

The economic foundation of friendship between the peoples of Nigeria and the United States

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THE ECONOMIC FOUNDATION OF FRIENDSHIP BETWEEN THE PEOPLES OF
NIGERIA AND THE UNITED STATES

By Ann Seidman

INTRODUCTION:

Two potentially contradictory sets of interests may shape future economic relations between Nigeria and the United States: On the one hand, U.S. transnational corporations have, in the last two decades, discovered in Nigeria a primary source of the vital raw material, oil, as well as a growing market for their manufactured goods. On the other hand, the peoples of both the U.S. and Nigeria, if Nigeria successfully achieves balanced, integrated industrial-agricultural development, could benefit from the resulting stimulus to expanded trade, growing employment and higher living standards. This paper will briefly examine the nature and implications of these two different, at times conflicting, sets of interests.

U.S. TRANSACTIONAL CORPORATIONS AND THE UNDERDEVELOPMENT OF AFRICA

AFTER WORLD WAR II

Over the last quarter of a century, some of the largest U.S. transnational corporate concerns have played a primary role in shaping U.S. relations, not only with Nigeria, but with all Africa. They have contributed to fundamental changes in the international division of labor to the detriment of the peoples, not only of Africa, but also the United States, itself. During World War II, U.S. firms

accumulated vast sums of capital producing weapons for the allies without suffering bombing raids that destroyed so much industry in Europe and Asia. When the war ended, they took advantage of the apparent American hegemony to buy up major shares of industrial and financial businesses in England and France, as well as Germany and Japan.¹ This gave them an indirect route to profitable activities in the crumbling empires in Africa.² When almost fifty African states attained political independence in the sixties, many opened the doors to more direct U.S. corporate penetration. By then, however, the reinvigorated financial and industrial conglomerates of the Federal Republic of Germany and Japan -- backed by vigorous state intervention -- had also begun to seek entree in the vast African continent's mineral riches and markets.³ But the corporate giants did not compete to construct industries in the capital-hungry newly independent African states. Instead, they poured their investments into the emerging military-industrial complex engineered by an aggressive white minority into a regional subcenter dominating the southern third of the continent. By the end of the first independence decade, transnational corporate investments provided about 40 percent of all manufacturing industries' capital,⁴ over 60 percent of the banking assets,⁵ and around 90 percent of the oil refinery capacity⁶ in South Africa. The bounded rationality of the corporate managers apparently rendered them particularly vulnerable to the oppressive minority rule's attractions: valuable mines adroitly controlled by seven oligopolistic mining finance houses⁷ eager to obtain new capital and sophisticated technologies; a rich consumer market of four million

highly paid whites, backed by rapidly growing military establishment spending by the mid-70s, almost \$2 billion a year⁸ on the most advanced military machinery, equipment and weapons; and, above all, a large disciplined pool of black labor with no alternative but to work for wages of a fifth to a twentieth of those the corporations paid their own workers back home.⁹

U.S. firms like General Motors and General Electric could -- and did -- take advantage of South Africa's "advantages" to manufacture parts and materials, even entire models,¹⁰ for sale in the increasingly competitive markets of the world including the rest of Africa. U.S. based transnationals invested especially heavily in South Africa's burgeoning manufacturing sector. By the 1970s, they provided 25 percent of directly-held foreign capital in manufacturing.^{11*} U.S. investments in South African factories total about three fourths of all U.S. investments in manufacturing on the entire African continent.

Leading U.S. manufacturing companies still mainly confine their activities to last stage assembly and production elsewhere on the continent, including Nigeria, to obtain a foothold inside protected markets in independent African states. In South Africa, in contrast, they have constructed integrated factories employing African workers

* This significantly exceeded the ¹⁷ percent of all foreign capital -- almost \$2 billion in investments¹² held -- directly by U.S. firms in South Africa. Overall, U.S. holdings and those in manufacturing actually constitute a significantly larger share of foreign capital in South Africa, for many U.S. firms have invested unknown amounts indirectly there through holdings in Canada and Europe.

and using South African raw materials and parts. The low cost of labor and government subsidies and tax incentives^{*} ensure high rates of profit.

Table II:

U.S. investments in Africa (excluding South Africa)
and in South Africa, 1977, in absolute terms (\$millions)
and as percentage of all U.S. investments abroad

U.S. investments in:	\$ millions	% of U.S. investments in Africa	% of U.S. investments abroad
Africa (excluding South Africa)	\$2783	60.8	2.3
of which manufacturing	266	5.8	0.4
of which oil	1520	33.2	4.9
Nigeria	335	7.3	0.2
of which manufacturing	41	0.8	0.06
of which oil	250	5.4	0.8
South Africa	1791	39.1	1.5
of which manufacturing	710	15.5	1.0

Source: Department of Commerce, Survey of Current Business, August 1978

General Motors, Ford and Chrysler became leading automotive producers; GM and Chrysler even import and assemble Japanese models

^{*} Made possible because the regime pays so little to finance education, health, or social welfare for the impoverished African majority, for example, it currently pays less than R50 for each black child's education, compared to over R650 for each white child's.

from parent Japanese firms in which they held shares,^{*14} since South African consumers turned to small cars when oil prices rose. GM's South African subsidiary continues to sell trucks to the South African military despite the 1977 mandatory UN military embargo, arguing this is essential to its continued profitability.¹⁵

