Transnational corporate involvement in South Africa's military build-up

TRANSNATIONAL CORPORATE INVOLVEMENT IN SOUTH AFRICA'S

MILITARY BUILD-UP*

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In the last 15 years, transnational corporations have multiplied their investments in the racist political economy of South Africa. The biggest corporations from the United States and West Germany, in particular, have expanded their investments in strategic sectors, sometimes in cooperation, sometimes in competition with the British, but always in collaboration with the South African state capitalist regime. In recent years, transnational corporate banks have loaned billions of dollars to South Africa to enable it to surmount the crises brought about by the western world's prolonged recession and the growing military of the oppressed African people.

The U.S. Government, along with the governments of England and France, finally, in the wake of world-wide revulsion at the brutal murder of Steve Biko, acceded to a United Nations embargo against arms to South Africa. But they vetoed efforts of the majority of nations in the United Nations to impose sanctions on continued trade with and investment in South Africa. They still seek to convince a skeptical world public that transnational corporate investments and loans contribute to economic 'development' that will somehow trickle down to better the lives of the African majority.

These claims are false.

This article seeks to present a few of the many facts which expose the way transnational corporate trade and investments have built up the South African military industrial complex, enabling the white minority to thumb its nose at world opinion while perpetuating its profitable rule through the continued mass impoverishment of the African majority.

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Lock and Wulf, in their Register of Arms Production in Developing Countries,[1] show that transnational corporations have licenced South African firms to produce military equipment and machinery in several areas, including fighter aircrafts, jet trainers, aeroengines, helicopters, missiles, rockets, large fighting ships, tanks, small weapons, ammunition and guns. They also list the companies in South Africa which are known to produce parts and materials for military purposes. African Explosives and Chemical Industries of South Africa, (AECI) identified by Lock and Wulf as controlling three plants to produce munitions and fertilizers, is associated with the British Imperial Chemicals Industries. The latter has provided much of the technology and materials employed by AECI, and continues to own 42 1/2% of its shares.[2] Dorman Long, which built a 220 ton torpedo recovery vessel in South Africa, is associated with the British Government's Steel Corporation.[3]

It is difficult to trace out all these militarily-related linkages because the transnational corporations have gone to some lengths to conceal them. In some ways this kind of research resembles detective work. Two examples may serve to illustrate some of the indirect ways in which transnational corporations have used their trade links to help build up South Africa's military capacity.

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1. P. Lock and H. Wulf, Register of Arms Production in Developing Countries, (Hamburg: Arbetsgruppe "Rustung und Unterentwicklung", Mar. 1977).

2. See Imperial Chemicals Industries, Annual Report, 1975 (London, 1975).

3. Ruth First, C. Gurney, and J. Steele, The South African Connection, (London: Maurice Temple Smith, Ltd., 1972).

The first is that of the U.S. corporations, Lockheed,[4] one of the biggest military contractors with the U.S. Government. Lockheed licenced a partially owned subsidiary in Italy to produce several of its aircraft. The Italian subsidiary sold these aircraft to South Africa.

A second example is that of the sale of Cessna Aircraft to Rhodesia and South Africa. In 1960, the U.S. firm, Cessna, bought 49% of the Reims Aviation Corporation of France and licenced it to produce Cessna aircraft for Europe, Africa, and Asia. The 'primary structures' of Cessna are still made in the U.S., according to Janes All the World's Aircraft. The engines are produced by the UK firm, Rolls Royce, under licence from Teledyne, another U.S. firm. In December of last year, the State Department permitted the U.S. firm, Cessna, to sell six light aircraft directly to private distributors in South Africa allegedly for crop-dusting, despite the fact that they are used elsewhere in the world for military training. The South African army, according to the South African military journal, Paratus, uses them to guard the border against liberation fighters.[5]

Transnational corporations also provide badly needed technical personnel to South African firms. The South African Atlas Aircraft Corporation, for example, employed more than 1000 foreign personnel out of 1,600 employees in the early 1970s.[6]

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4. Michael Klare, "Special Report: U.S. Arms Deliveries to South Africa: The Italian Connection", The Transnational Institute, (Washington, D.C., Feb. 1977).

5. "Holes in the Arms Embargo", Southern Africa, Vol. XI, No. 1, Jan.-Feb., 1978.

6. Lock and Wulf, Register of Arms Production, op. cit.

Transnational corporate affiliates in Iran and Israel provide a conduit for military equipment and machinery to South Africa. Both Iran and Israel are heavily dependent on imports of military equipment from Western Europe and the U.S. Military equipment constitutes about 42% and 62% **respectively of Iran's** and Israel's imports of machinery and transport equipment. Lock and Wulf assert:[7]

> "The recent intensification of cooperation with Israel whose arms industry faces severe problems because of overcapacities seems to be a logical step for two reasons. Both governments are very much isolated within the United Nations; Israel has preferential access to American arms technology and the qualified manpower available to assist South Africa. Subsidiaries in Israel provide for quite a few manufacturers from the USA and elsewhere a good cover for exports and sales vetoed by the government of their origin. South Africa in turn can provide a number of essential raw materials (metals) to the Israelian arms industry.

It is extremely difficult to distinguish between the military and civilian contributions of transnational corporations, especially since, for obvious reasons, the transnational corporations have sought to conceal their involvement.[8] Lock and Wulf explain,

> "it is virtually impossible to distinguish between 'civil' and 'military' technology. West German companies have delivered such 'civil' items as computers and teleprinters to the apartheid regime in South Africa which have been of utmost importance making the South African communications headquarters operational . . . .

> "It should also be mentioned that in the present situation of white minority rule many items, usually considered non-military are of vital importance to the government. As an example it might be referred to small aircraft and trucks all subject to requisitioning in case of emergency in order to support the mobility of South African forces."

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7. Ibid.

