

The London School of Economics and Political Science

Disinvestment? Out of the question.

Managing German business subsidiaries in apartheid South Africa during the tenure of P.W. Botha, 1978-1989

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A thesis submitted to the Department of International History of the London School of Economics and Political Science for the degree of Doctor of Philosophy, London, February 2021

DECLARATION

I certify that the thesis I have presented for examination for the MPhil/PhD degree of the London School of Economics and Political Science is solely my own work other than where I have clearly indicated that it is the work of others (in which case the extent of any work carried out jointly by me and any other person is clearly identified in it).

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I declare that my thesis consists of 101,942 words.

ABSTRACT

This thesis re-evaluates the case for business disinvestment from South Africa during the tenure of P.W. Botha (1978-1989). Using neglected corporate archives as well as oral testimony by former directors, the thesis scrutinizes the decision-making processes employed by the outlier on disinvestment – German business. Through seven case studies, the thesis illustrates how Apartheid policies, rather than being the foundation for business success, were the originators of enduring financial and operational woes. By continuing operations, management faced enduring uncertainty whilst grappling with the fallout from Botha's reform and security measures. This research highlights that not only was international business entangled to an unprecedented degree with Botha's policy agenda, but also that established narratives presented by anti-apartheid stakeholders on disinvestment require more critical evaluation. Most importantly, it illustrates that the 'last decade of apartheid' deserves a wider interdisciplinary approach that includes an engagement with the voice of management. For, these foreign corporate responses go beyond the historic South African context by having spearheaded several institutions, processes and interlinkages that define today's globalised world.

ACKNOWLEDGEMENTS

Returning to academia to undertake a PhD after a ten-year hiatus would not have been possible without the encouragement of Dr Erica Wald, Dr Antony Best, and my supervisor Dr Joanna Lewis. Dr Lewis, an adamant champion of my return, gave freely of her time and knowledge in not only reviewing multiple thesis proposals but also subsequently adjusting to a demanding thesis completion pace. Without her continuous insights, support, and personal introductions, this dissertation would be a lesser work. Similar gratitude must be expressed to Professor Philip Murphy of the Institute of Commonwealth Studies for his generous feedback as well as Dr Tanya Harmer of the LSE for enduring all my foibles in pursuit of timely completion.

The manuscript you hold in your hands would never have seen the light of day without multiple corporate archivists allowing me access to the private collections under their oversight. These include Dietrich Kuhlitz of Robert Bosch Historical Communications, Dr Isabella Blank of BASF Corporate History, Mario Riederer, Andreas Harz and Fred Jakobs of the BMW Group Archive, Dr Ulrike Gutzmann of Volkswagen Heritage Communications, Dr Andrea Hohmeyer and Dr Frank Becker of Evonik Records Management, Dr Frank Wittendorfer, Christopher Heise and Sebastian Stahn of Siemens Historical Institute, Stephan Dinges of Sanofi Business Services, Mr Hofmann of the Firmenarchiv Hoechst, and finally Benjamin Obermüller and Thomas Seidel of the Henkel Corporate Archives. The stories these records contained were not only brought to life but expounded upon by several personal interviews, lengthy transnational telephone calls and e-mails with former executives. Their patience and their time have been greatly appreciated. These include Dr Walter Hasselkus, Niels von Ekesparre, Johan Trotskie, Peter Searle, Dr Klaus-Günther Borchers, Peter Klews, Dr Roman Dohr, Dr Hans-Otto Wieschermann, and Reinhard Traub. The corporate records and recollections, however, are only one side of the coin. Fritz Ziefer and former Ambassador Immo Stabreit were kind enough to augment the records of the German government by recounting their time stationed at the German Embassy in Pretoria in the 1980s.

Completing the thesis under conditions imposed by the COVID-19 pandemic would not have been possible were it not for two key individuals. Both Victor Gwande of the University of the Free State and Gabriele Mohane of the Historical Papers Research Archive at the University of the Witwatersrand facilitated timely thesis completion. By enduring and complying with my requests to scan hundreds of pages of archival documents over weeks from multiple collections, they ensured that whilst South Africa was closed to international visitors, its archival collections were not. Moreover, I am also indebted to those few academics who despite their busy schedules took a moment or two to point me in the right direction on questions of detail and confirm my assumptions. Professor Sarah Stockwell of King's College London, Professor Geoffrey G. Jones of Harvard Business School, Associate Professor Eric Louw of the University of Queensland, Dr Knud Andresen of the University of Hamburg, and Professor Christian Kleinschmidt of the University of Marburg exemplified the spirit of academic co-operation in the pursuit of knowledge. Special thanks are also due to Dr Claudius Wenzel and Dr David Duncan for providing me personal copies of their seminal work that proved difficult to source.

Finally, I wish to thank my parents, Shobha Banerji and Atul Sud. They provided the initial financial assistance necessary for an ultimately, self-funded PhD to pursue my two inherent passions – business and history.

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NOTE ON QUOTATIONS AND TERMINOLOGY

- On grounds of brevity, the bilingual author has translated all applicable quotations from German into English and only includes the translation in the thesis. The respectively fewer quotations from Afrikaans reflect the fact that South African government ministers and officials nearly exclusively communicated with German corporates in German due to their fluency in the shared language. However, any existing quotations expressed in Afrikaans, also include the Afrikaans original in the main text alongside the English translation.
- The terms German/FRG (Federal Republic of Germany) are used interchangeably throughout this dissertation to refer to West Germany. The GDR did not have any political or economic relations with SA after the 1960s (instead the socialist regime supported the liberation struggle outside SA's borders) and only resumed talks in 1989/90.¹
- The thesis contains terminology and abbreviations that are commonplace in historical analysis and literature on Modern South African history, especially as regards apartheid-era SA. Specifically, as regards the employment of wording to denote racial categories, such as Black/White/Coloured/Indian, their usage serves to maintain accuracy and clarity within the narrative. As with all scholars constituting the cadre of historians, I use these terms solely as tools of analysis - not judgement.
- Following the introduction, the term AAM is used to refer to the German anti-apartheid movement, unless explicitly stated otherwise.

¹ Ulrich van der Heyden, *Zwischen Solidarität und Wirtschaftsinteressen: die "geheimen" Beziehungen der DDR zum südafrikanischen Apartheidregime* (Münster: LIT, 2005), 79.

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LIST OF ACRONYMS

AA	Auswärtiges Amt (German Foreign Ministry)
AAC	Anglo-American Corporation
AAM	Anti-Apartheid Movement (within this thesis primarily the German AMM)
ADE	Atlantis Diesel Engines
AE+CI/AECI	African Explosives and Chemical Industries
AEG	Allgemeine Elektrizitäts-Gesellschaft AG
AESA	Auto Electrical & Engineering, a Bosch subsidiary in SA
AEU	Arbeitskreis Evangelischer Unternehmer (Protestant Businessmen Assoc.)
AGM	Annual General Meeting
ANC	African National Congress
AP	Associated Press
BDA	Bundesvereinigung der deutschen Arbeitgeberverbände (Employers' Assoc.)
BDI	Bundesverband der Deutschen Industrie e.V.
BK	Bundeskanzler (FRG Chancellor)
BKA	Bundeskanzleramt (FRG Chancellery)
BM	Bundesminister (FRG Minister)
BMFin	Bundesministerium der Finanzen/Bundesminister der Finanzen (Finance)
BMWi	Bundesministerium/Bundesminister für Wirtschaft (Economic Affairs)
BMWSA	BMW South Africa
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
BPA	Presse- und Informationsamt/Bundespresseamt (FRG Gov. press dept.)
BR	Betriebsrat (Workers' council)
CATS	Commercial Advancement Training Scheme
CBD	Central Business District
CDU	Christlich Demokratische Union Deutschlands
CKD	Completely Knocked Down
COSATU	Congress of South African Trade Unions
CPSU	Communist Party of the Soviet Union
CSIR	South African Council for Scientific and Industrial Research
CSU	Christlich-Soziale Union in Bayern
CT	Cape Town
CTL	Coal-To-Liquids
CWIU	Chemical Workers Industrial Union
DAG	Degussa AG
DB	Daimler-Benz
DEH	Diesel-Electric Holdings
DESA	Diesel-Electric South Africa
DIHT	Deutscher Industrie- und Handelstag
DM	Deutsche Mark
DSA	Degussa South Africa
EBIT	Earnings Before Interest and Taxes
EEC	European Economic Community
EKD	Evangelische Kirche in Deutschland (German Protestant Church)
ESCOM	Electricity Supply Commission (pre-1987)
EWU	Electricity Workers' Union

FAZ	Frankfurter Allgemeine Zeitung
FDI	Foreign Direct Investment
FDP	Freie Demokratische Partei
FLS	Frontline States (Black African states opposed to apartheid-SA)
FOSATU	Federation of South African Trade Unions
FR	Frankfurter Rundschau
FRG	Federal Republic of Germany
FX	Foreign Exchange
FY	Financial Year
GDR/DDR	German Democratic Republic ('Deutsche Demokratische Republik')
GM	General Motors
HAG	Henkel AG & Co. KGaA
HNP	Herstigte Nasionale Party
HOSAF	Hoechst South Africa
HQ	Headquarters
HR	Human Resources
HSA	Henkel South Africa
ICC	International Chamber of Commerce
IDC	Industrial Development Corporation
IGM	Industriegewerkschaft Metall/ IG Metall
ILO	International Labour Organisation
IMB/IMF	Internationaler Metallgewerkschaftsbund/International Metalworkers' Federation
IOE	International Organisation of Employers
IRA	Provisional Irish Republican Army (in the context of this thesis)
JSE	Johannesburg Stock Exchange
JV	Joint Venture
KAEF	Katholischer Arbeitskreis für Entwicklung und Frieden
KDA	Kirchlicher Dienst in der Arbeitswelt
KH	Konzernarchiv Henkel
KP	(South African) Conservative Party
MAWU	Metal & Allied Workers Union of South Africa
MBSA	Mercedes-Benz South Africa
MD	Managing Director
MEDUNSA	Medical University of South Africa
MK	Umkhonto weSizwe (militant wing of the ANC)
MLL	Minimum Living Level
MNC	Multinational Corporation
MP	Member of Parliament (within this thesis primarily the FRG Bundestag)
NAAMSA	National Association of Automobile Manufacturers of South Africa
NAAWU	National Automobile and Allied Workers' Union
NKPA	National Key Points Act, 1980
NP	National Party
NUMSA	National Union of Metalworkers of South Africa
NUTW	National Union of Textile Workers
NYT	The New York Times
ÖRK	Ökumenische Rat der Kirchen (=WCC)
PAC	Pan Africanist Congress

PE	Port Elizabeth
PFPP	Progressive Federal Party
PM	Prime Minister
PR	Public Relations
PWV	Pretoria–Witwatersrand–Vereeniging
R	South African Rand
RB	Robert Bosch GmbH
RBSA	Robert Bosch South Africa
ROC	Republic of China (Taiwan)
RSA	Republic of South Africa
SA	South Africa
SAA	South African Airways
SAAWU	South African Allied Workers' Union
SACC	South African Council of Churches
SACCOLA	South African Consultative Committee on Labour Affairs
SALB	South African Labour Bulletin
SASOL	Suid-Afrikaanse Steenkool-, Olie- en Gasmaatskappy
SASRIA	South African Special Risks Insurance Association
SME	Small to Medium Enterprise(s)
SOE	State-owned Enterprise
SPD	Sozialdemokratische Partei Deutschlands
SWAPO	South-West Africa People's Organization
SZ	Süddeutsche Zeitung
TASS	Soviet news agency ("Telegrafnoye agentstvo Sovetskogo Soyuza")
TGWU	Transport and General Workers Union
TNC	Transnational Corporation
TUACC	Trade Union Advisory and Coordinating Council
UAMAWUSA	United African Motor and Allied Workers' Union of SA
UAW	United Automobile, Rubber and Allied Workers' Union of South Africa
UDF	United Democratic Front
UF	Urban Foundation
UNICE	Union of Industrial and Employers' Confederations of Europe
UNISA	University of South Africa
UP	United Party
UWC	University of the Western Cape
VCI	Verband der Chemischen Industrie
VP	Vice President
VWAG	Volkswagen Aktiengesellschaft
VWD	Vereinigte Wirtschaftsdienste (an economic and financial data provider)
VWoSA	Volkswagen of South Africa
WCC	World Council of Churches
WSJ	The Wall Street Journal
ZAR	South African Rand

