

# THE STRUCTURE OF THE SOUTH AFRICAN ECONOMY AND ITS MILITARY IMPLICATIONS

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## 1.0. Introduction

The present paper aims at giving a brief history of the structural features of the South African economy. This will be shown to depend on the exploitation of the working class and the peasantry. The structure of the working class will be shown to be fragmented and distorted by the racial question, and it is divided into white and black. The paper shall also indicate that the South African bourgeoisie (which is white) and its international allies (including western multinational corporations) stand to gain from this system of economic exploitation. The paper shall also touch upon the military apparatus that is necessary to maintain the above mentioned status quo. The resistance offered by the exploited and oppressed people of South Africa shall not be dealt with here.

In general terms, the history of the relationship between Western countries and Africa has been characterised by the former's expropriation of the African manpower, land, minerals as well as agricultural resources. The resultant political, social and economic transformations invariably led to the disruption of traditional economic relationships and the reduction of the indigenous African societies into reserves of cheap labour. This fact is documented by the International Labour Review of 1958 which states:

When in the early stages of African economic development large numbers of wage earners were first required, notably to exploit the new mineral discoveries, employers were faced with the problem of great labour scarcity... Pressure amounting to compulsion was applied to obtain labour which the offer of wages alone could not attract in sufficient quantities. In different areas and at different times there was resort to such various means as slavery, direct statutory compulsion, pressure through the imposition of personal tax, the curtailment of native lands, assistance given by administrative officials to the efforts of the private recruiters and the use of chiefs to recruit their people as labourers. 1

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It is evident from the above excerpt that the strategy of reducing African societies into reservoirs of cheap labour was threefold:

(i) Direct slavery

That slavery was an integral part of the South African economic development is well documented. For example, Freda Troup writes that "the first slave on record, Abraham of Batavia, was in the colony the year after van Riebeeck landed. Twelve slaves were recorded in 1657, from Madagascar and Java. The next year 174 Angolans were taken off a captured Portuguese ship and later in the year another 228 arrived. From then on, slavery was to be the practice of the Cape until Emancipation in 1834, the best part of 200 years. All slaves were imported by the Company, which kept those it needed, hired out some of the remainder and sold other at 6 pounds per head, payable in wheat. For the most part Angolans were not favoured. They frequently escaped into the interior to be harboured by the Khoikhoi or Nguni and, with a sufficient knowledge of conditions in the country, often made their getaway. The colonists relied more on East Africans and Madagascans and on Malays from the Dutch East Indies".<sup>2</sup>

Although slavery was formally abolished in 1834, institutions of semi-slavery continued to be part and parcel of the economic development of South Africa. With the discovery of diamonds (1867) and gold (1886), it became necessary to introduce various laws regarding apprenticeship and the recruitment of cheap labour for the mines. Agricultural labour recruitment has remained remarkably similar to the recruitment efforts before the abolition of slavery.

(ii) Expropriation of African Land

The transformation of Africans into cheap labour whether they were hunters, pastoralists or agriculturalists, demanded that they be deprived of their land. A land expropriation policy must be seen as an indispensable tool in any successful colonisation. This policy was followed rigorously in South Africa where according to Jack Woodis, 87 per cent of South Africa's land area was taken away from the Africans who remained with only 13 per cent. Elsewhere in Africa, either because of adverse climatic conditions or lack of mineral resources, the land relationships were less severe, so that, in Rhodesia only 50 per cent of the land was taken away from the Africans, whereas in Zaire the case was 9 per cent, 7 per cent in Kenya, and 5 per

cent in Malawi, Ghana and Namibia.<sup>3</sup> Invariably, the land allocated to the Africans was of poor quality, as Ken Brown, a former land development officer in Rhodesia describes, "poor soil, usually the poorer types of granite sand known technically as class III land, while the European area contains nearly all the areas of fertile soil in the colony".<sup>4</sup> In some cases the land from which Africans were evacuated remained unused. The 1938 PIM report on Northern Rhodesia (now Zambia) states that "large areas from which natives were evacuated are practically empty of inhabitants... one third of Ndola district and two thirds of Mkushi are practically uninhabited as well as large areas in other districts such as Broken Hill".<sup>5</sup>

The massive absence of Africans in productive age groups from their own communities deprived these communities of possibilities for economic growth. As John Noon observed in the case of Nyasaland (now Malawi), "the villages of Nyasaland are threatened with the collapse of their entire economic structure by the absence of as high as 70 per cent of the adult males".<sup>6</sup> What is today called the underdeveloped countries can be shown to be communities which became underdeveloped because of the absence of the population in production age-groups among many other factors. Or as Basil Davidson puts it, "whole territories such as Nyasaland, Ruanda-Urundi have become little more than reservoirs of migrant labour, and their consequent impoverishment is visible for all to see".<sup>7</sup>

### (iii) Personal Tax

A number of historians have described how "heavy taxation" was imposed on the Africans so that they could work for wages. In 1928 Bell wrote that "large numbers of witnesses before the labour commission of 1913 believed that native taxes should be raised to increase labour supply".<sup>8</sup> Schapera's study also reveals a similar causal relationship. In 1957 he questioned 297 unemployed Africans in Rhodesia as to why they left their communities to seek employment in the city and he obtained the results given in table 1 below:

Table 1<sup>9</sup>

To pay taxes .....	119
To pay taxes and buy clothes .....	83
Because of poverty .....	39
To purchase clothes .....	29
To buy cattle, clothing etc. ....	16
To give money to parents .....	5
Miscellaneous .....	6
TOTALS .....	297

