe made South Africa an attractive area for the investment of foreign capital in manufacturing. The development of an industrial infrastructure, relatively low taxes and tariffs, the presence of a large cheap labor force, and an internal market for textiles large enough to support local production on an economic scale combined to draw the capital, technology, and entrepreneurial resources of large British, French, and Italian firms. F. J. C. Cronje writes that during World War II,

> European manufacturers, particularly the United Kingdom manufacturers, found their expansion hampered by labour, power and material shortages. Taxation and political considerations too played an important part in persuading interests to develop factories in the Union. [Company taxation is, for instance, much lower.] The Union's textile market was also one of the largest low tariff markets left in the world, and in the experience of textile exporters such a market is sooner or later protected. The fear of further wars and revolutions in Europe was another consideration.[16]

After World War II American capital also spread from mining into such areas as automobiles, tires, textiles, hosiery, petroleum, refrigeration, and even shipping. The reasons for this expansion were spelled out in an article in *Business Week:*

(1) South Africa has a strong dollar exchange position (important for the transfer of profits and repatriation of capital) based on an annual gold output of $400 million.

(2) Local industries (many started since 1939) are available for subcontracting and supplying raw materials.

(3) The South African government helps American as well as British firms get started.

(4) Skilled workers are beginning to come in from Britain and the European continent.

(5) The market within the Union and the rest of southern Africa is growing. (Prospects in eastern Africa and the Middle East are also bright.)[17]

In addition, the increased investment in the gold-mining industry necessitated the development of an explosives and chemicals industry, which also came to be dominated by foreign capital and technology.

In 1950, World Bank Vice-President Robert Garner, after a fact-finding mission to investigate South Africa's economic and political climate, reported:

> The Bank's mission to South Africa is satisfied that a loan would be perfectly sound and a highly desirable one for the Bank to make, since South Africa's development is regarded as highly important. The mission found South Africa a fine, strong country of fine people and the loan would be an excellent banking proposition. The mission has been impressed by a variety of South Africa's industrial developments. South Africa's credit standing is high and it has many other sources of capital.[18]

Since the bank's mission, American and Western European involvement has increased dramatically in scale and importance. Aside from the period of the Sharpeville massacre, during which a huge outflow of capital (reaching R12 million a month) took place, investments have increased dramatically. Tables 1 through 5 show the extent of foreign capital in various sectors of the South African economy.[19]*

* The stock of total foreign investment refers to all foreign liabilities which are the various capital assets in and claims against South Africa owned by foreign residents. Foreign interest in organizations in South Africa and investment by foreigners who have a controlling interest is recognized when one foreign resident

Between 1960 and 1970 the economy grew at an annual rate of 7 percent. This growth was partly due to the inflow of foreign capital: in the same period total foreign liabilities grew from R3,024 million to R5,818 million. Direct foreign investment grew faster, however, more than doubling from R1,819 million to R3,943 million, so that the proportion of total foreign investment grew from 60 percent in 1960 to 68 percent ten years later.[20] This development was reflected in the number of U.S. companies with affiliates in South Africa: 297 in 1940 and over 400 in 1974. In the same year the U.S. Commerce Department reported that American corporations in South Africa had total assets of almost $1.5 billion, while, according to the British Board of Trade, British assets in South Africa totaled $2.2 billion, or 10 percent of Britain's total foreign investment, excluding loans.[21]

British officials estimate Britain accounts for 50 percent of foreign-held assets in South Africa and the United States for 20 percent. Giant British concerns, such as Imperial Chemical Industries and Alcan, have important interests, while two government-controlled firms, British Petroleum and British Leyland, are among the most important investors. In the financial sector, Barclays and the British-owned Standard Bank of South Africa hold an estimated two-thirds of all commercial banking assets. (The International Monetary Fund reported that trade between Britain and South Africa totaled $2.3 billion in 1976, about evenly split between imports and exports.)

