

THE IMPERIALIST STAKE IN APARTHEID

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*A study which reveals the deep economic involvement behind
the West's backing for white supremacy*

American companies in South Africa have reported on average the following ratio of earning to investment in manufacturing enterprises: 19.7 per cent in 1961, 24.6 per cent in 1962, 26 per cent in 1963, making this the most lucrative market for United States participation in manufacturing enterprises anywhere in the world. One company reported a 100 per cent return.

New York Times, January 25th, 1965

THE GOVERNMENTS OF Britain, the United States and other major imperialist countries are finding it increasingly difficult to openly justify apartheid or support South Africa at the United Nations and elsewhere. Indeed, they are now adding their voices to the growing condemnation of South Africa's racial policies and to the frequent international pleas and requests to the Verwoerd government to relax its apartheid policies and ease the condition of political prisoners. But this change in stance on the part of the imperialist countries is no more than a tactic: by criticizing apartheid they try to absolve themselves from responsibility for what is taking place in South Africa or for the actions of Dr. Verwoerd's government in strengthening the apartheid system. And yet, as soon as international policy moves towards active opposition to apartheid, these self-same imperialists quickly unite in the defence of South Africa. Indeed the entire history of the South African question before the United Nations in the past twenty years has been a history of united imperialist obstruction and opposition to all moves for collective action against apartheid.

This is even true of the first important act of sanctions against South Africa adopted by the Security Council—the embargo on the supply of arms and war materials to the Verwoerd regime. Despite its formal acceptance by the main imperialist countries, they are nevertheless maintaining the supply of arms to South Africa and, more serious, are providing the capital, the skill, personnel and technical know-how

for the development of an all-embracing munitions and military equipment industry in South Africa itself.

This imperialist conspiracy to defend apartheid and the determination with which the United States and Britain employ their virtually commanding power in the United Nations to sabotage effective measures against South Africa arises, first and foremost, from the immense profitability of the apartheid system for international capital. No other country in the African continent possesses such a concentration of imperialist economic interest as does South Africa. Inside the country this interest is almost all-pervading: it is so heavily involved in the South African economy as to possess as big a stake in the preservation of white supremacy and apartheid as do the local white monopolies and the white privileged class. In this article an attempt is made to assess the size of this foreign capital stake, its spread and profitability and some of its political implications.

SOUTH AFRICA: AN EXTENSION OF IMPERIALISM

South Africa has been the object of intense imperialist economic activity and policy ever since the 1880's. The discovery of gold and diamonds led to sustained inflows of capital and migrants. Step by step an industrial and transport complex grew up out of these discoveries as it became possible to organize the supply of cheap African labour on a mass scale. Each stage in the country's economic development was marked by fresh inflows of capital supported by the local measures for the more effective mobilization of African labour. In time it also became marked by increasingly close co-operation between the foreign imperialist element and the rapidly growing local white class of capital owners. The basis of this co-operation, which continues today, was the common interest in maintaining and extending the system of race segregation and cheap labour. Unlike the operations of international capital elsewhere, these operations in South Africa became increasingly diverse, penetrating into all the sectors of the economy and becoming entrenched to the point of playing a decisive role in the all-round development of the country.

In other African colonies, the British imperialists repatriated their rich harvest of profits, leaving the colonies in a perpetual state of backwardness. By contrast, South Africa has become an extension of the Western imperialist economy itself: the industrial structure increasingly mirrors that of the structures prevailing in Britain and those other imperialist countries which over time have invested their capital in South Africa. What seems significant in this process is, first, the complex and diverse forms of foreign investment in the South African economy and its spread in ways as to make it increasingly indistinguish-

able from the capital investments and interests of the local white monopolies and white ruling class. Secondly, this process has been marked by close co-operation, if not unity, between foreign capital and the domestic rulers in the development of South African economy based, as it has always been, on cheap African labour and apartheid.