8. Ibid.

More important, however, is the fact that transnational corporations in South Africa provide the critical economic and technical base upon which the South African military industrial complex is built. Transnational corporations provide 40% of all South African manufacturing investment, and about 60% of the assets of the 20 largest South African banks. The military implications of this heavy involvement in these two critical sectors of the South African economy [9] **are summarized below.**

The South African Military market as a stimulas for transnational corporate investment:

First of all, the South African Government's military build-up played an important role in stimulating the growth of transnational corporate investment in South African manufacturing industry in the 1960s and 1970s. Transnational corporations with investments in South Africa benefited both directly in the form of contracts to provide parts and materials for the military, and indirectly in terms of the expanded market. In the 1960s, South Africa's military expenditure multiplied over six times from $65 million to $405 million a year.[10] By 1977-78, it had more than tripled once again to R1,645 million.[11]

Since 1970, the South African Army has been introducing the most modern equipment available. The share of the defence budget allocated "for armament procurement and special equipment to replace obsolete gear" rose steadily from 32 percent in 1971 to 53 percent in 1973.[12] Between 1970 and 1973, about $280

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9. For more detailed analysis, see Ann Seidman and Neva Makgetla, Activities of Transnational Corporations in South Africa (New York: United Nations Special Committee Against Apartheid, forthcoming).

10. Institute for Strategic Studies (London), Survival, June-July 1972.

11. South African Digest, 30 September 1977.

12. Survival, loc. cit.

million was spent on aircraft, $125 million on ammunition, and $110 million on radio, radar and other electro-technical equipment. The South African Government took steps to stimulate local manufacture of the necessary parts and equipment for its growing military establishment.

The United States publication, International Defense, reported that, as early as 1971, South Africa could manufacture:

> "Explosives and propellants -- South Africa is so self-sufficient that she can consider exports.
>
> "Ammunition -- the position is extremely satisfactory. About 100 different types are being made. Regarding heavy calibre ammunition, South Africa is self-sufficient. With infantry ammunition, she is either self-sufficient or has reached the production stage. The country will be self-sufficient in naval ammunition within the foreseeable future, and is already producing all the pyrotechnical supplies she needs.
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> "An automatic service rifle . . . and a submachine gun (unconfirmed reports indicate the Israeli Uzii), as well as mortars, are already being locally made. A start has been made on a 90 mm. cannon.
>
> "There are facilities to manufacture almost any armoured vehicle.
>
> "Aircraft radios, mine detectors and other classified electronic equipment can already be locally designed and made.
>
> "More recently it was disclosed that South Africa is building its own 25-pounder guns, manufacturing napalm bombs, and the full range of aerial bombs up to 1,000 pounds, and is continuing to develop its own guided missiles (including a Mach 2 air-to-air missile, thought to be IR homing, which was successfully test-fired from a Mirage at a supersonic target in September). The missiles . . . might be available for export."[13]

This is not to suggest that South Africa had achieved complete self-sufficiency in arms production. The Institute for Strategic Studies' magazine, Survival, reported in 1972:

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13. International Defence, Vol. 4, No. 6 (December 1972).

"Although South Africa has made considerable progress towards her goal of becoming more self-sufficient in weapons and equipment, she remains vulnerable to external sanctions, especially in the area of supersonic jet aircraft, heavy armour and warships. So a total, as distinct from partial, embargo of South Africa by the external industrial Powers would certainly pose major problems for these programmes which rely primarily on sophisticated weapons . . . it can be argued that South Africa's current indigenous production plans provide adequate quantities of small arms and ammunition to overcome a total embargo. All other programmes, even for relatively simple weapon systems such as the locally-produced Italian Impala counter-insurgency aircraft and the French Panhard armoured cars, would probably suffer from a total embargo."[14]

From the official South African perspective, given the imminent danger of internal uprisings, it was perhaps more important that, as the Institute study pointed out:

". . . in a relatively short time South Africa would probably be able to produce all her own counter-insurgency equipment, apart from helicopters and large transport aircraft."[15]

The South African Government itself entered directly into military production in 1969 by creating a parastatal holding company, ARMSCOR. About 70 percent of the Government's defence expenditures for armaments went to ARMSCOR's seven wholly-owned subsidiaries and to private industry.[16]

Strict secrecy laws of the South African Government make it impossible, without direct access to official South African Government or private company files, to assess the extent to which individual transnational firms have been involved in producing for the South African military machine. Official reports show that private contractors were awarded $52 million worth of contracts for military production in 1971-72, and double that amount in 1972-73. Most of these

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14. Survival, loc. cit.

15. Ibid.

16. The Guardian, 5 December 1973.

funds were spent for engineering and electronics equipment and machinery[17] in which transnational corporations have invested heavily. In 1973, the Defence Department reported that half of the total armaments expenditures were paid to about 200 contractors and sub-contractors in South Africa itself. These expenditures provided a considerable demand for expanded manufacturing production.

In addition, transnational firms sold licences to local firms for a wide range of military equipment. In 1974, South Africa began to build its own Mirage fighter planes under licence from the French firm Desault.[18] As a first step, it had bought fifty kits for local assembly. It was already producing "in whole or nearly so . . . advanced versions of Impala aircraft (the Italian Aermacchi MB-326), Eland armoured cars, and many small arms including the Belgian FN rifle.[19] According to its Defence Minister, South Africa was expected to start building its own tanks soon.[20]

In co-operation with a French firm, South Africa was reported to have developed the Cactus surface-to-air missile, providing 80 percent of the funds to finance its development and production.

The Federal Republic of Germany is probably South Africa's most important source of arms imports after France, providing an estimated 20 percent in 1976. In addition, the Federal Republic has provided nominally non-military equipment which is easily modified for use by the armed forces.

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17. Ibid.

18. Evening News, 19 February 1974.

19. Armed Forces Journal International (Washington, D.C.), June 1973.

20. Ibid.

Increasingly, South African arms imports came through Israel. Between 1968 and 1976, trade between these two countries rose "from $9 million to $97 million, excluding the biggest single item in the exchange, weapons."[21] According to The New York Times, the most attractive aspect to South Africa of the growing "commercial, scientific and military" links between the two countries has been "almost certainly the access gained to Israeli weapons [many of which are produced under licence from transnationals] and military expertise . . . contracts provide for the manufacture of Israeli-designed equipment under licence."[22]

Most of these contracts are secret. One, arranged in 1976, however, typifies the relationships between transnationals and countries like Israel which have been transshipping military equipment to South Africa. Israel agreed to export six Corvettes equipped with surface-to-surface missiles to South Africa for $500 million.[23] The Corvettes were produced in Israel under licence from the Federal Republic of Germany-based firm, Lürssen-Werft, which claimed however that their export was forbidden under the licence. The ships' engines are built by the Motoren-und-Turbinen-Union (MTU), another Federal Republic of Germany firm. Although the company denies supplying them to South Africa, it did export at least one engine to a firm in Durban.[24]

Domestic military purchases also contributed significantly to the expansion of demand required to stimulate domestic manufacturing industries.