The South African motor vehicle industry, a most crucial sector for the accumulation of strategic technology, has been a stronghold for American corporations. In 1971, for instance, 60 percent of the automobiles manufactured in South Africa were produced by three U.S. manufacturers: General Motors, Ford, and Chrysler. According to Ralph Horwitz:

> Motor vehicle manufacture and assembly is the government's chosen instrument for achieving the crucial sophistication of indus-

or several affiliated foreign residents own at least 25 percent of the voting or ownership rights in an organization, or when various residents of one foreign country own at least 50 percent of the voting rights, or when foreigners participate in a partnership.

TABLE 1

Stock of Foreign Direct and Indirect Investment in South Africa by Source
(Rand millions)

Type and source	*1956*		*1966*		*1972*	
	Rands	*Percent*	*Rands*	*Percent*	*Rands*	*Percent*
Direct investment						
Sterling area	1,178	72.8	1,765	69.2	3,235	66.1
Dollar area	276	17.1	438	17.2	928	19.0
Western Europe	143	8.8	333	13.1	697	14.2
International organizations	—	—	—	—	—	—
Other areas	21	1.3	13	0.5	35	0.7
Total	1,618	100.0	2,549	100.0	4,895	100.0
Indirect investment						
Sterling area	693	59.1	674	52.8	1,108	38.3
Dollar area	93	7.9	151	11.8	287	9.9
Western Europe	243	20.7	290	22.7	1,208	41.8
International organizations	134	11.4	152	11.9	235	8.1
Other areas	9	0.8	9	0.7	53	1.8
Total	1,172	100.0	1,276	100.0	2,891	100.0
Total investment						
Sterling area	1,871	67.1	2,439	63.8	4,343	55.8
Dollar area	369	13.2	589	15.4	1,215	15.6
Western Europe	386	13.8	623	16.3	1,905	24.5
International organizations	134	4.8	152	4.0	235	3.0
Other areas	30	1.1	22	0.5	88	1.1
Total	2,790	100.0	3,825	100.0	7,786	100.0

Note: Totals may not add up to 100.0 because of rounding.

TABLE 2

South Africa: Stock of Foreign Direct and Indirect Investment by Source in 1974
(Rand millions)

Source	*Direct investment*		*Indirect investment*		*Total*	
	Rands	*Percent*	*Rands*	*Percent*	*Rands*	*Percent*
EEC countries	4,467	66.7	3,478	57.4	7,945	62.3
Rest of Europe	466	7.0	681	11.2	1,147	9.0
North and South America	1,524	22.8	1,033	17.0	2,557	20.0
Africa	107	1.6	340	5.6	447	3.5
Asia	57	0.9	222	3.7	279	2.2
Oceania	66	1.0	18	0.3	84	0.7
International organizations	—	—	205	3.4	205	1.6
Unallocated	7	0.1	86	1.4	93	0.7
Total	6,694	100.0	6,063	100.0	12,757	100.0

Note: Totals may not add up to 100.0 because of rounding.

TABLE 3

South Africa: Rôle of Foreign Capital in the Financing of Gross Domestic Investment
(Rand millions)

Year	*Gross domestic investment*	*Net capital inflow from rest of world*	*Percent*
1965	2,198	255	11.6
1970	3,701	541	14.6
1971	4,201	764	18.2
1972	3,976	396	9.9
1973	5,025	−92	−1.8
1974	7,100	885	12.5
1975	8,282	1,897	22.9

trialization in South Africa, and in the next decade their gold-mining is expected to decline in significance. An important control technique was perfected to ensure that the great car-manufacturing companies of America, Britain and Europe either abandoned their existing investment in South Africa or made additional investment exceeding R1,100,000,000 [R1 = $1.40] in the immediate future in an expansionist program of increased local manufacture.[22]

According to the *U.S. News and World Report* of April 22, 1968:

> The U.S. auto companies produce 60 percent of all cars made here, and South Africa has half of all the cars on the entire continent of Africa. And half the gasoline for South African cars is refined here by American companies.
>
> The biggest-selling auto in South Africa is an American compact, and the company that makes it is gearing up a new 35-million-dollar plant outside Pretoria. Its old plant at Cape Town could not keep up with production demand.
>
> Still another U.S. auto company is establishing a plant in one of South Africa's official "border industry" areas. *It is thus contributing directly to the potential success of something that is officially abhorrent to Washington. Border industries are part and parcel of the program for racial segregation.* [Emphasis added]

