

MULTINATIONAL CORPORATIONS AND SANCTIONS IN SOUTHERN AFRICA

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"A certain 10% will ensure its employment anywhere, 20% certainly will produce eagerness, 50% positive audacity, 100% will make it ready to trample on all human laws. 300% there's not a crime at which it will scruple nor a risk it will not run even to the chance of the owner being hanged". (Dunning).

The above quotation, by a British trade unionist, summarises the economic law of motion specific to the capitalist mode of production. Profitability, the yardstick of realisation of the law, measured in terms of rate of profit, determines the allocation and movement of capital within and outside the boundaries of capitalist societies.

It's in this context that the underdeveloped countries were and are integrated to the world's capitalist system. In our epoch, the medium of interaction between the two is that of export of capital - finance capital. The crux of this process is, especially after the 1950s with the hegemony of USA capital, dominance of multinational corporations (MNCs). MNC is broadly defined as a large firm which undertakes foreign direct investment in two or more countries in terms of productive assets. Since they do contribute skills, technology, etc.; they need to be distinguished from foreign investment. Again, they need to be distinguished from firms engaged solely in international trade. These corporations not only "rule" the world but they have been a factor of oppression and suppression of labour in the underdeveloped countries; through the state. Moreover, the MNCs have sabotaged and acted as brakes to all efforts toward self determination and true democracy of the oppressed. This is exactly what is happening in Southern Africa. Oppression, racial discrimination, massacres, detention without trial, etc., are the order of the day. In short, exploitation is rampant. In the case of Southern Africa, the exploitation takes the form of

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racial discrimination, through the pursuance of the policy of apartheid; this makes the form very conspicuous.

The oppressed of these countries have opposed such policies, as is evident in demonstrations, strikes and the armed struggle in Zimbabwe and Namibia. Despite these actions, exploitation coupled with suppressive measures have been the experience, at a wider scale. The world community has joined hands with their brothers and sisters in Southern Africa, morally or/and materially to topple these repressive regime. The United Nations (UN) has never been far from condemning the minority regimes of Southern Africa. Further, UN called for enforcement of mandatory sanctions as the principal means of exerting international pressure on the minority regime to reach an acceptable settlement with African majority. In spite of these internal and external forces exerted on the regimes, they have not collapsed and exploitation has been going on unabated.

It's the purpose of this paper to analyse, historically, the factors leading to the emergency and expansion of the MNCs. This is necessary in establishing the historical mission of the corporations, arising out of the objective conditions of the capitalist system. Secondly, to show the extent and scope of MNCs operation in Southern Africa. Lastly, a factor of and arising from the foregoing, an assessment of effectiveness of sanctions in relation to South Africa. The paper does not discuss the financial policies of realisation of profits by the MNCs. This has been covered adequately by the author elsewhere⁺. Again historical involvement of either the multilateral financial institutions (World Bank and International Monetary Fund) or sanctions are outside the scope of this paper.

Any genuine understanding of the why and role of multinational corporation requires a deep and thorough analysis of the capitalist society, with an emphasis on developmental stages of the capitalist mode of production. The importance of such analysis is twofold: Firstly it will portray that the corporations were/are a result of capitalist-system crisis arising out of the economic laws peculiar to such system

⁺Financial Policies of MNCs and their Implications on Third World Economies, A paper presented to Southern African Universities Social Science Conference, Dar es Salaam, June 1979.

and, secondly, that, each developmental stage had its own characteristics, either progressive or non-progressive in terms of developing the productive forces. Consequently, the epoch of contact and integration of the third world economies to those of capitalism is important in providing answers to crucial questions such as: why peasantry persist; why productive forces remain low; can the third world countries develop capitalist relations of production; etc. The above therefore, call not only for a historical analysis but also a dialectical one.

In its development, capitalism experienced three important stages under the following characters of capital.

Merchant Capital. This existed for centuries, as far back as during the Roman Empire. It was money capital in order to earn profits. Thus its essence was trade, buying and selling in different communities; within the aim of buying under value and selling at or above value. Since the cycle was commodity money commodity (C-M-C), meaning there was no creation of new value or surplus value, there was no extended production, for whatever appeared as profits. They were not plunged into production but went further to appear in trade - luxury trade for the consumption of the ruling class. The fact that this process didn't penetrate production can be termed as being non-progressive. More over we can claim that during this historical process there was no world wide system of production - specialisation or division of labour.