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21. The New York Times, 21 May 1977.

22. Ibid.

23. Ibid.

24. Stern, Bonn. No. 32/77.

The United States military journal, Armed Forces Journal International, observed that South Africa's increasing expenditure on capital goods for the military "has resulted in development and skill locally, and has provided economic growth to the country.[25] Transnational corporations investing in manufacturing industries benefitted from this defence-stimulated boom in the 1960s and early 1970s.

In 1977, following the imposition of an arms embargo by the United Nations Security Council, the South African Government announced that it would not hesitate to take over the plant of any transnational corporation which refused to produce strategic materials upon request.[26] This implied that South African affiliates of any transnational corporation might, at any time, be required to produce military or military-related supplies for the South African Government if so ordered.

Some examples of transnational corporate investments in strategic sectors:

Transnational corporations have made important contributions to strategic sectors of South Africa's military industrial complex. These may be illustrated by the following examples:

Transnational corporations have played a vital role in the South African automobile industry, which is essential for the development of a modern military force. South African law requires that foreign firms produce two-thirds of the components of vehicles, by weight, locally. Transnational corporations constitute the core of this industry in South Africa. The significance of auto companies' investments in South Africa is pointed up by the U.S. Government's recent ban on motor vehicle exports to South Africa because of their potential military use.[26a]

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25. June 1973.

26. The Washington Post, 11 November 1977.

26a. The Boston Globe, Feb. 18, 1978.

The U.S. firm, General Motors, the biggest manufacturing company in the world, initiated operations in South Africa after World War I.[27] It now has an assembly plant and a manufacturing plant in Port Elizabeth, and an engine manufacturing plant just outside that city. It produces several GM models, and manufactures components such as radiators, engines, batteries, spark plugs, springs and sheet metal parts locally. GM's "Ranger" was designed in South Africa and is sold not only there, but outside the country as well. It sells almost all of its locomotive output and a substantial share of its truck output to the South African Government.[28] As the South African motor vehicle market began to be overcrowded in the 1970s, GM was reported to be shipping components produced there to be incorporated in vehicles it was selling in Europe.

The South African Chevrolet dealer of General Motors, in its house organ, GM Bowtie, has boasted of its contribution of R30,000 directly to the South African 'defense fund'.[28a]

Daimler Benz military vehicles were known to have been among those used by the Southern Rhodesian army to attack Mozambique refugee camps last year. Its "UNIMOG" trucks are used as armoured cars by the South African and the Rhodesian armies.[29] Daimler Benz owns 26.7% of the United Car and Diesel distributors of South Africa which in turn owns 100 percent of Car Distributors Assembly of South Africa.[30]

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27. Corporate Information Center, National Council of Churches, Church Investments, Corporations and South Africa, (New York, 1973), pp. 95ff.

28. General Motors report to stockholders, 1977.

28a. Chevrolet dealer's house organ, GM Bowtie, obtained by A. Seidman while in Swaziland in 1976.

29. Stern, (Bonn.) 3 Feb. 1977.

30. Daimler Benz, Geschaftsberict, 1976.

Daimler-Benz itself is held 28.5 percent by the Deutsche Bank, 25.2 percent by Mercedes-Automobil-Holding (an affiliate of the Commerzbank, Deutsche Bank, and Bayerische Landesbank), and 14 percent by the Kuwaiti Government.[31]

A BMW spokesperson said his company, which manufactures cars only in the Federal Republic of Germany and South Africa, planned to use South Africa as its export base for the entire Southern Hemisphere, including South America, Australia, New Zealand, the Far East and independent Africa countries.[32]

The electrical equipment and appliance industry also makes a vital contribution to building up the self-sufficiency of South African's military-industrial economy. Here, too, transnationals play a critical role. This may be illustrated by the case of the International Telephone and Telegraph Company and the Sperry Rank Corporation of the U.S., and Siemens and AEC Telefunken of the Federal Republic of Germany.

International Telephone and Telegraph (ITT), ninth among the largest firms in the United States, has extensive investments in South Africa. One subsidiary, Standard Telephone and Cables (STC), is one of South Africa's largest electrical manufacturing concerns, producing a wide range of technologically complex electrical equipment. It supplied communications equipment for the police and Simonstown Navel Base, as well as recruiting engineers to operate the Simonstown Naval Base equipment. Seventy percent of its sales were made to the South African Government.[32a]

Sperry Rand, another United States firm, which produces a wide range of

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31. Commerzbank (Keln), <u>Wer Gehort zu Wem, 1976</u>.

32. <u>Sunday Times</u>, Johannesburg 29 August 1976.

32a. ITT, <u>ITT in South Africa</u>, May, 1976.

electrical equipment for both peacetime and military uses, has a South African subsidiary which employs 423 workers and sells R7.5 million worth of aerospace, communications and farm equipment.[33] It is self-evident that much of this equipment is capable of military, as well as civilian uses. The parent company produces a range of flight systems for the United States Air Force, including altitude and heading reference systems, cockpit instruments, gyro systems, computers and ground-based test equipment. It reports that research on and production of some of these have led to extensive use by civilian airlines.[34] How many of these items are produced in the South African plant or sold to South Africa is unknown.

Siemens South Africa is 52 percent owned by the Federal Republic of Germany - based company, and 24 percent by the South African parastatal, the Industrial Development Corporation; the remainder is held by two South African companies, the Federale group and South African Mutual Insurance. The parent company also has close ties to the ERG-leased Deutsche Bank. Siemens South Africa employs almost 7,000 people (54 percent black) in seven plants, to produce electrical components, data systems, telephone systems, power and medical equipment and the like. It provides a third of all Post Office telecommunications and South African Railways signalling equipment, and provided the transmission system linking the Cabora Bassa Dam to South Africa. It is Siemens' fifth largest subsidiary in sales (R178 million in 1976) and its largest investment area after the Federal Republic of Germany, Brazil and Austria. Ten percent of Siemens sales are in Africa and Australia, although it owns no producing subsidiaries in Africa outside South Africa.[35]

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33. Dun and Bradstreet, Principal International Business, 1975-1976 -- The World Marketing Directory (New York, 1977) p. 1184.

