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US-BASED MULTINATIONALS IN SOUTH AFRICA

BY

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Confronted by mounting opposition from African liberation movements, unable any longer to rely on traditional British ties and support for reasons related primarily to Britain's own political and economic climate, the oppressive South African regime has turned more and more to the United States in recent decades.

The United States Government, while officially voicing abhorrence of apartheid, has been by no means unreceptive to South African blandishments. In 1969, the US National Security Council, under the direction of Henry Kissinger, prepared a secret memorandum which defined alleged US interests in the region:[1]

> "Our interests in the region are important but not vital. Our investments, primarily in South Africa, total about $1 billion* and our trade yields a highly favorable balance of payments advantage. This geographically important area has major ship repair and logistic facilities which can be useful to our defense forces. An important NASA space tracking station is located in South Africa....."

The memorandum spelled out a series of five options. Only one of these, Option Two, need concern us, because the ensuring years indicate that it was chosen as a guide to US policy in Southern Africa. The Basic premise of Option Two was that:

> "The whites are here to stay and the only way that constructive change can come about is through them. There is no hope for the blacks to gain the political rights they seek through violence, which will only lead to chaos and increased opportunities for the communists. We can, by selective relaxation of our stance toward the white regimes, encourage some modifications of their current racial and colonial policies, and through more substantial economic assistance to the black states (a total of about $5 million annually in technical assistance to the black states) help draw the two groups

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* Note that this figure is larger than indicated for that year by official public reports of US investment used throughout this paper, suggesting the possibility that the scope of US investment may in reality be significantly more than official data indicates today, as well.

together and exert some influence in both for peaceful change. Our tangible interests form a basis for our contracts in the region, and these can be maintained at an acceptable political cost."

The study frankly admits that,

"The current thrust of South African domestic policy does not involve any basic change in the racial segregation system.... There is virtually no evidence that change might be forthcoming in these South African policies as a result of any approach on our part."

What are the alleged US interests which have created this supportive attitude towards South Africa? Essentially, the evidence suggests that some of the most powerful US multinational corporate interests are deeply involved in the South African political economy, and have rapidly become more so since the National Security Council's secret memorandum was written.

The fact is that US trade and investment have been rapidly expanding in critical areas of South Africa's political economy, bolstering efforts of that country's racist regime to become a strategic, economic, political and military base in the vast African continent.

American exports to South Africa are expected to be worth $1300 million in 1975, up from $625 million in 1972. They were expanding at a rate of almost 25 per cent in the first four months of this year. In 1974, the US was South Africa's third largest supplier (after FRG and Britain), providing 16.6 per cent of South Africa's imports. This year, the United States is expected to sell more to South Africa than Britain.[2]

A handful of the biggest firms in the US have provided over three-fourths of United States investments there. These are linked with each other, as well as with most of the nearly 400 other US companies which have invested in South Africa, through their boards of directors. Their integration into the South African economy has been facilitated by their relationships with the two giant Rockefeller Banks, which have greatly expanded their business in the area in the last fifteen years, particularly since the Sharpeville massacre. Their directors have extensive contacts with important US Government circles.

Together, these firms constitute the growing "economic" interest which, even when it was smaller, apparently convinced Kissinger and the US National Security Council of the need for the US Government to maintain cordial relations with the South African Government in 1969. Today, that interest is far larger.

Overall US Investment in South Africa

South African Government and business circles have gone out of their way to attract US investment in recent years. These efforts have not been unsuccessful, for, as was observed in Fortune Magazine a few years ago, South Africa has long appeared to be a good business prospect to American firms:[3]

> "The Republic of South Africa has always been regarded by foreign investors as a gold mine, one of those rare and refreshing places where profits are great and problems small. Capital is not threatened by political instability or nationalization. Labor is cheap, the market booming, the currency hard and convertible."

US investment in South Africa should be viewed in the context of a broader US interest in the markets and raw materials of the vast African continent, a land area three times that of the United States, with an estimated population of about 350 million. Africa has only recently become open to extensive investment by US-based multinational firms, as the European colonial firms have given way to independent governments. US investments in South Africa have in recent years, however, grown far more rapidly and have made much more of a contribution to the industrial growth of South Africa than in any of the independent black African nations.

The United States Government, despite its official position of disapproval of apartheid, has adopted an approach facilitating US investment in South Africa. A study for the US Department of Commerce, geared to attracting potential investors to South Africa, asserts:

> "The United States Mission in South Africa, and particularly the economic and commercial officers assigned to the Embassy at Pretoria and consular establishments at Johnnesburg, Durban, Cape Town and Port Elizabeth, consider the rendering of assistance to presence and potential US investors to be a vital part of its task in the country, and indeed, this commands a considerable portion of the officers' attention."

Official US data show that United States investments in South Africa doubled in the five years after the National Security Council outlined US political, economic and strategic interests in that country. By 1973, it totalled about $1,240 million, about a fifth of all reported foreign investment there, second only to that of the British.

Although the kind of detailed data reported for 1973 (see table 3 below) is not yet available for subsequent years, the estimated expenditures of majority-owned affiliates of US companies for additional property, plant and equipment in South Africa indicate that US investments there have been expanding at an increasing rate.

Table 1

Estimated expenditure of majority-owned affiliates of United States Companies for additional property, plant and equipment in South Africa, 1973-1975 (in millions of US dollars)

Year	Total	Mining & Smelting	Petroleum	Manufacturing	Trade	Other
1973	200	10	D	81	28	D
1974	233	9	D	124	16	D
1975	241	20	D	127	18	D

Note: D = suppressed to avoid disclosure of data of individual reporters.

Source: US Department of Commerce, Survey of Current Business, March, 1975, Table 2C, pp. 22-23.

Added together, the 1974-75 estimated expenditures would have resulted in an almost 40 per cent increase in US corporate investment in South Africa.

It should be emphasized that this data does not represent the full picture of US involvement in South Africa. The expenditures data relates only to direct investments of majority-owned affiliates of US investment constitutes less than half are excluded. Furthermore, since US investment has increased in recent years in British firms, the primary source of foreign capital in South Africa, as well as in other European-based multinationals,* it is probable that US-influenced or controlled investment in South Africa is significantly greatly than these official figures show.

Although officially-reported US direct investment in South Africa constitutes less than two per cent of all US overseas investment, the flow of US dollars to that country plays a crucial role that cannot be measured in purely quantitative terms. On the one hand, they strengthen US direct influence and interest in shaping the exploitative South African

* US investments in Europe doubled from 1963 to 1973, totalling $37 billion. In the latter year, US investment in England constituted almost a third of this amount. By 1974, US firms owned about 50 per cent of the British auto industry, 40 per cent of its computer industry, and 20 per cent of its pharmaceutical industry. (6)

political economy. On the other, they contribute the capital, managerial skills and technology South Africa requires to build up its industrial base and expand its neo-colonial role in relation to its politically independent neighbour.

Almost four hundred US companies are reported to have invested in South Africa to date. Many, if not most, are interlinked through ties among their US-based parent companies and banking interests.

Thirteen of the largest of these US-based multinationals play a crucial role in South Africa. Twelve of them alone supply over three quarters of the US capital invested there. The data as to the investment of the "thirteenth giant, Union Carbide, is not available."[6]

These thirteen firms play a powerful role in the United States political economy, itlself, as well as in South Africa. Between them, they own about 25 per cent of the assets of all US industrial corporations, and produce about a fourth of the manufactured value added in the US itself.[7]

Furthermore, these giant US multinationals are closely intertwined among themselves, and with most of the other companies which have invested in South Africa, through their boards of directors and banking ties. Most are grouped around the Rockefeller or Morgan interests. Although it has been argued[8] that these two groups may come into conflict, especially in the arema of the US political economy, in Southern Africa they appear to have joined together at numerous points to expand their highly profitable business. These firms have, furthermore, sufficient

Table 2.

Twelve Largest US Corporations in Southern Africa

Name of Firm	US Owner(s)	Approx. Investment[1] ($000 000)	% of Total[2] US Investment in SA	Rank among US firms[3]
Caterpillar (Africa) and Barlow Caterpillar	Caterpillar	6,4	0,7	34
Chrysler South Africa	Chrysler	45,0	5,0	4
Firestone South Africa	Firestone	25-30[4]	3.0	37
Ford (South Africa)	Ford	80-100	11.0	3
South African Gernal Africa	GE	55	6.1	5
General Motors South Africa	GM	125	14.1	1
Goodyear South Africa	Goodyear	15	1,7	14
IBM (South Africa)	IBM	8.4[5]	1.0	8
Standard Telephone & Cables (plus other companies)	ITT	50-70	7,8	9
3M South Africa	3M	12[4]	1.3	50
Mobil Oil Southern Africa, Mobil Refining Co. SA	Mobil	87.5	9.7	7
Caltex Oil (South Africa)	Texaco Std. Oil of California	103	11.4	6
Chrome Corporation (South Africa)	Union Carbide	n.a.	n.a.	28

Notes:

1. In South Africa
2. Total US investment calculated at US $900 million
3. I.e Bank among US firms in Fortune's list of largest US firms
4. Estimated by CIS from available data.
5. Figure from source other than company.