DRAMATIS PERSONAE

Person	Background
Abrams, Cecil	Technical Director HSA, Durban
Albert, Ulrich	Co-author of 'Das Dilemma mit dem Kodex (III)'
Albrecht, Dr	MD AESA
Ansprenger	Professor (Freie Universität Berlin)
Apel, Hans	FRG Minister of Finance 1974-8
Ashmore, Terry	MD Dekro Paints
Baier, Werner	Henkel PR ('Stabsstelle Öffentlichkeitsarbeit')
Baltzer, Arno Leo	MD HOSAF until the mid-1980s
Baum, Dr Hans-Peter	DAG Foreign shareholdings ('Auslandsbeteiligungen')
Baxmann, Dr Otto	Retired lawyer, CDU member, writer of readers' letters
Becker, Gert	Chairman DAG
Beguin	ILO
Bensinger, Dr Günter	RB Board Member for HR
Berthold, Richard	VWAG Dir. of Equity Participations & Corporate Planning
Bieber, Siegmund	MD HOSAF mid-1980s until 1989
Bierich, Dr Marcus	RB CEO 1984-92
Birkenbeil, Hans	DAG
Blaettner, Rolf	Chairman Südwestmetall in Heilbronn-Franken region
Blohm, Ernst	Chairman VVoSA
Böhme, Dr Wolfgang	AEU
Bohmert, Dr Friedrich	HAG PR
Boonstra	Rembrandt Group
Borchers, Dr Klaus Günther	Robert Bosch GmbH Legal

Botha, P.W.	SA PM 1978-84, State President 1984-89 (<i>die Groot Krokodil</i>)
Botha, Pik	SA Minister of Foreign Affairs 1977-94
Botha, Stephanus P.	Minister of Manpower Utilisation/Mining
Braun	DAG
Braune, Joan	De Beers
Briam, Karl-Heinz	VWAG Board Member responsible for HR post-1978
Broicher, Paul	MD, DIHT (1968-1980)
Bucknall, R.	Robert Enthoven & Co (Tvl) (Pty) Ltd (HOSAF outside counsel)
Büscher	Exec. Dir. Manufacturing Facilities Siemens Limited
Buthelezi, Mangosuthu	Also known as 'Gasha'. President Inkatha
Celliers	SA State Secretary for Labour
Clackworthy, Dennis	HR Manager Siemens Limited until 1974
Clemens	Siemens AG ('ZFR' Dept.)
Cord, D.	Hoechst AG, Head office ('Zentrale Direktionsabteilung')
Crickmore-Thompson, I.	HOSAF HR
Dagnolo, E.	Southern Chemical Manufacturers
Dhlomo, Oscar	Secretary-General, Inkatha Freedom Party
Dichgans, Hans	MD BDI
Diederichs, Nico	SA Minister of Finance 1967-75, State President 1975-78
Dittrich	DAG
Dlamini, N. I.	CWIU Secretary
Dohr, Dr Roman	Deputy Director Henkel International 1973-77, Member of Henkel KGaA executive leadership 1985-1993
Doolan, Vic	BMWSA Marketing Director
Dormann, Jürgen	Senior Manager at Hoechst AG, CEO from 1994 onwards

Ehinger, Dr	VWAG Legal Head
Ekesparre, Niels von	MD DSA 1985-90
Erwin, Alec	Education Secretary FOSATU, later of COSATU
Fehres	DAG
Feick, Dr. Felicitas	Hoechst AG press department
Fichert	HOSAF
Förster	DAG sales co-ordination
Forstmann	Bayer SA
Frerk, Dr P	VWAG Board Member for HR (1971-8), Legal/Audit/Econ. Affairs (1978-93)
Friauff	Henkel PR
Fuchs, Franz Dieter	Workers' council member Thompson Werke (a Henkel subsidiary)
Gehringer, Dr.	Hoechst AG HR Director ('Leitung PSW')
Geisler, Dr Wolff	Medical doctor & left-wing political activist
Genscher, Hans-Dietrich	Leader FDP, FRG Foreign Minister 1974-1992
Gerken, Karl-Heinz	DAG central sales administration
Gläsner	Henkel workers' council
Gleiss, Rainer	Hoechst AG, insurance department
Gösmann, Günter	Director 'Regional Strategies', Siemens AG
Grenzbach, Dr Arwed-Ralf	Bosch political liaison in Bonn
Großmann, Dr Alexander	Director Siemens AG
Grögler	RB Internal Audit
Hahn, Carl Horst	Chairman/CEO VWAG 1982-93
Hahn, Dr	DAG Chemical
Harich, Walter	Director Henkel Branded Goods & Major Customers 1978-85

Hart, Michael	Deneys Reitz (a South African law firm)
Hartmann, Dr Edgar	Co-MD Henkel Intl. 1960-69 responsible for chemical-technical products & P3 Industrial Solutions
Hartmann, Herbert	DAG Board member
Haslauer, Hubert	Hochtief
Hasselkus, Dr Walter	MD BMWSA 1984-89
Hayes-Jones	Manager and Board Director (chemicals) at HOSAF
Heerden, Neil Peter van	SA Ambassador to FRG 1981-5
Heigert, Dr Hans	SZ
Heinzemann, Bernd	BDA
Henkel, Dr Erich	Board member of BASF responsible for international business
Henkel, Konrad	Chairman DAG Supervisory Board
Hermle, Dr Reinhart	KAEF
Heyer	MD Siemens SA (1970s)
Hinkel	Hoechst AG – senior pharmaceuticals division manager
Horwood, Owen	SA Minister of Finance 1975-84
Jacobs	DAG
Kegel	DAG
Keller	DAG
Kennedy, Donald	President Stanford University 1980-1992
Kirby, Dave	Director Industrial Relations BMWSA
Klerk, F.W. de	SA State President 1989-94/previously an NP Gov. Minister
Klews, Peter	MD HSA 1984-94
Knies, Werner	DAG, Director within Metals Division
Kobold, Walter	Board Member HAG 1969-9, previously Dir. at Persil Division
Koerber, Dr Eberhard von	MD BMWSA 1977-84

Kolvenbach, Dr Walter	Director HAG 1975-85, prev. MD of Henkel Intl. 1971-2
Korths, G	MD RBSA
Kuenheim, Eberhard von	CEO BMW AG 1970-93
Kühner, G.	DAG
Kunze, Ulrich	Degussa delegate to SA
Lahusen, Carl	FRG Ambassador to Pretoria in the early 1980s
Lambsdorff, Otto Graf	BMWi Minister 1977-84
Lanz, Kurt	Deputy CEO Hoechst AG, Board Member 1956-1981
Lehmann, Dr Jürgen	Hoechst AG Legal Affairs
Liedtke, Dr Kurt-Wilhelm	RB Legal
Loderer, Eugen	Chairman IGM 1972-83
Maas, W.	AESA
Malchow, Dr Wolfgang	RB Head of HR policies, previously responsible for labour law
Mallaby, Christopher	UK Ambassador, Bonn
Mandela, Winnie	Anti-apartheid activist and (former) wife of Nelson Mandela
Manger, Hansjörg	Director, Bosch
Mann, Dr Siegfried	BDI
Mason, Barry	Hill Samuel Merchant Bank South Africa
McCormack, John P.	VP at GM responsible for SA and LATAM markets
Meaker, Roy	Chairman Dekro Paints
Meilenbrock, Achim	Director, Siemens AG Director ('ZWR')
Meister, Dr	AEG
Mentz, Dr Alexander	DAG Board member
Merkle, Hans Lutz	CEO Robert Bosch GmbH 1963-84
Metz, Dr Günter	Board member, Hoechst AG
Metzler, Klaus	Johannesburg-based ARD correspondent

Meyer-Sebastian, Hans-Michael	FRG Chancellery
Michaelsen, Dr	DAG Industrial Furnaces
Moersch, Karl	Secretary of State of the FRG AA
Muller, Stefanus Lourens	Minister of Economic Affairs 1970-74
Necker, Tyll	BDI President 1987-90
Neumann	FRG Chancellery
Nickel, Herman	US Ambassador to SA, 1982-86
Niekerk, 'Kraai' van	SA Minister for Agriculture post-1990
Niggel, B.	Siemens AG Press division – business press
Nowotny, Dr Josef Max	Hoechst AG Board member
Olbertz, Dr H.	Bosch executive
Oppenheimer, Harry	Chairman AAC, 1957-1982
Osler, Thomas Barry	General Manager IDC, died in Helderberg crash
Oxenham, R.L.	Head of Mega Plastic Industries
Pfeiffer, Dieter	MD DSA in the 1970s
Pischetsrieder, Bernd	BMW SA Director of Sourcing and Production Engineering
Plessis, Barend du	SA Minister of Finance 1984-92
Plessow	DAG Subsidiary management Africa, Asia, LATAM
Plettner, Dr Bernhard	CEO Siemens AG 1971-81
Prentzel, Dr Felix	CEO DAG 1959-66
Quambusch, Dr Liesel	MD BDI, post-1987 MD of SA-German Chamber of Commerce
Rademeyer	Director Industrial Relations VWoSA
Raeder	DAG sales co-ordination
Ramb, Peter	Hoechst AG risk management

Rau, Richard	Chairman RB Workers' Council
Rauschenbach, Dr Rolf Dieter	MD BASF SA
Rechtenbacher, Ursula	SPD Mayor of Erlangen 1980-90
Rehmann	DAG
Reuter, Edzard	CEO DB 1987-95
Rey, Pierre de la	Public affairs and planning at BMW SA
Robinson, T. E.	Chief Production Engineer, ADE
Rodenstock, Professor Rolf	Industrialist and academic, created SA report for BDI
Sahlgren, Klaus	UN TNC Centre Director
Schad, Fritz	VW Internal Audit
Schäuble, Wolfgang	Head of FRG Chancellery 1984-89
Schirnding, Kurt Robert von	SA Ambassador to Bonn 1977-80
Schmidt, Helmut	FRG Chancellor 1974-82
Schmidt, V.L.	Hoechst AG
Schmidt-Dorrenbach, Dr Heribert	Henkel AG Executive Management
Schmücker, Toni	CEO VW AG 1975-82
Schneider	BMW AG
Schoemaker, Otto	MD HOSAF in the 1950/60s
Schöngarth	DAG
Schubert, H.	HOSAF HR Director
Schue	DAG Ceramics Division
Schuermann, V.	Hoechst AG Economic Affairs
Schumacher, Manfred	<i>Capital</i> business magazine
Schunk, Albert	VWAG Supervisory Board IGM representative

Schürmann	Hoechst AG
Schweiker, Konrad F.	MD HSA 1970s to early 1980s
Searle, Peter	MD VWoSA 1978-1994
Seedat, Tony	ANC representative to Bonn
Sick	Attached to German consulate in Durban
Siehl, Hans Martin	Deacon of the Protestant Town Church of Baden-Baden
Siemens, Peter von	Chairman of Supervisory Board of Siemens AG 1971-1981
Söffge	Bayer AG
Sohn, Dr Walter	Bureau of social ethics & policy of the Luth. Church in the Rhineland. Co-author of 'Das Dilemma mit dem Kodex (III)'
Sole, Donald Bell	SA Ambassador to Bonn 1970-75
Sorg	Siemens AG - Economic policies and business associations
Stabreit, Immo	FRG Ambassador to Pretoria 1987-1992
Stahl, Karl Rudolf	Director of Robert Bosch GmbH
Steeg, Helga	Director Foreign Trade Policy, BMWi
Stein, Gustav	Hon. Prof. in the FRG, CDU politician, MD BDI 1957-68
Steinkühler, Franz	Chairman IGM 1986-93
Strauss, Franz Josef	Christian Social Union Chairman 1961 -1988
Stumpfe, Dr Werner	President Gesamtmetall
Sulimma, Hans-Günter	Responsible for African Affairs within FRG AA 1984-93
Tacke, Gerd	CEO Siemens 1968-1971
Tambo, Oliver	ANC President 1967-1991
Tollemache, C. R.	Diesel-Electric Holdings
Traub, Reinhard	MD HOSAF 1989-96
Troppitz	HOSAF
Trotskie, Johan	Exec. Dir. Siemens Limited (HR, PR, marketing)