## 2.0. Identification and specification of an explanatory model

As the economy of South Africa developed, the labour pool created by forces discussed above gave rise to the social classes of proletariat, lumpen proletariat, agricultural working class and the peasantry. The quantitative relationship between these groups depends on business cycles, further indicating the social insecurity of these groups. The groups that gain out of these relations are the local white bourgeoisie, international imperialism (mainly through the mining and manufacturing sectors), agricultural estate owners (also white), and the petty-bourgeoisie both black and white, new and old.<sup>10</sup>

The fragmentation of traditional African society is given by the data from the 1970 census as follows:

Table 2<sup>11</sup>

### Black population of South Africa - White (farm) areas, Urban and Homelands (Bantustan)

<u>South Africa</u>		<u>Urban and white (farms)</u>		<u>Homelands (Bantustans)</u>	
15,036,360 (100%)		8,032,200 (53.3%)		7,003,160 (46.7%)	
Urban	Rural	Urban	Rural	Urban	Rural
4,962,300	10,074,060	4,368,920	3,664,280	593,380	6,409,780
33%	67%	54.4%	45.6%	8.5%	91.5%

From the above table 2 it is evident that the black working class is made up approximately of urban workers (33%), rural workers (27%) and peasants (40%). A break down of economic activities in South Africa can best be visualised from the population strengths in the major sectors of the South African economy as follows:

Table 3<sup>12</sup>Economically active population based on the 1970 Census.

Economic Sector	Whites	Coloureds	Asians	Africans	Total	%
Agriculture	98,950	119,200	6,660	2,014,380	2,239,190	28
Mining	62,790	7,490	620	605,240	676,140	8.5
Manufacturing	279,810	168,920	63,450	511,540	1,023,720	13
Electricity	14,240	3,010	180	32,260	49,690	.0
Construction	95,660	76,830	9,630	264,240	446,360	6
Commerce	273,040	77,590	50,980	314,460	716,070	9
Transport	163,590	27,570	7,540	139,620	338,320	4
Finance	145,860	6,890	2,830	34,800	190,380	2
Services	325,390	161,150	23,230	1,064,220	1,573,990	20
Unspecified	33,500	43,140	12,170	340,480	429,290	5.4
Unemployed	4,630	11,830	2,710	283,900	303,070	4
Total Economic Active	1,497,460	703,620	180,000	5,605,140	7,986,220	100

Ever since the discovery of diamonds (1867) and gold (1886), diversification within the South African economy has continued. Let it be remembered that before this period, South Africa was an exporter of agricultural products. The production and export of the newly discovered minerals created conditions that were favourable to the development of manufacturing and service industries. Table 4 indicates the extent of this diversification since the period immediately after the formation of the Union of South Africa in 1910. The table illustrates that the manufacturing sector of the economy has been increasingly dominating the structure of the South African economy. This was encouraged by the rise of settler capitalism and the creation of various banking institutions that were sympathetic to the investment interests of the local bourgeoisie. The threatened boycott of South African goods in the 1960's and the 1963 UN resolution on an arms embargo against South Africa, the desire towards self-sufficiency became dominant, which explains the growth of the manufacturing sector of the South African economy.

The South African government and industrialists invested in the manufacture of military equipment under licence from Western countries in violation of UN arms embargo, to which effect the government followed a policy of savings to create funds that constituted part of the gross domestic investments. From table 4, it is clear that the manufacturing sector of the economy has experienced dramatic growth in the 1960's. Funds for this growth must be shown to be a result of savings in the sectors and magnitudes indicated in table 5.

Tied up with this growth, is also the growth of the national bourgeoisie. This social class through increased investments, has been struggling to accumulate capital, through cooperation with its technological mentor, i.e. international imperialism. The net capital inflow is negative for 1960 because of the Sharpeville massacre, when South Africa was considered unstable by international investors. These discussions show a picture of complex society, whose different internal forces can be understood by further delineating the model. Let us now examine each socio-economic group for purposes of drawing some revolutionary perspectives on the forces within the South African system.

Table 4<sup>13</sup>

Domestic income and production 1912-1971 in Million Rands at 1958 prices.

Year	Gross Domestic Product (factor prices)	Annual Growth rate during the year %	Sectorial Contribution					Total %
			Agric. %	Mining %	Man. %	Comm. %	Other %	
1912	266	-	17	27	7	14	35	100
1920	487	11.5	21	21	11	17	30	100
1925	470	2.9	22	17	12	15	34	100
1930	506	8.1	14	17	15	15	39	100
1935	602	11.3	14	21	15	14	37	100
1940	863	10.9	12	23	18	14	34	100
1945	1,408	16.5	12	14	20	14	39	100
1950	2,549	9.2	18	13	23	16	30	100
1955	3,819	7.8	15	12	25	15	32	100
1960	4,935	5.1	12	14	26	14	33	100
1965	7,430	8.5	10	13	30	14	34	100
1970	11,508	10.7	9	11	32	14	34	100
1971	12,749	12.1	10	10	30	13	37	100

Table 5

The financing of gross domestic investments in million rands.