Source: Church Investments, Corporations and Southern Africa, p.33

contacts in high US Governmental circles to exercise significant influence in shaping official policy towards South Africa.* (See Appendix I).

Table 3 shows that US investments have grown rapidly in the major sectors of the South African economy, and indicates their average rates of profit compared to the investments and returns in the rest of Africa.

This data, it should be noted, is based on questionnaires submitted regularly by the Department of Commerce to a sample of US corporations with foreign investments. It is neither fully comprehensive, nor necessarily a completely accurate assessment of the objective situation.[10] It seems unlikely, given the increasingly critical scrutiny of US companies' investments in South Africa by shareholders** and public interest groups in the United States, that the companies have been completely candid about their South African holdings.

South Africa's "Strategic" Mineral Resources

Reported direct US investment in South African mining and smelting industry, while less than in the other sectors today, has nevertheless been substantial and is growing more rapidly. Their reported book value doubled from 1968 to 1973. Their estimated expenditures on plant, equipment and property doubled from 1973 to 1975.

United States Government agencies have expressed support for this growth as vital to Government efforts to "secure" sources of strategic minerals.[11] In 1970, for example, the US Congress established the

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* Recent reports have exposed the fact that some United States firms with investments in South Africa have built up huge political "slush funds", totalling millions of dollars, in secret numbered accounts in Switzerland, or in the accounts of subsidiaries headquarters in remote places like the Bahamas. (9) Whether and to what ~~extent~~ these funds have been utilised to promote company objectives in South Africa has not been revealed.

** The Council of Churches has played a major role in exposing the exploitative activities of these firms, and encouraging their members who hold stock to speak out at stockholders' meetings.

Table 3

US Investment in South Africa

A. US investment in South Africa compared to the rest of Africa (in millions of US dollars)

	US investment in South Africa:			US investment in Africa less SA:		
	1968	1970	1973	1968	1970	1973
All Industries						
Book value at year end	692	864	1,240	1,981	2,612	2,830
Net capital outflows	5	44	80	303	319	- 427
Reinvested Earnings*	26	52	148	45	105	177
Earnings	120	141	234	551	704	618
Balance of payments income to US.	74	78	80	509	602	446
Mining and Smelting						
Book value at year end	78	90	158	309	350	397
Reinvested Earnings*	- 7	- 2	8	9	27	15
Earnings	31	39	36	38	58	33
Petroleum						
Book value at year end	147	172	274	1,567	1,916	2,002
Reinvested Earnings*	**	**	**	15	52	145
Earnings	**	**	**	501	594	548
Manufacturing						
Book value at year end	332	438	558	168	100	143
Reinvested Earnings*	16	30	61	4	7	-1
Earnings	37	58	93	5	10	4
Other						
Book value at year end	134	163	251	185	245	288
Reinvested Earnings*	17	24	79	16	19	18
Earnings	52	44	105	6	42	33

B. US Investment in South Africa, compared to the rest of Africa and as a percentage of overall US investment abroad.

	1968	1970	1973
As % of US investment in Africa:	25.8	24,8	28.4
in mining and smelting	20.1	20,4	28.4
in petroleum	9.3	8.2	12.0
in manufacturing	83,0	81.4	79.6
in other	42,0	39.9	46.0
As % of all US overseas investment:	1.1	1.1	1,2
in mining and smelting	1.5	1,5	2,1
in petroleum	0.7	0.7	0,9
in manufacturing	1.2	1,3	1,2
in other	0.3	0,2	0,3
US firms' profits in South Africa as % of US profits in total Africa:	17,8	16.6	27.8
in mining and smelting	44,9	40,2	52.1
in manufacturing	88.0	85,2	95.8
in other	89,6	51,1	76,0
Rate of profit of US investments in South Africa	17,3	16,3	18.8
in mining and smelting	39,7	43.3	22.8
in manufacturing	11.1	13,2	16,6
in other	38,8	27,0	41.8

Notes:

* "Reinvested earnings" represents US owners share in reinvested earnings of foreign corporations.

** Combined in other industries.

Source: US Chamber of Commerce, Survey of Current Business, October 1971; October 1969; August 1974.

National Commission on Materials Policy to formulate a national policy which could deal with "national and international materials requirements, priorities and objectives, both current and future, including economic projections."[12] The Commission's first report asserted that South Africa and Rhodesia were among the very few countries where US firms could expect to continue to mine for strategic minerals. Its recommendations reflected its concern with securing investments abroad against possible expropriation, as well as reducing US dependence on foreign sources of supply. In this context it concluded:[13]

> "The list of historically politically stable nations where companies can expect to obtain suitable concessions for both explorations and mining as in the last 75 years is not long: principally Canada, Australia, South Africa and Rhodesia."

The United States obtains important amounts of critical raw materials from South Africa and Zimbabwe (Rhodesia) through the activities of its firms there. The resources include chromium (essential for making stainless steel); platinum, used in telephone and telegraph instruments, relays, aircraft magnetoes, vehicle and boat engines; asbestos, used for insulation, textiles, plastics, vehicle and airplane production; antimony, used in lead, plastics, ceramics and glass; maganese, essential in stainless steel, metallurgical and chemical productions; gold, which is still key to the world monetary system; and uranium, which is the primary ingredient of nuclear projects for both peaceful and military use.

It should be emphasised, however, that expansion of US purchases of these strategic metals from South Africa has taken place in large part because US firms have built up their contacts with South African mining houses which have been in the business of mineral production over a prolonged period of time. In the metals business, reserves are discovered and mines established partly because of accidents of history as well as their relative profitability. South Africa, because

Table 4

Extent of US Dependence on South Africa for Strategic Minerals: Known reserves; South African production as per cent of Western World production: US imports as per cent of total US consumption: imports from South Africa as per cent of total US imports, 1974.

Strategic mineral	Known Reserves[a] as % of world reserves in: SA	US	US imports as % of total US consumption	US imports from SA as % of all US imports (1972)	SA production as % of Western World's output	US firms involved in South African production
Chromium	64%	none[b]	100%	low carbon ferrochrome: 33% (c) high carbon ferrochrome: 42%	32%	Allied Chemical Corp. (thorough controlling interest in Montrose Exploration SA): Union Carbide Corp. (through Chrome Corp. SA); Eastern Stainless Steel (through Southern Cross Stainless Steel, owned in partnership with Rand Mines (d).
Platinum	64%	4.8%	99%	18% (1972) 40% (1974) In 1974, SA became the 2nd largest source because it processed more of its output for direct sale (previously sold through UK.)	85%	Rustenburg Mines, for which Rand Mines (d) is negotiating control.
Asbestos	6.2%	4.1% over	85%	36%	13%	
Antimony[e]	6.9	4.1%	85%	59%	31%	
Manganese	33%	none[f]	100%	36%	33%	

continued......13/

Table 4 (contd.)

Strategic Mineral	Known reserves[a] as % of world reserves, in: SA	US	US imports as as % of total US consumption	US imports from SA as % of all US imports (1972)	SA production as % of Western World's output	US firms involved in South African production
Gold	61%	9.2%	60-80% of new ore	Most imports from Canada (49%) Switzerland (33%), USSR (9%); rest from 23 countries.	83%	Rand Mines[d] has controlling interest in six gold mines. Angola American controls extensive mining interests.
Uranium	21%[g]	28%[h]	Information not available	18% of all imported concentrates.[i]	14%	Angola American produces about 22% of SA output: Rand Mines controls three uranium mines.

Notes:

a. Known reserves refer to those which have been proven to exist and which are exploitable at a given cost level: excluded are reserves which may cost too much to exploit with available technology, of which may exist but are unknown.

b. In 1974, 900,000 tons of low-grade chromite were commercially produced and used, indicating the possibility that the US has reserves which have not been previously considered.

c. The US buys 10-20% of its requirements from Rhodesia under the Byrd Amendment, which exempts the UF from its commitment to the UN boycott of Rhodesia, despite the US agreement to it. In 1974, the US purchased 5% of its low carbon ferrochrome imports and 6% of its high carbon ferrochrome imports from Rhodesia. Rhodesia produced about 11 per cent of the Western World output.

d. Engelhard, an American, was chairman of Rand Mines' Borad before his death.

e. Other metals may be substituted for a number of its uses. Expansion of US production depends in part on solving costs of environmental protection.

f. US has reserves which may be exploited at great cost, though improved technology might reduce the cost later; extensive deposits of manganese nodules are known to exist on the ocean floor beyond the continental shelf which require new technology to exploit, as well as resolution of complex legal problems as to ownership.

g. Includes Namibian output.

Table 4 continued.

h. Much larger reserves are available at prices higher than $10 per pound.

i. The US permits American firms exploiting overseas deposits a 22% depletion allowance. As of 1977, the US will gradually permit domestic use of imported enriched uranium, previously prohibited after 1983, there will be no restriction on use of imported enriched uranium.