Turek, Ferdinand	Chairman of Siemens AG workers' council
Tutu, Desmond	SA Clergyman and Anti-Apartheid activist
Vetter, Heinz Oskar	Chairman German Trade Union Confederation, 1969-82
Veysie, MC	HOSAF
Villiers, David Jacobus 'Dawie' de	SA Minister of Trade and Industry 1980-89
Villiers, H. O. de	SA Reserve Bank Deputy Governor
Wagner	HOSAF Finance Director
Weber	VWAG equity participations
Wecker	Henkel Legal Affairs
Wentges, Wilfried E.	MD Siemens South Africa 1973-82
Wesner, Dr Ekkehardt	VWAG company secretary
Wieschermann, Dr H.	Board member HAG 1975-1992 (Finance & Logistics)
Wiesmann, Gerhard	Degussa delegate to SA
Wilfert, Dr Peter	Deputy Chairman Südwestmetall
Willmann	DAG
Winterfelt, Dominik von	Hoechst AG PR
Wohlenberg, Günter	DAG Board member
Wohltat, Helmuth	Sometimes 'Wohlthat', Member of HAG Supervisory Board 1961-75, former civil servant in Nazi regime
Wolf	DAG, Head of inorganic chemistry
Würzen, Dr Dieter von	Secretary of State of the FRG BMWi
Zech	DAG
Ziefer, Fritz	Chargé d'affaires at the German Embassy in Pretoria, 1985-89
Zieler, Werner	MD Siemens Limited in the 1980s
Zundel, Dr Georg	Head of the Berghof-Foundation

CHRONOLOGY

- 1948 – NP election victory, Bantu Urban Areas Consolidation Act
- 1952 – Native Laws Amendment Act
- 1953 – Bantu Education Act, Reservation of Separate Amenities Act
- 1956 – South Africa Amendment Act
- 1959 – Promotion of Bantu Self-Government Act
- 1960 – Sharpeville massacre
- 1960/1 – ANC accepts violence as a means to achieve its political objectives
- 1961 – SA's withdrawal from the Commonwealth
- 1970 – National Supplies Procurement Act
- 1973 – Durban strikes
- 1976 – Soweto uprising
- 1977 – EEC Code of Conduct enacted
- 1978 – Pieter Willem (P.W.) Botha becomes Prime Minister, Loderer visit to SA
- 1979 – Wiehahn Commission report submitted, Industrial Conciliation Amendment Act
- 1980 – MK attack at Sasolburg, National Key Points Act
- 1982 – Internal Security Act, National Supplies Procurement Amendment Act, KP formation
- 1983 – Tri-cameral constitution proposed, recession
- 1984 – Tri-cameral elections, P.W. Botha becomes State President, EEC ban on new investment into SA
- 1985 – Second recession, regional state of emergency, Botha's Rubicon speech, revision of EEC codex
- 1986 – U.S. Comprehensive Anti-Apartheid Act, second, now SA-wide, state of emergency, EEC ban on iron and steel imports, oil exports plus minor, partially voluntary, measures
- 1987 – General Motors exits SA, *Helderberg* crash
- 1988 – IG Metall publishes Minimum Standards for German corporate behaviour in SA
- 1989 – F.W. de Klerk succeeds Botha as State President

This chronology is deliberately kept brief and non-exhaustive. It merely serves to highlight key dates/ events referenced within this thesis.

The whole political situation in the Republic of South Africa has become fluid and let there be no mistake, South Africa will never be the same as in the 50s, 60s and 70s. South Africa of the 80s will be vastly different...²

² Ernst Blohm (Chairman VWoSA), Opening address Beacon Island seminar for VWAG and VWoSA management, 17.7.1979, 3 in Unternehmensarchiv der Volkswagen AG ("UVW") Zugang (Z) 1184, Nummer (No.) 436/2.

PREAMBLE

South Africa on the eve of the 1980s

Modern South African history could be aptly summarised as the interplay amongst several cultural, linguistic, ethnic, and racial groups that by the 1980s resulted in white political dominance finding its pinnacle and its demise. Contrary to the desire of the National Party ('NP') Government, by the closing years of the 1980s, divergent trends had become ingrained amongst the white and black demographic thereby reversing historic white, albeit Afrikaner, cohesion and government espoused black disunity – the latter most prominently via the propagation of individual Homelands. The country's policies with respect to racial segregation, collectively termed apartheid politics, had been formalised and subsequently institutionalised after the 1948 election victory of the Afrikaner-dominated NP. Though discriminatory racist practices had existed prior to 1948 and could be traced back to the earliest days of Dutch and British colonisation, they regrettably became an integral, systematic part of South African life under the NP's stewardship of government. The ideological underpinnings and development of apartheid policy as *the* dogmatic framework for the future make-up and structure of South African society were then developed by Prime Minister ('PM') Hendrik Frensch Verwoerd between 1958 and 1966. Under Verwoerd's leadership, South Africa ('SA') became a republic in 1961 whilst continuing its pivot to disenfranchise the non-white population, thereby throwing off all earlier practices of even partial, albeit regionally limited, enfranchisement under the earlier United Party ('UP') Government.³

B.J. Vorster, the next Afrikaner PM, oversaw the increasing pace of his country's isolation amongst the global community of nations. The Republic's policies ran countercyclical to prevailing trends of racial integration, including American desegregation.⁴ A justified rise in the volume of condemnation particularly in terms of resolutions by the UN was mirrored by a groundswell of

³ Verwoerd upheld the disenfranchisement of the Cape Coloureds initiated by his predecessors, Malan and Strydom. See David Harrison, *The White Tribe of Africa* (London: BBC, 1981), 145-148.

⁴ Consider the comparative approach of racist practices in capitalist economies explored in Stanley B. Greenberg, *Race and State in Capitalist Development: Comparative Perspectives* (New Haven: Yale, 1980).

public protest in multiple Western countries against apartheid. Collectively termed the anti-apartheid movement ('AAM'), its disparate constituents were united in their opposition to not only morally indefensible apartheid policies but also the endurance of white minority rule in SA. Pressure to boycott trade with SA and to impose sanctions was complemented by calls for Western company disinvestment from the country. In part to address these concerns, Codes of Conduct on corporate behaviour were introduced in 1977 with limited success. When Vorster left the mainstream political arena in disgrace due to the Information Scandal, Pieter Willem Botha, the former Minister of Defence, unexpectedly took on the mantle of leadership.

Botha presided over the 'last decade of apartheid' until F.W. de Klerk, his successor, began an accelerated reform process in 1989/90.⁵ The prior ten years under Botha had seen apartheid stripped back to its core policies and in part due to dithering and misplaced reforms, had exposed its true nature as an instrument to maintain white control of political might. Ostensibly a member of the *verligte*, i.e. reform-minded, faction of the NP, Botha progressively manoeuvred himself into a corner with his legislative and constitutional adjustments. His policy rectifications included recognition of black labour unions, the creation of a Tricameral parliamentary system that excluded the black population, and the abolishment of 'peripheral apartheid'. Concurrently, the Botha government undermined the credibility of its own willingness to reform by excesses in state violence both at home and abroad, particularly during the state of emergency post-1985.⁶

Towards the end of the 1980s, Botha had succeeded in only one prominent aspect. He split the Afrikaner electorate, adding to an existing historic dichotomy between the Afrikaner and Anglophone white communities. Furthermore, the Homelands policy designed to entrench the division of the black population along tribal lines met only limited success, if any, and the designated 'Bantustans' received no international recognition.⁷ The black demographic increasingly

⁵ Apartheid officially ended in 1994. However, the process of earnestly dismantling grand apartheid was initiated in 1989/90. Botha, therefore, in my view unofficially presided over the last decade of apartheid.

⁶ Hanns W. Maull, 'Neo-Apartheid: Eine Bilanz der Ära Botha,' in *Südafrika Politik-Gesellschaft-Wirtschaft vor dem Ende der Apartheid*, ed. Hanns W. Maull (Opladen: Leske+Budrich, 1990), 75-127, 108.

⁷ Anthony Sampson, *Black & Gold* (Bury St. Edmunds: Hodder and Stoughton, 1987), 86.

unified, irrespective of tribal affiliation, behind national movements and unions. Indeed, the only demonstration of tribal division was overt Zulu support for the Inkatha Freedom Party ('Inkatha'), however coerced by violence and tradition, rather than the African National Congress ('ANC').⁸ Economic difficulties compounded inherent challenges caused by apartheid policies. This was particularly the case for black and other non-white labour which had endured decades of forced resettlement, discrimination in wages and education levels and a myriad of social and workplace practices that stifled many a path to prosperity whilst undermining basic human dignity.⁹ The 1980s therefore were the decade when all movements, actors and political elements in the apartheid and anti-apartheid saga, whether in government or outside it, whether in SA or abroad, came to a head. For business, particularly foreign business subsidiaries, SA in the 1980s, with all eyes on it, became the toughest, most challenging market to remain and operate in.

The following thesis, whilst focused on the Botha years, can for reasons of succinctness not provide a lengthy history of apartheid and the political to and fro minutiae of 1980s SA.¹⁰ Instead, where applicable, relevant instruments and aspects of apartheid policy during the Botha-era as well as key events are introduced and explained in greater detail in the individual case studies on the foreign corporate sector, a stakeholder that remains neglected in scholarship. Nevertheless, the above summary of post-war South African history is intended to serve as a brief introduction to the socio-political context, both at home and abroad, that the management of German subsidiaries found themselves in. For them, just as for most South Africans and international observers, on the eve of the 1980s, SA's future and the Botha government's path towards reform remained uncertain.

⁸ Notwithstanding the United Democratic Front ('UDF'), the ANC proved the most unitary of all resistance movements. Consider Saul Dubow, *The African National Congress* (Johannesburg: Jonathan Ball, 2000) for a high-level introduction or Thula Simpson, ed. *The ANC and the Liberation Struggle in South Africa: Essential Writings* (London: Routledge, 2019) for more recent work.

⁹ On the trauma of living under apartheid, consider Cosmas Desmond, *The Discarded People* (Harmondsworth: Penguin, 1971); Trevor Noah, *Born a Crime* (London: John Murray, 2017). On labour affairs specifically up to the 1980s, consider Darcy du Toit, *Capital and Labour in South Africa: Class struggle in the 1970s* (London: Keegan Paul, 1981).

¹⁰ For an introduction to apartheid politics, consider P. Eric Louw, *The Rise, Fall, and Legacy of Apartheid* (Westport, Conn.: Praeger, 2004); Sampson, op. cit.; Maull, op. cit.; Dan O'Meara, *Forty lost years: The Apartheid State and the Politics of the National Party, 1948-1994* (Athens: Ohio University Press, 1996).

INTRODUCTION

Context

Apartheid scholarship, a research discipline with now more than half a century's worth of track record, continues to not only evolve but to provide novel insights into the period of NP rule and its legacies. Alongside recent comprehensive histories which synthesize previously divergent approaches, most remarkable has been the growth in comparative analysis and bottom-up micro-studies.¹¹ In addition, contemporary South African issues have provided the impetus behind scrutiny of the apartheid history of institutions so far underrepresented in the literature, such as universities.¹² Declassification of government documents has enabled recent output on the Botha years, especially in terms of highlighting the cost of sanctions as well as the methods employed by the state and the private sector to overcome them.¹³ Yet, whilst the passage of time has allowed for additional experiences of the 1980s by under-represented actors to come to light, for the victims of state policies of that decade, the historic injustices cannot be reversed alas – only alleviated.

For one such group of victims, a thirteen-year long legal saga was ended by the American judiciary in 2015. The plaintiffs had alleged that foreign companies, including the German Daimler-Benz ('DB') and Rheinmetall, were liable for human rights violations by operating in SA during the respective tenures of Vorster and Botha. Dismissal of the case rested in part due to the inability of the accusers to establish a link between corporate board level decisions to human rights violations in SA. By making assumptions about company behaviour and management conduct, the plaintiffs had posited an opinion on 'corporate involvement' without ascertaining the validity of such a position. This failure to either engage with or try to understand the position of management and company decision-making, however, is not confined to those South Africans seeking reparations.

¹¹ Saul Dubow, *Apartheid, 1948-1994* (Oxford: OUP, 2014); Nicholas Grant, *Winning Our Freedoms Together: African Americans and Apartheid, 1945-1960* (Chapel Hill: UNC Press, 2017); Michael O'Loughlin, ed. *And we forgave them: Stories from the struggle against apartheid in Venda, South Africa* (Pretoria: UNISA Press, 2018).