34. Sperry Rand, Annual Report, 1975.

35. Siemens, Annual Report, 1974/5.

AEG-Telefunken, in which General Electric owns 15 percent, has become one of South Africa's major manufacturers of electrical equipment and appliances. It introduced the PAL colour television system, developed by Telefunken in the Federal Republic of Germany, and is playing a major role in setting up South Africa's television network.[36] The Steinmuller engineering group of the Federal Republic of Germany received an ESCOM contract in 1971 to supply about R100 million worth of boiler markers for the Kriel and Endrina thermal power stations, reportedly one of the biggest such orders ever placed in the world. Company spokesman stated that, as part of the contract, the factory would begin to produce industrial equipment locally and seek export markets.[37]

Siemens and AEG-Telefunken are heavily involved in supplying components to the Project Advokaat, an advanced military communications system to improve the military build-up on the Cape route.[38]

The growing involvement of transnational corporations in South Africa's developing manufacturing sector was crucial to building the foundation for South African acquisition of the technology to transform its extensive uranium deposits into nuclear power and nuclear weapons. Many of the transnational firms which had already become established in production of electrical machinery and equipment, as well as other sectors of the economy, contributed to South African advance in this, the most technologically advanced field of the South African military-industrial complex. It should be emphasized the "There is no such thing as solely peaceful nuclear technology".[39]

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36. South African Financial Gazett, 15 November 1974; AEG-Telefunken, Annual Report, 1976.

37. Sunday Times, Johannesburg, 13 June 1971.

38. Sechaba, Special Issue, Vol. 9, No. 11-12 (November-December 1975).

39. Raimo Vayrynen, "South Africa: A Coming Nuclear-Weapon Power?" in Instant Research on Peace and Violence, Vol 7, No. 1 (1977), p. 34.

Several countries have expressed concern over an installation in the Kalahari Desert in Namibia, observed by satellite reconnaissance, which resembles a testing facility for nuclear explosives. The Government of South Africa has denied that it plans to produce nuclear bombs; but it has refusted to sign the Non-Proliferation Treaty, and has also denied that it promised the United States Government not to produce nuclear weapons.[40]

Urangesellschaft Gmbh, a Federal Republic of Germany firm, had in 1970 invested about DM70 million, together with the United Kingdom firm, Rio Tinto-Zinc, and South African capital, in uranium mining in Namibia. At the same time, Federal Republic of Germany firms assisted South Africa to develop its missile programme so that it was able to launch its first air-to-air missile and begin mass production of missiles.

On this foundation, in 1973, Federal Republic of Germany firms, including STEAG (Steinkohlen-Elektrizitats AG, a branch of Ruhrkohle) and Gesellschaft fur Kernforschung, started to explore the possiblity of collaboration in developing the South African enrichment process. In August 1973, STEAG reached an agreement with the South African State-controlled Uranium Enrichment Corporation (UCOR), which was re-written (following criticism from anti-apartheid forces in the Federal Republic of Germany) in 1974 to provide for a feasibility study of the South African enrichment process.[41]

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40. The New York Times, 25 October 1977.

41. Vayrynen, op. cit.

STEAG is indirectly linked to the Government of the Federal Republic of Germany which owns Salzgitter (100 percent) and is involved in other firms which own shares of STEAG. A majority of Federal Republic of Germany firms which are active in the nuclear sector as of 1973 together owned a total of 17 subsidiaries in South Africa.

South Africa bought her first nuclear reactor, Safari I, from the United States in the early 1960s. It was installed with the aid of the United States corporation, Allis Chalmers. South African nuclear scientists went to the United States Atomic Energy Commission laboratory at Oak Ridge for training.

In 1974, the Oak Ridge-based U.S. Nuclear Corporation exported 45 kilogrammes of enriched uranium to a research reactor in South Africa, after the Nuclear Regulatory Commission (NRC), the United States body which grants licences for exportation of nuclear material, obtained South African agreement that it would not permit diversion of the uranium out of the research reactor. The United States also provided enriched uranium to South Africa in 1975 and 1976, and pledged to sell more to the French-United States nuclear power plants to be built in South Africa by 1984. In all, the United States has sold or is committed to sell 300 pounds of weapon-grade uranium, from which 15 atomic bombs could be produced, to the South African research reactor.[42]

The United States firm, Foxboro Corporation, sold Pelindaba two large computers in 1973, computers essential to the plant's operation, which probably could not have been obtained elsewhere.

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42. Vayrynen, op. cit., p. 34.

43. The New York Times, 24 April 1975.

The growth of international competition in the reactor market was illustrated by the competition to deliver two power plants. Three consortia sought to sell the reactors to South Africa: the first, General Electric (USA), Rijn-Schelde Verolme, Vereinigde Bedrijven Bredero, Ingenieursbureau Comprimo (Netherlands), and Brown Bovari International (Switzerland); the second, Kraftwerunion, a joint venture of Siemens and AEG-Telefunken; and the third, made up of Framatome, Spie-Batignolles and Alsthems. Framatome is an association of the French Creusot-Loire group (55 percent) and the United States firm, Westinghouse (45 percent).
South Africa ultimately awarded the deal to the French consortium, apparently because France had been the source of extensive military assistance to South Africa.[44] Westinghouse provided much of the necessary technical knowledge.

Oil is still another strategic sector in which transnational corporate involvement has been of primary importance to South Africa. No modern military machine can survive without access to adequate supplies of oil. South Africa, which must import 90% of its oil supplies, has had to rely heavily on the collaboration of transnational oil companies to keep its international oil pipe line open.

The 10% of South African oil produced locally is produced by SASOL, the South African Government-owned oil-from-coal project built with U.S. and FRG transnational corporate assistance.[45] It plans to build a second oil-from-coal plant for an estimated $2.5 billion,[46] the biggest single project in the country.

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44. South African Digest, 24 June 1976; 30 July 1976.

45. South Africa has been able to reduce its dependence on oil to a lower level than any other developed country. Its electrical utilities and many other plants, which might normally have utilized oil, burn coal instead, and are now turning to nuclear energy.

46. E.g., see Informationsdienst Sudliches Afrika (Bonn.) Dec. 1977, translated by Neva Makgetla.

It has been convincingly argued that the contract price for this plant is grossly overvalued. It may be that the plant, being built in strictest secrecy, involves the further development of nuclear or other military related technology. Some of the U.S. and West German firms involved in construction of the project have participated in projects requiring the development of nuclear technology elsewhere.