Sources: US Department of Interior, US Bureau of Mines, Commodity Data Summaries, 1974; Donald A Brobst and Walden P. Pratt, eds, US Mineral Resources, Geological Survey Professional Paper 820, (US Government Printing Office, Washington, 1973); and US Department of Interior, Mineral Yearbook, Volume 1, (Government Printing Office, 1974).

of the early and profitable mineral discoveries and extensive settler population, has been far more extensively surveyed geologically than the rest of Africa. Prior to the attainment of independence by African governments, only about 10 per cent of the vast continent had been surveyed. In recent years, new deposits of a wide range of valuable minerals have been discovered, as the new African governments have begun to invest in the necessary systematic exploration. But US firms, concerned with maximising profits, have preferred to expand production in mines where they were already established.

The African governments have sought to obtain a greater share of the wealth produced by their mines through a range of devices, including better wages for their employees, higher taxes, and, in the late "sixties' and 'seventies', government acquisition of shares, as well as some forms of participation in management and marketing. The South African Government, in contrast, uses its state police power to herd African miners into camps and to keep them at work throughout the life of their contract, while the companies are given a free hand to maximise their profits.

As a result, although US investment has continued to grow in independent African countries in absolute terms, it has grown much more rapidly in South Africa. US investment in South African mines and smelters doubled from about $78 million to $158 million in the few short years from 1968 to 1973, rising from 20 to 28 per cent of all US investment in this sector in Africa. The reported rate profit of US mining firms in South Africa was, on the average, almost three times that of US mining firms in the rest of Africa.

A relatively few US firms are deeply involved in the business of mining and smelting in Southern Africa, but they nevertheless exert significant influence in South African mining as well as the United States. They have typically participated in joint ventures with the powerful South African mining finance houses. They are so intertwined with the mining finance houses that it is sometimes difficult to determine whether the US or South African firms are dominant. At the same time, key members of their boards provide direct links with the US Government, serving to perpetuate the illusion of US strategic interests in South Africa.

The US firms contribute capital and some management to the South African mining finance houses. More importantly, perhaps, they provide the most up-to-date technologies where these are warranted to maximise profits from the low-paid African migrant workers. About two-thirds of the miners are brought on contract from neighbouring countries. They are forced to live in crowded dormitories, sleeping on concreate bunks, in fenced in mine compounds. Their wages are among the lowest in South Africa, averaging about a twenthieth of what a typical US mine worker earns. Recently, the increased difficulty in recruiting labour for the mines through the very low wage contract system, especially with the independence of Mozambique and Angola, has led to significantly increased efforts to substitute capital-intensive technologies for cheap labour. This policy has been strengthened as a result of the growing unrest on the mines, in which over a hundred miners have been killed for making increasingly militant demands for improved wages and working conditions.

The US firms most intimately entwined with South African mining finance interests is Engelhard Minerals and Chemicals Corporation, the world's largest refiner and fabricator of precious metals. As a result of a complex series of stock transactions from 1969 to 1972, the Angola-American Group - the biggest mining finance group in South Africa - came to own about 30 per cent of the common stock and 20 per cent of the preferred stock of Engelhard Chemicals and Minerals.[14] Engelhard family interests own about 11 per cent of the common and 7 per cent of the preferred stock of the company.

G.W.H. Reilly, who came up through the ranks of the Anglo-American Corporation to become President and Chairman of its board of directors, sits on the Engelhard Minerals and Chemicals Company board of director.

Charles Engelhard, himself, while he was alive, was a moving spirit of efforts to expand US economic as well as political ties with South Africa. As Chairman of the big finance holding company, Engelhard Hanovia, he was in a position to contribute effectively to this goal.

Engelhard's adulation of the South African regime's policies was summed up in his comments on Vorster's selection as Prime Minister of that country in 1966:[15]

> "The policy of South Africa as expressed by the new Prime Minister is as much in the interests of South Africa as anything I can think of or suggest. I am not a South African, but there is nothing I would so better or differently."

He backed his verbal support with concrete actions. Two years before Sharpeville, he founded the American-South African Investment Corporation to attract capital to the Republic at a time of great economic and psychological need for the white minority government. After the Sharpeville massacre, South Africa faced a serious loss of foreign confidence and a capital outflow. Engelhard arranged a $35 million loan with the United States banking interests. He sat on the board of the Witwatersrand Native Labour Association and the Native Recruiting Agency, two official agencies which brought Africans from Mozambique and Rhodesia to work at below-subsistence wages in the South African mines.

The Engelhard company's continuing ties with the US Government undoubtedly facilitate efforts to obtain governmental support for its activities in South Africa. Engelhard himself was a close friend of both Presidents Kennedy and Johnson. He contributed generously to the Democratic Party. He represented the United States at the independence celebrations in Gabon, the coronation of the Pope in 1963, the first anniversary of Algeria's independence, and at Zambia's independence ceremonies in 1964.

After Engelhard died in 1971, J.G. Harlan, previously a US Government official, became a key member of the Engelhard Board of Directors; Harlan's former government status put him in a position to contribute significantly to the favourable presentation of the South African regime's potential contribution to US interests. He served in the Treasury Department from 1937 to 1948; then he was involved in the US Foreign Aid Program until 1958. In that year he became Deputy Commissioner to the Defence Materials Service, until he became Commissioner of Property Management and Disposal Services from 1966 to 1969. Then he became Vice-President of the Engelhard Minerals and Chemicals Corporation. In 1971, he became Senior Vice-President and President of the Engelhard Industries Division in Newark. Harlan has also served as a representative on The President's Committee on the Economic impact of Defence and Disarmament, as Project Manager of the President's Special Task Force on Use of Surplus Property; and as a member of the Industrial Study Board to study the effects of Government Policies on Regional Economic Levels. All these posts served to consolidate his relationships with top-ranking US Government personnel dealing with the precious metals which Engelhard Company processes and markets. They also undoubtedly facilitate continuing efforts to convince US officials to strengthen America's ties with the South African Government. In this respect, Harlan's efforts are undoubtedly strehgthened by the fact that another Engel board member, J.T. Connor, has extensive ties with the US Government, as well as sitting on the board of the powerful Chase Manhattan Bank.

American Metal Climax (AMAX) is another big US firm which has long been involved in Southern Africa.* It had, through a subsidiary, acquired ownership of about half of Zambia's vast copper mines prior to that country's independence. The other half belonged to the South Africa firm, Angola-American. After the Zambian Government acquired 51 per cent of the ownership of the mines. AMAX, together with Angola, continued to provide the management and marketing facilities for a sizeable fee, until the Zambian Government paid an additional sum, about \$60 million over and above the agreed-upon compensation for its shares of owernership, to buy them out. After that, a number of Anglo and AMAX personnel were hired directly by the Zambian Government to continue operating the mining business.

AMAX and Anglo-American have invested jointly in the newly discovered Botswana copper-nickel mine at Selebi-Pikwe. The companies required the Botswana Government to acquiesce to sending the crude copper-nickel matter to AMAX's refinery in the United States, before shipping it on to Metal gessel schaft (with which AMAX has ties) in

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* It was 126th on Fortune's 1973 list of the 200 largest US firms in terms of sales, and 75th in terms of its nearly \$2 billion in assets.

West Germany.[15A] AMAX, together with Newmont, owns a majority of shares in the highly profitable Tsumeb Copper mines in Namibia.*

W.A.M. Burden, a member of the AMAX board, provides direct contacts with the US Government. Burden served as director of the National Aviation Corporation (1939-41); as Vice-President of Defence Supplies Corporation (1941-42); Assistant Secretary of Commerce in charge of Air, and as a member of the National Advisory Committee for Aeronautics (1942-47). He became a special assistant for Research and Development to the Secretary of the Air Force (1950-52). He was Ambassador to Belgium for 1959-61, and is Chairman of the Institute for Defence Analysis and a Director of the Council on Foreign Relations.

Newmont, another US firm with worldwide mining and finance interests,** is deeply involved in South Africa. It owns over half of the O'okiep Copper Company with mines there and in Namibia, and almost a third of the Tsumeb mine. Newmont's Vice-President worked for eight years, from 1947 to 1955, as General Manager of Rhodesia corporation and Falcon Mines.

Newmont's subsidiary, the Palabora Mining Company, produces copper, magnetite, vermiculite and sulfuric acid. Its 1973 sales totalled $110 million; it employed about 3,070 workers.

In 1974, the Tsumeb and O'okiep companies announced plans to build an electrolytic copper refinery, costing over $40 million in Cape Town, South Africa, to treat all the blister-copper output of the two companies' smelters. In January, 1975, it was reported that they had decided not to build the refinery. The Johannesburg Financial Mail speculated that this might be because AMAX sought to be

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* Both AMAX and Newmont are violating United Nations efforts to end foreign investment in Namibia as long as South Africa illegally maintains its rule there. Frank Coolbaugh, formerly Chairman of the Board and Chief Executive Officer of AMAX, is a director of Tsumeb.