¹² Teresa Barnes, *Uprooting University Apartheid in South Africa: From Liberalism to Decolonization* (London: Routledge, 2019).

¹³ Hennie van Vuuren et al., *Apartheid guns and money: a tale of profit* (London: Hurst, 2019).

Indeed, it only exposed a gap in South African and business history that has persisted for thirty years.

For historians, political scientists and the majority of South Africans, business is regarded as a willing participant in the apartheid system, or if it ever was unwilling, did too little, too late. Views to the contrary are few and far between. These consist primarily of in-house commissioned company histories which, given their nature, are treated with suspicion given they curtail socio-political self-reflective analyses of their operations and conduct. This is a pity, since companies are, as noted by Kobach (1990), not simply another category of ‘interest group’.¹⁴ Rather, they control wealth, investment stock and employ a critical part of the labour force. Moreover, foreign business can present a single interface, that is ‘on the ground’ in the domestic market to voice not only the concerns and wishes of its employees, management, and shareholders but also that of local stakeholders, such as municipalities, suppliers, and employee families as well as those of the international community at large. The scholarly neglect of business by historians of SA has led to a treasure trove of written and oral testimony being ignored, despite the insights these hold into enduring political and social debates on apartheid as well as a provision of leadership case studies for management research.

This thesis intends to overcome the neglect of business in scholarship via three approaches. First it investigates the perspective of foreign companies and their subsidiaries on political policies and events during the Botha-era, as well as the impact thereof on company operations. Second it examines their rationale behind forsaking calls to disinvest. Finally, the dissertation analyses the managerial response and employed strategies in the face of the ongoing challenges of remaining in SA as a foreign business during the ‘last decade of apartheid’.

¹⁴ Kris William Kobach, *Political Capital* (Lanham, USA: University Press of America, 1990), 5.

Rationale

The thesis focuses on German industry not solely on grounds of commerce but also due to aspects of culture, history, and domestic circumstance. Firstly, German firms by and large did not withdraw from SA in the 1980s, as opposed to notable U.S. companies such as Ford and IBM or British corporates, such as Barclays. Market withdrawals, when they did occur, were primarily restricted to German SMEs and driven by business concerns, primarily a lack of profitability. The sole exception was a case, where the city of New York made the award of a municipal contract conditional on the German KHD not having any business in SA.¹⁵ With disinvestment the exception rather than the rule, expatriate and local managers of German subsidiaries experienced political issues first-hand. This enabled their companies to strategize based on self-gathered ‘objective’ information synthesized with third-party reports, such as those of the media and party-political foundations, as well as the regular ‘song and dance’ briefings provided to them by Pretoria’s ambassadors.¹⁶ Secondly, German companies, unlike most of their British and American counterparts, were not portfolio investors. They had tangible fixed capital stock in the Republic rather than paper investments.¹⁷ This made potential exits not only costly and time-consuming but also exceedingly complex versus a straightforward equity disposal. At the same time, such actions indicated their long-term commitment to SA, as well as the Republic forming a critical anchor in their overall structure and strategy. Compared to many U.S. banks, for example, for whom SA was simply another international minor market with negligible economic importance, German industry had rolled adhesive dice onto the playing field of international expansion.¹⁸

¹⁵ Illustrating how the American AAM had spread to both public and private institutions. See A1 to Bierich, 11.9.1989 in Robert Bosch GmbH, Historische Kommunikation (‘RB’), 1 022 360.

¹⁶ See Bosch, VW, and BMW chapters.

¹⁷ Jan C. Cron, *Deutsche Unternehmen Im Entwicklungsprozess Südafrikas* (Wiesbaden: DUV, 1997), 149; Jonathan Leape, Bo Baskin and Stefan Underhill, eds. *Business in the Shadow of Apartheid, U.S. Firms in South Africa* (Lexington: D.C. Heath and Company, 1985), 211; UK exceptions include Dunlop, BP, British Leyland, and Plessey, see Ann Willcox Seidman and Neva Makgetla, *Outposts of Monopoly Capitalism: Southern Africa in the Changing Global Economy*, (Westport, Conn.: Hill; London: Zed, 1980) 169, 178, 194.

¹⁸ South African assets constituted less than 0.5% of Chase Manhattan’s total of US\$87bn when it initiated its 1985 disinvestment. See Sampson, op. cit., 38-39.

Thirdly, apart from constituting the largest foreign fixed capital investor as evidenced by multiple local production plants, German businesses were also the leading exporters to SA and overtook British MNCs by the mid-1980s to become the biggest foreign employer of the country's labour force.¹⁹ They provided over 45,000 direct jobs plus many hundreds of thousands of additional opportunities at local suppliers.²⁰ The above figure marked a 22% increase over the direct employment numbers of the late 1970s, indicating the continued commitment by German companies to expand their South African operations.²¹ Whilst employment data for American and British subsidiaries have been published, they are inconsistent and certainly inaccurate.²² Even prestigious sources such as the New York Times ('NYT') and Wall Street Journal ('WSJ') drew the bulk of their numbers not from information requests to business but by estimations from the AAM.²³ Unfortunately, these numbers do not take into account that American and British investments were generally not in wholly-owned subsidiaries but simply equity stakes, thereby ignoring attributable proportions. Furthermore, they often included family dependents and indirect employment to direct job figures attributed to these subsidiaries. Finally, there exists a lingering suspicion that historical figures, particularly for US corporates, were artificially inflated by the AAM towards the media to heighten the impact of any American disinvestment; the latter event being described at the time by scholars of enterprise as 'a limited effort that will have very little direct impact'.²⁴ South African business press figures put total foreign MNC employment at 250,000 in the early 1980s, which, given individual company data, appears more credible.²⁵

Placing German business therefore in context, especially versus peers from the United States and Britain and in terms of importance to the South African economy, allows for each to be

¹⁹ 'Die großen deutschen Unternehmen denken nicht an Rückzug,' *Handelsblatt*, 22.10.1986.

²⁰ John Tagliabue, 'Germans Stay in South Africa,' Special to *NYT*, 19.1.1987, section D, 6.

²¹ 'Südafrika' in *Monatsberichte der Deutschen Bundesbank*, January 1981.

²² Unverified US subsidiary employment data ranges from 60,000 to 120,000, whilst verified data has the largest fifteen companies employing only 9694 workers by 1985 – equivalent to a single major German subsidiary. See data from the Investor Responsibility Research Center in Alan Cowell, 'The Ambiguity of South African Disinvestment,' Special to *NYT*, 31.12.1986, A, 1.

²³ *WSJ*, 3.12.1986, 26; Steve Lohr, 'Barclays Pullout: The Pressure grew,' Special to *NYT*, 25.11.86, Section D, 1.

²⁴ Paul Lansing and Sarosh Kuruvilla, 'Business divestment in South Africa: In who's best interest?,' *Journal of Business Ethics* 7, no. 8 (1988), 561-574, 566.

²⁵ Multinationals Survey, supplement to *Financial Mail*, Johannesburg, 27.6. 1980, 3.

characterized in the following general terms: the Americans provided the high-technology exports and expertise (e.g. amongst US IT subsidiaries IBM alone paid over US\$33m annually to the South African Treasury in taxes), the British were responsible for the largest country-specific sums of investment capital (representing over a quarter of all capital inflows at DM10bn) and the Germans acted as long-term wealth creators within the Republic as well as partners in job creation whilst continuing to scale their operations.²⁶

Compared to the three nations contextualized above, Japanese interests in SA were of secondary significance. Japan's *Seikei Bunri* policy meant trade was divorced from political considerations.²⁷ This resulted in unilateral Japanese rejection of disinvestment by both business and government, thereby providing SA continued access to high-tech incl. coal to liquids technology ('CTL') via the Far East.²⁸ Whilst Japanese investment in the local motor industry was significant, in terms of employment it was not. For even by 1986, the top twenty foreign enterprises measured by employee numbers included not a single Japanese company.²⁹ That Japan became SA's 2nd largest trading partner after Germany in 1987, is primarily a factor of competitor disinvestment and the reliance of the Japanese manufacturing sector on mineral imports from the Cape. Verheugen (1986) noted that the AAM often overlooked this hunger of OECD economies for South African minerals; a trade which provided Pretoria with vital foreign exchange throughout the apartheid-period.³⁰ In summary, German investment in large factories and workshops meant exposure to not only global scrutiny, economic palpitations at the macro-level within SA but also facing down micro-level challenges, especially union agitation, when contrasted with other foreign investors.

²⁶ Thomas Conrad, 'Computers Programmed for Racism,' *Business and Society Review*, 42 (1982), 61-64, 61; 'Wir Schwarze werden als erste leiden,' *DER SPIEGEL* Nr 9/1979, 149.

²⁷ Richard J. Payne, 'Japan's South Africa Policy: Political Rhetoric and Economic Realities,' *African Affairs* 86, no. 343 (1987), 167-178, 167.

²⁸ *Ibid*, 170.

²⁹ 'Top 20 foreign employers,' *WSJ*, 3.12.1986, 3.

³⁰ Günter Verheugen, *Apartheid: Südafrika und die deutschen Interessen am Kap* (Cologne: Kiepenheuer & Witsch, 1986), 100.

Fourthly, SA and apartheid were niche issues on the German political circuit, a reflection of the paramountcy of ‘Ostpolitik/Neue Ostpolitik’; an understandable policy priority given the country’s division and its role within the European theatre of the Cold War. In 1968 Willy Brandt, FRG Foreign Minister and future Chancellor, set down the principle that trade should not be tied to foreign policy unless absolutely necessitated in specific cases.³¹ This maxim found its application in a burgeoning commercial relationship with SA, despite Brandt’s personal opposition to its racist policies.³² As a result, the significance of import-export flows to the Cape shaped German South African policy and in effect meant that, contrary to fellow European governments, particularly those of the Nordic countries, the German state consistently (and deliberately) remained in stalwart opposition to sanctions on SA.³³ This stance only underwent modification when Hans-Dietrich Genscher, leader of the liberal FDP party, became Foreign Minister in 1974 and began to introduce a moral component to German Africa policy. However, the subsequent Kohl Government was a construct of coalition politics and reliant on the backing of the conservative CSU party whose chairman Franz-Josef Strauss was an apartheid apologist and frequent visitor to the Cape.³⁴ Indeed, he is best characterized via his own words ‘Truly, not once when I was in Africa did I feel the need that my horizon required expansion’.³⁵ Between Genscher and Strauss, foreign policy on SA stagnated in order to maintain governmental stability and Germany only went along with measures at an EEC level - even then watering down community proposals.

With German business solely taking its cues from domestic peers and the framework established by the state, the national AAM as well as wider European state and non-state measures against SA had a limited impact on German company decision-making. This is unsurprising. The 1970 Cabora Bassa case had proven that despite international controversy, the German government could not

³¹ *BPA Bulletin* 63, 17.05.1968, 535.

³² Hans Ginsburg, ‘Ich bin sehr unzufrieden mit Ihnen,’ *Die Zeit*, 25.4.1986.

³³ See Philip Rock, *Macht, Märkte und Moral* (Frankfurt: Peter Lang, 2010), 120-181.

³⁴ P.W. Botha’s and Pik Botha’s attendance at his funeral a testament to this relationship. See James Mates, ‘Franz Josef Strauss funeral,’ *ITN*, 7.10.1988, video, 1:33, <https://www.gettyimages.de/detail/video/franz-josef-strauss-funeral-a-west-germany-nachrichtenfilmmaterial/1171719978?adppopup=true>.