TABLE 4

*South Africa: Direct Investment in the Private Sector by Economic Activity and by Source, End of 1973**
(Rand millions)

Source	*Total rands*	*Share of investment to total investment (percent)*	*Agriculture, forestry, and fishing*		*Mining and quarrying*		*Manufacturing*		*Construction*		*Wholesale and retail trade*		*Transport, storage, and communications*		*Finance, insurance, real estate, and business services*		*Other*	
			Rands	*%*	*Rands*	*%*	*Rands*	*%*	*Rands*	*%*	*Rands*	*%*	*Rands*	*%*	*Rands*	*%*	*Rands*	*%*
EEC countries	3,685	67.6	25	59.5	256	60.9	1,590	64.7	48	78.7	477	59.8	75	68.8	1,173	78.8	41	55.4
Rest of Europe	357	6.5	2	4.8	6	1.4	213	8.7	11	18.0	68	8.5	—	—	51	3.4	6	8.1
North and South America	1,205	22.1	6	14.3	157	37.4	608	24.7	1	1.6	234	29.3	27	24.8	154	10.3	18	24.3
Africa	114	2.1	7	16.7	1	0.2	11	0.4	—	—	17	2.1	6	5.5	68	4.6	4	5.4
Asia	28	0.5	2	4.8	—	—	3	0.1	1	1.6	1	0.1	1	0.9	17	1.1	3	4.1
Oceania	60	1.1	—	—	—	—	31	1.3	—	—	1	0.1	—	—	26	1.7	2	2.7
Total	5,449	100.0	42	100.0	420	100.0	2,456	100.0	61	100.0	798	100.0	109	100.0	1,489	100.0	74	100.0

Note: Totals may not add up to 100.0 because of rounding.

*This table includes only that investment that can be attributed to a particular source. There are an additional R2,000 whose source is not known.

TABLE 5

South Africa: Distribution of Direct Investment in the Private Sector by Category of Economic Activity, End of 1973 (Percentage)*

Source	Total rands (millions)	Agriculture, forestry, and fishing	Mining and quarrying	Manufacturing	Construction	Wholesale and retail trade	Transport, storage, and communications	Finance, insurance, real estate, and business services	Other	Total
EEC countries	3,685	0.7	6.9	43.1	1.3	12.9	2.0	31.8	1.1	100
Rest of Europe	357	0.6	1.7	59.7	3.1	19.0	—	14.3	1.4	100
North and South America	1,205	0.5	13.0	50.5	0.1	19.4	2.2	12.8	1.5	100
Africa	114	6.1	0.9	9.6	—	14.9	5.3	59.6	3.5	100
Asia	28	7.1	—	10.7	3.6	3.6	3.6	60.7	10.7	100
Oceania	60	—	—	51.7	—	1.7	—	43.3	3.3	100
Total	5,449									

Note: Totals may not add up to 100.0 because of rounding.
*This table includes only that investment that can be attributed to a particular source. There are an additional R2,000 whose source is not known.

Other major transnational auto producers include the Leyland Motor Corporation (United Kingdom), Volkswagen (West Germany), and Toyota-Rambler and Datsun-Nissan (Japan).

The increase in foreign corporate activity in South Africa has been paralleled by a change in investment direction. Since the end of World War II the manufacturing sector has acquired increasing importance, reducing the relative significance of mining. Whereas in 1960 one-third of all private foreign capital was invested in mining and only one-quarter in manufacturing, by the end of 1974 manufacturing accounted for almost 40 percent of total foreign investment, while finance (including insurance and real estate) represented 25 percent, and mining had dropped to 15 percent. Private foreign direct investment had become even more heavily concentrated in the manufacturing sector—45 percent—and less in mining—7 percent.[23]

The European Economic Community (EEC) countries are another source of foreign capital in the manufacturing sector, the largest part of which originates in the United Kingdom. At the end of 1973 the EEC accounted for about two-thirds (64.5 percent) of total foreign investment in South Africa. The United States was the second largest source of foreign capital, accounting for nearly one-fifth (17 percent) of total foreign investment.