** It might be noted that Newmont also owns 10 per cent of the shares and its Chairman sits on the Board of the Southern Peru Copper Corporation, which exploits Peru's most profitable open pit mines in Southern Peru.

"divested of its SWA projects".[16] This reinforced a two-year-old rumour that AMAX wants to pull out of Namibia, a desire that might well have been strengthened by the threat of United Nations seizure of cargoes after May 30, 1975. AMAX and Newmont both faced stockholder questions on these issues in their May meetings.[17]

Union Carbide has extensive mining interests in both South Africa and Rhodesia. It produces 20 per cent of South Africa's chrome, as well as owning a large chrome mine in Rhodesia. Union Carbide found its investments in the Rhodesian deposits profitable, despite their location in difficult-to-exploit narrow seams, primarily because of the availability of plentiful supplies of cheap labour.[18] Union Carbide exercised its powerful Congressional lobby in the early 1970s to get the Byrd Amendment passed, so that the United States continued to import chrome from Rhodesia, in violation of the US Government's official declaration of support for the United Nations decisions to boycott that country.

Available evidence shows that Rhodesian imports were not crucial to US security.[19] They could easily be replaced by supplies already in the national stockpile, or which could be obtained from other foreign suppliers. In 1974, for example, the United States imported from Rhodesia only 10.2 per cent of its national requirements of high-carbon ferrochrome, 2.9 per cent of its low-carbon ferrochrome requirements, and 7.4 per cent of its metallurgical grade chrome ore needs. The US national stockpile alone contained enough metallurgical grade chrome ore to supply all domestic needs for almost four years, if not a single ton of chrome was imported. It would take about 52 years to use up the national stockpile of chromite if it were substituted for the small amounts imported from Rhodesia; about 18 years to use up the high-carbon ferrochrome; and 85 years to use up the low-carbon ferrochrome. Technological advances have further reduced the importance of metallurgical grade ore from Rhodesia. Finally, it was estimated that any increase in the price of chrome ore that might result from reducing Rhodesian imports - though none seemed likely - would have an insignificant effect on the price of stainless steel, because chrome constitutes only a small fraction of the aggregate product. In short, Union Carbide's lobbying resulted from its own efforts to profit from the continued sale of the output of its Rhodesian mines, and to provide support for the Rhodesian Government, rather than out of a real concern for US security.

Bishop Abel Muzorewa expressed the bitterness of the African population at this continued blatant violation of UN sanctions:[20]

> "In a few years or even a few months the government of Rhodesia will be black.... We will not forget those who ignored our suffering, scorned our rights and in complicity with the fascist regime of Mr. Smith took our minerals, bestowing wealth to the white minority and sentencing the black majority to poverty and physical depracity. We will recall that when we demanded freedom, you took our chrome, when we asked for understanding, you demanded that we understand your need for chrome.... you usurped our minerals to make the tools of war for your battles in Asia."

Among the other US firms which have investments in South African mines are some of the biggest household names in America. Alcan Aluminum of South Africa has joined with Union Steel Corporation in a $16 million plant at Richards Bay. Kaiser Aluminum has built the largest productive aluminum hot line in South Africa, King Resources of Denver controls the country's only titanium mine, situated on a border area near East London. US Steel has constructed a $16 million ferrochrome smelting plant in the Sekhukhunliland border area in the Eastern Transvaal. With Newmont Mining and two South African companies, Anglovaal and De Beers, it is prospecting for copper and precious stones in Botswana and Namibia. Other strategic materials which the United States imports from Southern Africa include corundum, lithium and amosite asbestos.

The US-based multinational mining corporations' connections with South Africa's mining groups is by no means a one way street. The US firms, together with the US governmental agencies over which they appear to have a significant influence, have made major contributions to South Africa's technological advance. This contribution has been particularly critical in an area which has dangerous military implications: the production of nuclear power. An agreement was worked out in the early seventies for Escom, South Africa's electricity utility, to purchase nuclear enrichment services from the US Atomic Energy Commission (AEC) has one of the few facilities in the world for enriching uranium into the tiny pellets that go into the reactor core. It will provide Escom with enrichment services up to 2000 MW and reprocess the burnt fuels. The South African Financial Mail claims[21] that the AEC contract was part of a US effort to guarantee South African sources of uranium oxide to power American nuclear plants.

A Massachusetts firm, the Foxboro Corporation, has gone further by providing the technology necessary for South Africa to operate its own unique new process for producing enriched uranium itself. The initial reactor which made that development possible was provided by the United States under Atoms for Peace Program about a decade ago. The American Allis-Chalmers corporation helped construct the South African facility, and the South African technicians were trained at Oak Ridge, Tennessee, Atomic Energy Labs managed by the US Government in the US. South Africa declares that its new method is competitive with the US process because it takes less initial capital investment. It reportedly hopes to export large quantities of enriched uranium fuel for nuclear power plants around the world.

By the mid-1970s, the US Nuclear Corporation was reported to have already sent nearly 100 pounds of highly enriched uranium to South Africa, allegedly for research use. But the danger is that the entire nuclear development program may be used for nuclear weapons. Even this initial amount of material, which is concentrated well above the level required for nuclear weapons, is reportedly sufficient for the production of seven small atomic bombs.

US Congressman Les Aspin objected to continuing US nuclear assistance to South Africa because of these dangerous military implications:[22]

> "With a plentiful supply of natural uranium and its own separation plant, South Africa can produce all the weapons grade uranium it wants. This capability strengthens South Africa's position militarily, diplomatically, and economically. When the inevitable showdown comes in southern Africa, Pretoria can threaten ultimate disaster unless it gets its way."

The US contribution to South African manufacturing

Although South Africa has been proclaimed by US multinationals as a crucial source of strategic minerals, the US investment in South Africa's burgeoning manufacturing sector had grown to almost four times that in minerals in dollar terms by 1973. Estimated US majority-owned firms' expenditures on property, plant and equipment constituted over half those made in all South African industry in 1974 and 1975, and far exceeded those made in the rest of Africa.

A few of the biggest US manufacturing firms have been established there since the turn of the century, but by far the most rapid increase has taken place coincide with the efforts of South Africa's Nationalist Government to spur industrialisation in recent years.

Today, South Africa ranks 14th among all countries in the world in terms of US investment in manufacturing. She follows after the major developed countries of the European Common Market, Japan, and Australia, and the largest Latin American countries, Mexico, Brazil, Argentina and Venezuela.[23] South Africa far outranks all the independent nations of Africa, despite their strenuous efforts to attract US capital to build much needed factories. About four out of every five US dollars invested in African manufacturing are in South Africa.

There are probably several reasons for the rapid expansion of US investment in South African manufacturing industry. The relatively high incomes of the four million whites, comparable to those in the US, provide a fairly large concentrated local market for the sophisticated kinds of consumer goods which the US multinationals wish to sell by establishing local assembly and processing plants. At the same time, the top management of the multinationals perceive a community of interest with the South African Government and business groups in their efforts to expand trading ties northward on the continent. Instead of risking their capital by direct investment in what they consider to be "unstable" African-run countries, they hope to gain a foothold through what appears to them as a business-like, rapidly growing economy run by people very much like themselves. The wages of African manufacturing workers are only between a tenth and a sixth of what they would be in factories owned by the same companies in the United States. It has been estimated, furthermore, that the effective tax rate paid by US firms in South Africa is only about 22 per cent of net income.[24]

All in all, these factors assure US manufacturing firms a very profitable business in South Africa. Officially, they report an average profit rate of Africa. The average for both South Africa and the rest of the continent are probably understated. There is widespread evidence in Latin American that companies overprice imported machinery, parts and materials to avoid paying local taxes.[25] There is no reason to believe that US firms operative significantly differently in Africa. In any case, the average rate officially reported in South Africa considerably exceeds the average reported for manufacturing in the United States, about 11 per cent.

Whether any of the US firms have had second thoughts since the collapse of Portuguese rule in Mozambique and Angola is not yet clear. It is evident, however, that South Africa is making every effort to create a continuing favourable investment climate. The well-publicised abolition of a few of the more blatent features of "petty apartheid" in the mid-1970s was designed to create an illusion of reform which the firms could report to critical shareholders back home, but which in no way fundamentally changed the political economic structure which had rendered their investment there so profitable.

US firms' contribution to South African manufacturing is not only far greater in dollar terms than in the rest of Africa. It has, especially in recent years, come to play a far more critical role in helping to build an integrated, increasingly self-sufficient national economy. In most independent African states, US manufacturing firms have for the most part built only last-stage assembly and processing plants which continue to import parts and materials, as well as machinery and equipment from their US-based factories.[26] In effect, what they gain this way is a foothold in the tariff-protected markets of those countries for a limited local investment. In South Africa, in contrast, US firms have begun to establish backwards linkages between their manufacturing investments and the rest of the economy. In this way, they have contributed to building an increasingly advanced technological foundation for South Africa's industrial sector, already the largest in Africa. At the same time, they have as a result become more and more involved in South Africa's political economic structure of exploitation.