³⁵ Cited in ‘Aktien, jawohl,’ *DER SPIEGEL*, 16.5.1966, 134.

be pressurised to waver in its support of business.³⁶ According to Middlemas (1975) ‘the fight against Cabora Bassa was a response to a particular phenomenon in Germany, the confluence of distinct pressure groups on a single, fashionable cause’.³⁷ A similar characterisation could be applied to describe the rapid formation of the heterogeneous German AAM. However, in contrast to widespread boycott movements and protests found in North America and Western Europe, the German AAM was vocal but comparatively small.³⁸ For example, in America, pension funds and university investment managers engaged in proactive divestment of shareholdings in U.S. firms with South African business irrespective of their implementation of the Sullivan principles.³⁹ Likewise, in Britain, student-led activism resulted in disinvestment by companies. In Germany it was the labour union IG Metall (‘IGM’) and the clergy that formed the vanguard of activism. This unique facet of German anti-apartheid activity resulted in a German labour union not only helping South African black labour unions form and negotiate with German subsidiaries but also shaming companies in the press for non-compliance and finally prescribing its own code of conduct and standards to be implemented in addition to the EEC Code of Conduct. Therefore, German businesses exposed to SA and their respective local managing directors (‘MDs’) had to not only work with a counterparty that none of their foreign peers had to face but one that had also unilaterally decided to issue regulatory prescriptions on the operations of their foreign subsidiaries. The German AAM, outside of limited boycott actions, expressed itself primarily through exercises of public shaming via lecture tours and targeted protest such as gate-crashing AGMs by purchasing shares, especially those of German banks that held South African debt. Nonetheless, even at such shareholder meetings, the activists were booed by the attendees whilst the executives on stage

³⁶ A hydroelectric dam project in Portuguese Mozambique where Siemens AG acted as a contractor. It was ostensibly criticised for ‘consolidating a unified White Africa’ by providing power to apartheid-SA

³⁷ Keith Middlemas, *Cabora Bassa: Engineering and politics in Southern Africa* (London: Weidenfeld and Nicholas, 1975), 168.

³⁸ Henrik Brendel, *Die transnationale Anti-Apartheid-Bewegung und ihre Mobilisierung in der Bundesrepublik Deutschland* (Norderstedt: GRIN, 2012).

³⁹ See historiography section (vi).

earned applause for calling for an end to apartheid, such as at the 1986 DB AGM.⁴⁰ By not following due process of filing a shareholders' motion, the disruptive behaviour of the German AAM disregarded the inherent importance of rules and structure for Germans, whether in business or outside it, thereby undermining the moral case they were making. Despite recent publications espousing the effectiveness of the German AAM via teleological approaches, it was neither comparable in size nor in prominence to its peers, especially to those in the UK and the USA.⁴¹ Solely the activities by the Protestant and Catholic Churches as well as labour unions could be described as concerted mass-opposition movements against apartheid at a national level. Going into the 1980s, this governmental and domestic context enabled a unique flexibility and independence in corporate decision-making for FRG businesses with regards to their South African subsidiaries, particularly so when it came to disinvestment.

Last but by no means least, an amicable relationship has existed between Germans and Afrikaners that can be tied back to the 19th century.⁴² Notwithstanding, aspects of history such as the Kruger telegram, cordial relations continued to manifest themselves between the two peoples throughout the 20th century. Indeed, Verwoerd had not only been fluent in German but had studied at several German universities.⁴³ Even in the 1980s, a significant number of Afrikaners could trace their German lineage, and a multitude of NP senior politicians and associates remained fluent German-speakers. Beyond Afrikanerdom, 25% of white South Africans had German roots and 80.000 still held German passports in 1985/6.⁴⁴ P.W. Botha too was of German stock.⁴⁵ Emigration, cultural factors such as linguistic proximity, and shared experiences, such as respective trauma from the

⁴⁰ Klaus Heidel, 'Kein guter Stern für die Schwarzen,' in *Das Daimler-Benz-Buch. Ein Rüstungskonzern im "Tausendjährigen Reich"*, ed. Hamburger Stiftung für Sozialgeschichte des 20. Jahrhunderts (Nördlingen: GRENO, 1987) 707-744, 720.

⁴¹ Even *NYT* described the German AAM as 'relatively muted'. See Tagliabue, loc.cit.

⁴² See Hildemarie Grünewald, *Die Geschichten der Deutschen in Südafrika* (Cape Town: Ulrich Naumann Verlag, 1998); Lantern Special Edition: The German Contribution to the Development of SA, *Lantern: Journal of Knowledge and Culture* (Pretoria: Foundation for Education, Science and Technology), February 1992; the intrinsic ties were memorialised, see Gary Gerber, 'German Settlers Memorial Unveiling 1961 - East London, South Africa,' YouTube video, 3:55, 10.4.2015, <https://www.youtube.com/watch?v=-QXehps0U0A>.

⁴³ Christoph Marx, 'Hendrik Verwoerd and the Leipzig School of Psychology in 1926,' *Historia* 58, no. 2 (2013), 91-118.

⁴⁴ 'Europese Herkoms van blanke Suid-Afrikaners,' 1986 in Archive for Contemporary Affairs, University of the Free State ('UFS') PV 203 – PS 12/88/1; Niels Von Ekesparre (MD DSA), e-mail to author, 22.10.2020

⁴⁵ 'Gesprek tussen Staatspresident en Mnr Willy Brandt,' April 1986, 4 in UFS PV 203 – PS 12/71/1.

Boer and World Wars, had solidified the bond that existed between Afrikaners and Germans.⁴⁶ Such intimacy provided a background to business relations, with many German managers coming to view the Boer descendants as a like-minded people, thereby underlining the ‘familiarity parameter’ expressed in Wilkins (1994).⁴⁷ In addition, intrinsic antagonism towards an Anglophile global and local elite, certainly played a role in the unique closeness of Pretoria’s relationship with Germany and, in the following case studies, with German companies. Within the corporate sector, two brief examples from the second half of the 20th century illustrate the multitude of interlacing strands linking German business to SA. The Cologne-based *Bundesverband der Deutschen Industrie* (‘BDI’), a German umbrella organization of industry, played an instrumental role in steering and co-ordinating the response of German corporates to meddling by the German government, clergy, and IGM into their South African affairs. Dr Liesel Quambusch, a BDI Director, subsequently became the new MD of the Johannesburg-based South-African-German Chamber of Commerce and Industry (‘the Chamber’) in 1987.⁴⁸ Twenty years earlier, South African Airways had welcomed Degussa’s head of inorganic chemistry, Dr Wolf, together with other senior German executives from Bayer, BMW, Hoechst and Krupp on its inaugural flight to Australia.⁴⁹ These examples serve to highlight ‘the love affair’ that existed between German business and South African parastatals as well as their partner organisations.

The *enabler* for such deep and lasting relationships, however, was race. Shared ‘whiteness’ was a prerequisite to treat as an equal with South African entities. Indeed, when Pretoria courted Iran it bestowed honorary white status on Iranian businessmen and officials.⁵⁰ Nonetheless, just as SA of the 1980s is not the SA of high apartheid, so too do German managers of this time no longer

⁴⁶ See Patrick J. Furlong, ‘The National Party of South Africa: A Transnational Perspective,’ in *New Perspectives on the Transnational Right*, ed. Margaret Power and M. Durham (New York: Palgrave, 2011), 67-84, 68-72.

⁴⁷ Mira Wilkins, ‘Comparative Hosts,’ *Business History* 36, no. 1 (1994), 18-50, 26.

⁴⁸ Minutes of UNICE (Union of Industrial and Employers’ Confederations of Europe) meeting 14.9.1978, 3.10.1978, copy in RB, 1 022 57; Cable AA Bonn (Gerz) to Embassy Pretoria 15.7.1986 in Politisches Archiv des Auswärtigen Amts (‘PA AA’), PRET 26695.

⁴⁹ OJ von Abo (SAA Director for Germany) to Dr. H. Wolf, 17.5.1967 in Konzernarchiv Evonik Industries AG Hanau, Bestand Degussa (‘EICA’) AC 02 337.

⁵⁰ *DER SPIEGEL* Nr 9/1979, op. cit., 152.

represent those that emigrated in the aftermath of WWII; an eclectic group that included ex-Nazis just as much as it did empire builders who, however imagined, regarded SA as a playground for fantasies of power and racial dominance stymied in Europe.⁵¹ By the time of Botha, race is the shared platform *for* but not *the* driver of the strengthening bond between Afrikaners and Germans, as non-German managers from the EEC and North America were also majority white.

German companies, therefore, with respect to the above, represent an unparalleled and unique opportunity for critical examination within a wider context of 1980s apartheid-SA. Their history, their size and type of investment, their multitude of relationships into the South African and German political and economic environment, as well as the challenges they faced at home and in the Republic, make them the prime set of case studies when investigating *the management view* in the Botha era. Furthermore, as the historiographical survey reveals, this focus also addresses some of the shortcomings in the existing historiography both in methodology and content.

Historiography

When Verhoef examined the situation within African business history in 2014, she noted that the scant attention devoted to businesses operating in post-colonial Africa was not primarily concerned with the operations of the company but rather with the composition of the corporate actor – be it as a multinational or state-owned enterprise (‘SOE’).⁵² That statement, repeated in her 2017 survey of that same historiography, remains only partly accurate. Her conclusion that operational matters have not been at the forefront in studies of business in Africa is correct. However, studies are not as scant as the literature asserts, they are simply not in English. Most Anglophile historians do not read output in other European languages, let alone engage in debate with or cite non-English sources, a complaint reiterated by Drayton and Motadel.⁵³ That the economic history discipline

⁵¹ Such mentalities did pervade in certain cases into the 1960s/1970s. See Knud Andresen, ‘Moralische Ökonomie. Bundesdeutsche Automobilunternehmen und Apartheid,’ *Zeithistorische Forschungen* 13, no. 2 (2016), 231-253, 239.

⁵² Grietjie Verhoef, ‘Business history in Africa: the state of the art,’ *South African Economic History Annual* 3 (2014), 10-20, 14.

⁵³ Richard Drayton and David Motadel, ‘Discussion: the Futures of Global History,’ *Journal of Global History* 13, no. 1 (2018), 1-21, 13.

calls for more global history but simultaneously side-lines decades of valid non-English language research is ironic.⁵⁴ Verhoef's 2017 historiography of business in Africa is presently regarded as a starting off point for economic and business historians with research interests concerning the African continent.⁵⁵ Yet it contains not a single reference to key German journals covering business history. These include *Zeitschrift für Unternehmensgeschichte*, a leading journal on business history since 1956 which has also published English-language articles by eminent Anglophone business historians, as well as *Zeithistorische Forschungen*, a contemporary journal that has been favoured for recent output on German business history concerning Africa, such as the Andresen essay discussed below. So too are continental monographs overlooked, Nieke's 2010 *Volkswagen am Kap* being one of many.⁵⁶

This distorted presentation of the existing historiography further extends to insightful non-academic based research conducted by journalists. In the context of this dissertation, *Deutsches Kapital am Kap* by German AAM journalists Morgenrath and Wellmer (2003) immediately comes to mind.⁵⁷ Whilst the authors make their anti-business bias clear from the outset, it remains a history of business worthy of inclusion. Even confined to the niche subject area of SA, this brief excursion into German language research on business history reveals a wealth of notable scholarship that one hopes will find its way, together with that in other languages, into future historiographical updates.

Having established that business history in the context of Africa is not a well run dry; the next section examines the background to prior research with respect to foreign business in SA and whether this fundamentally engaged with the 'managerial perspective'. I categorise existing historiography in this regard as having seven distinct *Foci*. Each will be dealt with in turn below,

⁵⁴ Verhoef, op. cit., 19-20; Mariusz Lukasiewicz, 'On travels, teaching, and the next chapter,' *South African Economic History Annual* 3 (2014), 21-23, 21.

⁵⁵ Grietjie Verhoef, *The History of Business in Africa: Complex Discontinuity to Emerging Markets* (Cham, Switzerland: Springer, 2017), 9-20.

⁵⁶ Claudia Nieke, *Volkswagen am Kap: Internationalisierung und Netzwerke in Südafrika 1950 bis 1966* (Wolfsburg: Historische Kommunikation der Volkswagen Aktiengesellschaft, 2010).

⁵⁷ Birgit Morgenrath and Gottfried Wellmer, *Deutsches Kapital am Kap* (Hamburg: Lutz Schulenburg, 2003).

but the research clusters are broadly speaking: The economic historians, the business historians, researchers studying the roles and risk management techniques of MNCs, scholars evaluating the pros and cons as well as impact of sanctions and disinvestment, academics engaged in the examination of the AAM as well as writers examining corporate governance and corporate social responsibility. Finally, most applicable, and relevant, are those select few that engaged with the voice of management of companies that stayed the course.⁵⁸

(i) *The economic historians*

Perhaps the oldest and most-well known debate has been that of the economic historians with respect to apartheid. Positing apartheid as an economic paradox that necessitated explanation, two schools of thought have developed in the previous century with both incurring minor revisions to account for political and socio-economic phenomena occurring in the final two decades of the 'old SA'. The to and fro between the Neo-Marxist explanation and the Neoclassical liberal model was joined by the so-called Pluralist perspective in the 1970s and 1980s.⁵⁹ Often described as liberal vs radical contention, the prevailing two frameworks fundamentally differed in their treatment of racial discrimination within a market economy.⁶⁰ For proponents of the liberal faction, perhaps most appropriately represented through Lipton (1985/6), apartheid impeded a system of voluntary exchange of labour and was not compatible in the long-term with a capitalist system of economic organisation.⁶¹ Lipton, however, recognised that certain economic segments remained in favour of

⁵⁸ For a good introduction to these issues, albeit tainted by party politics, consider Verheugen, op. cit.