Figures alone do not reveal the full importance of U.S. capital investment, for it is the strategic role that counts as much as volume. At each stage of South Africa's development since World War II, foreign investment has provided the capital equipment and technological know-how which have enabled the country to build up new sectors of its economy. In the 1940s and 1950s the key growth sector was engineering, and Britain, the United States, and the EEC countries exported the capital, machinery, patents, and knowledge which enabled South Africa to make a breakthrough in this sector. Like their American counterparts, the EEC's companies pledge to observe a code of conduct in South Africa, including encouraging trade unions among Africans, combating the South African government's restriction on blacks' freedom of movement, and refusing to discriminate in rates of pay. In the 1960s, faced with the possibility of an arms embargo, French, German, and Belgian companies helped South Africa to become self-sufficient in weaponry. Other firms went into partnership with the government to provide South Africa with a modern textile industry, while American firms played a major role in the production of motor vehicles and automobile accessories, oil prospecting, and refining. In their book, *The South African Connection,* Ruth First, Jonathan Steele, and Christabel Gurney wrote:

> Foreign capital has been crucial to South Africa's economic development because of the technology and skills which it has brought with it. In computers, electronics, chemical and even nuclear energy this technological "bridge building" is linking South Africa with the latest Western trends.[24]

Besides the British and American multinationals, corporations from other Western countries are also active in the South African economy. For instance, the direct and indirect investments of transnational corporations based in the Federal Republic of Germany totaled more than R1 billion in 1974, and about four hundred West German firms active in the motor vehicle, chemicals, and engineering sectors have branches in South Africa.[25] French firms are estimated to contribute about 5 percent of South Africa's oil, construction, and military equipment, while Swiss-based multinationals represent another 4 to 5 percent of total foreign investment, concentrated mainly in the manufacturing and service sectors.[26] No further comment is needed; the close interdependence between the economies of South Africa and those of Europe and America is clear.

The Political Implications of Capital Investment

The export of capital raises the question of the political control of the country in which the capital is invested. After the collapse of Portuguese colonialism in Guinea-Bissau, Angola, and Mozambique in 1974, Henry Kissinger, then U.S. secretary of state, testified before the Senate Foreign Relations Committee:

> Events in Angola encouraged radicals to press for a military solution in Rhodesia. With radical influence on the rise, and with immense outside military strength apparently behind the radicals, even moderate and responsible African leaders—firm proponents of peaceful change—began to conclude there was no alternative but to embrace the cause of violence. . . . We were concerned about a continent politically embittered and economically estranged from the West; and we saw ahead a process of radicalization which would place severe strains on our allies in Europe and Japan.

Kissinger was quite explicit as to why the United States must stop such "radicalization":

> The interdependence of America and its allies with Africa is increasingly obvious. Africa is a continent of vast resources. We depend on Africa for many key products: cobalt, chrome, oil, cocoa, manganese, platinum, diamonds, aluminum, and others. In the last two decades, American investments in black Africa have more than quadrupled, to over one and one-half billion dollars. Trade has grown at an even faster rate. The reliance of Europe and Japan on Africa for key raw materials is even greater than ours.[27]

The Western world's political strategy in Southern Africa since the collapse of Portuguese colonialism has been to diffuse the possibility of revolutionary change and to work out a negotiated, neocolonial settlement. Prime Minister Vorster has been made a key figure in this strategy, and governments in Europe and America have been concerned to portray him as a pragmatic leader who is moving away from his earlier intransigent position. On October 20, 1977, the South African government took a step which alarmed its Western supporters and placed them in a severe dilemma: it banned eighteen African organizations, suppressed two African newspapers, detained the editors of the *World,* and banned those of the *East London Dispatch.* Vorster rejected American criticism as irrelevant, proclaiming, "We are not governed from overseas." A *New York Times* editorial expressed the Western quandary: after asking, "What gives Americans the right to react with horror and threat to his [Vorster's] suppression of all major black political leaders and organization?," the paper replied, "because his economy, Europe's and ours are interlocked."[28]