The latter point is not unimportant. The co-operation that has grown in this respect does not mean that there has not and does not now exist any contradiction between the foreign imperialists on the one hand, and the native white colonialists on the other. The emergence in the 1930's and 1940's of a conscious 'Afrikaner capital' movement—the efforts of the Afrikaner (Boer) nationalist element to mobilize domestic savings for local investment in competition with English-speaking whites and the foreign imperialists—was undoubtedly an important development. Several spokesmen of this Afrikaner nationalist element have voiced warnings of the dangers of growing foreign control over the country's resources. But there can be no doubt that what unites the local colonialists and the foreign imperialists today is more important and profound than any conflicts between them. The Legums in their recent book on South Africa relate how this partnership evolved in the crucial field of finance:

'... In 1963 Mr. Harry Oppenheimer led the English-speaking world of mining finance into partnership with the Afrikaner class of financiers. Main Street Investments was formed with Coetzer (of the Afrikaner 'Federale' combine) as Chairman and Oppenheimer on the Board. This partnership between Oppenheimer—long regarded by Afrikanerdom as the embodiment of alien financial control, and Coetzer . . . brought a quick appreciation of the interdependence of foreign and local capital, imported and locally trained skills, of South Africa's natural resources and imported plant and know-how.'

Colin and Margaret Legum: *S. Africa: Crisis for the West*, page 43

The collusion between foreign and local capital in support of apartheid is nowhere more explicitly manifested than in the activities of the South African Foundation. This organization unites the leaders of Afrikaner capital, English-speaking South African financiers and industrialists, representatives of the big international monopolies and of foreign companies with large interests in South Africa. Supported by massive funds, the Foundation operates in South Africa and maintains a considerable lobby in London and New York. Its 'mission' is to 'explain' apartheid and defend it against the international movement for sanctions and boycott. As a Johannesburg newspaper put it, 'the Foundation almost automatically adopts the posture of champion and apologist of the *status quo* in South Africa'.

The practice of collusion is equally to be found in the growing joint enterprise and investment by these two capital forces: of 'Afrikaner'

directors occupying leading positions in overseas subsidiaries, of mixed capital ownership in companies and so on. In several instances, state-sponsored corporations provide the impetus to this joint enterprise. Thus, in the setting up of the S.A.S.O.L. oil-from-coal project the South African authorities encouraged and obtained substantial financial support from local Afrikaner combines and the British Vickers and A.E.I. companies for the development of important ancillary industries. Similar combinations of capital have been organized in the Vanderbijl Engineering Corporation (Vecor) which is reputed to be the largest engineering works in Africa.

Despite the rapid growth of local capital accumulation and ownership and its steady spread over the whole gamut of South Africa's economy, the commanding position of foreign and mainly British finance and capital remains unrivalled. The three million whites in the country may enjoy all the trappings of political power but their daily lives are more conditioned by the immense hold of foreign imperialism than by any other factor.* Trade with the major imperialist countries is important enough. But foreign credit and finance play a decisive role in South Africa's monetary system: well over 70 per cent of domestic bank deposits are held in British-owned banks. The Standard Bank, which is controlled from London, alone possesses assets worth some £330 million in South Africa. British insurance and building societies continue to handle over half of South Africa's business in these fields. South Africa's membership in the sterling area provides an even wider though more unobtrusive opportunity for foreign economic influence over the country; capital is permitted to flow freely to South Africa; considerable facilities of exchange are made available for South Africa's foreign transactions; the Bank of England is the main buyer and distributor of South Africa's gold; bank credits and the financing of trade and other transactions of South Africa are organized mainly through London. South Africa's recent exchange control measures have necessarily controlled the free flow of funds abroad, but this has not seriously undermined the international character of market for South African stocks and shares: in London, the trading in such securities and similar capital assets is extensive

* English-speaking South Africans control 99 per cent of mining capital, 94 per cent of industrial capital, 88 per cent of finance capital, and 75 per cent of commercial capital . . . the bulk of it is controlled by seven financial houses. Between them they control a thousand of the largest companies with combined financial resources of £1,000 million. Their policies are co-ordinated through the Transvaal and Orange Free State Chamber of Mines. This great financial empire's interests are further interlocked through overlapping directorships with powerful financial interests in the West.

Legums: *South Africa, Crisis for the West*, p. 108.

and as important as trading in the Johannesburg Stock Exchange. This international market provides one of the main channels for the flow into South Africa of 'portfolio' or indirect investment funds. And today these come in substantial amounts from Britain, the United States, Switzerland and West Germany.

