U.S. transnational corporate investment in strategic sectors of the South African military-industrial complex

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http://hdl.handle.net/2144/22401

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U.S. TRANSNATIONAL CORPORATE INVESTMENT IN STRATEGIC SECTORS OF THE SOUTH AFRICAN MILITARY-INDUSTRIAL COMPLEX

by Ann Seidman and Neva Makgetla

Transnational firms from all the core capitalist countries after World War II played a crucial role in transforming South Africa's mineral-based economy into a modern, industrial, increasingly militarized state. Foreign investment in 1973 totalled R9163 million, more than three times the 1956 total of R2757 million, and almost double the 1968 total of R4990 million.

Part I of this paper explains why apartheid South Africa attracted so much transnational corporate investment in the 1960's and 70's; how that investment enabled South Africa to intensify its domination of neighboring countries; and the impact of it on the political economic crises of the 1970's. Part II depicts in more detail the role of particular U.S. transnational corporations in building up strategic sectors of the South African military-industrial complex.

I

Why South Africa?

Transnational corporate investment in South Africa mushroomed during the very years when independent governments took power and began to compete for investment, particularly in industry. The reasons for this relate to the specific, racist features of South Africa's political economy, and the interventionist role of the state, as well as the "bounded rationality" of corporate managements. Over the centuries following their first landing, white settlers employed military force and played one African group off against another.

** Drawing on Cyert, March and Simon, Evans points out that corporate managers' decisions are rational "only within the cognitive boundaries created by the information available to the decision-maker. What information is available depends on who makes the decision and where it is made."
trouble whites or scare off foreign investors. Many of the uprooted African families had lived in the cities for generations; now they were forced into "homelands" they had never before seen. The regime tried to break down African unity by forcing them back into "tribal" groups, although a century of capitalist development had plunged Africans into the melting pot of proletarianization. New laws stripped Africans of the mockery of citizenship previously permitted; they now enjoyed "citizenship rights" only in the "independent" Bantustans. If they could find a white employer, they might migrate to the prosperous "white" cities or estates. For those who remained behind -- women, the unemployed, old men and children -- life became a grinding round of poverty, hunger, and death: a slow, less visible form of violence, which has been compared to Hitler's genocide.

The Nationalist regime simultaneously introduced new measures to encourage investment in manufacturing. It used typical state-capitalist procedures to cajole and pressure transnational corporations to extend their investments from last-stage assembly and processing plants to vertically integrated industries providing a wide range of basic industrial products. The regime broadened its own state corporate structure through an Industrial Corporation of South Africa. Each leading parastatal group* had its own complex of affiliates and subsidiaries, many of them part-owned by domestic and foreign private firms. Among the largest parastatals, --Iscor, the iron-and-steel corporation, produced almost three fourths of the steel consumed in South Africa in the 1970s. Transnationals and mining finance houses invested heavily in its largest subsidiaries, and transnationals provided it with the advanced technologies needed to compete internationally.

*A parastatal is an autonomous corporation in which the state holds shares.
with the advanced technologies needed to compete internationally. --Escom, the electricity utility, undertook, with transnational corporate assistance, to construct a southern African grid of thermal, hydroelectric and nuclear power plants. --Sasol produced oil and petrochemical by-products from coal, using sophisticated technology supplied by U.S. and FRG transnationals (a project of particular importance as the regime faced an oil boycott and had no known natural oil reserves).

--The Industrial Development Corporation (IDC), paralleling the colonial development companies established by the British throughout Africa, invested together with private capital in diverse manufacturing industries.

--The South African Railways and Harbors Corporation (SAR&H) owned the most extensive rail network in Africa, and operated and modernized South Africa's port facilities.

--Sentrachem collaborated with transnational chemicals corporations to establish a domestic chemicals industry.

In 1964, the government established a wholly-owned parastatal, Armscor, which contracted with hundreds of private and parastatal firms to produce parts and equipment for its growing military machine. It drew on the expanding national industrial base to achieve an increasingly self-reliant, capital-intensive capacity for production of military hardware.  

The African majority never submitted docilely to the intensified onslaught on their rights. The African National Congress (ANC), a broad united-front group established in 1912, united wider and wider segments of the population -- not only Africans, but also Coloreds, Asians and some whites -- to struggle against apartheid. Mass demonstrations and strikes spread across the country.
The minority regime retaliated by imposing a series of oppressive laws, backed by growing police and military force. It introduced the Suppression of Communism and Terrorism Acts to prosecute any group which expressed opposition to increasingly stringent racist measures. Detention laws made possible the jailing of opponents for unlimited periods.

In 1961, Africans protesting the pass system were gunned down at the Sharpeville and Langa townships. Over 100 people were killed. The regime outlawed both the ANC and a group that had split from it, the Pan-Africanist Congress. Organizers were detained, tortured, sentenced under laws that made simply speaking out for change illegal; strikers were deported to the Bantustans or jailed; peaceful demonstrations were fired on. The liberation movement turned to armed struggle.

In this context, transnational corporations vied to expand their investments, especially in the country's strategic manufacturing industries. The corporations' bottom line was profit; and, until the mid-1970s, profits in South Africa ranked among the highest in the world. U.S. manufacturing corporations with investments in South Africa reported that they remitted home a share of profits equal to 16-18 per cent of their invested capital annually from 1970 to 1974. They reinvested an additional share, ranging from 6 to 12 per cent of their invested capital, to expand output in South Africa. Thus they enjoyed at least a 25 per cent rate of profit -- far higher than their returns at home. U.S. firms in South African mining and smelting and oil refining in some years reported profits of over 40 per cent. When the economic crisis engulfed the South African economy in the mid-1970s, manufacturing profit declined, and so did the rate of remittance to the United States. Nonetheless, some manufacturing transnationals in strategic
industries still reported high returns and continued to augment their investments.

High transnational corporate profits in South Africa resulted primarily from low costs. Black workers' wages were exceptionally low compared to those the transnationals paid at home. The wages of manufacturing workers in South Africa rose in response to inflation and the strike wave of the early '70s. Yet they remained not only well below those in the developed capitalist countries, but also, for the vast majority of black workers, below the bare minimum needed to support themselves and their families.