This interlocking relationship was described by Nancy Cardwell, a staff reporter of the *Wall Street Journal:*

> The importance of southern Africa to U.S. commerce and industry far exceeds the measurements shown by simple economic yardsticks. Beneath the mountains and savannas of Rhodesia, Namibia (also known as South-West Africa) and the Republic of South Africa lie vast reserves of essential minerals. Their uses range from the making of sophisticated electronic communications equipment and weaponry to the production of steel.
>
> Disruptions of supplies, whether by deliberate national policy or by production failures, would send world market prices soaring and threaten the viability of many industries. The resulting losses would dwarf the approximately $1.6 billion of direct U.S. investment in the region.
>
> Chromium, which is the corrosion-resistant ingredient of stainless steel, is the best-known industrial mineral found in the area. Rhodesia has 67% of the world's reserves of metallurgical-grade chrome ore, and the Republic of South Africa has another 22%. The U.S. doesn't have any. "We would have to revert 40 or 50 years in our standard of living and our technology in order to do away with chrome completely," says E. F. Andrews, a vice president of Allegheny Ludlum Industries, Inc., a stainless steel producer.[29]

There are many other equally important minerals that South Africa produces and sells to Western countries. It seems clear that any threat to the stability of the status quo in South Africa could endanger the short- and long-range interests of foreign capital. The relation of the exporter of goods to the customer, for instance, is short term and only reasonable political stability is required, but the relation of creditor and debtor is long term and inevitably gives rise to the demand for security, if not outright political control—especially if the country where capital is invested shows signs of political instability.

After the Sharpeville massacre, there was a great deal of instability in South Africa, and international financial circles panicked. Shares on the South African stock exchange fell in

value by $1.75 million. Gold and foreign exchange reserves dropped from $439.6 million to $238 million, while $271.6 million in foreign capital fled the country. International and national capitalist spokesmen, fearing that the Sharpeville crisis signaled the possibility of an organized African revolt, called for measures to redress the Africans' grievances. The chairman of Anglo-Vaal, the president of the Johannesburg Stock Exchange, Harry Oppenheimer, and Charles Engelhard all called for a relaxation of repressive laws. Some conservative ministers asked for changes, especially when Sharpeville and the follow-up strikes were compounded by an assassination attempt on Verwoerd.

The situation was restabilized through a combination of big-stick methods and American corporate financial aid. The government banned African organizations, arrested their leaders, and adopted repressive methods that virtually destroyed any overt resistance. But it was the American corporate effort that was to save the economy.

In December 1960 the International Monetary Fund allowed South Africa to draw $38 million in credits, and within six months had extended another short-term loan of $75 million. A year later South Africa received two loans from the World Bank, totaling between $25 million and $28 million, for railway and electric power development. The First National Bank of New York, which had two branches in the republic, extended a $5 million loan to the government's Industrial Development Corporation. Chase Manhattan contributed $10 million and, together with Dillon, Read, ensured that a revolving credit fund was extended for two years at the end of 1961, and further extensions have continued until the present. Charles Engelhard reaffirmed his personal commitment to apartheid in September 1961 when he raised $30 million in the United States for his Rand Selection Mining Group. International Harvester, Newmont Mining, Universal Laboratories, Owens Corning, Pfizer, Underwood, and others all announced expanded investments.[30]

By the end of 1962 U.S. investment, having fallen off in 1960, had topped the previous high point ($323 million in 1959) and amounted to $442 million. The 60 American corporations in pre-Sharpeville South Africa had become 175 by 1962, and today are in excess of 400. According to the National Council of Churches, U.S. firms now account for 75 percent of all U.S. assets in South Africa.

With the winds of change blowing at gale force throughout the continent, the South African government apparently felt that the greater the amount of foreign-held assets, the greater would be the interest of the foreign powers in restraining economic sanctions against it. This hope has been fulfilled on a number of occasions, as when the Western powers—the United States, Britain, and France—used their veto power to prevent mandatory sanctions from being imposed to force South Africa to relinquish its illegal occupation of Namibia.