⁵⁹ As a primer consider Scott Timcke, 'The 'Liberal-Radical' Debate in South African Economic Historiography, 28.1.2016. <http://dx.doi.org/10.2139/ssrn.2724196>; Martine Mariotti and Johan Fourie, 'The economics of apartheid: An introduction,' *Economic History of Developing Regions* 29, no. 2 (2018), 113-125; Nicoli Nattrass, 'Controversies about Capitalism and Apartheid in South Africa: An Economic Perspective,' *Journal of Southern African Studies* 17, no. 4 (1991), 654-677; Kirk Helliker, 'South African marxist state theory — a critical overview,' *Politikon: South African Journal of Political Studies* 15, no. 1 (1988), 3-14; Daiva K. Stasiulis, 'Pluralist and Marxist Perspectives on Racial Discrimination in South Africa,' *The British Journal of Sociology* 31, no. 4 (1980), 463-490; Geoffrey Schneider, 'Economists and the problem of South Africa,' (PhD diss., University of North Carolina, 1997). <https://search.proquest.com/docview/304366850/?pq-origsite=primo>.

⁶⁰ I partially agree with the Marxist argument that SA, given its governmental prescriptions, was not a full market driven economy. The NP, despite its vociferous statements against the *rooi gevaar* (red peril), was remarkably socialist in its actions (SOEs, regulation, planning etc.).

⁶¹ Merle Lipton, *Capitalism and Apartheid: South Africa, 1910-1986* (London: Wildwood House, 1986), 180, 369, 372.

apartheid, notably agriculture, white trade unionism and the state bureaucracy.⁶² Marxist revisionists, in contrast, regarded the South African system of institutionalised racial discrimination and political economy as still exhibiting all the features of class conflict, albeit organised on racial lines. As the argument goes - white labour, in conjunction with government, repressed a black underclass to maintain its living standards. Finally, the Pluralist argument elaborates on an analytical structure where multiple actors within the socio-economic framework of SA pursue their own interests - flexibly allying across entities, class, race, and borders where necessary.

Across time and circumstance, all three perspectives are both valid and unsatisfactory. The liberal position is the only one that, in my view, gives at least partial credit to the role Afrikaner nationalism played in developing racial antagonism into a systematic, entrenched, and institutionalised form of governance. Afrikaner consciousness, history and culture were significant factors that ensured labour market tensions between the white and black populace, as well as the Anglophone business sector at the turn of the century, were not simply symptoms of another class struggle that could be explained through Marxist thought. Hazlett's (1988) analysis is sound on two counts. Firstly, that equating the low cost of black labour to indicate economic exploitation is an enduring fallacy, and secondly that:

*The integration that Afrikaners feared specifically was that promoted by economic development, and apartheid is a policy necessitated because the pre-capitalist autonomy of Boer racism is inherently incompatible with the economic realities of a modern industrial machine.*⁶³

Furthermore, Doxey (1961) and Harrison (1981), both point out that the mining sector, the preferred if not only example used by Marxist economic historians, is on record of having opposed the Colour Bar, a legislatively enforced system of job reservation for white workers to the detriment of black unskilled and semi-skilled labour, as far back as the early 1920s.⁶⁴ Where the liberal thesis flounders, rightly identified by revisionists such as Johnstone (1976), is that in SA's boom decade

⁶² Ibid, 369, 372.

⁶³ Thomas W. Hazlett, 'Economic Origins of apartheid,' *Contemporary Policy Issues* 6 (October 1988), 85-103, 96, 99.

⁶⁴ See Opposition by Sir Ernest Oppenheimer, cited in G. V. Doxey, *The Industrial Colour Bar in South Africa* (Cape Town: Oxford University Press, 1961), 160; Harrison, op. cit., 76-77.

following the republic referendum in 1960, the unfettered economic forces of capitalism utterly failed to make a mark in dismantling racial discrimination.⁶⁵ PM Verwoerd's ideologically-driven tenure, built on a foundation of Afrikaner nationalism, had triumphed over economic fundamentals.⁶⁶ This victory, however, was only possible because the economy's growth rate allowed the Anglophone business community to suffer the 'apartheid tax'. By the 1980s, when SA's economy entered recession on multiple occasions, the corporate sector became increasingly vocal in its call for the end to apartheid legislation. Had this occurred in the 1960s, the liberal theory might have gone unchallenged.

At the time, the neo-Marxist school provided a more convincing explanation for the reticence of the private sector in challenging the status quo in the 1960s and early 1970s. Paradoxically, the Afrikaans language newspaper *Die Burger*, cited by Lipton of the liberal camp, put it most succinctly that the Anglo community 'joined the Progressives, voted for the UP, and thanked God for the Nationalists'.⁶⁷ Whilst providing valid criticism of failings within liberal thought, such revisionism cannot provide a comprehensive framework for nearly a century of racial discrimination that can survive stress-testing. Its examples tended to be hand-picked to support its argument, notably the gold mining industry - and it drew on virtually no examples from the secondary and tertiary sectors. Marxist economic historians, in the case of SA, were adept at analysing the micro and laying out the symptoms but failed to reveal a credible underlying cause and an enduring macro trend.

It is the Pluralist camp that best explains the period under examination of this dissertation. In the P.W. Botha era, MNCs were subject to scrutiny and under pressure by multiple stakeholders. Similarly, executives and labour had to manage a multitude of oft conflicting challenges originating in SA and from abroad. Obligations were no longer simply to shareholders but to communities; to

⁶⁵ F. Johnstone, *Class, Race and Gold* (London: Routledge, 1976), 211-212.

⁶⁶ Consider Verwoerd's rebuke of business calling for reform in Hendrik Frensch Verwoerd, Toesprake in die Volksraad in verband met die Republikeinse Grondwet (Repliek op Tweede Lesing, Ontwerp-grondwet), 9.2.1961, in *Verwoerd aan die woord. Toesprake 1948-1962*, ed. A.N. Pelzer (Johannesburg: Afrikaanse Pers-Boekhandel 1963), 424-449, 442.

⁶⁷ Cited in Lipton, op. cit., 350.

fellow corporates; to standards of social responsibility taken for granted in home markets; to codes of conduct and other previously unconsidered parties. Black labour learned methods and tactics from both communist doctrine and norms of industrial relations established by social democratic labour unions in Europe. Events, actors and socio-political elements defied country and classification by existing framework. In the context of company behaviour, Leape et al. (1985) effectively demonstrate that it is only the Pluralist perspective that can account for adjustments in U.S. company investment and thereby disinvestment into and from SA.⁶⁸ Pluralism is the only analytical tool that considers management, rather than the company, as an actor exposed to conflicting demands. Unfortunately, Pluralism remains a catch-all, self-defeating explanation. With ever increasing granularity it identifies an endless kaleidoscope of stakeholders and their respective obligations. At the level of the individual rather than the firm, state or class, an unending number of strands and interlinkages between stakeholders can be thereby established to account for virtually every motivation and action.

However, by asking the scholar to consider the interests of every stakeholder, thereby laudably encouraging wider research, Pluralism at its core does not provide a macro level framework as the classical theories have done to slot phenomena into long-term, global schools of thought that are not country specific. Accordingly, the statement at the beginning of this brief excursion into the economic historiography on the role of the capitalist firm in SA continues to stand - across time and circumstance, all three perspectives are both valid and unsatisfactory. Similarly, pulled between opposing schools of thought have been studies on business during the period of African decolonization.

⁶⁸ Leape et al., op. cit., xxxi.

(ii) *The business historians*

The transition to majority rule in SA may be regarded as the end of the last bastion of white minority rule.⁶⁹ Such a narrative ties into existing scholarship within imperial and colonial history. Yet, as far as business history is concerned, SA remains relatively underrepresented. Indeed, existing treatises are focused on other parts of Africa, primarily West and Central Africa, certain sectors, often mining, single companies, such as Unilever or Ashanti Goldfields, or restricted to the period of decolonization and its immediate aftermath.⁷⁰ Moreover, these studies are often not true business histories. Rather they are economic or political histories which contain a business aspect. Furthermore, South African business histories are often only histories of South African businesses, rather than foreign enterprise in the country. The exception is the motor industry. This was covered, amongst others, by Duncan (1997).⁷¹ However these treatises are economic rather than business histories.

Three critical problems affect business histories set within apartheid-SA. First, the few that do exist have been written without access to company archives. This includes the above mentioned *Deutsches Kapital am Kap* and *Anglo American and the Rise of Modern South Africa* by Duncan Innes.⁷² Relying on secondary sources, both works also reflect their respective authors' anti-business prejudices, for example due a Marxist academic background in the latter work. Moreover, there has been little consideration given to the inner workings of large corporations apart from that information which is publicly available. This includes statements, speeches, and correspondence by larger-than-life businessmen, such as Sir Ernest Oppenheimer. In addition, literature solely highlighting the actions of these individuals props up the 'great man theory', albeit as commercial giants that created the

⁶⁹ Robert E. Gorelick, 'Apartheid and colonialism,' *The Comparative and International Law Journal of Southern Africa* 19, no. 1 (1986), 70-84.

⁷⁰ E.g. Larry Butler, 'Business and British Decolonisation: Sir Ronald Prain, the Mining Industry and the Central African Federation,' *The Journal of Imperial and Commonwealth History* 35, no. 3 (2007), 459-484; D.K. Fieldhouse, *Merchant Capital and Economic Decolonization: The United Africa Company, 1929-1987* (Oxford: OUP, 1994); Peter Greenhalgh, *West African Diamonds 1919-1983: An Economic History* (Manchester: Manchester University Press, 1985); Sarah Stockwell, *The Business of Decolonization: British Business Strategies in the Gold Coast* (New York: OUP, 2000).

⁷¹ David Duncan, *We Are Motor Men: The Making of the South African Motor Industry* (Latheronwheel: Whittles, 1997).

⁷² Duncan Innes, *Anglo American and the Rise of Modern South Africa* (New York: Monthly Review Press, 1984).

foundations for a country's economic success rather than epoch-defining statesmen.⁷³ The historiography thereby leans more towards the sphere of biography rather than insightful business history. Finally, company commissioned histories, often considered bland and perhaps white-washed of controversy, focus on stories of expansion, the minutiae of business, such as contracts, pricing, forecasts, production highlights, facility improvements and suchlike. By not engaging with the political sub-text, they make for dry reading.

In relation to the focus of this thesis, business history covering specific subsidiaries or markets is rare. Usually, these form part of a chapter on internationalisation of the MNC. Yet for the automotive sector, for whom the South African market also represented a strategic pillar in their organisational and geographic set-up, qualitatively succinct and well-written work exists. Namely, the previously cited *Volkswagen am Kap* by Nieke as well as *BMW in Südafrika (1967–1985)* by Annika Biss, which is an article based on her book on the international expansion of BMW, qualifying the above generalized statement.⁷⁴ Both reveal gaps due to their company-commissioned nature. Being more concerned with questions of marketing, production and shareholding structure, the political aspect is merely covered in a brief introduction. More notable is that Nieke ends her examination with the year 1966, whilst Biss for all intents and purposes in her article describes German political developments against SA up to the 1980s whilst then perplexingly going on to spend the bulk of her chapter describing BMW's operations in the 1960s and 1970s.

The preceding case studies represent the exception to the rule with their focus on SA. Chronologies of other large multinationals featured in this dissertation, such as Siemens or Henkel, have quite literally centuries and a world of material to cover – it is therefore understandable that apartheid-

⁷³ Sean Lang, Diarmaid MacCulloch, Lucasta Miller, and Jane Ridley, 'Is There Still Value in 'Great Man' History?' *History Today* 69, no. 9 (2019); Andrew Amoils, 'The 10 greatest businessmen and women in SA history,' Property24, 22.3.2017. <https://www.property24.com/articles/the-10-greatest-business-men-and-women-in-sa-history/25573>.