THE SIZE OF THE FOREIGN CAPITAL STAKE

The massive and all-pervading foreign imperialist involvement in South Africa—in many ways unobtrusive and indirect—makes difficult any quantitative assessment of the foreign capital stake in the country. The South African Reserve Bank publishes regular statistics of the country's known and recognizable liabilities to foreigners. But it warns that these statistics 'cannot be regarded as reflecting the correct value of foreign funds invested in South Africa'. Rather these statistics tend to understate the true value of the foreign capital stake. Similarly the official estimates published in Britain and the United States of their capital investment in South Africa are no more than estimates and cannot provide a true guide to the size of their capital interest in the country. And yet such estimates as are available indicate the profound importance of foreign capital in the South African economy.

Between 1936 and 1960 the value of ascertainable foreign capital investment in South Africa rose by some 300 per cent to £1,530 million. This represents something like a half of aggregate foreign investments in the entire African continent. A greater proportion of these foreign funds in South Africa were in the form of *direct* investments, i.e. investments in companies in which the controlling interest is held abroad. In the past seven years for which more detailed estimates are available, *direct* investments from abroad increased from some £800 million to just under £1,000 million. But even these estimates are by no means complete: they are based on what is termed 'book values' and therefore do not take into account all the factors of capital appreciation, especially those arising from persistent reinvestment of profits much of which are hidden in company reserves of various kinds. On the other hand, if we attempt to calculate the size of the foreign investments in the country by reference to the average rate of profitability of such capital, a somewhat different picture emerges. At a conservative estimate foreign capital earns annually an average 10 per cent on its investments in South Africa. In 1963-64 the 'net income accruing to non-South African factors of production' (i.e. profits on foreign capital) amounted to £220 million according to the national income statistics. On this basis the foreign capital stake assumes a size well in the £2,000 million range.

TABLE I
SOUTH AFRICA'S FOREIGN LIABILITIES
£ million

						End of	
						1956	1963
<i>Foreign Direct Investments</i>	..	..	..	..	..	809	985
Official (a)	..	..	..	..	..	47	56
Private Sector	..	..	..	..	..	762	929
<i>Indirect Investments (b)</i>	..	..	..	..	..	586	541
Official (a)	..	..	..	..	..	114	158
Private Sector	..	..	..	..	..	472	583
Total Foreign Liabilities	..	..	..	..	..	<u>1,395</u>	<u>1,526</u>

(a) Includes foreign and international loans to and investments in securities of the South African government, the S.A. Reserve Bank and commercial banks.

(b) Refers mainly to foreign-held stocks and shares which are quoted on the Johannesburg Stock Exchange.

Source: Quarterly Bulletin of Statistics, S.A. Reserve Bank—December, 1964.

In the ten years between 1956 and 1965 the increase in foreign direct investments in South Africa came not only from fresh flows of foreign funds to increase the foreign controlling interest in the South African economy, but from large-scale reinvestment of undistributed profits. The latter represented £195 million of the £223 million increase in foreign direct investments in the country. As suggested in Table I above there has been a decline in foreign *indirect* or portfolio investments in South Africa in this period. This decline mainly took place in 1960-62—the years of post-Sharpeville confidence crisis. Fears of political instability led many foreign investors to sell their South African stocks and shares and repatriate their capital abroad. But this decline in foreign portfolio investment is temporary: slowly a return of this form of foreign investment is taking place *pari passu* with the efforts of the Verwoerd government to impress the world by its suppression laws against the liberation movement.

THE SPREAD OF FOREIGN INVESTMENTS

Unlike other areas of imperialist capital investment, South Africa enjoys a considerably more balanced spread of foreign investment in the economy. While in the rest of Africa foreign capital is concentrated in plantation farming and in mining, these investments in South

Africa are centred in mining, manufacturing and in finance. Together these three sectors account for about 75 per cent of foreign investment in South Africa. In each of these industries this investment possesses a significant if not a commanding position. According to an earlier estimate of the South African Reserve Bank, the foreign stake in the mining industry amounted to approximately £460 million in 1960. In that year the mining industry's total contribution to the national output (and income) amounted to £340 million. In other words it would have taken more than one year's mining output to pay off the foreign capital stake in that industry. There is an equally significant relationship between the foreign capital stake and the contribution to national income in the manufacturing, finance and trade and commerce sectors of the South African economy.