The three largest automobile manufacturing firms in the United States - three of the top four of the biggest corporations in the US itself - have come to play a crucial role in the South African economy in recent years. They produce up to half of the motor vehicles sold in South Africa, including cars, trucks and tractors. They compete for Government contracts to sell vehicles to the army and police. Two have been established in South Africa since the post-World War I period: the third became established there in the late 'fifties, when the African countries further north were nearing political independence.

In the 1960s, the South African Government sought to strengthen its economy following the world outcry against the Sharpville massacre. These US giants further expanded their local production in accord with the requirement that over half the components of vehicles, by weight, must be locally produced. They also began to export vehicles built there to other countries, contributing to the improvement of South Africa's balance of payments.

General Motors[27] first erected an assembly plant in South Africa in 1926. GM South Africa has an assembly plant and manufacturing plant in Port Elizabeth, and an engine manufacturing plant just outside that city. It produces several GM models, and manufacturing components such as radiators, engines, batters, spark plugs, springs and sheet metal parts locally. GM's "Ranger" model is an all-South African made model.

In 1972, GM South Africa employed 4,797 workers, about half white, about 40 per cent Coloured, and 11 per cent African - the latter almost all in unskilled or at most semiskilled categories. Hourly rates for Africans and Coloureds started at about 65 (US) cents an hour, and rose at maximum to about $1.35 an hour. Almost all the Africans and a majority of the Coloureds were classified in the lower skilled, lower paid categories.

GM's South African operations alone constitute those of a large firm, although they produce only four per cent of GM's world-wide output. In 1971, GM South Africa's sales totalled 35,700 vehicles, equal in dollar terms to the sales of the 563rd US firm listed by <u>Fortune</u> magazine among the 1000 largest US industrial corporations.

As the biggest company in the world, as well as in the United States, GM has extensive contacts with the US Government, as well as banking interests and other companies investing in South Africa.[28]

One of its present Board Members served as US Secretary of Commerce from 1965 to 1967. Several former board members have moved into US and international posts, including McNamara, now head of World Bank, and formerly US Secretary of Defence during the Vietnam War. Directors of bank and financial concerns sitting on GM's board represent the National Bank of Detroit, the First National Bank of Chicago, Metropolitan Life Insurance Company, First Wisconsin Trust Company, the Mellon Bank, and the Morgan Guaranty Trust, besides Chase Manhattan. GM Board members also serve as links with many other firms investing in South Africa, including Proctor and Gamble, Eastman Kodak, Dupont, Ely Little, Pepsi Company, US Steel, 3M (Minnesota, Mining and Manufacturing) and the Owens Corning Fiberglass Corporation.

Ford, the second largest US auto company, also has extensive production operations in South Africa. Ford established its first plant there in 1923, as a subsidiary of its Canadian subsidiary. It expanded especially rapidly in the 1960s. It now owns administrative offices, assembly plants for cars, vans, tractors and trucks, an engine plant, and a parts and service depot. Its share of the South African automobile and commercial vehicle market is 15-20 per cent. It sold over 48,000 vehicles in 1971. It employs almost four thousand workers, two-thirds of whom are Coloured, and about 8 per cent African. In 1972, almost 90 per cent of the Africans and two thirds of the Coloureds were in job categories receiving less than 84 cents an hour.

Chrysler, the third largest US auto manufacturer, established its first plant in South Africa in 1958 outside Cape Town. In 1967, it opened a new plant on the edge of the Tswana Bantustan, undoubtedly to take advantage of the "large, readily available source of unskilled labour."[29] In 1972, the original plant was closed down entirely. That year, at the newer plant, Chrysler employed about 2,000 workers, slightly over half African and Coloured, to produce 24,500 vehicles. The availability of a reservoir of African labour in the nearby Bantustan made it possible to increase the proportion of low-paid Africans on staff, reducing wage bills significantly. The average African wage was about $110 a month.

General Electric, the biggest electrical firm in the United States, ranking fifth among all US industrial corporations, has long maintained ties with South Africa, where it began operations in 1898. Today it holds its concerns there through its London-based affiliate, so that they are not officially counted among US investments in South Africa. South Africa GE (SAGE) manufactures and sells a wide range of household appliances and housewares (refrigerators, freezers, washers and dryers, irons, percolators, electric kettles), industrial controls, capacitators, locomotives, and so forth.

It also markets imported items, both for the consumer market and the growing industrial sectors. In 1973, its sales totalled $4.5 billion. It was one of the five companies chosen by the South African Government to manufacture television receiving sets. SAGE has built railroad locomotives for the South African Government, as well as for the Portuguese in Angola and Mozambique, under US Government Export-Import Bank credit guarantees. It produced control relay panels for the Cabora Bassa Dam in Mozambique, at that time viewed as a key to continued Portuguese-South African rule in the region. It was reportedly planning to compete to help build South Africa's first nuclear reactor.

In 1972, about half of SAGE's 1,500 workers were African. Their wages ranged from $73 a month to $213 a month in that year, with the bulk of them earning the lower rates. Eight per cent of the workers were Coloureds, starting at $63 (female) and $118 (male), and rising to an average of $193 a month. Whites, making up about 42 per cent of the workers, received $186 a month for unskilled work, rising to $502 for artisans.

Westinghouse ranks fourteenth among all US industrial firms, and, together with General Electric, dominates the US electrical industry. It has two known subsidiaries in South Africa. One, Wabco, employs almost 300 workers to produce and sell earthmoving equipment. A second Westinghouse subsidiary employs 450 workers, and sells about $14 million worth of railway signalling equipment annually.

International Telephone and Telegraph (ITT),[29A] ranking ninth among the largest firms in the United States, has extensive investments in South Africa. Its South African subsidiaries include:

Standard Telephone and Cables (STC), one of South Africa's largest electrical manufacturing concerns. STC produces a wide range of technologically complex electrical equipment. Because it supplies communications equipment for the police and Simonstown Naval Base, as well as the South African Post Office, many employees must have security clearances. It also recruits engineers to operate the Simonstown base equipment. Apparently, neither ITT nor the US Government views this as violating the UN embargo on arms to South Africa, signed by the United States. STC employs about 1,000 Africans, 1,500 Coloured, 900 Asians, and 2,500 whites. The average African wage in 1972 was $125 a month, compared to $546 for the whites.

African Telephone and Cables, an STC subsidiary, manufactures electric wire and telephone cable. Another subsidiary, Miller's Electrical Line, is a wholesale distributor of industrial and general electrical installation material, cables, switchgear, motors, domestic appliances and hardware and switchboards.

ITT Supersonic Africa, initially a marketing agent for ITT's Rhodesian subsidiary, Supersonic Radio Manufacturing Company, now manufactures radio equipment in the Pietersburg "border area" in South Africa, taking advantage of the low wages paid to Africans there. Both ITT and Supersonic have maintained their ties with the Supersonic Radio Manufacturing Company of Rhodesia, which continues to make portable and automobile radios, record players, stereo players and television sets at Bulawayo. It continues to sell them throughout South Africa and Namibia, despite the United Nations economic boycott of Rhodesia for which the US Government voted.

The South Atlantic Cable Company played a major role in construction of the Cape Town-Luanda link.

ITT's Speedwriting and Houghton Commercial Colleges are Johannesburg secretarial schools, open only to white students. ITT's Avis is the leader in the South African auto rental business, and has eleven offices, including one in Namibia. It also operates in Zimbabwe. ITT's Master Directories prepares the "yellow pages" of the telephone books.

ITT interests also extend to other Southern African countries through its giant subsidiary, International Standard Electric Corporation (ISEC). In 1970, ISEC invested $15 million in Grupo Olivia, which owns four metallurgical and metal mechanical companies in Mozambique. Its Standard Electric SARL Portugal at that time reported plans to invest $36 million, not only in Portugal but also in its African colonies. ITT's Sheraton built a hotel in Luanda, the Angolan capital. An ITT subsidiary assembles television sets in Zambia from parts and materials imported, in all likelihood, from South Africa and perhaps Rhodesia.

ITT's contacts through interlocking directorships with other US firms investing in South Africa include Raytheon, Grace Lines, and Chase Manhattan Bank. E.R. Black, the ITT director who sits on Chase's Board, was formerly President of the World Bank.

A wide variety of US manufacturing firms are included among the nearly four hundred US companies with investments in South Africa. It is impossible to list them all here. A few more may be merely mentioned to indicate something of the scope of their activities. As in the auto and electrical business, the more significant of them are among the largest firms in the United States. Many of them have interlocking directorships and/or banking connections in common. Not a few are pyramided structures, with subsidiaries which hold subsidiaries operating in South Africa.[30]

The International Business Machines Corporation of South Africa is a subsidiary of the sixth largest firm in the United States of the same name. It has contributed to South Africa the advanced technology for computerised data processing and systems management. It produces a wide range of data processing systems, electrical typewriters, and dictating equipment. It runs several data service centres. It employs about 2,600 workers throughout the country, and sells about $1.2 billion worth of goods a year.