The U.S. firm, Fluor, is the major construction firm involved in the project. The Lurgi Company of Frankfurt, FRG, a subsidiary of Metalgesellschaft, which engineered and supplied the gasification and other major equipment for the first SASOL plant, is to provide the essential equipment for SASOL.[47] Deutsche Babcock has also been involved in construction. Honeywell (U.S.) has provided much of the electrical equipment used. Raytheon (U.S.) is sub-contracted for at least $350 million to manage construction, through Badger South Africa, which Raytheon holds through its subsidiary, Badger America.[48]

United States, United Kingdom and French companies are prospecting for oil in South Africa, as well as refining and marketing oil imports. United States-based transnationals are the leaders in this activity.

By 1973, United States investments in petroleum in South Africa totalled 12 percent of all United States investments in petroleum in Africa, despite the fact that South Africa has no known petroleum desposits. Although official United States data conceal the specific amounts United States firms have invested in oil since 1973 to "avoid disclosure of data of individual reporters", petroleum had already become the second most important area of United States investment in South Africa next to manufacturing.[49] The largest United States transnational

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47. <u>The Star</u>, Johannesburg, weekly airmail edition, 12 April 1975.

48. Documents of Badger America Company, 1976; Raytheon Co., <u>Annual Report</u>, 1976 (Boston).

49. United States Department of Commerce, <u>Survey of Current Business</u>, August 1973.

oil firms have almost all been involved in exploring for oil in southern Africa with encouragement from South African officials. These include: Amoco, Mobil, Chevron-Regent, Esso Exploration, Placid Oil, Gulf Oil, Syracuse Oil, and Superior Oil Company of Houston (which controls the Canadian company, Falconbridge).

The United Kingdom oil company, BP, has also engaged in off-shore drilling. It joined a consortium with Shell and the French company, Total, to prospect a large area off the Cape coast up to the border of the Transkei. Together with Shell, it developed a large concession in Namibia.

Two major shipping companies, the British Cayzer, Irvine and Company and Safmarine, the State-owned South African shipping company, formed a joint operation to establish a fully equipped oil base at Mossel Bay.

A number of transnational corporations have invested heavily in refining and distributing oil throughout southern Africa, using South Africa as the base of their operations. They import crude oil from their wells elsewhere in the world, and refine it in South Africa. From there they market it directly or through subsidiaries in the neighboring countries.

There are eight major oil companies in South Africa, of which six are completely foreign-owned and one largely foreign-owned, as well as the parastatal, SASOL. Four subsidiaries of transnational oil companies, Mobil, Shell, British Petroleum and Caltex, supply 75 percent of total inland demand for petroleum products, each having an 18 to 22 percent share of the market. CPF, a subsidiary of the French national petroleum firm, Total, has a 10 percent share. SASOL, Trek (the locally-controlled company), Esso and Sonap (backed by Portuguese interests) account for between 2 and 4 percent each. Most of the refineries are held by consortia of these companies; the crude comes mostly from Iran.[50]

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50. United States Senate, Subcommittee on Africa, op. cit. pp. 285 ff.

The United Kingdom-based firm, Shell, in which the United Kingdom Government owns shares, leads with control of about 25 percent of the market. Together with BP, Shell has built a refinery, a lubricating plant, and a tanker terminal at Reunion, a few miles south of Durban. The Shell/BP refinery, Sapref, has the biggest output of any single commercial South African refinery, next only to the huge State-controlled Natref. They own or supply about 1,700 service stations. Shell is also involved in coal mining. In addition, each owns about 18 percent in Trek Beleggings Beperk ("Trek"), which they established together with the South African parastatal, the IDC, (which owns 9.5 percent) and the mining finance house, General Mining. Trek is supplied by the Shell-BP refinery, owns 50 percent of the Shell-BP lubricants refinery, and owns or supplies 193 service stations.[51]

The British Petroleum Company (BP) has contributed to South African development by building major oil refining capacity both for domestic South African sales and for distribution throughout southern Africa. It has also helped the South African Government to build up its petro-chemicals industry.

Three United States firms, Caltex, Mobil and Esso, together control almost half of the South African market for petroleum products. Two of the remaining three refineries owned by commercial interests are owned by United States firms.

On 1 September 1976, Mobil incorporated its operations in Namibia, which had previously been run directly from South Africa, as a separate company. Book value of the new corporation's assets was about $6 million, including inland depots, about 70 service stations, and a coastal terminal at Walvis Bay.[52]

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51. Ibid., p. 386.

52. United States Senate, Subcommittee on Africa, op. cit.

Standard Oil of California shares ownership of the Caltex oil refinery in South Africa with Texaco. In 1975, Standard Oil of Calfornia acquired 20 percent of the common stock of AMAX, Inc., which also has extensive interests in southern Africa.

Texaco's major African oil refinery is the one it owns jointly with Standard Oil of California through Caltex in South Africa. In 1975, Caltex began to expand output from 58,000 to 100,000 barrels daily with the expectation of reaching the new levels of output by 1978. Caltex also owns 23.8 percent in the Mobil lubricating oil refinery in Durban. In the rest of Africa, Texaco's primary activity is exploring for, and producing crude oil, and importing and selling refined products through its extensive marketing networks.

The mostly French Government-owned firm, Compagnie Francaise des Petroles, used to have complete control of Total South Africa (Pty.). In 1969, however, following the lead of other foreign corporations, it sold a block of shares in Total to a local South African group, the Afrikaner house, Volkskas. Total also owns a 30 percent interest in the State-owned oil refinery, Natref; the other shareholders are SASOL (52.5 percent), and the National Oil Company of Iran (17.5 percent).[53] Total is exploring in many parts of Africa for oil, and has established refineries in a number of African countries. By far the largest refinery Total has established in Africa, however, is that in South Africa, which processed more than twice as much as the next largest, located in independent Africa.

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53. Compagnie Francaise des Petroles and the Total Group, Annual Report, 1975.

Transnational corporate banks' contribution to South African military-industrial build-up:

Transnational corporate banks and financial institutions have helped South Africa build up its military industrial complex in two ways. First, they have helped to mibilize domestic and international capital to assist South African and transnational corporations to finance their rapidly growing investments in South Africa. Secondly, especially in the economic crisis of the 1970s, transnational banks came to the rescue of the South African Government by furnishing vast international loans to the Government, parastatal and private sector.