TABLE II

DISTRIBUTION OF SOUTH AFRICA'S FOREIGN LIABILITIES (£ Million)

	<i>End 1960</i>	<i>1961/62</i>
	Foreign Liabilities	Contribution to National Income
Mining	450	340
Manufacturing	346	616
Finance and Insurance	255	90
Trade and Commerce	180	317
All Industries	<u>1,315</u>	
Earnings of Foreign Investment		209

Source: S.A. Reserve Bank—Supplement to *Quarterly Bulletin*, December 1960 and *Bulletin* for June 1965.

The extensive operations of foreign capital in South Africa are more dramatically reflected by the scope and direction of more recent inflows of this capital and its role in providing a fresh source of strength and stability to the apartheid economy. Since 1962 these capital flows have decisively assisted the Verwoerd regime to implement its plan for the replacement of imports through the expansion of local manufacturing industry, for the construction of a munitions and war equipment industry and in general for making the country less vulnerable to trade boycotts. These capital inflows have contributed to considerable developments in South Africa's automobile, chemical, engineering, petroleum and other secondary industries. Some of these developments are worth reviewing here.

South Africa's motor vehicle industry has become the centre for unprecedented foreign capital activity supported in several instances with capital from domestic sources. Following various official encouragements and a decision to increase the domestic content in the manufacture of cars and vehicles, some £100 million of new foreign capital has entered the industry in the past four years. The British Motor Corporation has set up a factory in South Africa to produce car engines with a capacity of 90,000 engines a year. In 1963, the British Rover Company set up a plant to manufacture land rovers of the type used by the South African police and armed forces. The Ford Motor Company has extended its assembly and producing capacity with a capital investment of £4 million in 1964. The West Germans are proceeding with plans involving capital investment approximating £8 million to manufacture Volkswagens locally. The Italian Fiat group are spending £1½ million for motor assembly and engine production in Johannesburg. A similar investment has been made by the Swedish Volvo group. Leylands have announced a £4 million investment plan to set-up an automotive foundry to produce the first engine blocks in South Africa. The American Chrysler Company has embarked on a £12½ million manufacturing and development plan which includes a plant to produce engines, rear axles and transmissions. The French Renault company are spending £1 million on an engine assembly and machine plant. This list is by no means exhaustive: other British, American and now Japanese investments in the South African motor vehicle industry are taking place.

Allied with this development in car and vehicle production is the considerable recent growth in foreign investment in motor components, machine tools and in similar branches of the engineering industry. Such well-known international companies as Dunlop, Feredo, Guest Keen and Nettlefolds, Nortons, Firestone Tyre, and others are deeply implicated with large capital investments in each of these newer industries.

In iron and steel the government's monopoly is steadily being undermined, though the government itself does not appear to mind. In fact, the South African authorities are encouraging foreign interests to contribute to the development of the iron and steel industry, and in particular for the construction of plants to manufacture specialized steels. Some £55 million has been invested by British and American interests in this industry in the past three years. In petroleum, apart from an unknown foreign capital involvement in exploration activities and in joint development in South-West Africa and as far north as Portuguese Angola, the major international oil monopolies—Shell, British Petroleum, Caltex, Standard Oil of New Jersey, Sacony Vacuum

—have in the period since 1962 invested some £37 million for the expansion of oil storage facilities, refining and the production of a variety of petroleum products. This in turn has given fresh impetus to the development of the petro-chemical industry. Well over £17 million has been invested in this industry in recent years, in many instances in company with local Afrikaner finance and government aid. Allied to oil is the rapid joint development of the country's coal resources for the chemical industry. The Government's Sasol (or oil-from-coal) enterprise has combined with the British-controlled African Explosives and Chemical Industries to produce cyanide and several other chemical products from Sasol's methane and ammonia. These capital investments from abroad are paralleled by similar investments in the development of the electrical equipment, farm implements, appliance, textile and other industries.

In mining the stake of foreign capital is most impressive. Approximately a quarter of the funds invested in the gold, diamond, coal and other mineral mining industries are foreign held. However, these funds are so distributed in each of these industries as to make foreign control virtually complete. The seven finance houses controlling mining companies which contribute some 84 per cent to the total gold output are largely controlled by Anglo-American capital. The copper mining companies are wholly foreign controlled with the exception of more recently created Palabora international mining syndicate for copper mining and refining: here, West German, United States, British and South African capital have together contributed some £37 million—of this, approximately 82 per cent is foreign.