	1946	1950	1955	1960	1965	1970	1972
1. Personal Savings			308	289	571	728	1205
2. Corporate Savings	95	296	83	194	316	390	690
3. Current Surplus of General Government	23	41	146	222	296	470	451
4. Prov. for Depreciation	100	179	332	482	719	1140	1432
5. Net Capital inflow	80	182	51	-180	255	541	397
6. Gross DI	385	555	962	1150	2198	3550	3721
7. GDI as % of GNP	13.3%	15.4%	20.8%	20.7%	27.9%	28.6%	24.2%
8. Net capital inflow as % GDI	20.8%	32.8%	5.3%	-	11.6%	15.2%	10.7%

### 2.1. Rural black population

Table 2 has divided the rural population into those that reside and work on the white farmer's lands, and those that are in the so-called homelands.

a) Homelands - it is possible to distinguish within the homelands a so-called urban population, mainly around the service oriented towns in the Bantustans e.g. Umtata. If the total population of the blacks in Bantustans is 7,003,160, then 593,380 lives in these so-called urban centres within the bantustans. A regime economist writes of the population in the so-called "homelands", "Figure 1A and table 6 show that large numbers of men of working age (15-64 years) were absent from the different homelands because they were employed as migrant labourers in the white areas. According to this, 631,200 men, or 35 per cent, out of a total of 1,801,260 men of working age were absent from the homelands in 1970 on temporary basis".<sup>15</sup>

This statement merely documents our earlier assertion that homelands were merely a reservoir of labour for the white areas. Because a large section of the population in the production age is away the broad base of the population in the Bantustans is composed of young people (who are not in production) and old people (who have retired from production). Whereas 30.8 per cent of the white population in South Africa is under 15 years, 45.1 per cent of the black rural population living on the white farms is under 15, in comparison to 49.6 per cent in the Bantustans. Because the young and elderly depend on society for their existence, it is not possible to talk of conditions for economic growth within the Bantustans with such a high dependency ratio.<sup>16</sup> To increase income in the Bantustans the regime has embarked on a so-called policy of decentralisation which simply means the establishment of white industries along the borders of Bantustans. By this policy the regime hopes to utilise black labour from the Bantustans, without these peoples claiming any privileges in the so-called white South Africa.

(b) Rural blacks on white farms - a group that sometimes is referred to in literature as the agricultural working class. However, in South Africa the status of working class as applied to this stratum is misleading. The sociology of these rural blacks resembles more that of the European serf in the middle of the last century than a worker. Their wages are extremely low. The regime's minimum poverty datum line is drawn at 70 rands per month or 840 rands per year. Table 6 shows the low wages received by the rural black population.



Table 6<sup>17</sup>

Estimated wages of rural black population working on white farms per worker per year in 1971/72.

<u>Cash</u>	<u>Highveld</u>	<u>N.W. - O.F.S.</u>	<u>W. Transvaal</u>
Cash earnings	R 129.89	R 74.65	R 88.33
Cash bonus	<u>2.71</u>	<u>2.11</u>	<u>4.19</u>
TOTAL CASH	R 132.60	R 76.76	R 92.52
<u>Kind (estimated values)</u>			
Maize	R 47.47	R104.19	R 82.84
Green mealie	2.49	7.98	4.75
Workers' lands	7.18	6.67	6.71
Grazing rights	16.76	6.70	5.57
Food medicine & other serv.	59.85	70.04	82.53
TOTAL WAGES	R 266.35	R274.92	R274.92

## 2.2 Working Class

The South African working class is perhaps the most complex one ever created by colonialism and imperialism. Right from the beginning of colonialism, several thousand slaves were imported from Asia, possibly because black slaves usually escaped to join the local indigenous Africans. At the same time, many European workers were imported to supervise the unskilled mining labour, perhaps because of the argument that European labour had a higher productivity than African labour. The later proletarianisation of the European farmers further increased the white section of the working class. It was the proletarianised farmers who were to press for what became the job Reservation Act in order to protect their interests. The application of this Act has created considerable income differences between the white working class and the working class of the other races. This difference is in fact so great that many have questioned whether there is any point of interest among the workers of different races. The following table summarises these differences.

Table 7<sup>18</sup>Average Annual Earnings of Workers According to Racial Groups.

Race	Rand per year			
	Mining	Manufacturing	Construction	Public Authorities
African	1950	180	232	204
	1960	200	344	314
	1970	217	626	589
Coloured	1950	-	374	468
	1960	-	563	664
	1970	875	878	1,301
White	1950	1,427	974	1,057
	1960	2,311	1,926	1,870
	1970	4,369	3,643	3,833

For example, the wage gap between Africans and whites in the mining sector is about 1 to 20. Such large wage gaps create fragmentation and distortions within the working class such that for the time being at least, the interest of the white workers are served by maintaining the status quo to the extent that some analysts consider that the white working class can not be regarded as a revolutionary force in South Africa to-day. However, through the rise in unemployment and the effects of inflation, as well as destabilisation of the South African economy through armed struggle by the oppressed, the revolutionary consciousness of this group may increase.

2.3.0 Capitalists - industrial

The Mining sector led to the industrialisation of South Africa, but as can be seen in table 4, its share of the gross domestic product has steadily decreased since 1912. On the other hand the share of the manufacturing sector has been increasing. This is a normal process in the course of industrialisation because of the stimulation created by heavy investment in the mining sector. It is now well-known among economists that such heavy investments create large multiplier benefits. These benefits generally take the form of stimulating the growth of the secondary and the service industries. In South Africa, while the mining investments were dominated by foreign capital - mainly British, the secondary and service sectors were dominated by local white South African Capital. As more local whites abandoned

agriculture some were proletarianised while others went into becoming the nucleus of the local South African white bourgeoisie. The Anglo-Boer war was the most violent part of the class struggle between local white capital and foreign capital as it was represented in the mining interests. In 1910, foreign capital virtually handed over the State machinery to the local white capital. However, like most of what was to be called neo-colonial independence, white capital never achieved complete victory over the forces of foreign capital. To wage the struggle on an economic plane, local white capitalists created a number of Banking and Insurance arrangements which were favourable to the local white capitalist groups. The differences between the white political parties in South Africa should be understood through this background. The Afrikaner Nationalists were committed to supporting the emergence of a strong white local bourgeois class. To the extent that local white bourgeois of British origins have always favoured a working together with international imperialism and a bourgeoisified segment of the black population, while those of Dutch, German and French origins who were always in Agriculture adhered to the Nationalist Party policies. It is possible to talk of the South African local bourgeois class as complex. The element of ethnicity underlies the whole South African political life from its inception.