Table 1: Average Monthly Earnings, Compared to the United States in South Africa

<table>
<thead>
<tr>
<th></th>
<th>1975 (U.S. dollars)</th>
<th>1976 (U.S. dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa--White</td>
<td>$806</td>
<td>$880</td>
</tr>
<tr>
<td>Colored</td>
<td>259</td>
<td>284</td>
</tr>
<tr>
<td>Asian</td>
<td>307</td>
<td>355</td>
</tr>
<tr>
<td>African</td>
<td>163</td>
<td>189</td>
</tr>
<tr>
<td>United States--</td>
<td>726</td>
<td>779</td>
</tr>
</tbody>
</table>

Ratio of average U.S. wage to average African wage:

- 4.45:1
- 4.12:1


Spokesmen for the regime argued that Africans' wages need only support the (male) workers themselves; women and children, they claimed, could support themselves by farming in the Bantustans. They ignored the fact that only about a third of all Africans actually lived in the Bantustans; of those who did, only about a tenth, at most, might hope to scrape a subsistence livelihood from the land.

The Institute for Planning Research at the University of Port
Elizabeth calculated the Poverty Datum Line as R134.65 a month in 1976. The Institute recommended adding another 50 per cent to reach R201.98 a month, the 'Household Effective Level' necessary for a family of six to live at a health and decency level. Africans' wages in 1976 averaged R126, about R75 or 41 per cent below this figure. A majority of the workers earned even less.

As anti-apartheid criticism mounted in the 1970s, transnational corporate spokesmen claimed their investments provided a lever for improving wages and working conditions for black workers. Over 100 U.S. firms signed the "Sullivan Principles" in the mid-'70s, pledging to upgrade their black employees into more skilled jobs and provide equal pay for equal work for all their employees. The Sullivan Principles required neither that signatory firms pay a minimum living wage to black workers, nor that they bargain collectively with African trade unions. The U.S. Chamber of Commerce lobbied to prevent the U.S. Congress from establishing an agency for monitoring its enforcement. When a U.S. embassy official visited Port Elizabeth, where U.S. auto, tire and electrical firms were important employers, black workers "complained of inadequate training, job reservation, lack of union status, arbitrary promotion, abuse by S.A. foremen and job insecurity."

The South African Financial Mail reported that foreign firms had done little more than South African companies to improve the working conditions of black employees. The Color Par continued to operate "in one form or another, on practically every shop floor in the country." Wages remained "painfully low." Men and women were still "crowded together in bleak compounds." Managements

*These estimates typically assumed that Africans could live on incomes lower than those of Whites, Asians or Coloreds (in South Africa, even statistics are divided by race)!
exhibited a "great deal of inertia" in making training facilities available to Africans. "Hardly a week goes past" without allegation of victimization of African workers, not only for joining unions, but even for daring "to question the behavior or policies of managements."

Black workers, far from advancing up the national employment ladder, as a whole had been further downgraded by the end of the '70s. Though they won percentage wage increases exceeding those of whites, in the 1970s, the gap between black and white wages actually widened in cash terms. African administrative, executive and managerial workers dropped from 2.9 to 0.4 per cent; professionals, semi-professionals and technical staff, from 29 to 26 percent; artisans and apprentices, from 2.5 to 2.1 per cent; and clerical workers, from 13.4 to 13.2 per cent of all clerical staff. The worsened position of Africans reflected in part the regime's plan to "whiten" South Africa's urban areas, where "black managers are not all that welcome."

The institutionalization of black poverty also lowered other costs for transnational corporate investors. The parastatals, which paid their African employees particularly low wages, sold basic inputs for corporate expansion at or below cost. Iscor, the iron and steel parastatal, depended on annual subsidies to keep the price of domestic steel at levels competitive with world prices. Escom, the state electricity corporation, charged lower rates to industry and mining than to private consumers. The state held down corporate taxes, by refusing to provide adequate social security, health care or education for the black majority. Tax concessions encouraged the introduction of machinery and equipment, in part to reduce the economy's dependence on black labor. Thirty per cent of the cost of machinery could be deducted from taxable
company profits. The effective tax rate paid by U.S. firms in South Africa throughout the '60s was estimated at a mere 22 percent of net income. A double-taxation agreement with the United States government provided that U.S. firms which paid taxes on profits in South Africa would not again be taxed for those profits at home.**

While denying social services to blacks, the South African state spent a disproportionate amount of its tax income to build up the social and economic infrastructure of the "white" urban industrialized areas. This added to the profitability of manufacturing investment, as firms did not themselves have to provide water and energy, transport linkages or skilled (white) labour. Transnational managerial personnel, and their families, could, at the same time, enjoy the comfortable (lily-white) suburban surroundings provided them; it was just like living "at home."

South Africa provided a tempting market for the transnationals' sophisticated technologies. South Africa's four million highly paid whites, although only a fifth of the population, comprised a significant market for high-priced consumer goods. The South African regime, parastatals and private industry in all sectors were eager to buy the sophisticated machinery and equipment. The mining companies proposed to spend three fifths of an R150-million, 10-year development program on mechanization in the '70s. South Africa's wealthier white farmers multiplied their purchases of large, 200-Kw tractors tenfold, substantially reducing dependence on African labour.15 Iscor and Sasol, the chemicals parastatal, both expanded rapidly throughout the '60s and '70s, buying the most modern technologies available.16 The South African regime progressively** In this way, U.S. taxpayers effectively subsidized investments there.
numbers of South African blacks. Increasingly, South Africa's labor recruiting agencies contracted with workers to migrate from all the neighboring countries to work on South Africa's mines and farms, so that labor shortages would not push wages up. In the early '70s, about 80 per cent of the workers on South Africa's mines came from neighboring countries. Only after the independence of Mozambique and Angola, and the rise in unemployment in South Africa in the political-economic crisis of the '70s did more South African blacks work on the mines, reducing the proportion of foreign mine workers to about half.  