The strategy of South Africa's industrialization in the 1960s was dictated not only by a desire to develop industry, but also by fiscal and military-technical considerations that demanded self-sufficiency in key areas in case of U.N. sanctions. Thus natural resources have been used to develop production of strategic materials, such as oil, explosives, and war materiel; and American and European investment has played a major role in these sectors. The key U.S. companies in each of these areas include: General Motors,* Ford, Chrysler, Kaiser Jeep Corporation (automobiles); Firestone, Goodyear Tire and Rubber (rubber); Union Carbide, U.S. Steel, Charles Engelhard (mining); Chase Manhattan Bank, First National City Bank (finance); Standard Oil of New Jersey (Esso) (oil); ITT, General Electric, 3M, IBM (computers). A quantitative analysis reveals that, although American investment is small compared with that of the EEC countries, it is highly concentrated in these critical areas.

A little-discussed area of British, American, German, and South African cooperation is in nuclear development. The first uranium plant in South Africa was formally opened on October

* According to the *New York Times* (May 19, 1978), officials of General Motors Corporation in South Africa drafted a secret contingency plan in the summer of 1977 to deal with potential race riots in South Africa. The plan indicated that the company's executives in South Africa expected the entire auto industry to be taken over by the South African Ministry of Defense if a national emergency were declared.

3, 1952. It was undertaken by joint British and American interests, with the cooperation of the Massachusetts Institute of Technology, the Chemical Research Laboratory of Great Britain, the Ottawa Bureau of Mines, and the South African government's Metallurgical Laboratory. A very considerable volume of American capital was put up for the plant, which had a capital investment of $110 million.[31] In 1965 the Johnson administration granted South Africa a reactor, and South Africa apparently now has a fully operational nuclear weapons program. In August 1978 it was revealed that South Africa was preparing to test its first nuclear weapon.

The timing of the nuclear test raises serious questions for those states that support guerrilla movements fighting against South Africa. Since the collapse of Portuguese colonialism in 1974 and the student rebellion in Soweto in 1976, South Africa has felt itself beleaguered. It would be difficult to escape the impression that the nuclear testing was carefully calculated, and it seems reasonable that the United States and its NATO allies have long known all about South African nuclear developments; that the alarm they expressed after being confronted by the Soviet Union with satellite pictures of the test was simply a smokescreen. Possession of nuclear capability, however crude the weapon and however humble the delivery system, must be regarded as South Africa's trump card to ensure the survival of its regime. The threat of a nuclear weapon could have far-reaching effects on the continuing African struggle.

South Africa's nuclear capability raises disturbing questions about the role of imperialism. Why did the imperialist countries help South Africa develop a nuclear weapons capability while pleading that such weapons must be kept out of the rest of Africa to avoid a costly arms race and localized wars? Dr. Peter Janke, a member of the London-based Institute for the Study of Conflict, holds that continued white rule in South Africa is in the strategic interests of the West, and that this can help the Afrikaner white minority:

> The continued existence of the white man in Southern Africa depends upon the Afrikaner, not the White English-speaking

South African. The Western strategic interest at present depends upon this too, for majority rule in South Africa, under whatever guise, cannot offer the same degree of immediate security to the West. It is upon the Republic, too, that Ian Smith's government depends, as does the hope and desperate need for controlled change and settlement there and in Namibia.[32]

After the Soweto rebellion of June 16, 1976, the economy suffered from inflationary pressure, debt, and a growing trade deficit. Despite the turmoil, major United States financial institutions repeated their post-Sharpeville pattern, arranging loans totaling more than $700 million to shore up the hard-pressed South African regime. Reed Kramer, of Africa News Service, writes:

> The biggest U.S. banks have organized and participated in a number of multimillion-dollar loans to the South African government, state-owned corporations, and private projects. As a result, U.S. indirect investment (mostly bank loans) in South Africa has for the first time in history surpassed the direct stake held there by some 300 American corporations. The latest major credit agreement was signed in late October—a $110 million loan to the government from a syndicate led by Citibank and co-managed by Morgan Guaranty Trust. Total lending to South Africa by American banks and their overseas subsidiaries has now surpassed $2 billion—nearly double what it was one year ago. By comparison, direct U.S. investment, which totals about $1.6 billion, has slowed its headlong rush of recent years, and may even show a decline for 1976.[33]

This indirect economic involvement is part of a new strategy that relies more heavily on financial capital than on covert agents to influence political developments. The $2 billion trust fund promised for Zimbabwe is part of this strategy, designed as it is to preserve the present economic infrastructure by encouraging the whites who control it to remain after independence.