General Electric and ITT produce electrical equipment and appliances required to enable the minority regime, wherever possible, to automate the economy and the military machine, overcoming the shortage of skilled (white) labor without upgrading blacks.^{**} U.S. firms like Allis Chalmers and Foxboro have sold and assisted the South Africa to develop sophisticated technologies for the manufacture of nuclear weapons.¹⁷

Three U.S. oil firms -- Mobil, Standard Oil of California, and Texaco, the last two working together through Caltex -- have built two of the largest refineries in Africa in South Africa, and spread their networks for the distribution of oil throughout southern Africa. They are currently assisting the South African regime to evade the OPEC boycott on this strategic material,¹⁸ continuing to ship oil in and store it in vast reserve supplies. They also participated throughout the late 60s and early 70s in devious schemes to ship oil to the illegal Smith regime in Zimbabwe in violation of UN sanctions. The California firm, Fluor, is the prime contractor for construction

* This U.S. firm activity enabled the Japanese companies to avoid their government's prohibition on investments in South Africa while still selling their produce in the South African market.

** In the mid-70s, Chrysler, ITT and GE sold a majority of the shares in their South African affiliates to South African partners,¹⁶ but continued to sell them their advanced technologies and participate in the profits. This enabled them to avoid responsibility for local labor practices and the possible continuing military contribution of their South African connection.

of South Africa's \$4 billion project, SASOL II, which aims to reduce South Africa's dependence on imported oil by half by the mid-1980s. Fluor and Badger, a subsidiary of the Massachusetts firm, Raytheon -- both of which have participated in nuclear technology development -- are engaged in building the project under conditions of great secrecy.*

The biggest U.S. banks¹⁹ -- especially City Bank, Chase Manhattan, and The Bank of America -- advised and helped finance their transactional clientele's growing business interests in South Africa; and, even more important, mobilized about a third of the more than \$11 billion the international banking community advanced in the mid 1970s to overcome the political-economic crisis which threatened to engulf the regime.

U.S. corporations' contributions to South Africa's military-industrial build-up has won them the regime's designation as National Key Point Industries. This exposes the hypocrisy of the firms' pledge to enforce the Sullivan Principles to improve the conditions of black workers in South Africa; ** for as National Key Point Industries, they are fully integrated into South Africa's military-industrial operations. South African law requires them to produce

* Ironically, the U.S. government has apparently concluded it is necessary to encourage negotiations with the South African regime to acquire the oil-from-coal technology to help alleviate the energy crisis here in the U.S. -- though U.S. corporations are providing it to South Africa,

** Proposed by a General Motors board member, the Sullivan Principles allegedly require company sponsors to provide equal pay for equal work and upgrade blacks in their South African plants. The companies successfully lobbied against Congressional efforts to monitor their enforcement.²⁰ Ford Motor Company sacked 700 black employees because they sought to create their own union and in effect demanded implementation of the Principles.²¹

strategic materials on demand. It coerces them into operating under a veil of secrecy which prevents even U.S. government officials from determining the scope of their involvement. It even requires its top (white) managerial personnel to participate in para-military commando units.²²

In contrast, throughout the remainder of the vast African continent, U.S. transnational corporate managers have turned deaf ears to the urgent requests of independent African states for capital and technologies. African governments seek to build their own industries and agriculture to foster the spread of productive employment opportunities and higher living standards for the masses of their populations. But the transnational corporations, instead, have devised new techniques to pursue their longtime goals: extracting lowcost agricultural and mineral raw materials, and searching for profitable ways to sell their expanding surpluses of manufactured goods inside protected African markets.²³

In Nigeria, U.S. oil majors pump out millions of barrels of crude oil annually for shipment to the U.S. and elsewhere. Ironically, U.S. transnationals' refinery capacity located in South Africa probably exceeds, not only that of Nigeria, but their total capacity on the rest of the continent. U.S. manufacturing firms, on the other hand, still try to ship their manufactured goods to Nigeria in finished, or almost finished form; at most, almost without exception, they set up last stage processing plants to assemble and finish imported parts and materials in order to paste on the 'made in Nigeria' label to avoid paying tariff. And typically,

Table 3: U.S. Profits, interest and dividends shipped out of African countries, (excluding South Africa) by U.S. based transnational corporations, compared to their new investments from 1965 to 1975

Year	Direct New U.S. investments in Africa, excluding South Africa (in \$ millions)	U.S. transnational corporations' profits, interests, and dividends (1) (\$ millions)	Amount by which profits, interest and dividends exceeded new direct investment (\$ millions)
1965	\$171	-\$249	-\$78
1966	83	-270	-187
1967	135	-284	-149
1968	374	-207	(167)
1969	246	-616	-370
1970	387	-610	-223
1971	255	-481	-262
1972	138	-410	-272
1973	-625	-466	-466(2)
1974	-143	-799	-799(2)
1975	164	-356	<u>-192</u>
Total, 1965-1975			<u>\$2,998</u>

Notes: (1) This does not include managerial and licensing fees or compensation for government purchases of shares of ownership, or overvaluation of imports which, in recent years, have become increasingly important forms of shipping investable surpluses out of African countries.

(2) In 1973 and 1974, there was a decline in total investment, or a disinvestment. If this was added to the reported surplus value shipped out the totals would be much higher in those years, \$1,091 million and \$942 million, respectively.