Second, as the import-substitution capacity of the South African market became saturated in the late 1960s, South African domestic and foreign-owned manufacturing industries intensified their efforts to sell their output throughout the region. The importance of this regionally expanded market cannot be over-emphasised. The domestic South African market remained limited, because of the impoverishment of the African majority. South Africa's export markets in the developed nations were effectively open only to raw and semi-processed materials, in a typical neo-colonial pattern. In exchange, South Africa purchased from them the capital, intermediate goods and equipment required to build up its own manufacturing industries. In contrast, South Africa's exports to "the rest of Africa" (including a sizeable but unknown share to Rhodesia) consisted primarily of manufactured goods, many of them produced with transnational corporate financial and technical assistance. In 1975, South Africa sold to "the rest of Africa" over half its chemicals exports and about three fourths of its exports of machinery and equipment (73 per cent); plastics and rubber products (89 per cent); stone, cement and glass products
South African imports from the rest of Africa consisted of crude mineral products (26 per cent), light consumer goods and processed and semi-processed agricultural and timber produce. Many of these imports were produced by transnational firms which shipped them to their South Africa factories for final processing and sale. The "rest of Africa" was for a long time the only area of the world with which South Africa reported a trade surplus. If Botswana, Lesotho, Swaziland and Namibia had been included in the "rest of Africa," the neighboring countries' importance as a market for South African manufacturing would be shown to be still greater.

Third, many transnational corporations used South Africa as their headquarters for investments in surrounding countries. Transnationals with regional head offices in South Africa collaborated with the mining finance houses and parastatals to mine copper, iron, chrome, diamonds, uranium and other metals and minerals throughout southern Africa. Their projects provided raw materials for processing in South Africa's new factories, as well as for sale overseas to augment their profits and contribute foreign exchange earnings to the South African regime. At least 18 of South Africa's top industrial companies, eight of them transnationals, had major affiliates in Rhodesia. The largest banks in the neighboring countries were affiliated to transnationals, typically operating through regional head offices in South Africa.

The Political-Economic Crisis of the 1970s:

Several basic contradictions characterised the structure of South African industrialization. As industry expanded, the real incomes of workers in manufacturing and throughout the economy remained static or dropped. South African manufacturers had to sell their goods in the limited (white) luxury market, to the
military, in neighboring countries or overseas. Transnational investors cooperated with South African capital to produce luxury autos and armored cars, while black workers packed into decrepit trains for unbearably long commutes to and from work. Equipment supplied by the transnational corporations produced electricity for the military; but Soweto, a city with over a million (African) residents, and most other African townships went without.

Production of sophisticated luxury and military goods tends to capital intensity. To compete in export markets, corporations introduced the latest, most capital-intensive technologies. To facilitate implementation of its plans to "white" urban areas, the regime encouraged this tendency. As a result, South African manufacturing grew steadily more capital intensive, contributing to rising black unemployment, particularly in the 1970s.

The deepening general crisis in the capitalist world aggravated these contradictory characteristics. By the late 1970s, about a fourth of South Africa's industrial capacity lay idle. South Africa's official labor policies inevitably threw the burden of the crisis onto the black population -- always last hired and first fired. Unemployment mounted among the blacks.* By 1977, unofficial estimates showed two million South African blacks, one out of four members of the labor force, unemployed. Increasing numbers of unemployed South African blacks were shipped off to the Bantustans where -- without any form of social security or welfare payments -- they faced slow starvation. Thousands more migrant workers were shipped back to swell the ranks of the unemployed in the neighboring countries.

Stepped-up military production had played a critical role, etc.

*The South African regime grossly-underrepresented black unemployment. It altogether ignored black women unemployed.
strengthening the regime's ability to maintain apartheid while expanding the domestic market. But it also increased state expenditures. To avoid discouraging continued investment, the regime raised taxes on lower- and middle-income groups, further limiting the domestic market for consumer goods. Meanwhile, escalating government debt combined with heightened spending on military hardware to stimulate inflation. Rising prices for imported oil as well as heavy machinery and equipment, which the regime imported for massive projects designed to strengthen the economy and/or the military, spurred domestic inflation still further. The cost of living more than doubled between 1970 and 1978.

The African population organized increasingly effective resistance to apartheid in the 1970s. The liberation of Mozambique and Angola and the rising tide of armed struggle in Zimbabwe and Namibia gave new impetus to the movement. The regime's soldiers and police gunned down unarmed students in the streets of Soweto in the 1976 uprising. In the following years, reports of armed resistance to the police and army in the cities and countryside -- spearheaded by Umkhonto we Sizwe -- surfaced more and more frequently.

Confronted with mounting internal resistance and growing international criticism, the South African regime made placatory gestures. It began to encourage the emergence of a black "middle class," in hopes of gaining support for the status quo. It permitted a handful of wealthy black businessmen to expand their activities. The few blacks with sufficient incomes to buy long-term leases might acquire a degree of residential security. A wealthy handful could enter elite restaurants and hotels in white areas. Perhaps more significant, the regime began to foster the establishment of a relatively stable strata of skilled black workers.
Despite these much-touted reforms, the basic system of apartheid remained unaltered. The regime's position was clear. It hoped to create the illusion of change, without fundamentally altering the underlying institutionalized structure of white privilege and black exploitation.

II

U.S. corporate role in strategic sectors:

As the Nationalist regime intensified apartheid in the 1960s and 70s, U.S. corporations, vying competitively to penetrate the vast African continent, multiplied its trade with and investment in South Africa. U.S. firms had, by the 1970s, ousted British companies to take first place in the sale of machinery and equipment there. They purchased barely a tenth of South African exports, but their purchases had begun to include key industrial items like steel. Simultaneously, U.S. corporate managers expanded their investments to become close rivals to British firms as South Africa's second most important source of foreign capital providing about 17 per cent of the total in the 1970s. U.S. direct investment in 1977 totalled $1.8 billion, about 40 per cent of all U.S. investment in Africa. This figure excluded extensive indirect investments through affiliates in Canada and Europe, particularly in the U.K. If oil investments were excluded, then well over half of all U.S. investments on the entire African continent were in South Africa.

Over 400 U.S. companies had acquired direct interests in South Africa by the early '70s. U.S. data indicated that U.S. firms continued to expand their South African investments even after the Soweto uprising and despite the general stagnation of South African industry.