Other US firms in the South African data processing and computer business include Computer Services of Los Angeles; Collins Radio Company of Cedar Rapids, Iowa; Control Data Company of Minneapolis; Cutler Hammer International of Milwaukee; the National Cash Register Company of Dayton, Ohio; and Otis Elevator of New York.

Several of the largest manufacturing firms in the United States have contributed to specific aspects of South Africa's basic industrial sector. Two of the biggest US rubber firms have developed an extensive business in the production and sale of rubber products which are essential to the transport industry, as well as industry in general. The Goodyear Tire and Rubber Company, the 19th largest firm in the US, has a South African subsidiary which employs about 2,500 workers and manufactures and sells about $45 million worth of tires, tubes, rubber hose and belts annually.

The Firestone Rubber Company, another of the three big firms which dominate the rubber industry in the United States, also owns a South African subsidiary which employs about 2000 workers and sells roughly the same amount of tires and tubes.

A number of US firms have expanded local assembly and sale of agricultural equipment and machinery for South Africa's wealthy white settler agricultural sector. International Harvester, the 22nd largest industrial company in the United States, has established a South Africa subsidiary which employs about 800 workers. It produces and sells about $35 million worth of motor trucks, farm tractors and implements and light industrial equipment each year. The US-owned J.I. Case company, a much smaller company, employs only about thirty workers in South Africa, selling about $1.5 million worth of agricultural tractors and implements as well as construction equipment.

Allis-Chalmers, 146th in Fortune's Directory of the 500 largest US industrial corporations, not only produces agricultural machinery and electrical equipment in South Africa, but, as noted above (p.26), also sells nuclear reactors there. United States Industries, through its South African subsidiary, Big Dutchman, sells automated poultry, pig and cattle feeding subsidiaries. Deere and Company produces farm and industrial equipment. Caterpillar Tractor Company sells parts for earthmoving equipment. The Champion Spark Plug Company produces and sells spark plugs for general use in transport equipment.

Two US firms are engaged in providing the latest technology for the South African mining industry. The South Africa affiliate of the Joy Manufacturing Company of Pittsburgh produces coal and hard rock mining machinery and equipment, core drills, diamond crowns and dust collection equipment. It employs about 750 workers. The Mine Safety Appliances Company of Pittsburg employs about 525 workers in

South Africa, producing and selling mining and industrial safety equipment. A number of medium-sized US firms imports parts, and produce several other types of industrial inputs in South Africa itself. The Timken Roller Bearing Company's South African subsidiary employs about 190 workers, and sells about $5.5 million worth of output annually. The McKinnon Chain Company of South Africa, owned by Columbus McKinnon Corporation of New York, employs about 500 workers, and sells about $4.5 million worth of chains and chain accessories. The H.H. Robertson Company, owned by the Pittsburgh company of that name, employs about 590 workers in South Africa, producing specialised steel building materials. Its annual sales total about $20 million. The Masonite Corporation of Chicago has a South African subsidiary which produces and sells hardboard, insulation and masonite. It employs 1,010 workers, and sells about $10 million worth of produce a year.

The South African Government has taken steps to ensure that its own parastal, together with domestic private industry, dominates the industrial chemicals field. Nevertheless, the Industrial Chemical Products Company of South Africa, a subsidiary of Amchem Products of Pennsylvania, does employ eighty workers, and sells about $3 million worth of industrial chemicals a year. A number of other US firms are engaged, in the importing and last-stage processing of pharmaceuticals and related products for the high income white consumer market. These firms are relatively small compared to the giant multinationals in basic industry in the United States, and likewise are less significant in their size of output and employment in South Africa itself. They are, nevertheless, multinationals. As the chairman of Abott Laboratories, a $145 million-a-year pharmaceutical company with plants in twenty-two countries, expalined back in the early 'sixties': "We are no longer just a US company with interests abroad. Abott is a world enterprise, and many major fundamental decisions must be made on a global basis."[31] With this perspective, Abott and several other US companies have imported the necessary equipment to last-stage process and sell a wide range of pharmaceutical products in South Africa.

The South African operations of Colgate Palmolive, which ranks 67th among the largest US industrial corporations, are probably the most extensive of US enterprises in this category. Colgate-Palmolive's South African subsidiary employs about 650 workers and manufactures and sells toiletries, soaps and detergents. It also holds controlling shares in two other US firms: The Kendall Company, which in turn has another South African subsidiary, and employs sixty people to produce and sell surgical dressings and elastic goods; and Helena Rubenstein, which has a South African subsidiary producing cosmetics. Lakeside Laboratories, a third subsidiary of Colgate-Palmolive, is affiliated with Lakeside Laboratories of Milwaukee.

Other US firms in this category include the Parke, Davis Laboratories, which employs about 175 workers in South Africa, and sells about $4 million worth a year. Lilly Laboratories of South Africa, held by Eli Lilly of Indianapolis, employs 116 workers, and sells about $6 million worth of pharmaceutical and agricultural products. Schrag. Ltd., a subsidiary of the New Jersey Schering Corporation, employs 140 workers and sells $3 million worth of pharmaceutical and photographic materials in South Africa. The Phildelphia firm of Smith, Kline and French Laboratories owns two South African subsidiaries: one by the same name, and another called A.S. Ruffel. They produce veterinary and nutritional products, as well as pharmaceuticals. They employ about 100 persons, and sell about $1;5 million worth of produce a year. Wyeth Laboratories of South Africa, a subsidiary of Wyeth International of Philadelphia, employs about 160 worker and sells about $4.5 million worth annually.

The South African subsidiary of the American Home Products Corporation of New York, Whitehall Products, employs about 65 workers, and produces $2.5 million worth of pharmaceutical, toilet, and household products a year. C.D. Searle of South Africa, a subsidiary of the

Chicago Company, employs twenty people selling about $2.2 million worth of pharmaceutical preparations.

While it is not possible to give details of all the US firms with direct investments in South Africa a few additional well-known names might be added to suggest the extent of penetration into South Africa's manufacturing sector. Cheesebrough-Pond of New York produces and sells cosmetics. Coca-Cola licences the production of soft drinks in South Africa. The Macmillan Book Company sells books there. Eastman-Kodak sells photographic goods. The Borden Company sells milk and chemical products.

The Gillette Company produces razor blades and men's toiletries and cosmetics. The Singer Company of South Africa employs about 100 workers, and produces about $3 million worth of sewing machines annually.

US Investment in Petroleum in South Africa

South Africa does not have any known extensive oil deposits. It does have vast coal mines, however, so that it has been able to reduce its dependence on oil to a lower level "than any other developed country."[32] South Africa has developed an oil-from-coal plant, purchasing some of the necessary technology from US oil firms, and is now building another for $1.5 billion.

Despite South Africa's lack of known oil reserves, US oil companies have doubled their investments there in recent years. Next to manufacturing, petroleum is the second most important sector of US investment in South Africa in dollar terms. Significantly, however, official data do not reveal the amounts expended in recent years on property, plant and equipment to "avoid disclosure of data of individual reporters." All the biggest US oil firms are involved in exploring for oil in Southern Africa, encouraged by the South African Government as it seeks to become independence of outside suppliers. Their exploration concessions extend entirely around the shores of the southern third of the continent.

Gulf successfully struck oil in 1966 in Cabinda, a pocket of Angolan territory surrounded by Zaire. The Cabinda operation, considered by officials as "one of the major growth areas of the Corporation", may be the fourth largest producer in Africa. Caltex has made discoveries in northern Angola. Natural gas has been discovered in Namibia.* The growth of US investment in the oil business in South Africa itself, however, also reflects the expansion of the refining and distribution of oil and oil products in South Africa. As is the case of US firms in South African manufacturing, these giant oil companies thus contribute to building up the modern technological foundation of South Africa's industrial complex. At the same time, they contribute to South Africa's dominant regional economic position by refining and selling crude oil products throughout the Southern Africa region.

Caltex Oil, a subsidiary jointly owned by Texaco and Standard Oil of California** was established in South Africa in 1911. It now operates a 43,000 barrel a day oil refinery in Cape Town, and markets a full range of petroleum products, mostly of local manufacture, throughout the Republic. Standard (California's) own Chevron subsidiary companies, along with Texaco's Regent Company subsidiaries, own several concessions in South Africa and Namibia. Texaco markets petroleum products in Angola. Caltex has equity interests in two Rhodesian marketing and refining companies. A November, 1967, United Nations document[33] declared that Caltex had expanded its storage facilities to help the illegal white Rhodesian Government to prepare for international embargoes, although company officials have denied involvement.[34]

Caltex has about 2,000 employees, about a third of them African, Coloured and Asian, in South Africa. The average African wage in 1972

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* Under strong pressure from the UN Commission on Namibia, including a threat to impound any produce from that country, US oil firms have recently withdrawn from exploration activities in Namibia. Their action may have been influenced by the independence of Angola.