As the productive forces advanced further, you find the whole process of primitive accumulation taking root, peasants being kicked off from land to become labourers on the one hand and turning the means of subsistence to commodities which were the work of manufacturers. Since internal accumulation was not fast enough, a need for external sources arose, and this was in the form of colonial plunder. This means whereas internally accumulation took the form of capital entering production, externally its character was that of plunder or mercantalism. The end effect was further capitalisation of capital and the emergency of industrial capital.

Industrial Capitalism. The period is characterised by the emergency of a manufacturing class, absorption of small farmers by big ones, merchants entering production, craftsmen having their skills but loosing their independence. Moreover, employment of machines in production, coupled with competition lead to saturation of home markets,

giving rise to quest for markets, i.e. looking for markets abroad. The form of contact was not plunder but a more or less formalised relationship - competitive companies looking for markets. Logically therefore, it was necessary to close down industries in the third world which would prevent or hinder these companies from gaining markets within these territories. The closure of a number of textile mills in India is evident. In Tanzania, local iron-smelting was discouraged, even sisal twining. Despite the need for markets, there was also a need to keep production going in their countries by an assured stock or inflow of raw materials. It is under these circumstances that Tanzania found herself producing cotton, coffee, tea etc. as well as the other third world countries at large, for the consumption needs of the metropole. It is important to note that although there was some export of capital for the construction of railways and roads this primarily for opening up areas for raw materials and markets, and it was not for the purpose of producing within the colony - a feature of next epoch.

Monopoly capitalism, as a process inherent in the capitalist mode through accumulation, is a product of the tendency for capital to grow bigger and bigger, what Lenin calls deepening of capital. It involves further capitalisation i.e. a higher rate of increase of constant capital (c) relative to relative capital (v). This tendency leads to crisis because, less V means less surplus value(s), since the former is the creation of the latter. The end result of this is that the rate of profit falls ($\frac{s}{c+v}$) to counter this tendency, and it becomes necessary for the capitalists to strive to reduce the magnitude of the denominator of equation ($\frac{s}{c+v}$), and one way of doing this, apart from increased productivity and intensification of exploitation, is to export capital. This to use Lenin's words, is "broadening of capital". Note that this defence goes hand in hand with the control of sources of material and markets in the third world. Another mechanism of defence is that of monopolies pulling their strength together by way of mergers - resulting into bigger monopolies, a process which penetrates different industries and branches of the same industry, thus giving rise to both horizontal and vertical integration. An important aspect of this epoch is that even the banks were experiencing the process of monopoly which ultimately led to their changing role - banks entering production and more or less controlling the whole economy, a phenomena termed, financial oligarchy.

The emergence of other countries of capitalism - USA (1860s), Germany (1870s), Italy, Japan (1860s), not only led to intense competition among them but meant, more importantly, that war became a necessity of monopoly capital for the partition and repartition of the world, with a purpose of establishing strong forts where their exported capital could dominate. It's under this historical background that multinational corporations emerged as a medium of export of capital, under the hegemony of USA capital especially after World War II (WWII), a phenomena which was accelerated by the formation of the World Bank (WB) and the International Monetary Fund (IMF). These multinational institutions, dominated by USA, regulate the activities of the capitalist countries through coordination of their activities by pulling their resources together. Thus while it is wrong to argue that the third world countries can play one capitalist against the other - after all their offers are more or less the same - we cannot expect the capitalist countries to fight each other in order to provide the third world countries with dept. I industries (capital goods industries). Presently, the most they can fight for is what to offer to country A or B in terms of dept. II (consumer goods industries) i.e. nature of industry within dept. II. This race correctly led to dominance of transnational corporations in the consumer goods sector.