J. A. Hobson once wrote with remarkable foresight that the "new imperialism" of South Africa would forge its own path in life. The absorbing aim of big business, politicians, financiers, and adventurers in South Africa, he wrote, will be to relegate British imperialism to what they conceive to be its proper

place, that of an *ultima ratio* to stand far in the background while locally based capital charts its own path. A South African–based subimperialist system, supported and financed by American and EEC capital and having a political career of its own, has emerged. But at the same time the U.S. monopolies have become particularly aggressive as capital investment in Southern African industries and raw materials has become an increasingly important means of supplementing their dwindling foreign earnings and of penetrating the markets of the South African subsystem. A report in the Hartford *Courant* stated:

> The lure of South Africa for corporate planners stems in part from the unusually high profits on investment there. For the U.S. corporations, the average rate of return on investment in 1974 was 19.1 percent, compared with a world average of 11 percent for U.S. investment, according to the U.S. Commerce Department. The British reported their rate of return for 1974 . . . as 13 percent compared with 10 percent world wide.[34]

It follows that Britain, the United States, and the EEC countries have an important stake in South Africa. For if South Africa is the key to change in Southern Africa as a whole, it is also the key to the protection of investments which are of growing importance to the capitalist world economy. If political stability in South Africa is essential to the protection of Western interests in Southern Africa, then the Western powers must remain involved in the fate of South Africa.

Given the size of the imperialist stake in the South African economy, the events that have been unfolding in the entire region since 1974 have taken on international character. A whole host of geopolitical theories have been advanced to substantiate imperialist policies, ranging from those that maintain that imperialist investment in South Africa promotes peaceful change to those that emphasize the importance of the Cape sea route for Western shipping in the case of the closing of the Suez Canal. Nevertheless, the counterrevolutionary nature of imperialism, despite rhetorical declarations critical of apartheid, should by now be clear to anyone. At the minimum, multinational investment has increased the imperialist stakes in retaining the status quo or some form of white supremacy over the whole of Southern Africa, and, at the maximum, it has fostered South Africa's economic and military threat to the neighboring states. Encouraged by the impunity it has seemed to enjoy in the face of all attempts at sanctions, the South African government unleashed the current wave of repression.

The interests of the South African ruling class and those of imperialism coincide; both are primarily interested in maintaining the status quo, the inequitable system of apartheid, which provides such lucrative profits. This identity of interests between imperialism and the South African ruling class in maintaining a superexploitation of the African work force is also seen in the propaganda offensive launched by both South Africa and imperialist circles concerning the role of foreign companies based in South Africa in improving working conditions for black workers. It is a propaganda offensive that is self-serving.

9

Apartheid Dogmas—and Afrikaner Nationalism

Oh, what a tangled web we weave,
When first we practice to deceive.
—Walter Scott

In the preceding chapters, whether analyzing South African society as a developing capitalist system or the laws passed by politicians to regulate the process of development, I have implicitly touched upon the problems of ideology and nationalism. That is important because those who lead the affairs of any social community must explain their actions. But ideology is also a specific sphere of social life, a special social arena in which the struggles between various classes are fought, which therefore needs to be studied in its own right if its role in the history and development of any society is to be understood. In particular, ideology needs to be studied to find out how it justifies and boosts the economic activities of particular classes; that is, the study of ideology enables us to study the intentions of the articulate classes and the spiritual character of a particular class's rule. As Raymond Williams has pointed out:

> Intention, the notion of intention, restores the key question, or rather the key emphasis. For while it is true that any society is a complex whole of such practises, it is also true that any society has a specific organisation, a specific structure, and that the principles of this organisation and structure can be seen as directly related to certain social intentions, intentions by which we define the society, intentions which in all our experience have been the rule of a