** These rank respectively as the third and fifth largest firms in the United States. While US anti-trust laws deny them the right to combine in the US, they receive officials US blessing for overseas combinations such as this.

was reported as \$139 a month; the minimum was \$111. Even this relatively high starting wage was below the Poverty Datum Line.[35]

Mobil published a back-cover colour advertisement in a special issue of the South African Financial Mail in 1971, boasting that: "Everyone is conscious of South Africa's need for its own supply of crude oil - and Mobil is doing something about it."[36]

Mobil began operations in South Africa in 1897. One Mobil subsidiary operates a refinery in Durban. Another handles marketing. Mobil also holds a 25 per cent interest in a petroleum prospecting licence for certain offshore areas, in partnership with Compagnie Francaise des Petroles, British Petroleum, and Shell. The company has recently purchased a 32.9 per cent interest in South African Oil Refinery (Pty) Ltd., which will operate a lubricating-oil refinery in Durban. Mobil is a leasing supplier of fuels and lubricants to the oil oil rigs and drilling ships. It also provides expertise to South Africa for oil exploration technology, "helping the Government exploration company, SOEKOR, to become almost completely independent of overseas consultants."

Mobil officials declared in 1972:[37]

> "Mobil's position is that pulling out of South Africa would not be in the best interests of non-whites there nor in the interests of our shareholders."

> "What is needed.... is not disinvestment but greater investment. Over the long term, only economic growth can create additional jobs, more job mobility, and greater opportunities for human advancement... With further economic growth, more and better jobs will become available for non-whites."

But from 1962 to 1970, Mobil only trained four Africans and 22 Asians and Coloureds for relatively higher skilled jobs, compared with 992 whites. The fifteen Africans enrolled in training in 1971-72 were all learning heavy-vehicle driving. The average African monthly wage in 1972 was $148 ($137 without a Christman bonus).

Several other oil firms have established subsidiaries in South Africa in the oil business. Some have extended into sidelines. Hunt Oil's subsidiary, the Placid Oil Company of South Africa, is exploring for oil. Esso Standard of South Africa, a subsidiary of Standard Oil's 100 per cent owned affiliate of Geneva, Switzerland, is in the petroleum and chemicals business. Ashland Oil and Refining Company's South African subsidiary, Valvoline Oil Company, is producing lubricants and rust preventives. Atlantic Richfield's ARCO South Africa is exploring for oil. Getty Oil has a South Africa subsidiary, Tidal, which is mining diamonds.

US Involvement in South Africa's Financial Structure

US financial firms provide a useful supplement to the powerful South African mining finance houses, particularly in attracting and advising growing numbers of American firms to invest in the South African economy. This is indicated by the rapid growth of the category of US investment in South Africa officially labelled as "other", which makes up about a fifth of all US investment there.

The primary component of the "other" category consists of US companies handling financial and other services. Unfortunately, official US reports do not break down the overall data to show the role of particular firms. Here, again, data relating to expenditures on property, plant and equipment in this category in 1974 and 1975 is deleted from official reports to "avoid disclosure of data of individual reporters." The reported dollar figures for 1973 do, nevertheless, suggest something of the impressive rate of expansion of this kind of business in South Africa. Direct investments in the "other" category almost doubled from $134 million to $251 million from 1968 to 1973. They add up to almost half of total "other" investments in all of Africa, suggesting that US financial interests view South Africa as the key to the continent. The rate of profit in South African "other" business of US firms is very high, which may help to explain its rapid growth. In 1973, it was reported to be 41.8 per cent, almost four times the average rate reported for the "other" category in the rest of Africa. Almost three out of four dollars of profits reported by US firms operating in the "other" category in all of Africa came from South Africa alone.

The contribution of US financial firms to the South African economy cannot really be adequately measured in dollars terms. Rather, it is to be judged from their assistance to US-based multinational corporations through counselling and arrangement of contacts needed to expand their profitable South African business. In this, the role of two leading US banks, Chase Manhattan and the First National City Bank of New York, has become increasingly significant in the last decade.

Both of these banks are enmeshed in the Rockefeller Group in the United States. Together, they own about 15 per cent of the assets and deposits of all commercial banks in the United States itself. Most of the largest US mining, manufacturing and oil firms with investments in South Africa are represented on their boards of directors.

Both banks have taken advantage of the Edge Act, which permits US commercial banks to create overseas corporations to engage in a wide range of activities abroad which they may not do in the United States. An Edge Act authority has explained that the key role of Edge Act corporations lies in the facilitation of US firms' entry into overseas markets and investments:[38]

> "..... the financing corporations devote a considerable amount of total staff time (30 percent according to one source) to being helpful to customers of their parent banks and other interested parties..../in arranging/ licensing agreements, joint venture partners, distributors, acquisitions."

The big US banks were able to work both directly and through their Edge Act affiliates to facilitate the expansion of the big US manufacturing, mining and oil firms in the context of the oligopolistic structure of the South African political economy.

Chase Manhattan initially set up its own branch bank in South Africa in 1959. By 1965, it had three branches there.* In that year, however, it purchased a 15 per cent stake in the Standard Bank, which, along with Barclays, controls two-thirds of South Africa's commercial banking assets.[39] Standard in 1969 had 822 branches in South Africa, the number having more than doubled since before the Sharpeville Massacre. Standard's subsidiaries are engaged in a wide range of business in South Africa, including investment, credit facilities, insurance and computer leasing services. Its total assets in South Africa exceed $4 billion. Standard handles South Africa's gold sales through a British broker.[40]

In 1974, two Chase executives sat on the Standard Board of Directors, and a Chase officer in London served with Standard's central management group. As the 1974 Chase Annual Report puts it,[42] Chase officers at various levels of management in Standard "bring the facilities of that bank to bear on the needs of Chase customers, especially US corporations active in Africa."

Several directors of the largest US-based multinational corporations with investments in South Africa sit on Chase Manhattan's Board,

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* In 1965, Chase Manhattan Bank's vice president for Far Eastern Affairs explicitly indicated that US support was an important consideration in its efforts to facilitate expanding investment. Although he referred to Vietnam, he might as well have been talking of South Africa: "In the past, foreign investors have been somewhat wary of the overall political prospect for the Southeast Asia region. I must say, though, that the US actions in Vietnam this year - which have demonstrated that the US will continue to give effective protection to the free nations of the region - have considerably reassured both Asian and Western investors." (41)

including J.T. Connor, of General Motors; R. Lazerus, of General Electric; E.R. Black, of International Telephone and Telegraph; W.R. Hewlett, of Chrysler; W.C. Butcher of Firestone. Chase directors also provide direct contact with official US Government circles. J.T. Connor, for example, was formerly US Secretary of Commerce (1965-67). He is also a director of Engelhard Minerals and Chemicals Company. E.R. Black was president of the International Bank for Reconstruction and Development (World Bank) from 1949 to 1962.

Through Standard, Chase became a major influence in the South African economy, and a conduit for US firms interested in expanding their profitable investments there. In 1975, however, it was reported that the US Federal Trade Commission required Chase Manhattan to divest itself of its Standard holdings.[43] The reasons had nothing to do with Chase's involvement in South Africa, but the fact that Standard had become involved in US banking and hence banking and hence the liaison permitted collusion between two firms engaged in US banking, in violation of US anti-trust law. Chase was therefore reported to be seeking to sell its Standard holdings. What arrangement it was making to continue its profitable business in South Africa was not reported.

The other big Rockefeller bank, the First National City Bank of New York, had preceded Chase Manhattan in setting up a South African branch by one year. By 1973, it had increased its branches there by eight,[44] located in the major industrial centres. It also acquired a 40 per cent share of the British National Grindlay's Bank. The Chairman of the National Grindley Board sits on the board of Citicorp, the Edge Act subsidiary through which the First National expands its investment activities overseas.[45] These ties give First National a direct entree into a number of Southern, Central and East African countries where National Grindley's has branches.

Like Chase, the First National City Bank has direct links through its board of directors with other US firms investing in South Africa. W.B. Wriston, Chairman of the Bank's Board, is also a director of General Electric, one of the US firms with the biggest South African interests. Other directors also sit on the boards of the Coca-Cola Company, the Scott Paper Company, the American Express Company, Texaco, Penny, Abott Laboratories and the Chrysler Corporation. First National City Bank also shares directors with Morgan Group companies in the US itself.

Throughout the post-Sharpeville massacre period, Chase Manhattan and First National were part of a consortium of ten American banks which supplies the South African Government with a $40 million revolving loan.[46] The consortium was formed and administered by Dillon, Read and Company, one of whose senior partners, Douglas Dillon, was President Kennedy's Secretary of the Treasury. The consortuim was finally dissolved, after extensive public protest in the United States, when the South African Government indicated it no longer the credit.

A third US bank involved in this consortium, the First National Boston Corporation, has two affiliates in South Africa: the City Credit (Transvaal) Ltd., Johannesburg, and International Factors (South Africa) Ltd., Johannesburg.