Source: Calculated from U.S. Bureau of Census, The Statistical Abstract of the U.S. table entitled "U.S. Direct Investment Abroad - Direct Investment Position and Balance of Payments Income, By Country" (Washington D.C.: U.S. Government Printing Office, for years indicated).

U.S. firms have annually shipped home more in the form of profits, interest and dividends than they have invested in their businesses in Africa outside South Africa.

U.S. transnational corporate investments in the South Africa - as in other regional subcenters in Brazil and formerly, Iran - have contributed to changing the international division of labor, not only to the detriment of development throughout Africa, but also at the expense of the welfare of the people of the United States. The permanently high rates of unemployment that have plagued the U.S. since the economic 'recession' of the mid 1970s reflects the transnational corporations' success in shifting relatively labor intensive jobs to countries where oppressive governments coerce the mass of the population into low paid labor reserves. In a very real sense, the transnationals have pitted the welfare of the American people against the impoverished, almost slave like conditions created in regional subcenters like South Africa. Firms like General Motors, and Ford, while laying off workers in the United States²⁴ are still expanding their manufacturing production in South Africa. While American consumers pay ever higher prices for oil, U.S. companies like Mobil, Standard Oil and Texaco reap additions to their record profits by shipping oil to their South African refineries to fulfill the pressing needs of the South African military-industrial complex. U.S. banks advise²⁵ American cities and states to slash welfare programs to qualify for loans at rising interest rates; at the same time, they have mobilized billions of dollars to help the South Africa minority regime pay the rising costs of importing oil, machinery and equipment, and - in violation of the UN embargo -

the most sophisticated weapons of war.

In short, U.S. transnational corporations have multiplied their investments to help build up the military-industrial complex of the South African subcenter. They ignore the mounting criticism of the overwhelming majority of African states and United Nations members, among whom Nigeria stands out as one of the leaders.²⁶ They have, unfortunately, convinced the U.S. government to repeatedly veto efforts to impose United Nations sanctions to end all trade and further investment in South Africa. Thus they have widened the gulf, rather than cementing the ties of friendship, between the people of the independent African countries and the United States. At the same time, they have pursued a typically neo-colonial pattern of extracting raw materials, prying open markets for manufactured goods, and siphoning out investable surpluses, aggravating the lop sided development of underdevelopment which has perpetuated poverty throughout the rest of the continent. Far from benefitting the American people, this strategy has fostered a shifting international division of labor which has steadily eroded employment and living standards in mature industrial areas of the United States, itself.

TOWARDS BUILDING A FOUNDATION FOR LASTING FRIENDSHIP:

The American people have a vital stake in building a sound economic foundation for lasting friendship with the peoples of Nigeria. They must join Nigeria and the majority of African states to convince U.S. authorities to support, instead of vetoing once again, United Nations proposals to impose effective economic sanctions to end all U.S.

trade and future U.S. investment in South Africa.* They should urge the U.S. government to create new incentives for U.S. firms to invest in and provide technologies for the construction of industries to develop balanced, integrated economies in Nigeria and the rest of Africa. This could contribute materially to the spread of productive employment opportunities and higher living standards in Nigeria. At the same time, it could forge the foundation for a new pattern of mutually beneficial trade to help ensure full employment and prosperity in the United States.

Extensive evidence proves that United States industries sell far more goods -- and hence employ far more workers -- in the most industrialized countries of the world than they sell to the impoverished peoples of Africa. Even industrialized South Africa, despite the below-poverty-line incomes of the mass of its black population, buys more goods per capita than does the rest of the continent. This is not to say, incidentally, that U.S. trade with South Africa is vital in anyway to the United States; as Table shows, neither exports to nor imports from South Africa, though vital to the minority regime there, are more than marginal to its major trading partners.

* The United States government can hardly object to sanctions, since it has, itself, requested the UN to impose them on Iran to free some 50 American hostages; how much more reason for sanctions to free more than 20 million black Africans from bondage in South Africa.

Table 4: Trade of leading developed market economies with each other, with South Africa, and with other African states, as a percentage of all their trade, and in terms of per capita trade with their trading partners (1977)

Country/trading partner	Imports from			Exports to		
	\$000	% of total imports	Per capita(2) imports from trading partner (\$)	\$000	% of total exports	Per capita(2) exports from trading partner (\$)
Developed market economies(1)/						
Developed market economies	517,741,000	69.2	663	517,741,000	69.2	663
South Africa	5,383,000	0.7	217	5,643,000	0.7	225
Rest of Africa	38,010,000	5.0	95	42,262,000	5.8	105
United Kingdom/						
Developed market economies	47,269,805	74.3	61	41,069,682	71.5	53
South Africa	1,669,057	2.6	66	1,024,709	1.8	41
Rest of Africa	2,676,440	4.2	7	4,239,591	7.4	11
United States/						
Developed market economies	79,771,731	54.0	102	74,948,581	62.8	96
South Africa	1,337,958	0.9	53	1,078,949	0.9	43
Rest of Africa	15,628,154	10.6	39	4,378,911	3.6	11
Federal Republic of Germany/Developed market economies	75,068,211	74.5	96	89,636,247	76.0	115
South Africa	817,221	0.8	32	1,126,441	1.0	45
Rest of Africa	6,582,743	6.5	16	5,661,783	4.8	14
Japan/						
Developed market economies	27,416,045	38.9	35	38,212,206	46.4	49
South Africa	934,794	1.3	37	761,606	0.9	30
Rest of Africa	1,192,862	1.7	3	5,717,957	7.1	14
France/						
Developed market economies	49,070,498	69.8	63	44,969,929	71.0	58
South Africa	482,410	0.7	19	496,946	0.8	20
Rest of Africa	5,585,985	7.9	14	8,620,850	13.6	21