In manufacturing industry many of the new foreign investments are materially adding to the munitions and military equipment producing potential of the country. As *The Economist* (in its September 1965 quarterly bulletin on South Africa) remarked, 'the trend of developments is mainly strategic and is helping to build South Africa into an industrial and military power to be reckoned with'. In the military field co-operation between the foreign imperialist element and the local interests is complete: The British Atlas Aircraft Corporation with its £12½ million scheme to produce jet aircraft in South Africa will be partly financed by Bonuskor which is state-sponsored and by such Afrikaner-dominated monopolies as the 'Federale' group. The French Panhard project for the manufacture of military vehicles in the country is being similarly financed.

FOREIGN OWNERSHIP AND APARTHEID'S PROFITABILITY

According to the 1963 Survey of the S.A. Reserve Bank, Britain continues to hold a greater proportion of the international capital stake

in South Africa's apartheid economy. At the end of 1963 this British share was 53 per cent compared to 64 per cent in 1960. The United States share has gone from 12 to 14 per cent in these years while the rest of the imperialist countries—mainly West Germany (with Switzerland as a cover for other West European interests)—take virtually the balance of the capital stake.

TABLE III
SOUTH AFRICA'S FOREIGN LIABILITIES BY COUNTRIES—1963
£ million

	All types of Investment	Direct Investment
United Kingdom	928	671
Other Sterling Area countries	92	47
United States	162	120
Other West Europe	232	117
Other countries	36	30
International organisations	76	—
	<u>1,526</u>	<u>985</u>

S.A. Reserve Bank. *Quarterly Bulletin*, December 1964.

Table III represents the size of the known and recognizable forms of South Africa's foreign liabilities and its direct foreign investment component. As pointed out above these figures understate the true size of these liabilities. A similar understatement is reflected in the official statistics of foreign investment published in Britain and the United States. According to the British Board of Trade, the *book value* of United Kingdom direct investments in South Africa (excluding petroleum, banking and insurance) amounted to £280 million at the end of 1963. To this should be added South African estimates of non-direct investments of some £250 million, of about £100 million invested by British-controlled companies registered in South Africa and of other assets (mainly finance and credit) of some £300 million. This provides a total capital stake based largely on *book values* of some £950 million. A corresponding *current value* of this stake would be nearer £1,400 million.

Recently, the Board of Trade basing itself on an improved survey of the outflow of British capital for *direct* international investment has estimated a sizable annual British investment in South Africa in the past three years, reaching a peak in 1963 when the net new investment amounted to £34 million. This represented 14 per cent of the total of British direct foreign investment in that year. In the four years 1960-63,

these British capital flows to South Africa amounted to £78 million. It is possible that this rate of British investment has been continuing for a much longer period than these four years. A recent study* suggests that the British stake in South Africa in the years 1958-62 has grown by 25.4 per cent. South Africa ranked fourth place in relative importance for British overseas investment—coming after the United States, Canada and Australia. In 1963 Britain invested more in South Africa than in any other country with the exception of Australia.

South Africa's apartheid system is eminently profitable for British capital—a fact which largely determines the continued importance of that country as an area of British investment. According to the Board of Trade's survey, British capital earned more in South Africa in 1963 than in any other country. In that year these earnings amounted to £44 million which was absolutely larger than British earnings in the United States where British direct investments are estimated to be almost double that in South Africa.

TABLE IV
U.K. FOREIGN DIRECT INVESTMENT FLOWS AND EARNINGS, 1963
£ million

	Direct Investment	Earnings	Average Rates of Profits on Investment (1962) (%)
South Africa	34	44	12.4
United States	26	38	6.6
Canada	7	27	3.4
Australia	65	42	6.7
All Countries	252	334	7.1

Source: Board of Trade Journal, April 2nd, 1965, and Dunning, 'Does Foreign Investment Pay?', in Moorgate and Wall Street Review, Autumn, 1964.

In the study of Professor Dunning, the importance to British capitalists of South Africa as a source of earnings on capital invested is clearly demonstrated. The average rate of earnings from South Africa over the years since 1958 has been consistently higher than capital earnings inside Britain or in most of the other traditional areas of British investment activity. The Central African Federation

* Dunning, 'Does Foreign Investment Pay?' *Moorgate and Wall Street Review*, Autumn 1964.

was only marginally more profitable until its dismemberment; earnings from Malaya which were once important have been declining rapidly. The average rate of profitability of British direct investments in all areas amounted to 7.9 per cent a year; the rate on South African investments averaged 10.9 per cent.