U.S. manufacturing firms in particular heightened their
drive to invest in South Africa's manufacturing sector. By 1976, South Africa ranked 14th internationally in terms of U.S. manufacturing investment. Four fifths of U.S. investment in manufacturing on the African continent as a whole were located in South Africa in the mid-'70s. Over 97 per cent of U.S. investment in the production of machinery in Africa was concentrated in South Africa. And, in the mid-'70s, U.S. manufacturing firms reaped from South Africa nine tenths of all profits they made in Africa.

U.S. transnationals concentrated their investments in newer, technologically more sophisticated industries, where their financial power and advanced technological expertise enabled them to compete most effectively with the British. In a number of industries -- electrical, nuclear, and computer technology, motor vehicles and petroleum refining -- U.S. firms achieved a crucial, in some cases dominant, role. U.S. transnationals also helped Japanese affiliates assemble their products in South Africa, circumventing the Japanese government's bank investments there.

As world-wide anti-apartheid criticism mounted in the late 1970s, however, some leading U.S. firms sold a majority share in their holdings to South African partners, establishing a pattern more resembling that of their British predecessors. This tactic rendered their continued participation in South African business less visible and reduced their direct responsibility for black wages and working conditions. Meanwhile, they retained their control over the flow of advanced technology and access to world markets and finance.

Steel: As the economy stalled and inflation boomed in the late '70s, Iscor, South Africa's Steel parastatal, pushed exports to "keep the mills going" and "earn much-needed foreign exchange." It targeted the U.S. for increased sales. In 1979, South Africa
expected to earn some R400 million in foreign exchange from steel sales, 30 per cent more than in 1978. In 1979, South Africa steel still managed to find its way into the United States market, despite the U.S. government's efforts to impose a trigger mechanism to block low cost imports. (NYT)

Transnational corporations' cooperation ensured that Iscor fulfilled its leading role in transforming the South African economy. They provided the most up-to-date equipment and know-how needed for South African companies to "develop products competitive in the export markets of the world." They sold South African steel producers such advanced systems as rolling mills, oxygen-blast furnaces, continuous casting equipment and computerized control systems.

Transnational corporate banks supported Iscor's efforts to build up the steel industry by arranging international loans. In 1975 alone, the net financial charges on Iscor's accumulated foreign and domestic debt totalled R87 million. The South African regime acted as guarantor. In other words, the regime used its borrowing capacity to subsidize low-cost iron-and-steel production.

Transport: The South African regime stimulated transport as its "chosen instrument for achieving the crucial sophistication of industrialization." Cars with less than two-thirds local content, by weight, faced high tariffs. This policy ensured increased demand for local manufactures, especially for steel, machinery, electrical, glass and petroleum products. In turn, locally-based auto producers obtained access to the protected market. The low wages of African workers formed a major attraction for transnational investors in this relatively labour-intensive industry.

By 1975, over ten auto manufacturers had entered the South African market. The smaller firms could not attain needed economies
of scale. The crisis of the late '70s, combined with high oil prices, revealed the industry's weaknesses. Shrinking export and domestic markets slashed profits. The transnationals with relatively small subsidiaries began to sell majority shares to South African partners. This meant, that the transnationals maintained their income from licencing and sale of parts and technology, while avoiding direct involvement in potential losses.

The U.S. auto firm, General Motors, continued to play a leading role in South Africa's transport industry, especially producing heavy trucks and locomotives. By the mid-70s, its South African plants' sales of over 30,000 cars and trucks equalled in value those of the 53rd largest firm in the U.S. itself, although accounting for only 4 percent of G.M.'s international output. GM South Africa was one of the biggest companies in the country. In 1979, it announced plans to spend a further $20 million to modernise its plant. It owned three factories near Port Elizabeth for manufacturing and assembly. It produced basic components, including radiators, engines, batteries, spark plugs, springs and sheet metal components. G.M.'s "Ranger" model was designed in South Africa and sold worldwide, and it also exported parts from South Africa to European affiliates. In addition, G.M. South Africa produced locomotives at Port Elizabeth. To satisfy the regime, its principal customer, it produced 30 to 35 per cent of its locomotive output locally. It admitted selling trucks to the South African police and army after the United Nations imposed a mandatory embargo on arms sales to the regime.

After Soweto, a secret GM memorandum explained that the South African regime had designated GM South Africa a 'National Key Point Industry.' This meant the military would take over in case of an emergency because of its strategic importance. GM's white personnel were to join a 'G.M. Commando' organized to guard its plants.
In the 1970s, G.M. tried to counter criticism of its involvement in apartheid by promising to improve its labor policies. G.M.'s black board member, the Rev. Leon Sullivan, authored the Sullivan Principles, pledging equal pay and promotion for black workers but they apparently made little real difference to GM's thousands of South African employees. In a country where 90 per cent of all workers are black, only 18 per cent of GM's employees in 1976 were African (up from 10 per cent in 1972), and 55 per cent, Colored, in 1976. The rest were whites. Just three Africans and 58 Colored workers held salaried posts. Only 36 Africans and 440 Coloreds earned over $1.18 an hour; only 73 whites earned less. G.M. laid off 40 per cent of its African workers, and 30 per cent of its Coloured workers, and only 14 per cent of its white workers. By January, 1978, only a tenth of its workforce was African. Four Africans were salaried: a nurse, a clerk, a personnel officer, and a computer operator.

Like G.M., Ford developed its largest holdings in South Africa. It founded Ford South Africa in 1923 through its Canadian subsidiary to take advantage of Empire and then Commonwealth trade preferences. Ford South Africa expanded rapidly in 1960s. By 1970, it owned a manufacturing and assembly complex for cars, vans, tractors and trucks. Although its sales of cars and commercial vehicles represented less than 3 per cent of Ford's total sales outside the U.S., it supplied 18 per cent of the South African market. Ford South Africa exported its Cortina light pick-up truck, "designed and developed" in South Africa. The regime designated Ford, like G.M., a National Key Point because of its military importance.

The President of Ford, visiting South Africa in 1978, pledged to increase investments in Ford South Africa.