Notes: (1) Includes United States, Canada, South Africa, United Kingdom, Belgium, Denmark, France, Federal Republic of Germany, Ireland, Italy, Austria, Finland, Iceland, Norway, Portugal, Sweden, Switzerland, Greece, Malta, Spain, Yugoslavia, Israel, Japan; (2) dollar value of trade with trading partner divided by trading partner's population; (3) rounded off to nearest dollar;

Source: Calculated from United Nations Yearbook of International Trade Statistics, 1977, Vol. 1 (New York; 1978); UN Statistical Yearbook, 1978

Table 5: Nigerian trade with U.S., given Nigeria's 1976 present level of industrialization, compared to potentials if Nigeria reached South Africa's 1976 level of industrialization (1)

Imports from U.S.	\$1000	Estimated(2) Imports per Nigerian inhabitant	Imports as % of 1976 U.S. exports
Actual 1976 levels	894,026	\$11.92	0.77
Potential at South Africa's level of industrialization (1)	3,975,000	\$53.00	3.46
Exports to U.S.	\$1000		Exports as % of 1976 U.S. imports
Actual 1976 levels	3,492,047		2.86
Potential assuming South Africa's level of industrialization(3)	4,015,854		3.29
Balance of payments with U.S.	\$1000		Difference in % of U.S. imports and exports
Actual - 1976	2,598,021		2.09
Potential at South Africa's level of industrialization	40,854		0.17

Notes: (1) This assumes all other factors, including population, remained at 1976 levels. If Nigeria attained a more balanced income distribution than that of South Africa, it would probably constitute a larger market.

(2) Given the lack of accurate population estimates for either Nigeria or South Africa's black population, these calculations assume a conservative 75 million Nigerians, and 25 million South Africans.

(3) This simply assumes Nigeria's exports would expand to levels commensurate with South Africa's; undoubtedly, too, its composition would change.

Source: Calculated from U.N. International Trade Statistics, 1978, Vol. I, pp. 711, 964

Nigeria, with a population at least three times that of South Africa, currently buys about two thirds the amount of goods from the U.S. as does South Africa,²⁸ The United States suffers a serious balance of payments deficit in its trade with Nigeria, because it imports vast quantities of Nigerian oil, but sells so little there. If Nigeria had today achieved levels of industrialization comparable to that of South Africa, however, it could buy more than three times the amount of goods from the U.S. that the latter currently sells to South Africa. This would, as Table 5 indicates, almost wipe out the U.S. balance of payments deficit with Nigeria. At the same time, it would stimulate the employment of about fifty thousand additional U.S. workers.²⁹ If Nigeria attained a more balanced industrial and agricultural pattern of development and more equitably distributed the resulting incomes among the masses of its inhabitants than does South Africa, furthermore, it could purchase even more U.S. exports.³⁰

The American public should understand, however, that neither Nigeria or any other country in Africa can, as urged by western orthodoxy, leave the processes of development to vaguely defined 'market forces.' Examination of the inherited externally dependent structures of the typical African economy shows that transnational corporations still dominate the 'commanding heights' of their so-called modern export sectors: they still handle the management, the technologies and marketing of basic industries producing for export; they still control the trade channels importing high priced manufactured goods for the narrow high income groups who can afford to purchase them; and they still manage the banks and financial institutions

which facilitate the continuing drain of investable surpluses. Two decades of independent African experience³¹ reveals that African entrepreneurs have neither the capital nor the skill to compete with the transnationals. More frequently, they join together with them to gain a marginal share of the profits in the business - perpetuating their nation's lop-sided growth which condemns the mass of their fellow citizens to lifelong poverty. Only the state can muster the capital, the knowhow, and the national will to exert adequate control over the commanding heights of the typical African country and implement plans to attain a more desirable balanced, integrated pattern of development.³² The state must formulate a longterm industrial strategy directed, over a 20 year period, to the fundamental reconstruction of the national economy. Western capital, management and technologies cannot shape the outcome of this strategy; transnational corporations' short-term profit-maximizing inevitably tends to foster decisions perpetuating growth without development. The central state must identify, for construction in each phase of its long term perspective, specific industrial and agricultural projects embodying appropriate technologies and providing productive employment opportunities to every sector. It must formulate and implement an incomes policy directing investable surpluses to financing each project to ensure that it is built according to plan. The state may then negotiate with particular transnational companies to contribute to the construction and operation of these projects in the framework of long-term nationally-determined goals.