The South African Reserve Bank estimates the United States capital stake in South Africa at the end of 1963 at £162 million, of which £120 million represented direct investment. According to U.S. official estimates, American direct investments in South Africa amounted to \$415 or about £145 million at the end of 1963. The *Wall Street Magazine* has placed the value of these investments at \$580 million and, more recently, *Newsweek* at \$600 million. The official American estimates suggest that of the total of \$415 million direct investments some \$67 million was in mining and \$518 million in manufacturing industry. However, according to the American *Africa Today*, two United States groups alone—the Engelhard, Dillon Read, Rand Mines Group and the Newmont, American Metal Group—hold investments in South Africa's mining industry amounted to \$182 million. Further, this \$182 million of U.S. investments 'controlled South African mining enterprises worth \$430 million'.

TABLE V
U.S. DIRECT INVESTMENTS IN SOUTH AFRICA
\$ million

	End of 1963	
	Total Value	Earnings
Mining	67	17
Manufacturing	158	41
Trade	47	10
Other (a)	142	18
	415	86

(a) Refers mainly to banking, finance and petroleum.

Source: Survey of Current Business (U.S. Dept. of Commerce), August 1964.

The Americans themselves claim that South Africa has given them a higher rate of profit on investments since 1958 than any other country in the world with the exception of West Germany. The average rate on these South African investments in the period 1958-61 was 17.1 per cent. In 1962, according to Professor Dunning's study, the rate

was 20.4 per cent which was even higher than the earning rate of U.S. capital in West Germany. The quotation at the head of this article suggests even higher rates of profit for U.S. capital in South Africa in recent years.

The statistics cited so far provide clear evidence of the immense profitability of apartheid to the imperialist exporters of capital—Britain and the United States foremost among them—and the resulting vested interest they possess in maintaining and strengthening the apartheid system. The safety of their capital and the profits they earn govern their actions and policies towards South Africa. While their governments engage with ease in condemning apartheid as immoral, their policies remain conditioned by the profound economic need to maintain apartheid's stability. Thus, as Charles Engelhard—the American investor and influential adviser to the U.S. State Department—declares, 'there are not many countries in the world where it is safe to invest and South Africa is just about the best of the lot'. A similar view is expressed by Herman J. Abs, the powerful director of the Deutsche Bank of West Germany (and who is probably more important in determining West German policy than Chancellor Erhard himself). He claims that 'South Africa is considered by West Germany to be in the first line of safe investment'. General Norstad, until recently supreme commander of NATO forces and now part of the American Owen-Corning Fibreglass group, talks of his confidence in the stability of South Africa and the Chairman of this group goes one step further in declaring that 'we have great appreciation of South Africa's importance as an ally and an economic force in the free world'.

APARTHEID: A BASE FOR IMPERIALIST EXPANSION

There is another reason for the importance which international imperialism attaches to South Africa. The American Denver Equipment Company—a considerable enterprise by any measure—argued recently in its bulletin that 'South Africa is the key to the economy of Africa'. The 'key' is also suggested by the decision of Charles Engelhard and his British associates in the Rand Mines group to establish in South Africa a £5 million steel producing company: its plant will have a capacity to manufacture stainless steels and other steel products somewhat three times the present consumption demand inside the country. Similarly the heavy foreign investments in the motor car industry and in the chemical and engineering industries provide for production capacities well beyond the needs of the South African economy.

Clearly, the foreign imperialists and their local allies evince the aim of converting Verwoerd's South Africa into a base from which they

could expand and more effectively dominate the rich economy of the whole of southern Africa. Already much of the foreign trade territories of this region links them with South Africa. Basutoland, Bechuanaland, Swaziland and South-West Africa are completely dominated by South Africa. Rhodesia, Angola, Mozambique and Zambia receive some £60 million or a quarter of their import requirements from South Africa. The close links between the Rhodesian economy and that of South Africa are enshrined in extensive trade agreements some of which carry far-reaching customs union features. South Africa's main import from this region continues to be that veritable staple of cheap commodities of the region—human labour.