Ford's labor policies did not differ significantly from those of other relatively labor intensive manufacturing firms in South
communications and radar as well as modern weaponry and transport equipment.

U.S. electrical companies' early establishment in South Africa reflected their initial lead in global expansion and the electrical industry. General Electric (GE), the largest private employer in Massachusetts today, established a South African affiliate (SAGE), which grew to be South Africa's largest electrical company. It manufactured and imported a wide range of consumer and capital goods, including electrical controls (used in ISCOR plants) and capacitors. SAGE provided control relay panels for the Cabora Bassa Dam in Mozambique when the minority regime viewed that project as crucial to continued Portuguese colonial rule. The South African government designated SAGE, too, as a National Key Point Industry.

SAGE employed almost 2000 workers in South Africa in 1976. Of these, 1306 were black, but less than 70 held salaried posts. Only one black worked at the "professional and management" level, compared to 262 whites. SAGE took advantage of the apartheid system to set up a small plant (162 workers) on Bophutatswana in 1976, where it paid wages lower than in its other factories. Two years later, General Electric sold its consumer goods lines in South Africa to a South African firm, Defy, in which it acquired a 23.5 percent holding. But it continued to profit from sales of parts and materials, as well as technologies. Its own employment in the more capital intensive basic industrial machinery and equipment industry dropped to little over 200.

GE also held 15 percent of the shares of the second largest electrical firm in West Germany, AEG-Telefunken, which helped set up South Africa's television network and was heavily involved in providing components for Project Avocaat, an advanced military communications system that was part of the military build-up on the Cape route.
Another GE affiliate, one of the largest Japanese electrical companies, Tokyo Shibaura Electric, supplied the South African parastatal, ESCOM, with hydroelectric power generators for the billion dollar Orange River project.54

The South African regime relied increasingly on computers to accumulate, identify and control the African population, as well as to resolve the critical shortage of skilled (white) labor without promoting blacks. The regime itself provided a large market for furiously growing computer sales, many of them for military purposes.

Table 7.13: Uses of Computers by South African Government

<table>
<thead>
<tr>
<th>Department or Parastatal</th>
<th>Uses of Computers in:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defence Department</td>
<td>Early warning system; underground nerve-center, Northern Air Defence Sector; satellite radar station near Botswana and Mozambique borders; Mobile Radar Unit</td>
</tr>
<tr>
<td>ARMSCOR (arms manufacture)</td>
<td>'various' purposes (top secret)</td>
</tr>
<tr>
<td>Atomic Energy Board</td>
<td>Pelindaba nuclear research project; Velindaba nuclear enrichment project</td>
</tr>
<tr>
<td>UCOR (Uranium Enrichment Corporation)</td>
<td></td>
</tr>
<tr>
<td>Department of Justice</td>
<td>Financial and statistical purposes</td>
</tr>
<tr>
<td>Department of Prisons</td>
<td>Financial purposes</td>
</tr>
<tr>
<td>Department of Interior</td>
<td>Book of Life and passbook control</td>
</tr>
<tr>
<td>Department of Labor</td>
<td>In control of terms and conditions of work</td>
</tr>
<tr>
<td>East Rand Bantu Administration Administration of pass laws Board</td>
<td></td>
</tr>
<tr>
<td>Bantustans</td>
<td>For administrative purposes</td>
</tr>
<tr>
<td>Local municipal administrations</td>
<td>Administration</td>
</tr>
</tbody>
</table>


Only the U.S. and Britain spent a higher share of their GNP on computers than South Africa. Despite the mid-'70s recession, computers continued to "sell like hotcakes," reaching 1500, valued
at over $500 million, in 1976. South Africa imported all its computers, as it had no domestic computer industry.

An IBM subsidiary, IBM South Africa, employed 2600 workers, mostly whites, as sales and service personnel. It sold about a third of its computers in South Africa to the regime or its agencies.

In 1977, despite the UN's mandatory embargo on arms sales to South Africa, IBM's South African affiliate announced plans to supply components and services for military and police computers as long as spare parts were available. At the same time, the South African regimes established a network among its departments in cooperation with the private sector to handle all official computer work jointly. As long as any computer services were sold to any firm in South Africa, it was difficult for the U.S. government to prevent them from being used for military purposes.

Nuclear technology: In 1977, satellite reconnaissance discovered an installation in the Kalahari Desert which resembled a testing facility for nuclear explosives. The South African regime claimed it had no plans to produce atomic weapons. But it later denied it had pledged the U.S. government it would never do so, and refused to sign the Nuclear Non-Proliferation Treaty. Analysts, emphasizing that there is no such thing as a solely 'peaceful' nuclear technology concluded the minority regime probably had the capacity to produce nuclear bombs. In 1979, U.S. satellites detected a nuclear explosion in the ocean off the South African coast, which later reports exposed as the result of joint African-Israeli collaboration.

The United States government and private firms first became involved in the South African nuclear business back in 1952 when the first South African uranium plant was opened under a tri-partite agreement between the British, the U.S. and South African governments. At that time, U.S. and Britain were the sole purchases of South
African uranium. South Africa bought her first nuclear reactor, Safari I, from the U.S. in the early 1960s. It was installed with the aid of the U.S. corporation, Allis Chalmers. South African nuclear scientists were trained in the U.S. Atomic Energy Commission Laboratory at Oak Ridge. The Massachusetts firm, Foxboro Co., sold two large computers to the South African Pelindaba research center. The U.S. nuclear corporation sold or was committed to selling 300 pounds of weapons-grade uranium, from which 15 atomic bombs could be produced, to South Africa. The U.S. delegation to the United Nations explicitly insisted that nuclear cooperation be left out of the 1977 mandatory United Nations embargo on the sale of military equipment to South Africa. Only in 1978, did the U.S. government officially terminate these sales.

Oil: Three U.S. oil majors became deeply involved in supplying oil to facilitate South Africa's military-industrial buildup. By 1973* they had already invested $274 million in South Africa, 12 percent of their investments in oil on the whole African continent. They collaborated closely with parastatals, not only to build refining complexes and distribute oil products throughout the Southern African region, but also to manufacture petrochemicals and produce oil from coal. They assisted the South African regime to violate United Nations sanctions to ship oil to Southern Rhodesia. They enabled South Africa, itself, to continue to buy essential crude oil after the oil producing countries, through OPEC, had agreed to impose an embargo.