A note of caution: The experience of almost 50 African states suggests the necessity of focusing attention on the creation of two sets of new institutions.³³ First, the state, itself, must design new

institutions to ensure that it does exert adequate control over the commanding heights and key sectors of the political economy to carry out its longterm strategy. Second, the state and political leadership must institutionalize representation of the working people -- the wage earners and peasantry -- at every level of the state decision-making apparatus which formulate and implements plans. Extended state intervention in the economy requires a rapid expansion of the numbers of civil servants and managers, creating a danger of the emergence of what has come to be termed a "bureaucratic bourgeoisie."³⁴ Unchecked, this new class of state entrepreneurs may exercise its expanded state power to advance its own -- not the national-interests.* Only institutionalization of the participation of working people in formulating and implementing plans can, in the last analysis, ensure that those plans do lead to the desired spread of productive employment opportunities and rising living standards for the mass of the population.

This is not the place to discuss the kinds of state institutions required to shape effective state intervention in Nigeria, and to ensure adequate participation of the working people in that process. Those issues will be explored in more depth in the sessions relating to law. But, clearly, Americans sincerely desiring to build sound foundations of friendship with Nigeria should welcome -- regardless of

* It is widely recognized that in South Africa where the regime has, from the outset, played a typical state capitalist role in stimulating industrial and agricultural expansion, the minority controlling the state machinery has explicitly exercised it to advantage its members at the expense of the mass of the people; the key difference is that in South Africa, these state entrepreneurs have used law to exclude the mass of the African population on racist grounds.

inevitable disparagement by those imbued with conventional western wisdom -- the involvement of an appropriately participatory state to shape and implement nationally-oriented plans to provide increasingly productive employment opportunities and rising standards of living for the entire Nigerian population.

Summary and Conclusion

This brief paper permits only a sketch of the basic argument. Nevertheless, abundant evidence reveals the past role of U.S. transnational corporations in pursuing a path contrary to that necessary for building a sound foundation for Nigerian-American friendship. They have done so at the expense of both the peoples of Africa and the United States. To cement the bonds between the peoples of these two nations, Americans must urge the United States government to begin to chart a new course. On the one hand, they should insist that the U.S. join the majority of African states and United Nations to impose effective economic as well as military sanctions to hasten the end of apartheid in South Africa. On the other, they should press the United States to create new incentives to encourage U.S. firms to contribute their capital and technology to Nigeria and other independent African states to help them build up their industry and agriculture as the basis for sound, mutually beneficial trade relations redounding to the benefit of the peoples of Africa as well as the United States.

Reference to paper: The Economic Foundation of Friendship Between the Peoples
of Nigeria and the United States

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17. V. Vayrynen, "South Africa: A Coming Nuclear Weapon Power? in Instant Research on Peace and Violence, Vol. 7, No. 1.; re Foxboro , see New York Times, October 25, 1977.
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19. For details, see A. Seidman and N. Makgetla, Transnational Corporate Involvement in South Africa's Military-Industrial Complex, Anti-Apartheid Center of the United Nations Political and Security Council, Notes and Documents, 1979.
20. South African Financial Mail, April 7, 1978. The companies' voluntary compliance, as indicated by their own reports (see Arthur D. Little Inc., Second Report on the Signatory Companies to the Sullivan Principles Philadelphia: Dr. Leon H. Sullivan, Zion Baptist Church, 1979) falls far short of effectively changing the African workers' conditions.
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25. The most publicized example was that of New York, but other cities, too, have been pressed by banks to cut their welfare programs in return for essential loans.
26. Nigeria's Ambassador to the United Nations heads the United Nations Anti-Apartheid Committee; and Nigeria has taken strong measures against individual transnational corporations for their role in supporting South Africa.
27. New York Times, January 13, 1979.
28. For data re Nigeria's trade with the United States, see The U.S. statistical Abstract, 1979; and the United Nations International Trading Statistics, 1978.

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30. U.S. trade with developed market economies is about double that with South Africa in terms of trade per capita of the respective areas, as table 3 shows,
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34. R. L. Sklar has emphasized the role of the parastatal managers by using the term 'managerial bourgeoisie' in Corporate Power in an African State, (Los Angeles: University of California Press, 1975).

APPENDIX:

Testimony of Ann Seidman, Subcommittee on Africa, Committee on Foreign Affairs, House of Representatives, October 22, 1979

I have responded to questions 1 through 4 in the brief paper I have sent in to Chairman Solarz in advance of this meeting. I would like to focus my attention here on the remaining questions:

5. I would like to emphasize that United States firms' trade with and investment in South Africa have played and continue to play a crucial role in strengthening the military-industrial capacity of that country's oppressive, racist regime. U.S. firms' direct investment in South Africa, a country with little more than five percent of the total population of the African continent, equals over a half of their direct investment in the rest of Africa. It makes up about four-fifths of all investment in manufacturing industries on the entire continent.

U.S. firms' investment in manufacturing is particularly important in the strategic industrial sectors required to enable the white minority retain its control over the black majority. These include transport where General Motors, Ford and Chrysler have long built cars and trucks which facilitate the necessary mobility for the white population, and in particular the armed forces. GM has admitted that its local subsidiaries continue to sell trucks to the military. U.S. firms like General Electric and ITT continue to contribute the necessary sophisticated technologies essential to electrify and increasingly automate the military-industrial complex, reducing the need to upgrade blacks as the scarcity of skilled white workers has made itself felt. U.S. firms provided the technologies that enabled South Africa to enrich its own uranium, creating what many authorities consider to be the capacity to produce nuclear weapons.