⁷⁴ Annika Biss, 'BMW in Südafrika (1967–1985): Unternehmerische Aktivität im Spannungsfeld der südafrikanischen Apartheidpolitik und des Kalten Krieges,' in *Dekolonisierungsgewinner: Deutsche Außenpolitik und Außenwirtschaftsbeziehungen im Zeitalter des Kalten Krieges*, ed. Christian Kleinschmidt and Dieter Ziegler (Berlin, Boston: De Gruyter, 2018); 171–188; Annika Biss, *Die Internationalisierung der Bayerischen Motoren Werke AG. Vom reinen Exportgeschäft zur Gründung eigener Tochtergesellschaften im Ausland 1945–1981* (Berlin, Boston: De Gruyter Oldenbourg, 2017).

SA is simply listed as another market the company was active in.⁷⁵ In summary, the business historians without access to primary evidence have tended to push an agenda with their writing, whilst those that have had the grace and favour of companies have had little cause to engage with the management view of SA in the 1980s choosing instead to focus on issues of internationalisation or internal affairs prior to the decade scrutinised by this thesis. Compared to the position of the above surveyed Anglophone literature, German business history too has its share of shortcomings, yet of a differing nature.

Post-war German language business history has primarily taken the shape of company-commissioned histories in form of a *Festschrift* or as biographies of entrepreneurs.⁷⁶ As a rule these tended not to include descriptions of their mistakes or analyses of the consequences of managerial decision-making, resulting in one scholar describing them as ‘ethical failures’.⁷⁷ By the 1970s, the German economy began a period of structural transformation, notably visible through the decline of historically prominent heavy industry. With companies of the present rapidly becoming part of the business tapestry of the past, their internal records were often collected in private or state archives as well as museums.⁷⁸ Independent researchers now had access to formerly hidden sources resulting in business histories on former titans in the steel and mining sectors, amongst other publications. Over the subsequent decades, two trends marked the eclectic range of research of German language business history beyond the classical company history.

First, German corporates, partially driven by public pressure, displayed an increasing propensity to deal with their involvement in the Third Reich.⁷⁹ The result of this exercise, often a monograph

⁷⁵ For Siemens, see ‘Our history in South Africa,’ Siemens AG, <https://new.siemens.com/global/en/company/about/history/countries-and-regions/south-africa.html>; for Henkel, see ‘Henkel’s history,’ Henkel AG & Co. KGaA, <https://www.henkel.com/company/milestones-and-achievements/history>.

⁷⁶ Commemorative publication. See Ralf Ahrens and Friederike Sattler, ‘Unternehmensgeschichte,’ in *Clio Guide – Ein Handbuch zu digitalen Ressourcen für die Geschichtswissenschaften*, ed. Laura Busse et al. (Berlin: Historisches Forum 23, 2018), E.7-1 - E.7-17, E.7-2. DOI: [10.18452/19244](https://doi.org/10.18452/19244).

⁷⁷ Hartmut Berghoff, *Moderne Unternehmensgeschichte: Eine themen- und theorieorientierte Einführung* (Berlin: De Gruyter, 2006), 10.

⁷⁸ *Ibid.*, 376.

⁷⁹ Sebastian Brünger, *Geschichte und Gewinn: Der Umgang deutscher Konzerne mit ihrer NS-Vergangenheit* (Göttingen: Wallstein, 2017), 22.

prepared for public consumption to ‘come clean’, was a product of an in-house commission if not a direct engagement of an independent scholar. Corporate scholarship on the intertwining relationship between the Nazi government and business was complemented by publications emanating directly from academia. Second, with business history gaining recognition as a stand-alone school of research, it began to analyse contemporary corporate activity – albeit with an understandable lag. With international expansion of German business accelerating in the 1980s, new research foci sprung up that analysed internationalisation strategies and management across continents. This research, however, maintained a mother company perspective. Studies emphasising specific subsidiaries, similar to scholarship on sectors or multiple companies via case studies, has remained an outlier in German language academic output.⁸⁰ As academia catches up with present corporate activity and business challenges, it is likely to move beyond the purely international aspect and become increasingly interdisciplinary in its approaches and methods. With subsequent discourse becoming unavoidably skewed towards topics involving questions of culture, gender, human rights, social identity, and sustainability it is highly unlikely that German business history will remain untouched. Indeed, it is a process that is already well underway.⁸¹ In its transition to this new landscape framed by divergent perspectives, a stopover in the analysis of historic management processes in subsidiaries is improbable.

This thesis, whilst not a business history in the strictest sense nevertheless seeks to be classified as one. Given the above survey of Anglophone and German language literature in this regard, such categorisation and usage would be more than apt; for it would overcome the contemporary and future shortfalls in each with respect to period as well geographical and stakeholder focus.

⁸⁰ Christian Kleinschmidt, ‘Unternehmensgeschichte als “Nebenbeschäftigung”’, *Zeitschrift für Unternehmensgeschichte* no. 64 (2019), 274-291, 275.

⁸¹ Consider the chapter on gender in Berghoff, *op. cit.*, 263-280.

(iii) *The MNC cluster*

Turning to analyses of MNC behaviour, their impact on host countries, prescriptions on their conduct and recommendations for their organisational set-up are just a few of the facets explored in the vast body of literature on international corporations.⁸² As with the charting of the existing historiography in terms of economic and business history, this study will focus on that of European subsidiaries in SA. Moreover, I also briefly investigate in what sense literature on managing political risk affecting international operations refers to apartheid-era SA.

Perhaps the most well-known reports and studies on the role of transnational enterprise originate from the UN. Specifically the United Nations Commission on Transnational Corporations established in 1974 took the lead in co-ordinating a global study in the activities of MNCs in SA.⁸³ German firms as a rule, however, like those of many other European nations, did not provide company data when requested.⁸⁴ Their reasoning of institutionalised bias against business was justifiable considering the Commission reflected the UN General Assembly: a bastion of the non-aligned movement and Black African states antagonistic towards SA. Indeed, when the AAM took advantage of the ample opportunities of the permanent speaking platform provided to it by the UN, it preached to those already converted in favour of moral activism against Western corporates, thereby doing little to dispel business's initial reluctance.⁸⁵ The German government expected the corporate sector to ignore the annual questionnaires sent to them by the UN TNC Commission, and via the BDI all but apologised to business for not being able to stop the creation of yearly reports listing companies active in SA.⁸⁶ As the Federal Republic of Germany's ('FRG') government

⁸² For an introduction, consider Alfred D. Chandler Jr and Bruce Mazlish, eds. *Leviathans Multinational Corporations And The New Global History* (Cambridge: CUP, 2005); Geoffrey Jones, *Multinationals and global capitalism: From the nineteenth to the twenty-first century* (Oxford: OUP, 2005).

⁸³ Tagi Sagafi-nejad and John H. Dunning, *The UN and Transnational Corporations: From Code of Conduct to Global Compact* (Bloomington: Indiana University Press, 2008), 89-122.

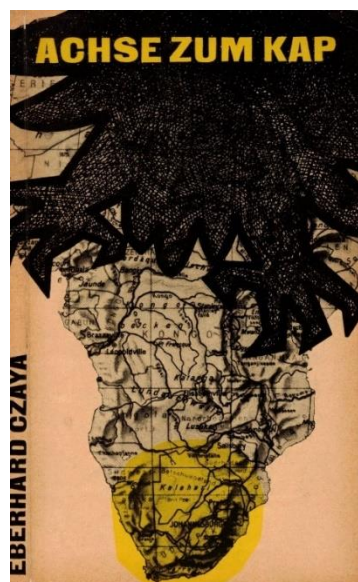
⁸⁴ BDI to Bosch, 13.7.1984, 1 in RB, 1 021 047.

⁸⁵ E.g. consider Gottfried Wellmer's presentation 'Implications of the FRG's corporate involvement in SA' at the UN Seminar on TNCs in SA and Namibia in October 1982 that regurgitated the bygone Marxist economic history argument. Copy in RB, 1 022 568 and at <http://kora.matrix.msu.edu/files/50/304/32-130-B3C-84-al.sff.document.acoa000206.pdf>.

⁸⁶ The Bundeswirtschaftsministerium ('BMWt') let business decide whether to respond to information requests from the UN TNC Commission but expected them not to, see BDI, op. cit., 1-2.

had been one of the notable abstentions on UN ECOSOC resolution 1982/69 that sought to curtail FDI to SA, this advice ensured no cracks could appear in the united front that existed between the German state and business interests.⁸⁷ The critical tone emanating from the UN is mirrored in the secondary literature on MNCs and apartheid. At times, this scholarship is barely distinguishable from the bitter criticism put forward by GDR academia. Positing German business involvement in SA as part of an imperialist-capitalist conspiracy steered via Bonn in conjunction with German big business, the GDR critique is eminently readable but for all the wrong reasons. The below cover page and title of one such publication summarizes much of this output, where the representative claws of the German *Bundesadler* are grasping for the apartheid pot of gold as part of a Bonn-based axis, hinting at continued post-WWII corporate complicity with a ‘fascist-imperialist’ government. Nonetheless, to their credit, the GDR scholars were the founders of German anti-apartheid, revealing substantial FRG-SA trade links over a decade before their West German counterparts.

Scan 1: (Domestic) cover page of Czaya’s *Achse zum Kap* (1964)⁸⁸



⁸⁷ Britain was the other abstention, see ‘Index to the proceedings of the ECONOMIC AND SOCIAL COUNCIL,’ (1982 sessions), (New York: United Nations, 1983), 64, https://library.un.org/sites/library.un.org/files/itp/1430-201404101421475170757_0.pdf; ‘RESOLUTION 1982/69,’ *Radicali Italiani*, 27.10.1982., http://old.radicali.it/search_view.php?id=20354&lang=&cms=.

⁸⁸ Eberhard Czaya, *Achse zum Kap* (Berlin: Dietz, 1964).

Whilst the backdrop of the liberal-radical debate and abhorrence for apartheid certainly contributed to heated emotions that were reflected in academic expression and output of the time, now is an opportune time to move forward and let facts not political bias determine conclusions. In the MNC historiography on SA, evidence-led scholars such as Bates (1983) remain the exception.⁸⁹ Too often, personal dogma has trounced data, as in Seidman (1979).⁹⁰ Contemporary analysis on MNCs has moved beyond the apartheid-era, focusing rather on facets such as soft power, transfer pricing, income inequalities and other pressing issues with global connotations.

A more practice-based viewpoint can be found in the literature comprising output both by academia and the private sector, on how MNCs can manage their exposure to political risk.⁹¹ This can include threats of nationalisation, local ownership requirements, such as Nigerianisation, divestment pressure and other scenarios. Much of the research within this context only gained increased traction by the late 1980s and throughout the 1990s, in line with vigorous international expansion by Western companies, and has been primarily focused on empirical studies of U.S. firms, including the seminal text by Baysinger (1984).⁹² Apartheid-era SA therefore only tends to feature as a case-study of business response and then only in superficial terms given that the response in question was for the bulk of U.S. firms to disinvest, thereby providing little impetus for mainly American researchers to compare theory and practice.⁹³ A notable exception, is the exploration of how Anglo-Dutch Unilever justified its decision not to disinvest from SA, primarily

⁸⁹ Timothy Bates, 'The Impact of Multinational Corporations on Power Relations in South Africa,' *Review of Black Political Economy* 12, no. 2 (1983), 133-143, 141.

⁹⁰ Ann Seidman, 'Transnational Corporate Involvement in South Africa's military build-up,' *Journal of Southern African Affairs* 4, no. 2 (1979), 153-173; Seidman, *Outposts*, op. cit. 69. C.f. Sayre P. Schatz, 'Perspectives on Transnational Corporations and Africa,' *African Studies Review* 24, no. 4 (1981), 23-28.