The scope of this larger aim was recently spelled out in *Optima* (the quarterly review of the Anglo-American Oppenheimer Finance Group) of September 1965. The writer, Dr. F. J. C. Cronje (who is Chairman of the Netherlands Bank of South Africa) calls for the creation of what he terms a 'free trade association' in southern Africa. Despite the many difficulties, he sees considerable possibilities for binding together the economies of South Africa, Angola, Mozambique, Rhodesia and of course South-West Africa, Basutoland, Bechuanaland and Swaziland in an economic and trade association: they together 'form a geographical unit' in which 'the European element is strong'; further, 'a degree of co-operation already exists' and that 'recent agreements have opened up possibilities'. Dr. Cronje argues that the territories concerned are under-developed and thus have to depend for their main requirements of manufactured goods on imports. South Africa could 'accommodate the needs of its neighbours, take the place of traditional sources of supply and take their products'. With lower production costs in South Africa and the ready supply of abundant cheap labour, South Africa could compete effectively with the traditional exporters of Western Europe and in this way establish an area of free trade unencumbered by tariffs and other impediments to the free flow of goods and capital. Such a free trade area could provide South Africa's raw material needs as the latter's economy grows to become the area's industrial heart. Further, as Dr. Cronje puts it:

It would certainly be no exaggeration to assert that a market combining South Africa, South-West Africa, the territories of Basutoland, Bechuanaland, Swaziland, and the Portuguese provinces of Angola and Mozambique and Rhodesia would link an area of truly immeasurable mineral wealth.

A similar idea for the region is advanced by the London *Economist*. But here the proposal for an economic union is linked with questions of political independence and African majority rule. *The Economist* sees such an economic union as a means of holding the region together under the economic control of imperialism should it become impossible

to withhold majority African rule in the neighbouring territories. Thus, according to this astute plan for a southern Africa economic union (which would include 'a black Rhodesia and in the long run an independent Angola and Mozambique'):

There might indeed begin to take shape a group of black states in southern Africa that could join in an economic union (if not a political union) with white South Africa. This could easily include Dr. Banda's Malawi; it is conceivable that given the right circumstances and the right pressures from the West, it might even include Zambia.

(The Economist, August 7th, 1965)

Customs and economic unions are already a feature of South Africa's foreign economic policy. As mentioned above, these have been bases on which the territories of Basutoland, Bechuanaland and Swaziland, not to mention South-West Africa, have to all intents and purposes been converted into little more than economic adjuncts of the South African economy. They are all inextricably tied to South Africa: despite the progress of some of them to self-rule, they are all unable to break the vicious cycle of poverty and backwardness that has been a feature of their history since 1910. To a large extent, they maintain the barest requirements of life only by exporting their labour to the South African republic. In a more complex form, the economies of Rhodesia, Zambia and Malawi are already linked to that of South Africa through trade agreements which give South African goods preferential terms of entry. Despite the break-up of the Central African Federation, these agreements have persisted and continue to influence economic conditions in this region. Today, not even Zambia is strong enough to dissolve its repugnant economic connections with Verwoerd's South Africa.

All schemes for free trade areas and customs unions, particularly those between countries in different stages of development, are founded on the policy of imperialist economic expansion and domination. Through the operation of such schemes, the poorer and backward countries remain poor and backward: they degenerate into specialist producers of raw materials, agricultural products (and in the case of a southern Africa union, the export of cheap labour) not for their own requirements but for the needs of the more developed parts of the union. As a result, the poorer parts of the union became economically and ultimately politically dependent on the more industrially advanced member country or countries. This indeed was the basis of the French plans to integrate the former French-speaking African colonies in the European Common Market. A French Minister admitted at the time that this scheme amounted to 'collective colonialism' on the part of the West European members of the Common Market. Similarly, the

British imperial tariff system had the purpose of maintaining Britain's economic control over the Empire through a preferential tariff union.

The South African urge to organize a big customs union in Southern Africa and beyond with Pretoria as the centre has long been reflected in the country's policy and activities towards the neighbouring territories. Over the past decade the pace of South African capital penetration into the neighbouring countries has been intensified. In 1963 South Africa's known direct capital investments abroad was valued at £240 million; of this, £154 million was invested in Rhodesia and Zambia and a further estimated £10 million in the Portuguese colonies of Angola and Mozambique. In 1956 these South African investments in the neighbouring territories amounted to no more than £40 million. However, a large proportion of these investments have been financed not from South African indigenous sources but by the international mining and investment monopolies. Of these the Anglo-American Oppenheimer group is by far the most important: in essence it is an international consortium of financial groups based in London and New York but which operates mainly from South Africa. Its interests are considerable—ranging from gold, diamonds, chemicals, iron and steel, and explosives in South Africa to cattle ranching and manufacturing in Rhodesia and copper mining in Zambia.