Transnational corporations thus emerge out of the proceeding concrete conditions of capitalism which in turn dictate and direct the objectives of these corporations, the Basic objective being that of maximisation of profits. Dr. Saleh puts it thus "A multinational is at any time better equipped to pursue a policy of profit maximisation".¹ The economy of MNC is therefore more dominated by the logic of profit making than the economy of small entrepreneurs ever was. Hence the profit motives become the subjective aims and values of the MNCs because they are the objective requirements of the capitalist system.

There are capitalist apologists, like C. Kaysen, who argue that the MNCs are no longer based on profit maximisation but on the contrary, the motives are those of optimisation. This is not only lack of conceptualisation of the historical conditions under which the MNCs

emerged, but also failure to answer the question as to why there should be economic crisis in a capitalist state - inflation and stagnation in the economy.

The MNCs with their objective of profit maximization as an economic necessity which encompasses the principle of economic rationality and its two variants - greatest efficiency and economy of the means - penetrated the economies of developing countries in general and Southern Africa in particular. In this way enormous surplus value was created through the exploitation of labour. A U.N. report has this to convey "Major Multi-national Corporations took 23.3 billion dollars (\$ 1864 billion) in profits, dividends and interest from developing countries in 1974/75. Their investment, totalled only 13 billion dollars (104 billion shillings) during the same time".² The report not only confirms that the rate of exploitation is high but indirectly shows that a dollar invested in these areas earns more than the same dollar invested in their own countries.³ Lonrho which operates through 600 different companies in almost 60 countries and therefore really needs no introduction in the African business field, reported that, "South Africa activities boosted turnover to £113 million from a figure of £44 million. Profits from the increased business was almost doubled at £16.04 million".⁴

To earn these huge profits, the MNCs have to economise the means i.e. reduce cost and secondly disregard or more concretely, trample on all human laws. Apartheid in South Africa, no doubt serves these purposes. As a cost reduction, blacks receive, income-wise, 20-30% of what whites of the same qualification get. In 1975, to give an example, blacks employed in mining, manufacturing and construction industries were receiving 11.1, 20.2 and 20.2 respectively, as a percentage of white wages.⁵ The blacks, the main source of labour power⁶ to South Africa MNCs, find themselves at the whip of capital, with base survival budget.

Extent and Scope of MNCs in South Africa. This section attempts to establish who has invested what in South Africa. Generally, one can claim that her economy is dominated by US and British capital and to a certain extent, West Germany. There are more than four hundred US corporations which have invested 1.6 billion (12,800 million \$) in South Africa. American banks have loaned over 2.2. billion dollars

(~~48~~ 17,600 million) and trade figures are valued at 2 billion dollars. The total American financing of apartheid is about 6 billion dollars (48,000 million shillings).⁷ The above data do not portray a static phenomena. It is true that US investments in South Africa have been increasing, the rate of increase was accelerated further after 1969, when Henry Kissinger defined US interests in the region as "important but not vital".⁸ So it should still be expected that the increase will continue. It's no doubt that US has and will expand her investments more rapidly than the other capitalist countries. Presently, "they are providing a fifth of all foreign direct investment, second only to British firms in 1972. Moreover a good share of these investments are made through US - controlled British affiliates or subsidiaries as well as through other Western European Firms".⁹ It's thus in this context that 20.4 percent of all the total foreign long-term direct investment are by US MNCs, and 10 percent non-direct investment. Moreover these investments are mostly channelled to the manufacturing sector and strategic minerals i.e. Chromium, Platinum, Asbestos, Antimony and Manganese - in consonance with U.S. material requirements, both current and future, as stipulated by the National Commission on Material Policy, established by U.S. Congress in 1970. The above statement, and the nature of investment indicate the permanance of US interests in South Africa.

"British investments account for over half of all direct long-term private investment, and only somewhat less of the direct short-term investment".¹⁰ In terms of sphere of operation of these investments, they fall under the mining and banking sectors; such that "the British based multinational banking interests account for about 80 percent of the direct foreign central government and banking sector available in South Africa."¹¹

West Germany (FRG) has interests in South Africa. More than 300 German firms have subsidiaries there. Moreover, her indirect investments are estimated at four billion marks; and some 6,000 firms had direct or indirect contacts with South Africa.