Like every other modern industrial economy, South Africa needed oil to fuel its transport system, industrial sector, chemicals production, agricultural machinery, and fishing and shipping fleets. Above all, in the '70s, it had to have oil for the capital-intensive

* Footnote: the last year for which the U.S. Department of Commerce reported U.S. investments.
military equipment and machinery required to safeguard its minority rule. Paratus, the journal of the South African Armed Forces, pointed out the concept of "mobile warfare...has made petrol a critical item in the time of operations." Under South African law, oil was considered a 'munition of war.' It was illegal for an oil company operating in the country to refuse to supply the South African armed forces.

The oil companies undoubtedly viewed the separation of their refining and manufacturing capacity in South Africa from their producing wells elsewhere in Africa as a positive advantage. No government could easily nationalize the entire business, and would have to remain dependent on the transnational firms for at least some aspects of the business. The South African regime, furthermore, had to depend on the companies' willingness to continue to import crude, ensuring that it would have to remain sensitive to their concerns.*

From the South African government's perspective, the more the companies could be persuaded to invest in refining and distribution in South and southern Africa, the more they would have a built-in interest in continuing to supply oil imports. To compensate, for its own lack of oil reserves, the South African government, with transnational corporate help, reduced its dependence on oil by intensive development of other energy resources, including hydroelectric and nuclear power, to less than a fourth of its total energy needs. But its demand for that irreducible minimum remained.

In the 1960s, to guard against the danger of an oil embargo, the South African government introduced measures to build up oil stock-

*It is interesting to contrast this to the Brazilian case where Petrobas, with its own oil wells, developed its own refining and distributing capacity, creating "a crisis for the multinationals..."
piles. It required the transnational oil companies to "hold large stocks at their own expense as a condition for permission to build or expand refineries." Transnational corporations helped South Africa acquire the essential technology to produce oil from its vast coal reserves. In 1955, it completed SASOL I, which produced about one percent of South Africa's current oil requirements. The government initiated a second project, SASOL II, with the aid of FRG and U.S. transnationals. The California firm, Fluor, undertook the basic construction contract. The Massachusetts company, Raytheon, through its subsidiary, Badger, subcontracted to do about $350 million of the construction work. A third U.S. firm, Honeywell, provided the major electrical equipment.

In the late 1970s, after the Iranian revolution cut off South Africa's major source of imported oil, the regime planned to expand SASOL II, using its soaring gold receipts to spend almost $4 billion on the highly secret project.

But the most important role of U.S. companies lay in helping to expand South Africa's oil refinery capacity till by itself it almost equalled, if it did not surpass, that of all other African countries combined. Four transnational oil firms, three of them from the U.S. -- Mobil, and Standard Oil of California and Texaco, working together through Caltex -- supplied 75 percent of the total regional demand for petroleum products.

U.S. oil giants invested more capital in their South African business than in any other single African state. Next to manufacturing, oil became the most important sector of U.S. investment in South Africa. Caltex and Mobil owned two of the largest refineries in the country. In 1975, Caltex initiated expansion of its South African operations, aiming to almost double its output to 100,000 barrels a day by 1978. Caltex also owned 23.8 percent of Mobil's lubricating
Two Mobil subsidiaries operate in South Africa, providing a full line of petroleum products. Their South African assets in 1979 amounted to almost $500 million. In late 1978 a Mobil subsidiary, Condor Oil, opened an oil recycling plant which provided about 6 percent of South Africa's lubricating oil needs. Mobil staff designed and engineered the plant for which 90 percent of the materials were provided by South African based industry. In 1976, the United Church of Christ exposed the "paper-chase" set up by Mobil South Africa to sell its oil products in Southern Rhodesia despite United Nations sanctions.

Oil refineries and petrochemicals industries are highly capital-intensive. They require primarily highly skilled labor, a category from which the South African union contracts and custom, as well as government policies, systematically excluded African workers. In 1978, Mobil Oil reported it employed 3,036 persons, of whom only 46.6 percent were 'non-white' and of these little more than half (roughly a fourth of the total labor force) were 'black', presumably African. This was the outcome of what Mobile announced in 1972 as a vigorous policy of up-grading blacks.*

The oil majors, by introducing advanced technologies, actually contributed to reducing overall employment, as Texaco, claiming it had upgraded African workers from 1962 to 1977, demonstrated. It increased output over the 15 years, but cut back on total employment by several hundreds of workers. Furthermore, it reduced the proportion of blacks from 62 percent of the labor force in 1962 to 41 percent in 1977.75

*Prior to that, in eight years from 1962 to 1970, Mobil South Africa had trained 992 whites for highly skilled jobs, but only 4 Africans and 22 Asians and Coloureds.
The transnational banks' vigorous competitive expansion in South Africa financed the expansion of the South African military industrial complex in the 1960s and '70s. Their presence facilitated the accelerated penetration of associated transnational firms into the region. Their desire to discover profitable new outlets for mounting accumulations of capital at home stimulated them to mobilize vast sums to help the minority regime surmount the political economic crises of the 1970s.

A small handful of powerful transnational banks held about two-thirds of the assets of the biggest 20 banks in South Africa, a far higher percentage than foreign firms held in any other sector of the economy. They participated in a full range of financial services for private, parastatal and governmental activities, providing commercial and merchant banking, discounting and leasing, insurance and pensions, and mutual funds. Two British banks, Barclays and Standard, controlled almost two thirds of the assets of the 20 largest South African banks in the mid 1970s.