Several U.S. oil firms, including Standard Oil of California, Texaco, and Mobil, provide a major share of the oil refining capacity and ship in much of the crude oil essential to enable South Africa to keep its military-industrial ^{machinery} moving, as well as to ship added amounts to the illegal regime of Rhodesia. (It is interesting that, although South Africa has no known oil deposits, U.S. firms have built there more oil refinery capacity than in all the rest of Africa, combined.)

As the recession of the 1970s spread into South Africa, reducing output in many sectors of manufacturing, U.S. banks played a major role in mobilizing international funds borrowed by the South African regime to continue to import the necessary machinery and equipment for its military-industrial growth; oil; and military weapons in violation of the UN embargo. Although some of the banks, like Citibank and Chase Manhattan, have said they would no longer lend directly to the South African government, they do still make loans to facilitate the continued sale of goods needed to further strengthen strategic sectors. To my knowledge, the Bank of America has not even agreed to stop lending funds to the government. But the reality is that any funds loaned to South Africa, whether to the public, parastatal (ie state corporations), or private sectors, help the regime to finance its continued rule. Significantly, although the high price of gold has reduced the importance of borrowing, its outstanding debt is estimated to exceed \$11 billion (of which U.S. banks are said to have mobilized about a third); and it continues to borrow to retain its relationships with the international money markets in case of further need.

It is a myth that U.S. firms can, through the illusory Sullivan Principles, contribute to bettering the conditions of black workers in South Africa. First, it is ironic that what might be termed the

'South Africa lobby' dissuaded Congress from monitoring the enforcement of those principles in South Africa. Those of us who have watched the difficulties of ensuring affirmative action here in the United States know how much more difficult it is where the government, white unions, and custom combine to thwart its voluntary enforcement. But more important, U.S. firms do not employ many black Africans. Altogether, they employ about 100,000 workers, less than one percent of the total. About half of these are whites, skilled workers, to handle their technologically sophisticated machinery which the minority regime has eagerly encouraged them to introduce to reduce dependence on black labor. In fact, U.S. firms' introduction of new technologies has actually reduced black employment in some sectors. For example, Texaco issued data purportedly showing that it had upgraded blacks in the 15 years from 1962 to 1977; but careful examination showed that, although it had increased production and sales, it had reduced the total labor force, and reduced blacks as a percentage of the total from about 60 to about 40 percent. With black unemployment today at about two million -- about one out of four black workers -- the role of the sophisticated technologies introduced by U.S. firms is particularly counter-productive.

It is especially ironic that General Motors has played a leading role in sponsoring the Sullivan Principles, for it is simultaneously contributing significantly to South Africa's military capacity designed to coerce the Africans into the status of a cheap labor reserve. General Motors, itself, has been designated by the South African regime as a National Keypoint Industry; its white personnel, in time of emergency, is expected to participate in paramilitary Commando Units in order to relieve professional soldiers of the task of defending the plant. This suggests that, far more important

than any possible contribution it might be making to improving workers' conditions, as far as the minority regime is concerned, is its strategic role.

In short, the policy implications of U.S. economic relations with South Africa, it seems to me, rest in their continued contribution to bolstering up a racist, minority regime. This serves to make the peoples of the rest of Africa suspicious of our motives in any other parts of independent Africa. It undoubtedly renders possibilities of developing trade and investments in the rest of that vast continent far more difficult. We might recall that Nigeria nationalized British Petroleum's assets because it resented that country's involvement in providing oil to South Africa. It is not at all impossible that Nigeria or other independent states might take similar retaliatory actions against the U.S.

This leads me to the next question. (#6 seems to be missing)

7. Africa is a vast storehouse of mineral wealth which, to date, has been only partially surveyed. One of the reasons why South Africa is a primary source of minerals (aside from oil) for the U.S. is because it has been far more thoroughly surveyed than have other regions of the continent; and U.S. firms, together with their British predecessors, have focused their attention on developing mines there. But there is enormous potential in other parts of the continent which have only partially been revealed since almost 50 countries have attained independence. For example, just among the so-called 'frontline states', in the last two decades extensive mineral resources have been discovered and are beginning to be developed: Tanzania is known to have iron ore, phosphates and uranium; I understand that the Federal Republic of Germany is negotiating to develop their newly discovered uranium deposits. Mozambique has iron ore, coal, and there are, I am told, possibilities

that they may have oil and/or natural gas. Botswana has been discovered to have some of the richest diamond mines and copper-nickel deposits, as well as coal. Zambia, in addition to its well-known copper mines (it is one of the major copper exporters in the world), has lead, coal, and, I understand, recently discovered uranium as well. Angola has a wide variety of mineral resources, including iron, diamonds, copper, and, most important, oil, currently being pumped out primarily by the U.S. firm, Gulf.

There are, of course, untold agricultural resources in these relatively underpopulated regions: coffee, cotton, groundnuts, tea, tobacco, sugar -- all these and more are or could be produced.

I will not take the time, here, to list all the mineral and agricultural resources available on the vast continent of Africa, an area about three times the size of the United States. I would guess that on-going geological surveys will reveal that it contains almost all, if not all, the essential minerals necessary for the industrialized nations of the world.