International imperialism, through British, American and Western European capital took a strong interest in South Africa through the mineral activities where large investments sums were needed. The profitability of both diamonds and gold attracted international capital in large quantity. Even the development of the secondary and service sector of the economy had a substantial component of international capital, though as has been stated earlier the local white bourgeoisie dominated these sectors. Besides these important minerals, the presence of such strategic minerals as uranium adds to the importance of the area.

International imperialism's constant talk of the strategic importance of South Africa reflects the need to protect the sources of raw materials in the neighbouring areas. As has been pointed out already the increase in the gross domestic investments in the 1960's was aimed at creating military self-sufficiency. It has not been possible to obtain figures for the growth of this sector so as to determine its share of the gross domestic investments. However, the growth of gross domestic investments shown in table 5 and its sudden increase after the United Nations resolution can be interpreted from

the regime's preparation for war. Investments in its nuclear experiments, mirage parts on licence etc must have greatly increased value of the gross domestic investments within the manufacturing sector of the South African economy.

### 2.3.1. Capitalist - agricultural

The early settlers in South Africa were men who had come from a feudal rural Europe. True, feudalism was disintegrating in Europe at the time of the arrival of the early colonialists. Taking the date of the arrival of the colonialists as 1652, it can easily be visualised that most of the superstructural values in Europe were still feudal by this date because social consciousness always lags behind the social being, to paraphrase Karl Marx. When these early settlers arrived in South Africa, they sought to establish labour relations that resembled those of feudal Europe. The large estates that are associated with South African agriculture strikingly resemble the description of Russian landlords in the middle of the last century. Capitalisation of agriculture is reminiscent of what Lenin describes in his "Development of Capitalism in Russia". Because market prices in the agricultural sector tend to have large fluctuations, agricultural incomes do not constitute stable revenue for most of the estate owners, such that, they sell their farms and go either into the manufacturing sector or are proletarianised as already pointed out. According to an investigation by W.H. Thomas of the School of Economics, University of Cape Town, between 1951 and 1960 the agricultural sector lost about 2.5 per cent of the white population employed by the sector and 1.9 per cent between 1960 and 1970. On the other hand there was an increase of African labour, especially the so-called "casual labour".

The increase on the part of African labour was 1.8 per cent between 1951 to 1960 and 3.9 per cent between 1960 and 1970. He also registers a large increase of whites in the manufacturing sector, the service sector of the economy, which increased by 2.5 per cent between 1950 and 1960. Corresponding figures for the period 1960 and 1970 are a 4.9 per cent increase in the number of whites entering these sectors, which corresponds to an earlier assertion that these sectors grew rather rapidly during this period. The figures for the mixed race and people of Asiatic origins show a decrease in agriculture and an increase in the other sectors.<sup>19</sup>

For South Africa, this movement of white population from farming into secondary and service sectors of the economy means that the conservative

rural white population is being pumped into being a working class and bourgeois. While this creates conditions favourable to a neo-colonial solution to the South African problem, it also does pump conservatism into the white working class. Let it be remembered that the white labour unions are responsible for such Acts of parliament as the Job Reservation Act.

#### 2.4. A note on the petty-bourgeois - black and white, old and new.

Because of various discriminatory laws against the blacks, the conditions for growth of a black petty-bourgeois are limited. Within the economy they got a boost after the passing of the Group Areas Act, since by eliminating competition with the Asiatics in the African areas, the regime created conditions for the rise of a minute but significant black petty-bourgeois class. Their economic activities were limited to the service and retail sectors of the economy. Their norms, even if tainted with some nationalist feeling of resentment of their unequal chances with the white petty-bourgeois, remained a photo-copy of their white counterparts.

The bulk of the black petty-bourgeois is found in the Administration of the structures of separate development e.g. Bantustans.<sup>20</sup> The state service sector such as schools, hospitals, welfare etc., has also created conditions for the rise of a black petty-bourgeois class. On the whole, it is possible to state that this group is more prone to a neo-colonial solution. It was not possible to assemble figures on the numerical strength of this class.

A corresponding class is also observable within the white sector of the society. However, a small but significant part of this class has advocated an egalitarian society. The class is prone to liberalism in the more classical style. Data on the numerical strength of this class have not been readily available. It is difficult for us, therefore to say how the class as a force is important in South African politics.

#### 2.5. The international component of South African economy.

As we have already pointed out, the development within the South African economy was engineered by mineral exploitation. We have seen how, even though the national bourgeoisie was to contest the position of leader of the economy with international capital, the control of the economy seemed to remain solidly in the hands of foreign interests. To show the magnitude of such investments and how they have developed over time, reference is made to table 8.

Table 8<sup>21</sup>Foreign Assets and liabilities in South Africa in millions of rands.