It is often more difficult to obtain precise data on the full nature and extent of international financial activities than on those of other transnational corporations in southern Africa. The confidentiality of relations between banks and their clients is compounded in this case by the desire to avoid the criticism of anti-*apartheid* groups.[54] In addition, money is a fungible commodity, so transfers between the parent and the affiliate of a transnational bank cannot be monitored with any precision.

Transnational banks in South Africa hold about 60 percent of the assets of the 20 largest banks in South Africa. (Average foreign holdings in all sectors constitute about a quarter of all investments, although they constitute 40 percent of manufacturing assets.)

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54. A number of organizations, including anti-*apartheid* movements, churches and trade unions, have organized anti-bank loan campaigns in the United Kingdom, United States, Federal Republic of Germany, the Netherlands and elsewhere. By 1973, Barclays had lost an estimated £10 million in accounts to boycotts, and a number of unions and church groups had withdrawn millions of dollars in pension accounts from U.S. banks which had made loans to South Africa.

Two United Kingdom banks, Barclays and Standard, are by far the largest transnational banks operating in South Africa. The eight domestic affiliates of these two banks control 57.8 percent of the total assets of the 20 largest banking institutions in South Africa. The shares of both banks are quoted on the Johannesburg Stock Exchange, but the United Kingdom parent firms retain a majority of shares.[55]

Barclays South Africa is extensively linked into the corporate structure of South Africa. Barclays Bank, both internationally and in South Africa, is closely tied to the Anglo-American Corporation, the South African-based transnational corporation.[56] In 1976, Barclays acquired Wesbank, the seventh largest South African bank, in which Anglo-American held 70 percent of the shares. This transaction gave Anglo-American a 7.5 percent share in Barclays South Africa, thus increasing South African ownership in the latter from 15 to 32 percent.

In addition, directors of three other mining finance houses -- Barlow Rand, Anglovaal and Union Corporation -- sit on the board of Barclays' South African affiliate.

Barclays South Africa is also linked in various ways to other South African banks.[57] For example, Barclays South Africa owns a minority holding in Union Acceptance Ltd. (UAL), the eleventh biggest South African bank in terms of assets. UAL was established in 1955 by Anglo-American Corporation in conjunction with the London-based merchant bank, Lazard Brothers. In the 1970s, UAL merged with the South African banks, Nedbank and Syfrets, under the overall control of the Nedbank Group, to create a conglomerate with total assets of R2,000 million, greater than all the other merchant banks put together.[58]

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55. Barclays Bank, Ltd., Reports and Accounts, 1976; and Standard and Chartered Banking Group, Ltd., Annual Report, 1976.

56. Financial Mail, Johannesburg, Barclays Bank Supplement, 30 January 1976.

57. Ibid.

58. Ibid.

The number of Standard Bank branches in South Africa grew from 350 in 1961 to 822 in 1975, including a full branch at Windhoek, Namibia. In addition to its operations within South Africa, Standard Bank is one of the major agents in the sale of gold. In 1975, 20 percent of Standard's world-wide profit originated in South Africa.[59]

The subsidiaries of three other transnational financial institutions, Hilsam U.K., Citibank and French Bank, are among the top 20 South African banks. Their assets in South Africa, however, constitute only 3.1 percent of the assets of the top 20 financial institutions.[60]

Although they hold relatively few assets in South Africa, these banks have direct contact with the South African economic community that enables them to make contacts for their transnational corporate clients who seek to invest and develop their contribution to South Africa's military-industrial growth.

These South African affiliates of transnational banks and financial institutions participate in a full range of financial services in South Africa itself. The commercial bank affiliates of transnational banks in South Africa advanced almost R3791.4 million in various forms of credit to the public and private sectors in 1975, the last year for which data are available. Most of these (79.6 percent) were general loans.[61] The rest were in the form of hire purchase loans, leases and acceptances.

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59. Standard and Chartered Banking Group, Annual Report, 1975.

60. See Hilsamuel Group (South Africa) Ltd., Annual Financial Statement, 1976; First National Bank of New York, Annual Report, 1963, for discussion of links of Citicorp to Hilsamuel, UK; and Financial Mail, Johannesburg, 15 April, 1977.

61. Calculated from "The Biggest Banks," Financial Mail, Johannesburg, 23 April 1976.

Transnational financial institutions in South Africa also play a role in mobilizing the smaller savings of individuals through insurance and pension programmes. By 1976, when the South African Government passed a bill paving the way for domestic ownership of the majority of shares of all insurance, life insurance companies in South Africa had accumulated assets worth R3,338 million.[62]

The South African Government has decreed that about a third of all insurance and pension funds must be held in the form of Government stocks, thus guaranteeing a source of long-term capital for the Government. In 1975, the South African Government, seeking new sources of funds to cover its mounting expenditures, imposed a requirement that insurance companies buy an additional 2 percent in Government stock. In 1976 this was again increased by 2 percent. The resulting new investment by insurance and pension funds in Government and parastatals in 1977 is expected to total about R760 million.[62a]

The South African Government has pressured the affiliates of transnational banks to buy bonds in order to finance the military build-up. Barclays, South Africa, which publicized its purchase of R10 million in South African Government Defence Bonds, was widely criticized by anti-apartheid forces in the United Kingdom. Officers from the parent company were called in by United Kingdom Government officials for questioning.[63]

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62. Financial Mail, Johannesburg, 23 April 1976.

62a. Financial Mail, Johannesburg, 15 April 1976.

63. Frank Dolling, Chief Executive of the South African group, stated that "Barclays was deeply concerned at the insensitive nature of the investment in Defence Bonds and at the nature of the publicity given to it by their South African subsidiary." He gave his undertaking that the bank will do whatever possible to ensure such action will not happen again. (South Africa News, 30 January 1976). However, according to the Rand Daily Mail, "The pledge by Barclays International to keep tighter control over its South African subsidiary's Defence Force links was described as virtually meaningless by a top South African financier yesterday. (14 January 1977).

Other transnational bank subsidiaries have not publicized purchases of South African Defence Bonds, so it is unknown whether they have in fact acquired them.

In the last two decades, other transnational banks have expanded their South African connexions. For the most part, however, they operate on a wholesale basis, carrying on their South African business through existing United Kingdom and South African banks rather than establishing their own extensive local branch network.

Chase Manhattan Bank initially established a branch bank in South Africa in 1959. By 1965, it had three branches. It purchased a 15 percent stake in the United Kingdom-based Standard Bank, and merged its South African branches with those of Standard Bank, South Africa, which then handled all of its South African business.[64]

In 1975, the United States Federal Trade Commission required Chase to divest itself of its Standard holdings so Chase established its own representative office in South Africa in 1975.[65] Chase now operates essentially as a wholesale bank in South Africa.