As yet, American dependence on African minerals is not great, except in the case of oil. Much has been made of the importance of chrome from South Africa and Rhodesia; but in fact my understanding is that chrome is available from Turkey, as well as -- even the U.S., although at somewhat higher cost. elsewhere/ Furthermore, the U.S. has extensive stockpiles, and it is very possible that new technologies are being introduced now that within a few years will make chrome almost unnecessary.

On the other hand, oil, which remains of great importance in the United States, is being produced in increasing quantities in several parts of Africa. Algeria, Libya and Nigeria are major suppliers of oil to the United States, with Nigeria by far the most important of these three. In addition, Angola's oil wells,

operated by Gulf, are capable of producing vast quantities and could become another major source of oil for the U.S.

The U.S. also purchases significant amounts of coffee from a number of African states, and cocoa mainly from Ghana and Nigeria.

At present, U.S. dependence on African resources has been increasing rapidly primarily with respect to oil.

8. Africa has not been as important economically to the U.S. as has, for example, Latin America in the past, primarily because British, French and, to a lesser extent Portuguese and Belgian colonialism prevented U.S. firms from engaging in investment and trade. Since African countries have attained independence, as the data shows, Africa has become rapidly more important both in terms of trade and in terms of investment.

But the potential is far greater, especially if the independent African states are encouraged to industrialize as they would like to. For the U.S. clearly sells far more goods, per capita, to industrialized states than to primarily agricultural countries. And today, when the balance of payments constitutes a major problem for the U.S., a primary need is to find new markets for manufactured goods. Industrialized countries, with rising productivity and incomes, can and will buy more and more of the manufactured goods the U.S. can produce embodying new technologies: machinery and equipment for new factories and to increase productivity in agriculture and on the mines, smelters and refineries.

9. Africa's commercial and economic potential has been curbed in the past by colonial policies which have restricted most countries there to producing low-value raw materials and buying primarily luxury and semi-luxury items for the narrow high income groups associated with raw materials production. If, on the other hand, the Afri-

can states can be encouraged to develop their industries to increase productivity in all sectors of their economies, they could, over the next half century, emerge as an important industrial region -- and hence as a growing area for U.S. investment and trade.

10. In my opinion, the U.S. should encourage greater economic trade and investment with Africa in order to help them realize this potential. This necessitates encouraging them to develop as trading partners to maximize mutually beneficial trade and growth.

11. In my experience of eight years of teaching and doing research in African university in West, East and Central Africa, I have been convinced that the African states are eager to expand trade and eager for U.S. investments. The biggest obstacles to that expansion are lack of understanding and willingness to assist African states realize their desired objectives -- which, in the long run, as I suggested above, would contribute to more mutually beneficial trade and relations with the U.S. as well as other countries. U.S. firms have primarily invested in extracting minerals and purchasing crude agricultural produce at low prices from independent African states, in a pattern too reminiscent of the colonial past. African states are convinced that only by industrializing can they raise the living standards of the vast majority of their populations. Therefore they are dismayed when they see U.S. firms pouring investments into industries in South Africa, sometimes to process crude materials produced in independent neighboring states, sometimes producing machinery, parts and equipment which they seek to sell in independent African countries.

U.S. firms have apparently been reluctant to invest in manufacturing industries to process locally-produced raw materials

in independent African countries. They have not built integrated industrial projects capable of contributing to balanced, integrated African economies; for the most part, what little investing they have done in the manufacturing sector has been in last stage assembly and processing of imported materials and parts, primarily to gain access to the narrow high income markets.

But, as African governments have sought to emphasize, the lack of integrated industrial growth has left their economies dependent on the sale of their mineral and agricultural materials on an uncertain world market. And when prices of those exports fall, they cannot buy much from industrialized nations like the United States. As long as they remain dependent on the export of crude materials, they are unlikely to be able to expand as valuable trading partners.

U.S. businessmen have expressed a reluctance to invest in African countries where the state is playing a major role in the economy. This reluctance seems to stem from a fundamental miscomprehension of the economic realities of Africa. There is no agency in the typical African country, other than the state, which can undertake the process of restructuring the economy and investing in the basic industries needed to spread productivity and raise living standards. Colonialism deprived would-be entrepreneurs of the skills, and capital necessary to build industries at a time when the relatively small size of viable units would have made their entry into manufacturing possible. Today, the vast size at which economies of scale come into play renders the capital costs prohibitive for individuals. Only the state can possibly play the essential role of planning and developing industrial growth.

This is as true in South Africa as in the rest of Africa. It is simply a myth to say, as South African apologists frequently do, that South Africa's economy is characterized by free enterprise. On the contrary, it is a highly integrated military-industrial complex dominated by seven powerful oligopolistic mining finance houses closely tied in with the state through parastatals which have developed basic industries. What is particularly reprehensible in the South African case is the state's open avowal of racist policies designed to keep the African majority in a state of semi-slavery; and the fact that its industrialization program is designed to create a foundation for the military might necessary for the white minority to continue its rule.

The independent African states, seeking to industrialize to produce the goods and services required to meet the needs of the vast majority of their citizens, likewise must invest in and regulate the development of their economies. For U.S. firms to abstain from investing in those circumstances in the independent countries at the same time that they pour funds and advanced technologies into building up South Africa's military-industrial capacity appears to the former to be rank hypocrisy.