These then are the kind of considerations which make South Africa, at least in the eyes of the imperialist powers and their financiers the 'key to the economy of Africa'. These considerations motivate the recent upsurge of foreign capital investment in the apartheid economy and in the construction of production capacities and facilities well beyond the requirements of the South African market. For the imperialists, South Africa possesses all the attributes of what is termed a 'low cost economy'—cheap and unlimited labour supplies organized and managed by the apartheid system and enforced by a government which enjoys the confidence of foreign capital. These provide the conditions for a step-by-step transformation of South Africa into a base for expansion and for the creation of a vaster zone of untrammelled imperialist domination and exploitation in southern Africa. This role too fulfils the aims and ambitions of the local white colonialists and the Verwoerd regime. Much of the latter's political policies and military preparations are designed to extend South African influence, to organize a reactionary and white-dominated coalition in southern Africa and to hold this rich region as a preserve of imperialism.

THE WIDER STRUGGLE

The analysis given in this article points to a sharp contrast between the colonial forces, their make-up and power, in South Africa and in

the majority of the countries of Africa in the recent period of colonial rule. In our country the forces of race reaction and colonial-type domination are organized in a power structure considerably more complex and formidable than has possibly been organized anywhere else in Africa. The local white colonialists are not only numerically strong but operate as a more or less cohesive class to maintain their privileged position; they are accumulating capital rapidly and are uniting with the foreign imperialists to create an all-embracing and virtually self-sustaining economy based on apartheid and the savage oppression of the African and other non-white population. The foreign imperialist element is considerable and extends to almost every branch of the South African economy. This element is no longer confined to Britain, which until recently held a commanding influence over the economic life of the country. Steadily the other imperialist countries—the United States, West Germany, France and the other big exporters of capital—are building up a sizeable stake in the country and a vested interest in the exceptionally profitable apartheid system. They are transforming South Africa into a major industrial and military centre and as a base for expansion, in particular, the creation of a vaster zone of imperialist domination in southern Africa and beyond. The imperialists are helping to build a considerable munitions and military equipment industry in the country and are giving political and diplomatic support to Dr. Verwoerd's regime, despite their public declarations to the contrary. They join with the local white colonialists to hold untrammelled the regime of white supremacy because this alone assures them the continued flow of massive profits and income from South Africa.

By contrast, the main force of reaction in the rest of Africa was the single foreign imperialist power. It held in its hands all the principal instruments of national oppression and economic domination. In many of the African colonies the domestic bourgeois elements were not strong enough to assert their independent interests over and above those of the masses of the people; in many instances they joined forces with the people to expel the imperialists. Where they assumed the character of an expatriate colonial-type class, as in Kenya, they proved to be powerless in swinging the balance in favour of continued foreign rule. Only in Algeria were the largely plantation-owning 'colons' difficult and stubborn, determined to maintain their special privileges by depending on France. But the struggle for independence was directed against France which alone controlled Algeria. The Algerian struggle necessarily took more complex forms: a long and protracted armed struggle had to be mounted against the French imperialists.

Our people in South Africa cannot and do not have any illusions about the complexity of their struggle and the diverse and powerful

enemy—at home and from abroad—who are ranged against them. While rightly maintaining that the decisive battlefield for freedom will be in South Africa itself, our people and movement understand the wider content of the struggle: that we are directly concerned with the uprooting of the seemingly entrenched positions of international imperialism in our country and the destruction of its devious plans to convert South Africa into a spring-board for economic aggression and expansion in southern Africa and beyond. For this reason, our movement gives considerable importance to the international campaigns of solidarity and support for our freedom fight: these campaigns against apartheid, especially in the Western countries, help to weaken the alignment of Anglo-American imperialism on the side of Verwoerd and its hold on the economy and resources of our country.

History has given the South African people a difficult and complicated task in the general struggle for African liberation and true independence. By uniting all who oppose apartheid and imperialism and by persisting in struggle, our people will undoubtedly accomplish this grave task, achieve victory, and advance the day of peace, freedom and prosperity in our continent and the world.