The Bank of America, U.S., the largest bank in the world, has a number of close ties with Kleinwort Benson Londsdale (London) and its subsidiary, Kleinwort Benson Ltd., which is also based in London. Kleinwort Benson helped the South African Government establish its own merchant bank, the Accepting Bank for Industry, and holds shares in that bank.

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64. Chase Manhattan Bank, Annual Report, 1959; 1965.

65. Interview with Tim Smith, Interfaith Center on Corporate Responsibility, based on interview with Chase Manhattan Bank Officials in New York. See also Financial Mail, Johannesburg, 29 April 1977, for statements on plans to expand South African business, despite press releases issued in the United States that Chase would not make loans which would support apartheid.

The Federal Republic of Germany, "Grossbanken", Deutsche Bank, Dresdner Bank and Commerzbank, have become increasingly involved in South Africa in the last decade, as transnational corporations based in the Federal Republic of Germany expanded their investments there.

More than any others, Federal Republic of Germany banks are directly tied to transnationals from their home country investing in South Africa, because they are allowed to hold other companies' stock directly. In 1973, 7.8 percent of the capital of all Federal Republic of Germany companies was owned by banks.[66] The "Grossbanken" account for most of these holdings. For example, the Commerzbank and the Deutsche Bank, together with the Bayerische Landesbank Girozentrale, own substantial shares in Daimler-Benz (Deutsche Bank owns over 25 percent), both directly and through holding companies. The Dresdner Bank owns over 25 percent of Metalgesellschaft, which is especially active in the Namibia uranium business, and also a sizeable share in Degussa.[67] The Deutsche Bank is the largest shareholder in industry among the Grossbanken. It was founded by Georg von Siemens in 1870, and still has close contacts with Siemens.A Siemens representative still sits on the bank's board.[68]

The Federal Republic of Germany banks have not opened their own branches in South Africa, but operate on a wholesale basis through affiliates or representative offices there. Dresdner Bank has its own representative office in

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66. Ulrick Immenga, Participation by Banks in Other Sectors of the Economy (Brussels, Commission of the European Economic Community, Serie Concurrence, 1975).

67. Wengehort zu Wem (Koln), 1976.

68. European Review, pp. 242 ff.

Johannesburg. The Deutsche Bank shares its representative office there with the European banking consortium, EBIC, and the Commerzbank shares its with Banco di Roma and Credit Lyonnais.[69] Commerzbank also has an agency, Kellor and Neuhaus Trust Co., in Namibia.

Three Swiss banks, Swiss Bank Corporation, Union Bank of Switzerland and Swiss Credit Bank, play an important role in arranging finance for the South African economy through the Zurich Gold Pool.

Swiss Credit Bank has its own representative office in Johannesburg. It is the largest single shareholder in White Weld, a United States merchant bank which has been active in underwriting loans to South Africa.[70]

The Japanese Government prohibits direct investment in, as well as loans to, South Africa.[71] The Japanese Government halted efforts by Japanese banks and business houses to lend Japanese funds to South Africa through the Japanese International Bank, a London-based subsidiary. Japanese firms, however, do borrow from their domestic banks to finance exports to South Africa. The Bank of Tokyo maintains a representative office in Johannesburg to service the growing Japanese commercial interests. Loans by Japanese banks to assembly plants in South Africa in return for South African goods have been considered "trade" and hence not contrary to the Government's policy of "non-investment".[72]

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69. See annual reports of these banks, 1976.

70. <u>The New York Times</u>, 18 November 1977.

71. Yoko Kitizawa, <u>op. cit</u>.

72. <u>Financial Mail</u>, Johannesburg, 12 November 1976.

International consortia have come to play an increasingly important role in the banking sector of the South African economy. Consortia with representative offices in Johannesburg provide the contacts which enable individual banks to service their transnational corporate clients' South African investments. These consortia were apparently formed to enable their participants to compete with the growing penetration of United States banks in Europe as well as elsewhere.[73] The consortia banks represented in South Africa include the Commerzbank-Credit Lyonnais-Banco di Roma group, the Berliner Handels-und-Frankfurter Bank, and two larger groups, Associated Banks of Europe (ABECOR) and European Banks International Company (EBIC). Each in turn has affiliated sub-groups.

The largest European banking group, ABECOR, was formed in 1974. It took over the Johannesburg representative office of the Dresdner Bank of the Federal Republic of Germany that year.[74] The member banks of ABECOR are: Algemene Bank Nederland (Netherlands), Banco Nazionale del Lavoro (Italy), Banque Bruxelles Lambert (Belgium), Banque Nationale de Paris (France), Barclays Bank (United Kingdom), Bayerische Hypothekan-und-Wechsel Bank (FRG) and Dresdner Bank (FRG). Associated members are Banque Internationale Luxembourg (Luxembourg) and Osterreichische Landerbank, Austria; and special associate, Banque de la Societe Financiere Europeene (Paris).

EBIC opened its Johannesburg representative office in 1969, thus establishing a South African connexion for its member banks: Amsterdam-Rotterdam Bank (Netherlands), Creditanstalt Bankverein (Austria), Deutsche Bank (Federal Republic of Germany), Midland Banks (United Kingdom), Societe Generale (France) and Societe Generalede Banque (Belgium).[75]

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73. Financial Mail, Johannesburg, 24 November 1972.

74. Barclays Bank, Ltd., Reports and Accounts, 1976.

75. Deutsche Bank, Annual Report, 1976.

South Africa's Military-Industrial Complex

South Africa ------> **Parastatals** <------------> **Private***

South Africa

Administration

Police

Military

Parastatals

Armscor

SAR&H

Iscor

Escom

Sentrachem

Sasol
Natref

etc.

Private*

South African: 7 mining-
finance houses

Iron & Steel:
British Steel

Auto:
G.M., Ford, Chrysler
Daimler Benz, V.W.
British Leyland

Electrical:
ITT, SAGE (G.E.)
Siemens, AEG-Telefunken

Electronics:
IBM, ICLEF

Chemicals:
ICI, BASF, Hoechst

Oil:
Mobil, Caltex
Shell/B.P.