Reflecting and facilitating the U.S. transnationals' growing penetration of the South African political economy, the three largest banks in the U.S. had began after World War II to acquire links to the South African business world, some direct, others through relationships with the still-predominant British banks. The second largest bank in the U.S., Citibank, emerged as the fourth largest foreign bank in terms of assets in South Africa by the 1970s. The leading Rockefeller bank, Citibank established direct and indirect South African links in the 1960s to facilitate its transnational clients, almost all the major firms with investments in South Africa, to expand their business in the region. It set up its first South

*At the time it was called the First National City Bank of New York.
African branch in 1958. By the 1970s, it had established eight banks in major industrial centers throughout the country. In 1963, it purchased $16\frac{2}{3}$ of the shares of the UK firm, M. Samuels, acquiring access to the Hill Samel Group's South African and Rhodesian affiliates. It also bought 49 percent of the British bank, Grindlays, sharing control with Lloyds (the fourth largest British bank which owned 41 percent). Grindlays had established a Southern Rhodesian affiliate by taking over the Ottoman Bank there in 1969, three years after UDI.

Chase, the third largest bank in the United States, opened its first branch in South Africa in 1959. In 1965, after establishing three branches there, Chase purchased a 15 percent stake in the British Standard Bank, giving it direct access to the latter's extensive South African network. Chase executives joined Standard's board of directors, and a Chase officer served with Standard's central management group in London. Chase merged its South African branches with those of Standard, South Africa. Although Chase sold its shares in Standard in the 1970s, it maintained close relationships with it for the continued conduct of the South African business of its corporate clients. Like Citicorp, Chase had interlocking directorships with many of the largest industrials expanding their business in South Africa.

The transnational banks' affiliates helped South Africa to mobilize domestic capital and direct its reinvestment to facilitate the industrial transformation of the apartheid system. Each year, they advanced billions of rands—almost R4 billion in 1975 alone, despite the onset of the recession—to those sectors that the minority regime slated for expansion.

An unknown percentage of these loans went directly to the South African government. South African law required commercial banks to buy bonds to finance its growing expenditures, including its military
'financial rands' -- for investment purposes. Overseas, the industrial parent company bought financial rands with a foreign currency from the transnational parent of a South African bank. Then, in South Africa, the bank supplied the equivalent rand amount to the company's local affiliate.

In the political economic crisis of the '70s, South Africa borrowed heavily overseas to finance the rising costs of its oil imports, military purchases, and strategic development programs designed to make it more self-sufficient. By the end of 1978, the major transnational banks -- with vast accumulations of capital piling up in the Eurocurrency market -- sometimes cooperated, sometimes competed to mobilize the international capital required to finance South Africa's increased expenditures for oil, parts and equipment for its strategic industries and sophisticated weaponry.
South Africa's minority regime pledged security for repayment of loans at rates of interest far above those available in the ailing cities and stagnating industries of the transnational's homelands. And the regime backed its pledge with some of the world's most valuable minerals.

The distinction between loans to the private and public sectors was seldom clear in South Africa. The South African government parastatal, the Industrial Development Corporation (IDC), for example, obtained transnational bank assistance to float foreign loans for private businesses. On the other hand, information about loans to private borrowers by transnational banks was seldom publicized. The South African Reserve Bank put the total foreign credit extended to the private sector at $5.8 billion in 1975, more than that to the public sector that year; but revealed no details.*

In the late 1970s, several factors combined to change the pattern of bank loans to South Africa. First, the Soweto uprisings and heightened repression against blacks, as they intensified their struggle for liberation, finally led the international bankers to question the political stability of the minority regime. Secondly, critics of apartheid overseas campaigned against continuing bank loans, pointing out that they represented a vital prop for the whole apartheid system. Third, South Africa's balance of payments, adversely affected in the

*Footnote: The Bank of America, which admitted outstanding credit to South Africa worth $188 million, in 1977, explained that over half represented short-term loans to commercial banks, while over a quarter of the rest constituted loans to private and public corporations for "trade-related purposes or financing of industrial development projects." The largest recipient of the remainder was the South African government, which borrowed short-term funds to ease pressure on the balance of payments. If this breakdown was typical for all lenders, the total of loans reported for the private sector by the South African Reserve Bank -- which did not include loans made to commercial banks -- was significantly understated.
mid-70s by the rising price of oil and arms imports, and as well as the falling price of her crude exports as recession gripped the capitalist world, began to improve as the international monetary crisis pushed up the price of gold. Nevertheless, available data showed that South Africa's government and private sector borrowing from all sources remained at about an estimated $11.5 billion through 1978.87

South Africa's credit rating in international capital markets, as reflected in the shortened term of loans and higher interest rates, had declined.88 But, by mid-1978, as gold prices rose, bankers began, once again, to claim that five year high interest loans to South Africa were a good risk.89

The anti-apartheid campaign against banks in the major lending countries had some impact. Chase Manhattan and Citibank, which had been among the leading banks mobilizing funds for South Africa, as well as a number of U.S. regional banks, agreed not to lend additional funds directly to the South African government.90 Both declared, however, that they would continue to lend funds to the private sector, echoing the myth that continued economic expansion would ultimately help the blacks. The Bank of America insisted it would continue to lend money to both the private and state sectors.91 The Chairman of the European American Banking Corporation(SABC) assured the World Council of Churches that it would in the future only facilitate loans to finance the sale of goods to South Africa.92

The bankers' concessions did not significantly restrict their role in financing the minority regime's needs. The close interlinkage between parastatal and private sectors (indeed, in South African government statistics, the parastatals are included in the private sector) ensured that loans to private industry would boost public enterprise. Loans financing the import of sophisticated technologies, parts and equipment, likewise contributed to strengthening the entire
economy. They released government funds to import military equipment. Money is fungible: funnelled into one part of the system, it could easily be transferred to others. Foreign loans to any part of the apartheid economy helped to finance and strengthen the entire military-industrial complex.