Apart from the countries we have so far mentioned, France and Italy do have trade links with South Africa. The trade is mostly based on arms in exchange for minerals, mainly Uranium in the form of contracts with the boer regime.¹²

In the foregoing paragraphs we have been emphasising "capital" to South Africa, but it's important to note that this extends to the whole region of Southern Africa. Presently the MNCs in South Africa, face-wise appearing as South African capital or firms, invest outside their region. The magnitude of such investments was \$4 billion in 1972. This expansion has two important implications. First, Western countries interests are also expanded to cover the whole region and secondly, any strategy of "liberating" the area will necessarily involve the Western powers. Nevertheless, the rate of the liberation struggle will depend upon the ideological stand of the parties involved - whether the ideology is in agreement or in conflict with capital in the area. The point we want to bring into the picture is that, Anglo-American Proposals for Zimbabwe should not be seen as "an accident" but as a necessity given the objective conditions of existence of the MNCs, ambassadors of Western interests. The aim of the proposal is that of bringing or initiating a "peaceful" transition of majority rule in Zimbabwe. Peaceful in the sense that the ideology remains one of seeing MNCs as an ally in development endeavours, and thus guarantees their stay and operation.

Again it should be established that the shuttle of diplomacy of Carter's administration, in Southern Africa, is objectively necessary in order to maintain the integrity of MNCs as well as to fight progressive ideology infiltrating into the area. Internally therefore, in order to mobilise her citizens, US argues that she's fighting communism in Southern Africa, which intends to rule the world. This provides further evidence that US and Britain are not in Southern Africa because of humanitarian reasons. So the issue should be seen in the light of the relationship between the Western powers and the economies of these countries, a relationship which inevitably hinders the effectiveness of UN's call for trade sanctions against Southern Africa. Let us examine, in more detail the effect of MNCs on sanctions.

MNCs Impact on Sanctions. South Africa's domestic policy was placed on the agenda of the General Assembly of the UN as far as back as 1952. Ten years later, a resolution was passed calling for extensive sanctions against South Africa (Section 41 of Chapter 7 of the UN Charter). Since then, a number of international conferences have been held with "Sanctions against" as the main theme.¹³ The outcome of

these forums was overwhelming acceptance by the majority to leave no stone unturned in efforts to exert political and economic pressure against South Africa and her main trading partners.

Regardless of all these efforts the economy of South Africa remains more or less intact, growing, diversifying and "less dependent" on Western power on manufactures, revealing that punitive economic measures are not as effective as originally thought. The main reason for this being that, the Western powers didn't keep their promise. This shows how difficult it is for political proclamations, like sanctions, to become effective given the context of South Africa's economy, and the crisis of capitalist systems at large. Thus, FRG, US, France, Britain and Italy found themselves in a position where they have to "finance" apartheid. In August, 1977 it was reported that the government of FRG had stepped up its credit guarantees for exports to South Africa fourfold in the last 18 months, from \$ 2,296 million to \$ 9,800 million.¹⁴ France is having secret arms deals with South Africa, uranium trade and a contract to build a nuclear centre by COGEMA, a French Multinational with an interest-free loan of \$ 824 million, signed in 1977. In Washington, it was revealed that major Western countries, have helped racist South Africa build a secret three billion dollar arsenal of sophisticated weapons.¹⁵ The evidence given above, confirms Western powers' violation of UN arms sales embargo; and sanctions at large. Again this violation has been effected by and through MNCs, such that instead of the South Africa's economy collapsing it has been more "green" than before.

If the sanctions were at all effective, we would have expected South Africa's dependence on international trade to decrease considerably; which has not been the case. In 1976 this ratio was 50.2 percent while in 1963/64 it was 52.2 percent.¹⁶ A decrease of a mere 2 percent! In this connection, it is also important to note that South African policy, through the MNCs, has been one of import replacement, a policy which accounts for the enormous growth of "industrialisation" in the fifties. To date, South Africa imports less consumer goods than in 1926/27 when her percentage ratio of imports to total consumption were in the ranges of 67-92. In 1963/64 these ratios were in the margins of 8-43.¹⁷ Goods involved were clothing, metal products, textiles, paper, base metals and transport equipment. The variety of goods involved indicates import substitution extension

to heavy, intermediary and capital goods industry. But one cannot talk of this substitution outside the scope and operation of the MNCs.