The largest US bank, the Bank of America - the largest in the world - has not opened branches directly in South Africa, although its latest detailed report on overseas investments indicated that it had invested in a "financial institution in Salisbury", Rhodesia.[46] It participated in the consortium of US banks contributing to the $40 million revolving loan for the South African Government after Sharpeville. In 1967, it joined Barclay's Bank, together with four other leading European banks, to form the Société Financière Europèene "to help....companies established in Europe solve the problems arising from their international operations". As Barclay's Chairman explains,[47] the Sociéte Financière Europóene "is able to supplement the resources of the founding banks and give banking and financial help of all kinds, especially by way of medium and long-term credits and participations, and has built up a management team of international character made up of members seconded by each of the partners." In 1972, almost thirty per cent (28.52 per cent) of Barclay's international accounts were located in Southern Africa.[48] Barclay's South African branches in 1969 totalled 963, almost triple the pre-Sharpeville massacre number, making it by far the largest bank in South Africa. Barclay's is also involved in insurance, merchant bank finance, and other financial activities in South Africa.

The linkages of the biggest US banks with the South African financial system have undoubtedly facilitated rapid expansion of US investment in other sectors of the economy. A network of other US-based financial, insurance and management consultant firms has radiated out from this hub to service the needs of expanding US business in South Africa. Kidder, Peabody and Company, associated with the Morgan Group in the US, provides a financial consultancy firm there. Two South African firms, Walter S. Heller International Company and Fordom Factoring, Ltd., of South Africa are finance companies affiliated to Walter E. Heller International, a holding company based in Chicago with a fairly extensive business in finance and manufacturing in developing countries, as well as Europe and the US itself.

The Jeffrey-Galion Company is a South African finance holding company which is itself, in turn, held by the Jeffrey Company of Columbus, Ohio. General Motors has established its own subsidiary, the General Motors Acceptance Corporation, to provide credit to its South African customers. The American Express Company, too, has established a subsidiary to provide travel service, travellers cheques and credit cards in South Africa.

Two American insurance companies have become involved in South African insurance business: The American International Insurance Company, owned by various individual US stockholders, provides short-term insurance; The Insurance Company of North America provides general coverage.

Several US firms have provided management consultancy services. These include Allen and Hamilton International, Arthur Young and Company, and Wendell C. Walkers and Associates.

S U M M A R Y

The evidence indicates extensive and rapidly growing involvement of US-based multinational firms in the South African political economy. Thirteen U.S. companies, among the largest in the United States itself, own about three fourths of the South African assest held by about 400 U.S. firms. Examination of their boards of directors show that they are intertwined with each other and with many of the other companies investing there. They are linked through the two big Rockefeller banks which have extended their base in South Africa in the decade since the Sharpeville massacre. Significantly, important members of these firms' boards have extensive ties with the U.S. Government at points where they may influence official U.S. policies.

Official data almost certainly understates the extent of U.S.-based multinational corporation involvement in South Africa. Yet it indicates that U.S. investment there is far more extensive than in any other part of the vast African continent. U.S. mining companies are deeply imbedded in South Africa's rich mining business, profiting from what the International Labour Organization has described as the 'slave labor' conditions imposed on the hundreds of thousands of migratory mine workers there. Leading U.S. Government agencies have apparently been persuaded that South Africa's strategic minerals are essential to U.S. security, although the facts show this is more a matter of U.S. company than U.S. national interest.

The biggest U.S. investments are in South African manufacturing: Four out of five U.S. dollars invested in African manufacturing are devoted to building up South Africa's industrial complex, strengthening that country's military as well as economic base. Giant U.S. oil firms are playing a key role in helping South Africa attain an important degree of independence from the world's petroleum producers. Rapidly growing U.S. financial interests, headed by two Rockefeller

banks, Chase Manhattan and the First National City Bank of New York, are facilitating the spread of U.S. investment in every sphere of South African economy.

In short, these substantial and rapidly growing 'interest' of U.S.-based multinational firms go far to explain why, in the fact of mounting world criticism, the U.S. Government persists in pursuing policies which bolster the position of the racist minority South African regime.

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APPENDIX

PREPARED BY DAVIDSON ANYIWO

I. DIRECTORSHIPS IN OTHER FIRMS INVESTING IN SOUTH AFRICA AND FORMER HIGH U.S. GOVERNMENT POSTS HELD BY SELECTED DIRECTORS OF LEADING U.S. FIRMS WITH INTERESTS IN SOUTH AFRICA - 1975

Leading U.S. Firms Investing in South Africa	Selected Directors of Leading U.S. Firms Investing in South Africa	Names of other Companies with direct involvement in South Africa in which Directorships are held	High U.S. Government Posts formerly held and dates held
BANKING			
Chase Manhattan Corporation	Rockefeller David	Chase International Investment Corp. C.M. Bank	
	Butcher, Willard C.	Firestone Tire & Rubber Co. Chase International Investment Corp. Chase Manhattan Bank	
	Connor, J.T.	Allied Chemical Corp. General Motors Corp. C.M. Bank	
	Dilworth, J. Richardson	Chrysler Corp. C.M. Bank Diamond Shamrock Corp.	
	Furlaud, Richard M.	Squibb Corp. Olin Corp. American Express Co.	
	Jamieson, J.K.	Exxon Corp.	
	Lazarna, Ralph	General Elec. Co.	
	Lilley, Robert D.	A.T. & T.	
	Loudon, John H.	Royal Dutch Petroleum Co.	
	Myers, Charles F.	U.S. Steel Corp. Burlington Industries, Inc.	
	Pratt, Edmund T.	Pfiez, Inc.	
	Smith, J. Henry	Colgate-Palmolive	
	Stone, Witney	American Express Co.	

First National City Bank of N.Y.	Palmer, Edward L.	Borg Warner Corp. Del Monte Corp. Corning Glass Works	
	Castanzo, G.A. Nat'l Cash	Owens-III Co. Nat'l. Cash Register	Econ. & Financial Advisor, Depts. of Interna'l. Commerce, State & Treasury 1941-51
	Spencer, William	Phillips Petroleum Corp.	
	Batteu, William	J.C. Penney Co.	
	deButts, John D.	U.S. Steel Corp.	
	Eilers, Louis K.	Eastern Kokak Co.	
	Garvin Jr., C.C.	Exxon Corp.	
	Grace, J. Peter	Ingersoll-Rand Co. Kennecott Copper Corp. Deering Milliken, Inc. Braden Copper Co. (subs. of Kennecott Copper) W.R. Grace & Co.	
	Gray, Harry Jack	Aetna Insur. Co.	
	Hatfield, Robt. S.	Kennecott Copper Corp.	
	Haynes, H.J.	Standard Oil of Calif.	
	Houghton, Amory	Corning Glass Works	
	McCoy, Chas. B.	E.I. DuPont de Nemours	
	Milliken, Roger	Westinghouse Elec. Corp. W.R. Grace & Co. Citicorp.	
	Pigott, Chas. M.	Std. Oil Co. of Calif.	
	Rees, William	Chubb Corp.	
	Sheldon, Eleanor		Pres., [illegible] Social Sci. Research Council
	Smith, Darwin	Kimberly-Clark Corp.	

MANUFACTURING			
Caterpillar Tractor Company	MacMartin, Jr., Wm.		Chairman (Bd. of Gov.) Federal Reserve Sys.
	Franklin, W.H.	Exxon Corp.	Chairman, Fed'l.Res. Bank of Chicago
	Freeman, Caylord	Borg-Warner Corporation A.R.C.O.	
	Blackie, William	Shell Oil Co. Ampex Corp.	
	Morgan, Lee	3M Company	
	Packard, David	Hewlett-Packard	
Chrsler Corporation	Hewlett, W.R.	Chase Manhatten Bank FMC Corp.	
	Hauge, Gabriel	AMAX Mfrs.-Hanover Corp.	
	Coleman, John H.	Colgate-Palmolive Ltd.	
	Clark, H.L.	American Express Co. Pam-Am-Grace Airways	
	Townsend, Lynn	Mfrs.-Hanover Trust Company	
	Macdonald, R.W.	Burroughs Corp.	
	Killefer, Tom.		Exec. Dir. Inter'l. Am. Devll. Bank & Spec. Asst. to Sec. of Treasury (1962-66) Staff, U.S. High Comm for Germany (1951-55)
Firestone Tire & Rubber Company	Karch, George F.	Rockwell Intern'l. Standard Brands, Inc. Warner-Swasey Co.	
Ford Motors Corp.	Bennett, George F.	Hewlett-Packard Corp. N.E. Elec. System	
	Burgess, Carter L.	Morgan Guranty Trust Co., J.P. Morgan Co. Smith Kline & French Labs.	
	Cullman, III Jos. F.	I.B.M. World Trade Corp.	
	Gadston, H.W.	Merck & Company	
	Oelman, Robert S.	Nat'l Cash Register Co. Citicorp First Nat'l City Bank Proctor & Gamble Co.	
	Taylor, A. Thomas	DelMonte Int'l. (Deltec)	