	1956	1960	1964	1968	1970	1972
Foreign direct Investments	1,590	1,819	2,026	3,086	3,943	4,859
(i) Private long term	1,244	1,439	1,569	2,415	3,041	3,790
(ii) Private short term	256	277	302	445	636	760
Non-direct Investment	1,177	1,205	1,083	1,476	1,875	2,891
(i) Central Govt/Banking	233	330	320	385	557	1,006
(ii) Private: shares	662	609	553	638	687	733
(iii) Total long term	857	768	659	921	1,151	1,599
(iv) Total short term	87	107	104	170	167	286
TOTAL	2,767	3,024	3,109	4,562	5,818	7,786
Foreign Assets in S/Africa	826	922	1,467	2,422	2,400	3,072

Besides the years immediately following Sharpeville, the foreign short term capital was also increasing steadily in step with foreign long term capital investments. These investments are large because in one sense South Africa is still a developing country to the extent that it is a net importer of capital and foreign technology. However, its mineral resources and long history of colonialism, have made it particularly attractive for the foreign investors. However, the political destabilisation brought about by the Sharpeville massacre are clearly observable in the inflow of short term loans. This dependence on importation of capital and technology has turned South Africa into a satellite of imperialism.

The South African Reserve Bank Quarterly of September 1971, states:

Capital goods imported as a percentage of total imports increased from about 30 per cent in 1957 to no less than 45 per cent in 1970, while the share of intermediate goods showed a corresponding decline from 48 per cent to about 34 per cent. Imports of consumer goods as a percentage of total imports fluctuated around approximately 20 per cent over the same period. (22)

It is in this sense that many have argued that in South Africa, despite observable features of sub-imperialism as far as Africa is concerned, the economy is not developed enough to allow for capital export, which is the

general feature of imperialism. Two leading regime economists write of the South African economy:

Ass a developing economy with large mineral resources, South Africa supplies mainly raw materials to the more industrial countries of the world and imports intermediate and capital goods from them. These countries also provide capital, technical know-how, financial services and shipping facilities, which are essential for the development of the South African economy. (23)

This statement can be further analysed by looking at the direction of South African foreign trade:

Table 9<sup>24</sup>

Direction of South African Foreign Trade in millions of rands.

Imports	1957	1960	1964	1968	1970	1971	1972	%
Total	1,098	1,109	1,530	1,877	2,540	2,878	2,820	100
Africa	75	76	90	120	131	128	152	5.4
E.E.C.	177	210	310	461	659	715	705	25.0
U.K.	358	314	437	449	561	671	591	21.0
USA	215	214	292	332	423	470	467	16.6
Latin America	14	12	18	14	22	25	31	1.1
Canada	34	39	47	45	71	47	41	1.4
Japan	35	41	81	124	221	292	267	9.5
Australia	6	12	16	28	60	62	71	2.5
Imports as % of GNP	24.0	21.0	21.2	18.5	20.5	20.9	18.3	
Exports								
Total	801	797	954	1,502	1,534	1,541	2,014	100
Africa	154	140	114	248	264	293	306	15.2
E.E.C.	165	138	194	265	278	268	394	19.6
U.K.	220	223	302	476	447	418	531	26.4
USA	51	55	82	104	129	119	147	7.2
Latin America	10	5	5	9	19	10	16	0.8
Canada	3	7	15	24	28	39	51	2.5
Japan	18	30	84	204	181	182	259	13.9
Australia	7	10	12	13	13	14	16	0.8
Exports as % of GNP	17.5	15.1	13.2	14.8	12.4	11.2	13.1	

It will be observed that South Africa has most of its international trade with the United Kingdom. This is easily explained by the historical relationship

between South Africa and Britain. In fact, it was British capital that opened up South Africa as an industrial nation through investments into the mineral resources and later the secondary industries that arose around mining. The table shows that Britain alone is responsible for 21 per cent of South African imports in 1972 and consumes a whole 26.4 per cent of its exports. This is followed by the European economic community countries, with Africa and Japan competing for third position. While Japan leads as an exporter to South Africa, Africa leads as an importer. This complex picture presented by South African economic relations has far reaching consequences and the problem can be reduced into two components (i) consequences of heavy trade ties with western European countries, (ii) consequences of the growing trade ties with African countries.

#### 2.5.1. Western countries (and Japan) and implications of trade with South Africa.

With the development of the secondary industry sector South Africa's economy got more integrated into the world of Western-Capitalism, imperialism in a fresh sense. This being that the development of the National bourgeois became more tied up to international imperialism as its technological god-father. From the point of view of imperialism with interest in capital export, South Africa became an important export market. In their export drive the Western governments have assisted South Africa with building a rather impressive military machinery. They assisted the regime with investment loans for the development of a manufacturing sector that could produce military parts, while imperialism reaps the fruits of royalties, patent incomes and other intangible benefits from the peoples of South Africa.

It is in this sense that regime economists generally refer to South Africa as a developing country. It is developing in the sense that it has not yet reached the level of capital export - a relation which is well documented by the South African economy's relation with Western countries.

The extent of this assistance had not been known until recent revelations by Sean Gervasi before the American Sub-committee on Africa, Committee on International Relations, House of Representatives, 14<sup>th</sup> July, 1977. Gervasi is an economist who has worked with the Office of the Commissioner for Namibia at the United Nations.

According to Southern Africa - a radical Canadian Journal, Gervasi called on the American Congress to make investigations about the American



military sales to South Africa. His call was based on the fact that the western powers were arming South Africa against the 1963 United Nations resolution on arms embargo. His report showed that the military arming of South Africa has been greater than what had been estimated, specifically by the London Based International Institute for Strategic Studies (I.I.S.S.). We provide an appendix showing the relation between Gervasi's testimony and figures provided by the Institute.<sup>25</sup> With these deliveries the South African economy underwent a relation similar to that of underdeveloped countries as far as importation of capital is concerned.

In order to protect its market international capitalism has long sought to make overt military arrangements of the form similar to NATO with South Africa as one of the members. The others are Brazil, Argentina and selected South American countries. The so-called need for a South Atlantic Treaty Organisation has been ventilated in the western media at different times, especially during the early 1960's.