As regards imports, a possible oil embargo would have far-reaching effects in the economy of South Africa. Her local oil-from coal accounts for only 28 percent of oil consumption (320,000 barrels of oil per day or 15.4 million metric tons a year). This means effective boycott would have led to serious problems in the economy, especially in the transport sector. Unfortunately the oil companies of the Western countries have never failed to fuel the economy.

CONCLUSION.

The situation in Southern Africa cannot be analysed, whether politically or economically nor militarily¹⁸ outside the scope and operation of the world's capitalist system, a system which rests on an economic law of maximisation of profit at the expense of the world masses - the principal contradiction between capital and labour. It is this very system, through the crisis of its own development, that the third world countries were dominated by the interests of capital. Through this process, export of capital to Southern Africa fell prey to this dirty system which disregards human rights in order to realise its historical mission of profit. The multinational corporations have been the means and the way of organising production with the aim of creating, realising and appropriating the profits through exploitation of labour.

This exploitation has been condemned by the oppressed and the world at large, going to the extent of UN passing resolutions against racial discrimination and calling for equal human rights and self determination in Southern Africa. Arms embargo and economic sanctions were seen as a means of exerting pressure on these oppressive regimes, only to find that in spite of these political calls and declarations, the effectiveness of the sanctions were incapacitated by the Western powers, through the arm of MNCs, acting in defiance of the resolutions. This enabled Southern Africa regimes to continually get whatever they wanted from the Western powers.

We can thus argue that, given the permanency, intensity and extensity of capitalists' interests in Southern Africa, as well as the crisis of capitalism, which denies a people even the bourgeois democratic

rights, sanctions as a strategy of overhauling the system is bound to fail. The answer, and the only one, rests on a persistent and a courageous struggle of the oppressed people of Southern Africa and their liberation movements, assisted morally and materially by the progressives of the world at large. For those who see MNCs as a liberation factor, a powerful competitor of capitalism, they need to recall that capitalism has always been and will remain a system of exploitation and oppression.

Aluta Continua!

FOOTNOTES :

1. See Political Economies on Multinational Corporations. Delft, 1976, page 62. Tab. Fig. Bibliografic.
2. U.N. report, Daily News, April 23, 1977. Under the heading "Third World Snubs Foreign Exploitation".
3. 1946-1959, U.S.A. expatriated an annual \$2.5 worth of profit on every dollar invested. 1950-1958, 60% of foreign profit came from LDCs Domestic profit in USA is hardly B/W 10-15%. But investments in Venezuela yield over 30%, Middle East, 50%, etc.
4. Africa Magazine, No. 68, April 1977, p. 93.
5. Cape Argues, 2 August 1975.
6. See: South African Reserve Bank, Quarterly Bulletin, Sept. 1974, No. 113. In 1946, economically active and employed Africans were 2,905 compared to 888 whites. Whereas the figures for 1970 were 5,605 and 1497 respectively.
7. Sunday News, January 21st, 1979, Article by Carlol Thompson & Warren Day, p. 2.
8. See U.S. National Security Council, Secret Memorandum No. 39.
9. Ann & Neva Seidman, U.S. Multinationals in Southern Africa, Tanzania Publishing House, Dar es Salaam, 1977.
10. Ibid, p. 74.
11. Ibid, p. 75.
12. Daily News, July 15, 1977.
13. In 1964, a conference was held in London. In February the same year OAU passed a resolution in Lagos, refusing all aircrafts and ships travelling to and from South Africa. In 1972 in Rabat, a resolution calling for breaking trade relation b/w ECC and South Africa was adopted. In 1973, November, OPEC imposed total oil

embargo, 1977 USA, Britain and France agreed to a total arms embargo against South Africa.

14. FRG trade with Boers expand. See Daily News, 1st August, 1977.

15. See Daily News, July 15, 1977.

16. Bulletin, S.A. Journal of African Affairs, Vol. 18 NR 3, 1978.

17. Ibid., p. 101.

18. In order to keep the regime going, not only do the Western powers arm it but South Africa spends a lot on military affairs; shs 17,000 million in 1978/79 fiscal year.