The U.S. government could help to encourage U.S. firms to invest in industrialization programs in independent African states, while discouraging those investments in South Africa, in a number of ways. To mention only a few: It could set up its consular advisory agencies, not in South Africa as at present, but in a neighboring country like, for example, Zambia. It could eliminate tax credits for firms investing in South African manufacturing and other sectors, and consider additional

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tax advantages for firms investing in independent African states, especially in manufacturing industries. It could end all Export-Import Bank insurance and/or guarantees to firms shipping goods to South Africa, while seeking new opportunities to provide credit, insurance and guarantees especially for the sale of machinery and equipment to help independent African states industrialize. It could support proposals made in the discussions about a New Economic Order to achieve international price stability for such exports as cocoa and copper to enable countries like Ghana and Zambia (along with all other independent Africa countries) to achieve a stable income which would permit them to plan continued import of machinery and equipment to build their industrial sectors.

Note: support UN embargo on trade, investment in South Africa. One could go on.

I believe it would be worth this committee's time to explore some of this possibilities in depth.

12. The policy implications of our dependence on African energy sources, and particularly oil, in terms of economics, alone, are of two kinds. (There are obviously all kinds of political implications, as well.) First, it would obviously be unwise to continue, as at present, to thumb our noses at the independent African states by continuing to continue to expand trade and investment with the racist regime of South Africa; this is particularly true in the case of the U.S. oil firms which are playing such an important role in helping to keep open the oil supply lines to South Africa. We have seen that Nigeria has nationalized British Petroleum's assets because of its continued trade with and refinery activities in South Africa. It is, to put it rather mildly, unwise to court similar actions vis a vis U.S. firms' investments in oil production elsewhere on the continent. If Nigeria, Algeria and Libya, alone, were to decide not to sell oil to the U.S., it would have serious implications which

I do not need to elaborate here.

In this connection, it seems particularly unwise to continue to withhold recognition from Angola which is another potentially important source of oil for the U.S. It seems unrealistic to insist that Angola must first send away the Cuban technicians and military personnel (I am told the latter are becoming relatively less important, while the ~~former~~ are vital to restoring the economy to a reasonably normal base of operations); with South Africa rapidly, and with U.S. and other Western firms' assistance, building up its military-industrial capacity, Angola must undoubtedly feel the necessity for security. After all, South African troops invaded Angola and used its vastly superior weaponry to conquer a major part of Angolan territory. Furthermore, the tiny opposition party, UNITA, makes no secret of its reliance on South African military assistance. If, on the other hand, the U.S. were to end the flow of essential machinery and equipment as well as oil to South Africa, these fears would undoubtedly be somewhat assuaged. If, in addition, the U.S. would recognize Angola -- which, I understand, Gulf Oil Company has for some years urged -- it might well be possible that Angola would feel sufficiently secure to reduce its dependence on outside military assistance. It seems

The second set of policy implications relate to the U.S. balance of payments problems. It is clear that oil imports have played a big role in them, and a glance at the statistics I have given you suggest why. The underdeveloped African countries which are shipping oil to the U.S. cannot as yet buy many of the sophisticated machines and equipment which the U.S. could sell them. If these countries were to industrialize, however, they would, as suggested above, be able to do so. This simply reinforces my argument that the U.S. government should take whatever steps possible to encourage

these states to industrialize.

Thank you, Mr. Chairman.

Some Statistics on U.S. trade and investments in Africa

1. U.S. trade with Africa has been growing very rapidly since nearly 50 African countries have attained independence in the last two decades. Total African exports to the United States in 1977 were \$17,024, million, some 31 times greater than in 1960. Total African imports were \$5,546, million, almost 7 times greater than in 1960. Of the rapidly growing exports to the U.S., about three fourths (76%) consisted of oil, mainly from Nigeria, Libya and Algeria (about half was oil from Nigeria).

African exports to the U.S. make up 11.6% of all U.S. imports, and African imports from the U.S. make up about 4.6% of all U.S. exports. That is, the U.S. buys much more from Africa than it sells to them, although they have been buying a rapidly increasing amount.

2. U.S. investment in Africa has been growing since independence, as well. In Africa outside of South Africa, the U.S. investments totalled \$2783 million in 1977, of which only \$266 million (9%) was in manufacturing, and \$1,520 million (54%) was in oil.

This makes up about 2.3% of total U.S. investments overseas, although U.S. investment in African manufacturing constitutes only 0.4% of all U.S. overseas manufacturing investment. U.S. investment in oil in independent African states constitutes only 4.9% of all overseas U.S. investment in oil.

3. The issue of U.S. jobs in relation to U.S. trade with Africa is difficult to judge. Since exports to independent African states have not grown as rapidly as imports from them, and total only about 4.6 %, mostly manufactured goods, one probably could estimate that exports to Africa provide about 5% of all jobs associated with exports. On the other hand, since African independent countries provide about 7-8% of all U.S. imports simply as oil, a reduction of that trade could have a serious impact on the whole U.S. economy and, of course, jobs.

It might be added that if African states were to industrialize, they would probably constitute a better market for U.S. manufactured goods; industrialized states consume a higher percentage of U.S. exports than do less industrialized states.

4. The above statistics refer to Africa outside of South Africa. South African trade with the U.S. has also grown rapidly, but not as rapidly as independent Africa, and far less rapidly than Nigeria's trade. South Africa sold the U.S. \$1,269 million worth of goods in 1977, about 7.4% of all U.S. imports from the rest of