As South Africa imports capital goods from these countries it also exports to them raw materials and mineral resources. Besides the profitability of investments within this sector, the western countries do in fact depend on these raw materials for their own production input. 75 per cent of Western gold consumption comes from South Africa, while the figures for diamonds are 50 per cent, chrome 23 per cent, platinum 27 per cent, antimony 21 per cent and manganese 10 per cent.<sup>26</sup> The dependence of Western Imperialism on minerals found in South Africa and the need for capital by the national bourgeoisie become opposite sides of the same coin - the coin which ties the South African national bourgeoisie to international imperialism in an everlasting marriage.

The dependence of international imperialism on South Africa is further highlighted by the fact that the Cape is a strategically important area to control sea transport. For example, every year 24,000 ships round the Cape. This need to protect the Cape gained importance within the capitalist nations in connection with liberation movements which seemed to be supported by Socialist countries. Wolfgang Hopker wrote in NATO Review nr. 4, 1974, that in fact NATO's forces could take control of and protect friendly nations in other seas. Brazil and Argentina were building their Navy to protect the South Atlantic sea, reported Hopker, and went on to protect the South African's regime's efforts which he emphasized complemented the efforts of the two Latin American countries. He specifically emphasized the extent to which the

interest of South Africa and that of the Western European countries were identical: trying to deprive the Soviet of offensive plans. Immediately after the appearance of the article we notice a series of activities within NATO. After the Coup in Portugal NATO's press-secretary stated that the organisations' High Command had been given permission to protect the Cape route. This press statement is then followed by a "private visit" by the South African Minister of Defence to Pentagon. One year later James Schlesinger, then U.S. defence minister stated that the military base as at Simontown should be included within NATO's base system.

When Paraguay's dictator Stoessner visited South Africa in 1974, the campaign had started to include South Africa in the planned SATO. In 1975 Vorster returned Paraguay's visit (he also visited Uruguay) in an effort to campaign for South African inclusion into SATO. In 1976 the Americans organised a conference in Buenos Aires to discuss issues related to the starting of SATO. In an effort to campaign for the fascist regime of South Africa the Buenos-Aires La Nation wrote "Our relation with South Africa must be revised... South Africa is the base in the fight against communism in the South Atlantic". The same month a Brazilian-Argentinian delegation of high military level left for South Africa to discuss more concrete plans of working together. At the end of 1976, two Argentinian newspapers reported that at the inter-American conference at Rio de Janeiro which discussed the details for a military pact, South Africa and Britain were also represented. The only complication to a complete military pact is Brazil's reluctance to openly associate itself with South Africa. This reluctance comes about because of Brazil's increasing economic relation with the rest of Africa.

#### 2.5.2. Reasons and consequences of growing ties with independent Africa.

The tendency of growing economic relations between South Africa and independent African Nations has been a subject of much debate among political economists interested in South Africa. Until recently, the underconsumptionist explanation has been the most popularly accepted one.

This thesis was first put forward by First, Steele and Gurney in their work "The South African connection: Western Investments in Apartheid". Where the arguments for this theory are presented thus:

As the emphasis of the South African economy has shifted away from mining towards manufacturing, the country has been faced by the need to ensure a growing demand for new

products... No country has sustained an economic expansion with so small a market. As long as political and economic restrictions prevent the Republic's Africans from sharing equally in the country's development, they can provide no adequate market. One of the commonest debating points now between South African industrialists and the Government centres on the pace at which South African purchasing power can be increased while ensuring white supremacy. But nearly all are agreed that the safest way of widening the market is by selling more goods to Africans abroad. (27)

Gervasi also argues along the same lines when he states that:

Domestic markets are limited as a consequence of the poverty of the mass of the population. Since the stability of the economy is dependent upon an ability to increase sales of output, economic stagnation is a real danger. The classical solution to this problem, at least for a time, is to expand exports of goods and capital. South Africa is now attempting to create the political conditions which will make that possible".<sup>28</sup>

The underconsumptionist theory pins down the causes for South African export drive in independent African countries to the low wages paid to the Africans in South Africa itself such that these workers are not able to form a strong demand, where the conditions of ineffective demand create overproduction which can be offset by export to other underdeveloped countries.

However in this paper we shall depart from this view. Our point of departure shall be table 9. In this table we note that in relation to Western European countries and Japan, South Africa has a negative balance of payments which it covers with foreign currency earned from export sales to African countries. South African goods are not able to compete on the European market, because of necessity they are of inferior quality. This forces South Africa to sell to these countries raw materials to finance its purchase of capital goods. However, given the recent inflationary tendencies in Western Europe, America and Japan, the cost of capital goods has also been rising to the detriment of South Africa. The disparity between raw material prices and capital goods prices has been increasing, thereby demanding that extra foreign currency must be earned to finance the capital goods necessary for national economic expansion.

It is possible to argue further that the South African means of production seems to be located outside South Africa in the Metropolitan centres, just like those of other underdeveloped countries. On the other hand we have observed a strong drive by the South African economy to industrialise. It is in this sense that South Africa is documented as a capital importing country.

However, such heavy capital importation must be financed with foreign currency - hence the underconsumptionist argument is not relevant as a reason for this expansion. An increased consumption by the black population will not create the necessary foreign currency needed, though it might broaden the home market. Fransman M. writes that "imports of machinery and transport equipment as a percentage of the machinery and transport component of the Gross Domestic investment varied from 77 per cent to 90 per cent between 1967 and 1974".<sup>29</sup> Though these figures were surprisingly high as Fransman also comments, the real value will lie somewhere close to that, indicating South Africa's dependence on imported goods.