Affiliates of transnational merchant and other banks found it increasingly lucrative to use their foreign ties to finance both imports and exports by obtaining international credit. They profited from the daily differences in the floating exchange rates of major currencies.\(^\text{93}\) Since the South African regime kept interest rates high to combat inflation, borrowers used international bank contacts to obtain cheaper funds through lines of credit overseas. Eurodollar credit in the late 1970s was 1 to 2 percent cheaper than local rates for loans of six months to a year. The larger banks and firms had access to acceptance credit in New York at still lower rates.\(^\text{94}\) South Africa used tax powers to encourage this use of foreign credit for domestic productive activities.\(^\text{95}\) South African importers borrowed an estimated R2 billion for these purposes in 1978. South Africa used further loans to repay past loans together with high interest charged by transnational banks.\(^\text{96}\) It also sought to maintain its international credit lines as a sign of its continued acceptance and creditworthiness in the eyes of the capitalist world's businessmen.\(^\text{97}\)

Transnational banks provided the channels through which South Africa sold its gold abroad. The sale of krugerrands enabled South Africa to sell gold outside of traditional markets, thus avoiding depressing the world gold price. In 1975, Intergold, the marketing arm of South Africa's Chamber of Mines, reported about 21 percent of the nation's total gold production had been sold in this form, most of it to British buyers before the British government banned gold investments. In 1976, Intergold hired the U.S. advertising firm,
Doyle Dan Bonnback, to increase sales in the U.S., hopefully to reach a third of South Africa's annual output. A number of U.S. transnational banks handled the actual sales through their local branches.\textsuperscript{98}

The U.S. became the largest market for krugerrands.\textsuperscript{99} In 1978, U.S. sales provided South Africa $650 millions in foreign exchange. In 1979, the Republic Bank of New York sold two thirds of its equity to a Swiss intermediary for 'private investors,'\textsuperscript{100} probably a front for South African interests eager to sell more gold in the U.S.
Summary and Conclusion:

Transnational corporations based in the major capitalist nations vied competitively to help South Africa's increasingly oppressive, militarized political economy achieve a widely touted 'growth miracle' in the 1960s and early '70s -- the very years during which Africans throughout the rest of the continent won political independence. Institutionalized racism forced the black majority to provide the low cost labor reserve necessary to enable the transnationals to reap maximum profits from South Africa's rich mineral wealth and its a state/capitalist-sponsored industrialization. The wealthy white minority's demand for luxury consumer goods, the mining finance houses' pressure to mechanize to reduce dependence on blacks, and the rapidly expanding military establishment appeared to guarantee a basic domestic market. South African domination of the neighboring states seemed to promise additional ready supplies of low cost labor, mineral and agricultural raw materials, and markets for expanded manufactured goods sales -- a profitable entree into the southern third of the vast continent. By the mid 1970s, however, the contradictions inherent in South Africa's exploitative 'growth miracle' interacted with the spreading general crisis of capitalism to engulf the regional political economy in economic stagnation and political-military upheaval.

Major U.S. transnational corporations continue, in this context, to play a leading role in strengthening the strategic sectors of South African industry. Taking advantage of low labor costs and inputs provided under the brutal conditions of apartheid, they contribute sophisticated technologies, essential parts and materials, managerial expertise and capital, especially in the key sectors required to bolster minority rule: transport; electrical equipment and machinery, including computers and nuclear power; and oil. They insist their investments insert a lever to improve living and working conditions
for the African majority; but evidence exposes this claim as a smokescreen behind which they continue to profit from the systematic impoverishment of the blacks. Their sophisticated, capital intensive technologies, on the one hand, foster the growing unemployment which today leaves one out of four African workers jobless, subject to banishment along with their families, to the hunger and despair of the bantustans; on the other, build up the regime's industrial and military machine so it can perpetuate its repressive minority rule.

Throughout the 1970s, despite deepening political economic crises, U.S. transnationals continued to ship in critical parts and equipment, collaborating with the South African regime in defiance of mounting international anti-apartheid criticism. The largest U.S. banks, having assisted their corporate clients to participate in South Africa's 'miracle' until it burst, led the mobilization of international finance capital which enabled South Africa to continue to import essential technologies, high cost oil, and the most advanced weaponry. They willingly created a conduit for expanding the overseas sales of South Africa's gold, helping it to sustain the world price until, at the end of the decade, the international monetary crisis boosted it to incredible heights.

Without this multi-faceted contribution of U.S. transnational corporations and banks, it seems unlikely that South Africa's minority could continue to ignore the growing internal and external demands for an end to its dictatorial rule.
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31. The aggregate data relating to U.S. investment in manufacturing is from the U.S. Department of Commerce, Survey of Current Business, annual report of U.S. overseas investments unless otherwise cited. The issue containing this report usually appears in August, September or October of each year.


37. Fortune Magazine, "1000 largest U.S. corporations".


44. Corporate Information Center, Church Investments, Corporations, and South Africa, op. cit.


46. Corporate Information Center, Church Investments, Corporations and South Africa, op. cit.

47. Y. Kitizawa, From Tokyo to Johannesburg (New York: Interfaith Center on Corporate Responsibility, 1975) p. 20.

48. New York Times, Nov. 4, 1979. This report indicated Chrysler was to receive 35 percent of the profits of the enlarged project.


50. Unless otherwise cited, information re U.S. electrical companies is from their annual reports or the Corporate Information Center, Church Investments, ... op. cit.


61. (Section 3.3.2), legal opinion prepared by Hayman Godfrey & Sanderson (Johannesburg) for Mobil, dated 14 July, 1976 (submitted by Mobil as part of its evidence to the United States Senate, 17 Sept., 1976); cited in Bailey and Rivers, Oil Sanctions Against South Africa, op. cit., p. 19.


68. For this history, see Bailey and Rivers, Oil Sanctions Against South Africa, op. cit., pp. 51ff.

69. For individual companies, see Bailey and Rivers, Oil Sanctions, op. cit., and companies' annual reports.

70. Mobil Corporation, What Mobil is Doing in South Africa (New York: Mobil, 150 East 42 Street, 1979).


72. Rivers and Bailey, Oil Sanctions Against South Africa, op. cit., ref. 127.

73. Mobil Corporation, What Mobil is Doing in South Africa, op. cit.


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77. The information relating to U.S. banks' activities in South Africa is from the relevant company reports of the parent bank unless otherwise cited.


Dep. States cap.

Banks/gold -
Smash pre-cap trad. cyl
→ lab, res.

Competition

Deter atomization

The SA case: India d cap int.
   computation → tech. white skilled
   document/unskilled/mor's pool → once

1. Rel. to Chase Man?
   with energy usage, uranium/nuclear power
   related to desking?

2. Not SA = some of uranium/nuclear pow

SA/H S.Us.

Lucy Munibela/Textile Workers/EA.

Lily Ponds - wrong'd here → big in SA.