(Iran)

Sasol: Fluor, Raytheon
Lurgi, Siemens e
etc.
Alsthom, Spie-
Batignolles,
etc.

Nuclear:
Allis-Chalmers, Foxboro
(U.S. Government)

Framatome (Westinghouse)

FRG firms

Banks:
Retail: Barclays
Standard
Citicorp/Hilsam
French Bank

Bank of America via
Kleinwort Benson

Wholesale:
Chase Manhattan
Dresdner Bank
Deutsche Bank
Commerzbank
Bank of Tokyo

*only major examples
are cited.

The transnational banks have played a major role in mobilizing foreign capital to finance South Africa's financial requirements in the current military and economic crisis. In the last few years, South Africa's overseas debt has multiplied rapidly to cover the costs of its oil, expanding military purchases, and economic development programmes designed to make its white minority Government more self-sufficient. South Africa's overall debt at the end of 1976 was estimated at about $9 billion, possibly more.[76]

Lock and Wulf, in examining military expansion in developing countries, maintain that debt services, whatever their ostensible purpose, contribute to a country's ability to expand its military establishment. "It is statistically impossible," they declare, "to break down the debt services of developing countries into 'civil' and ' military' components respectively."[77]

In all, some 46 transnational financial institutions served as managers of public bond issues to South Africa from 1972 to 1976.[78] Thirty-six banking groups were involved in Eurocurrency credits. These include most of the major financial institutions of the international capital market.

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76. These estimates are derived from that given by the Bank of International Settlements Annual Report for 1976, with the addition of almost $2 billion known to have been committed to South Africa by private commercial banks, but not yet disbursed (Campbell and F. Chiles, "New Data on LDC Debt", The Financial Times, London, 17 June 1977, p. 32. Data in the South African Reserve Bank, Quarterly Bulletin, (December 1976, pp. 564-65) suggest that the international debt had already reached $9 billion by the end of 1975, which indicates that the publicly known debt may in fact be understated because of the secrecy attendant on loans, especially to the private sector.

77. Lock and Wulf, Register of Arms Production, op. cit.

78. The information on publicly issued bonds and credits has been collected and published in United States Senate, "United States corporate interests in South Africa" (Subcommittee on African Affairs) (Washington, D.C., Government Printing Office, 1977).

Table 1. Foreign Financial Institutions With Major Commitments To South Africa -- 1974-1976

Country	Institutions	Number of commitments in which participant
Federal Republic of Germany	Westdeutsche Landerbank Girozentrale	10
	Commerzbank A.G.	13
	Dresdner Bank A. G.	9
	(Deutsche Bank)	11
	Berliner Hendels und Frankfürter Bank (BHF)	6
United Kingdom	White Weld Securities	10
	Hill Samuel	9
	Strauss Turnbull and Co.	7
	Delta Trade Co. Ltd.	5
	Barclay Bank International Ltd.	5
	Hambros Bank Ltd.	4
France	Crédit Commerciale de France *	15
	Crédit Lyonnais	9
	(Société Générale) **	5
	Paribas	4
Italy	Banco Commerciale Italiana	4
	Banco di Roma	4
Belgium	Kredeitbank N. V.	8
	Bondtrade	7
Netherlands	Algemene Bank Nederland N.V.	7
Luxembourg	Kreideitbank Luxembourgaise SA	12
Switzerland	Union Bank of Switzerland	10
United States	Citibank	10
	Manufacturers Hanover	8
	Kidder Peabody	8
	Chase Manhattan	3

* Credit Commerciale is owned 4 percent each by: Continental Illinois Corp, Canadian Imperial Bank of Commerce, Schweizerische Bankverein, Schweizarische Ruckerversich - erungs-Gesellschaft, Banco Espanol de Credito.

** Information tables do not identify this as Societe Generale (Belgium) or (France).

It should be noted that transnational corporations' home country governments have assisted banks and corporations to lend funds to South Africa by providing for insurance and guarantees for loans to finance exports to that country. The U.S. Export-Import Bank insured or guaranteed loans covering about $600 million worth of goods sold to South Africa in the 1970s. In the first quarter of 1977, loans thus covered included funds for turbo-commander aircraft, as well as essential capital and equipment for the industrial sector.[79] The Federal Republic of Germany provides export insurance and guarantees through two private firms, but large loans are overseen by an interministerial committee. FR(Loans to South Africa thus covered multiplied by 252 percent from 1975 to 1976, financing among other items the sale of basic capital equipment and machinery to the South African Government utilities.[80] Other countries have export insurance and guarantee programs, but as yet we have not been able to obtain details of their coverage of loans and insurance for South Africa.

Summary and conclusion:

The transnational corporations have, in short, played a major role in building up and maintaining the South African military-industrial complex. Without their continuing contribution, it seems unlikely that the South African white minority could continue to maintain the modern military establishment required to perpetuate its exploitative rule of the South African majority.

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79. United States House of Representatives, Committee on International Relations, "Resource Development in South Africa", Hearings, 94th Congress, 2nd Session (Washington, D.C., United States Government Printing Office, 1976), p. 383, Table 11, and p. 384, Table 12; and U.S. Export-Import Bank, Discount Loan Statement as of April, 1977.

80. Business International Corp., Financing Foreign Operations (New York, 1976); and Informationstelle Sudliches Afrika, e.v., press release, 26 June 1977.

We have previously argued,[81] that the transnational corporations have, by concentrating their African manufacturing investments in South Africa, transformed that country's political economy into a regional sub-imperialist center. That is not to suggest that South Africa has thereby been able to disengage itself from its transnational corporate dependency,[82] but rather that the transnational corporations have viewed South Africa's oppressive state capitalist regime as a profitable base for an intensification of their penetration of the entire southern African region.

The facts presented in this article underline the further reality that, far from contributing to economic development that in some way may benefit the African majority, transnational corporate investments have helped to build up the white minority's military capacity to perpetuate its exploitative regime in the face of mounting African protest.

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81. Ann and Neva Seidman, "U.S. Meltinationals in South Africa," Journal of Southern African Affairs, Vol. I: Special Issue, Oct. 1976, pp. 125-179. See also A. and N. Seidman, South Africa and U.S. Multinational Corporations (Westport, Conn: Lawrence Hill Co., 1977).

82. In disagreement with Yash Tandon, "The Role of Transnational Corporations and Future Trends in Southern Africa," Journal of Southern African Affairs Vol. II, No. 4; Oct. 1977, pp. 392-400.