However, up to this date the task of obtaining foreign currency for the financing of imports has been helped by two other factors besides the increase of sales to African countries: (i) Because the minerals and other raw materials South Africa possesses are crucial to the west, their marketing has not been difficult. The agricultural sector has contributed enormously to the earning of foreign exchange. (ii) South Africa is fortunate because it possesses one of the most important metals - gold.

## 2.6 The South African State

As an organ of oppression that one class uses to oppress the other class(es), the State manifests itself through the (i) Administrative apparatus - or the legal apparatus as a formaliser of administrative procedures and rules, (ii) the representation system, (iii) the military and police apparatus. In as far as South Africa is concerned we shall not burden ourselves with (i) and (ii) as characterisation of these aspects have been subject of journalistic discussions for several decades now, but rather we shall examine a little more closely the military aspects.

The dependence of South Africa on capital imports ties it to the system of international imperialism and as we have already seen, these ties demand that imperialism protects South African interests as much as it demands that the South African bourgeoisie must tie itself to international imperialism. The demands of these ties are that South Africa in its turn gets more and more dependent on other countries in the third world with a lower technological level where its goods will be competitive.<sup>32</sup> Besides its exploration of the African market South Africa has been making overtures to the Latin American countries. South Africa's interest in a proposed military arrangement, SATO, should be seen to be twofold

(i) military and (ii) economic.

From the military point of view SATO will provide South Africa with overt possibilities to continue suppressing the suffering masses of South Africa and Southern Africa. Economically, SATO would provide ideal arrangements to enter into Latin American markets for the sales of its manufactured goods in case Africa should prove to be a difficult market in future. If the Africans no longer trade with the regime, this might complicate the regime's balance of payments especially since the position of gold's continued role as an international payment mechanism is uncertain. Recently it has been demonstrated in Angola that South Africa is prepared to use military force to protect its interests in Africa. Its assistance of the rebel regime of Ian Smith should be understood from that perspective.

The appendix presents tables that show the extent to which Western countries have armed South Africa. Most of the equipment listed in the Appendix was provided to South Africa after the United Nations arms embargo on South Africa. Indeed - what an embargo!

#### Appendix A

Table 10<sup>25&30</sup>

#### Arms inventory: South African Defence Forces (end 1976)

<u>Item</u>	<u>I.I.S.S.</u>	<u>Gervasi</u>
Combat aircraft	133	625
Helicopters	92	215
Tanks	161	525
Armoured cars	1050	1430
Armoured personnel Carriers	250	960
Self-propelled guns	not listed	294
Medium and light artillery	not available	380

Table 11<sup>30</sup>

Deliveries of weapons known to be in service with the South African Defence forces (end of 1976)

Item	Manufactured (Gervasi) (licensed by)	I.I.S.S. Deliveries	
		Numbers	
Mirage III fighter/bomber	France	95+	57
Mirage F-1 all weather multi-purpose fighter	France	48+	16
Aermacchi MB-326M Impala II strike/trainer	Southern Africa and Italy	300	145
Aerospatiale Alouette III armed attach helicopter	France	115+	40
Aerospatiale/Westland 330 Puma assault helicopter	France/UK	40+	25
Centurion Mk 7 heavy tank	UK	150	141
Daimler Ferret Mk 2 scoutcary anti-tank armoured car	UK	450	230
M-3A1 white armoured personnel carrier	US	400	not specified (N.S.)
Saracen FV 603 and FV 610 armoured personnel carrier	UK	700	N.S.
T-17E1 Staghund armoured car	US	450	N.S.
Aermacchi MB-326K Impala II Strike	South Africa and Italy	100	22

Table 12<sup>30</sup>

Deliveries of weapon systems not generally known to be in service with the South African Defence Forces (end 1976)

Item	Manufactured/ Licensed by	Deliveries
Lockheed F-104G starfighter fighter/bomber	US/ex-Luftwaffe	40
North American F-51D cavalier counter-insurgency strike	US	50
Aerospatiale/Westland 341 Gazelle general purpose helicopter	France/UK	2(?)

Table 12<sup>30</sup> Continued

Item	Manufactured/ Lincensed by	Diliveries
Agusta-Bell 205A Iroquois Utility/s.r helicopter	US	25
Lockheed P-2 Neptune anti- submarine patrol	US	12
Centurion Mk 10 heavy tank	UK	240
M-47 Patton main battle tank	US/Italy	100
M-41 Walker Bulldog light tank	US	100
AMX-13 Light tank	France	80
M-113A1 armoured personnel carrier	US/Italy	(400)
Commando V-150 armoured per- sonnel carrier	US/Portugal	(300)
Piranha armoured personnel carrier	UK	(200)
Sexton 25 Pdr self-propelled gun	Canada	(200)
H-7 105mm self-propelled gun	US	200
N-109 155mm self-propelled gun	US/Italy	50
Piranha armoured personnel carrier	Switzerland	(100)
Short SB 301 armoured personnel carrier	UK	(200)

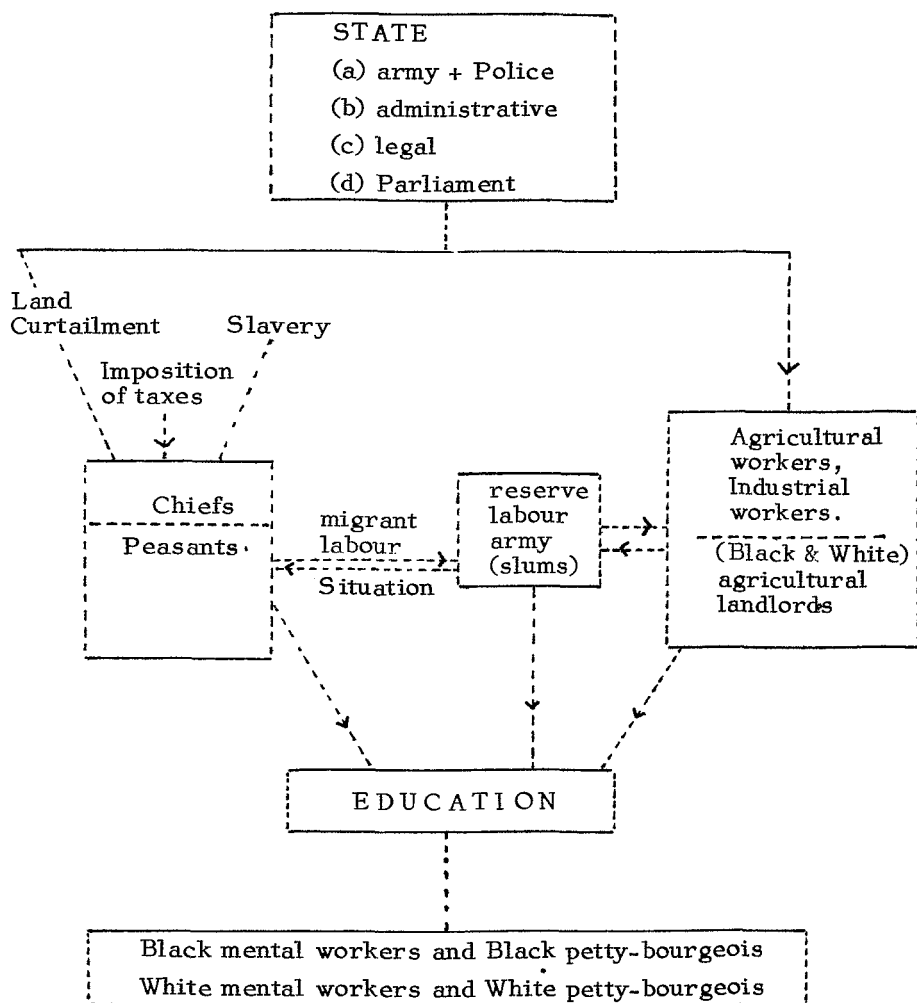
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Figures in brackets indicate on going deliveries.

<sup>+</sup> For police use.

## DIAGRAM I

### A schematic model of the South African Economy and Society





## FOOTNOTES :

1. International Labour Review 1958, p. 38: "Interracial wage structure in Africa".
2. Troup Freda: South Africa - A historical introduction, p. 55, Penguin African Library, 1972.
3. Woddis Jack: Africa Roots of revolt, London, 1965.
4. Brown Ken: Land in Southern Rhodesia, pp. 5-6, London.
5. Woddis Jack: op. cit. p. 7.
6. Noon John: Labour problems in Africa, p. 39.
7. Davidson Basil: The African Awakening, p. 103, Penguin.
8. Woddis Jack: op. cit. p. 49.
9. Schapera I: Migrant labour and tribal life, p. 6-7.
10. The concept of the new petty-bourgeois has been outlined by Poulantzas in his Classes in Contemporary Capitalism. It is distinguished from what he calls the old petty-bourgeois, where the new petty-bourgeois is used to imply the trained or bureaucratic petty-bourgeois - a phenomenon which increased with the introduction of Keynesian Economic planning within western capitalism.
11. Moolman and Smith: "South Africa's Rural population - 1974 Pretoria", appears in 'The conditions of the Black worker.' Uppsala. See also the 1970 census of South African Statistics.
12. Maree J. Current labour utilisation and underemployment in South Africa - Cape Town 1974 - appearing in The Conditions of the Black worker. See also Horrell M. Survey of race relations, 1972. Also South African Statistical News release, No. 69, Dec. 11, 1972.
13. Thomas W.H. The structure of the South African economy and the nature of ties with the international economy, in The Conditions of the Black worker. See also 1970 census of the South African Statistics.
14. i bid.
15. Moolman: op. cit.
16. i bid.
17. i bid.
18. Maree: op. cit.
19. Thomas W.H. op. cit.
20. Interesting discussions have been made as to whether a bureaucracy is a class while the authors are aware of the divergent schools about this topic, for simplicity of discussion of the South African economy we choose to look upon it as a class. For some views on this topic see Trotsky, Revolution Betrayed. Poulantzas: op. cit., Miliband R. The State in Contemporary Capitalism. Various papers have been circulated at the University of Dar es Salaam on the topic and need not be repeated here.
21. Thomas W.H. op. cit.

22. Fransman M. The roots of South African "expansionism", in South African Imperialism - Uppsala University, Dept. of Peace and Conflict Research - 1977.
23. ibid p. 9, p. 3.
24. Thomas W.H. op. cit.
25. The testimony is partly reported in Southern Africa. - A Toronto based Anti-imperialist Magazine, has also been referred to in numerous newspapers e.g. The British Sunday Times of the 10th of July, 1977, where the paper reports the military strength of South Africa on the bases of Gervasi's statement. These figures are compared with the figures of the International Institute of Strategic Studies. We have produced here in Appendix these figures as table 10.
26. Afrika-Bulletin - Swedish based anti-imperialist pamphlet. These figures can easily be verified from the South African Statistics - 1970 census.
27. Fransman, op. cit.
28. ibid.
29. ibid.
30. Southern Africa op. cit.