⁹¹ See Vincent Norcia, 'The Leverage of Foreigners: Multinationals in South Africa,' *Journal of Business Ethics* 8, no. 11 (1989), 865-871; Mark Fitzpatrick, 'The Definition and Assessment of Political Risk in International Business: A Review of the Literature,' *The Academy of Management Review* 8, no. 2 (1983), 249-254; Witold J. Henisz, Edward D Mansfield, and Mary Ann Von Glinow, 'Conflict, Security, and Political Risk: International Business in Challenging times,' *Journal of International Business Studies* 41, no. 5 (2010), 759-764; Bruce D. Keillor, Timothy J. Wilkinson, and Deborah Owens, 'Threats to International Operations: Dealing with Political Risk at the Firm Level,' *Journal of Business Research* 58, no. 5 (2005), 629-635.

⁹² Barry Baysinger, 'Domain Maintenance as an Objective of Business Political Activity: An Expanded Typology,' *The Academy of Management Review* 9, no. 2 (1984), 248-258.

⁹³ Jay van Wyk, 'Political Sources of International Business Risk: An Interdisciplinary Framework,' *Journal of International Business Research* 9, no. 1 (2010), 103-119, 114.

on grounds of profitability, and managed its exposure to reputational risk, in a company history by Jones (2005).⁹⁴

Furthermore, the question arises how far the risk experienced by subsidiaries in SA was political risk. The NP Government never posed a threat to foreign business, aside from the National Supplies Procurement Act, 1970 and its 1982 Amendment as well as any discomfort that arose from meeting the provisions of the National Key Points Act, 1980.⁹⁵ Endangerment of infrastructure and employee safety from terrorism and sabotage was low for German subsidiaries, unlike South African parastatals. Instead, any physical threat may have been from militant trade union activity and even that tended to be restricted mainly to townships, as described in the case studies of this dissertation.⁹⁶ I posit that risks faced by companies were primarily twofold, reputational risk at home and in SA, and risks to profitability as well as operations from industrial disputes and the market environment caused by socio-political factors. Many macro political risks as identified by Alon and Martin (1998) such as social unrest, riots, strikes, and interest rate fluctuations did exist in SA during the Botha years. These issues exhibited pronounced symptoms in the realm of business, for example lack of currency convertibility due to imposition of the financial rand and disinvestment pressure to name but a few.⁹⁷ Nonetheless, this 'live environment' at the time provides an example worth studying, given its absence in the historiography, regarding the risk management processes of businesses that chose not to disinvest.

(iv) Literature on sanctions and disinvestment

The historiography of sanctions and disinvestment research is best described as touching on business but not being *of* business. Applicable discourse has tended to occur at the macro-level along political guidelines, pressure on Pretoria being the most notable, where business is only an

⁹⁴ Geoffrey Jones, *Renewing Unilever* (Oxford: OUP, 2005), 180-183, 331.

⁹⁵ See Appendix I.

⁹⁶ The sole article examining the political risk of operating in apartheid-SA would concur. See Jeffrey D. Simon, 'A Theoretical Perspective on Political Risk,' *Journal of International Business Studies* 15, no. 3 (1984), 123-143.

⁹⁷ Ilan Alon and Matthew Martin, 'A Normative Model of Macro Political Risk Assessment,' *Multinational Business Review* 6, no. 2 (1998), 10-19, 13.

element of a larger narrative. Broadly speaking, literature on sanctions with respect to companies can be placed into three categories. First, the evaluation of statements by business leaders, such as Harry Oppenheimer, during the 1970s and 1980s that support the liberal argument of sanctions being unsuitable tools to force change upon the NP Government.⁹⁸ Second, the post-facto assessment of their effectiveness in being a decisive element in the transition to majority rule.⁹⁹ Finally, there are the case studies of U.S. firms that disinvested, output on this topic often overlapping with the school of research on the anti-apartheid and boycott movements.¹⁰⁰

The sanctions debate is relevant to this dissertation because it was an enduring factor that permeated the decision-making of German executives. Indeed, averting the implementation of sanctions is simply another aspect of pre-emptive crisis-management as will be shown in more detail later. In their reasoning, FRG managers mirrored their foreign peers, namely that any curtailment of South African involvement would negate the signalling effect of their own internal dismantling of racial discrimination as well as provision of social benefits and exacerbate unemployment.¹⁰¹ This stance, as has been shown in the existing historiography, was shared by prominent South African critics of apartheid. Helen Suzman, for example, saw the call for sanctions as folly driven by the uninformed and radical opponents of apartheid.¹⁰² In addition, influential voices, including Lipton and John Kane-Berman, Executive Director of the South African Institute for Race Relations, warned at the time that economic pressure would not directly translate into

⁹⁸ Harry Oppenheimer, 'Why the world should continue to invest in South Africa,' Address to the International Monetary Conference, Mexico City, 22.5.1978 (*Optima* pamphlet).

⁹⁹ Philip I. Levy, 'Sanctions on South Africa: What did they do?,' *The American Economic Review* 89, no. 2 (1999), 415-420.

¹⁰⁰ Eric J. Morgan, 'The World is Watching: Polaroid and South Africa,' *Enterprise & Society* 7, no. 3 (2006), 520-549; Seth Kumi, 'The Politics of Economic Sanctions: IBM and Coca-Cola in South Africa,' (PhD diss., University of Southern California, 1996); Geoffrey Jones and Cate Reavis, '[Multinational Corporations in Apartheid-era South Africa: The Issue of Reparations](#),' Harvard Business School Case 804-027, August 2003. (revised January 2013); Judith F. Posnikoff, 'Disinvestment from South Africa: They did well by doing good,' *Contemporary Economic Policy* 15, no. 1 (1997), 76-86; Yuichiro Kakutani, 'MNC Decision Making under Sanctions: South Africa and Rhodesia,' *Cornell International Affairs Review* 11, no. 1 (2017), <http://www.inquiriesjournal.com/a?id=1724>; Julia M. Puaschunder, 'When Investors Care about Politics: A Meta-Synthesis of Political Divestiture Studies on the Capital Flight from South Africa during Apartheid,' *Business, Peace and Sustainable Development* 5, no. 24 (2012), 29-52.

¹⁰¹ See Tony Bloom (Chairman of SA Premier Group), 'The Imperative of Enlightened Self-Interest in South Africa,' in Leape et al., op. cit., 131-140.

¹⁰² Helen Suzman, 'The Folly of Economic Sanctions,' *Business and Society Review* 57 (1986), 87.

political change – if at all.¹⁰³ Even at a Congressional hearing to consider further sanctions following on from US disinvestment, one US Diplomat elucidated: ‘Apartheid will not go away, just because we do.’¹⁰⁴

This author sympathizes with the above-mentioned statements in their dismissal of trade censures but rather on the grounds that sanctions were not going to sway Pretoria, a fact Hazlett (1988) had already foreseen:

*History counters that Pretoria has only been too willing to tax the South African economy with the large welfare losses of apartheid. (...) In essence, by obstructing South African trade and growth, foreigners subsidize apartheid policies by lowering the tax that racial separation imposes.*¹⁰⁵

The negligible impact sanctions had on SA was confirmed by Schwartzman (2001), thereby underlining my view that the final abandonment of apartheid policies by de Klerk, was driven *primarily* by the costs of maintaining the system of racial segregation, the increasing split of the white, including Afrikaner, electorate, the continuous unrest within the country, Soviet demise, and ongoing international isolation, of which sanctions were only a symptom – not a cause.¹⁰⁶

In the context of German business, the FRG government maintained its distaste for sanctions throughout the Botha era, only instituting those limited measures agreed to at a European level.¹⁰⁷ Nevertheless, this is a benefit of hindsight. During my period of investigation, as I will show, German corporates with South African subsidiaries closely monitored U.S. developments, aligned with industry associations to voice their anti-sanction position to government and felt the onset of

¹⁰³ Merle Lipton, *Sanctions and South Africa* (London: EIU, 1988); U.S. Congress House Committee on Foreign Affairs, *Proposed Economic Sanctions Against South Africa. Congressional Hearing, Mar. 22, 23, Apr. 20, 28, May 3, 1988* (Washington: U.S. Government Printing Press, 1988), 97, 280.

¹⁰⁴ Chas W. Freeman, Jr (Deputy Assistant Secretary of State for African Affairs), U.S. Congress, op. cit., 99.

¹⁰⁵ Hazlett, op. cit., 102-103.

¹⁰⁶ Kathleen C. Schwartzman, ‘Can International Boycotts Transform Political Systems? The Cases of Cuba and South Africa,’ *Latin American Politics and Society* 43, no. 2 (2001), 115-146; a view shared by Christoph Marx, ‘Zukunft durch Apartheid? Verwoerds Rassenideologie, Südafrikas Außenpolitik und der Westen,’ *Zeithistorische Forschungen* 13, no. 2 (2016), 210-230, 229; and Louw, op. cit., 159-173.

¹⁰⁷ Their lack of bite was in stark contrast to the U.S. Comprehensive Anti-Apartheid Act 1986. See Susanna Smith, *Front Line Africa: The Right to a Future: An Oxfam Report on Conflict and Poverty in Southern Africa* (Oxford: Oxfam, 1990), 306-309.

heart palpitations when Genscher pushed for additional limits on export credit guarantees to SA.¹⁰⁸ Though, this thesis does not have the benefit of scope to deep-dive into discussions between business and government with regard to the latter occurrence, it will shed new light where feasible on this aspect, including the internal managerial debate on disinvestment and other hitherto overlooked dilemmas corporate leadership faced with respect to the international sanctions movement.

(v) *Research on the AAM and boycott movement*

An outsider observer might remark that surely studies on the AAM could not ignore the role that business played as a target of these protests.¹⁰⁹ The answer, as is often the case, is yes and no. Yes, because certain research has shown businesses did respond to pressure, especially upon the realisation that reputational risk had resulted in operational profitability metrics taking a dip. This has been demonstrated to be especially applicable where European companies are concerned, as in the case of Barclays.¹¹⁰ Yet the answer is also no because corporate activity was only one facet of the overall boycott campaign which included a negation of sporting and cultural exchanges to name just a few other measures. Existing literature that does present the side of business, apart from notably John (2000), is not distinguished by its complete reliance on secondary material.¹¹¹ Recent output reiterates that the AAM was prejudiced towards business, e.g. driven by ‘greed’ rather than ‘profits’, but underlines that scholastic examination of European relations with the

¹⁰⁸ See preparatory memos before meeting leading German private sector representatives in Helga Steeg (Dir. Foreign Trade Policy, FRG Ministry for Economic Affairs ‘BMW’), 2.9.1977, and Steeg 28.10.1977, both in BArch B 102/149864.

¹⁰⁹ On the AAM, consider Francis Njubi Nesbitt, ‘Race for Sanctions: The Movement Against Apartheid, 1946–1994’ (PhD diss., University of Massachusetts Amherst, 2002); Donald R. R. Culverson, ‘The Politics of the Anti-apartheid Movement in the United States, 1969-1986,’ *Political Science Quarterly* 111, no. 1 (1996), 127-149; Roger Fieldhouse, *Anti-apartheid: A History of the Movement in Britain: A Study in Pressure Group Politics* (London: Merlin, 2005); Karl Schmidt, *Zum Umdenken Bereit: Aufzeichnungen Über Erfahrungen Mit Der Apartheid in Südafrika, Den Kampf Gegen Sie in Deutschland Und Das Werden Des Neuen Südafrika 1966-1995* (Idstein: Komzi-Verlag, 1996); Jürgen Bacia and Dorothee Leidig, *"Kauft Keine Früchte Aus Südafrika!": Geschichte Der Anti-Apartheid-Bewegung* (Frankfurt Am Main: Brandes & Apsel, 2008).

¹¹⁰ Peter Truell and Roger Thurow, ‘Barclays Exit from South Africa is most Significant Disinvestment --- Decision Raises Possibility Other European Firms may Follow U.K. Bank,’ *WSJ*, 25.11.1986, 1; Nerys John, ‘The Campaign Against British Bank Involvement in Apartheid South Africa,’ *African Affairs* 99, no. 396 (2000), 415-433.

¹¹¹ John, loc. cit.

apartheid-state continue to set-off from the AAM perspective and thereby enriching a stakeholder viewpoint already overly prominent in the historiography.¹¹²

The preference of researchers to rely on press clippings, think-tank reports and other media well-removed from primary evidence in company archives can be accounted for by three reasons. First, their narrative is grounded in the perspective of a movement rather than individual business actors. Therefore, they tend to only be interested in business responses to political and consumer protest rather than corporate decision-making that drove those reactions. Second, due to the span of activities engaged by the AAM in its cause of solidarity with black South Africans, engaging in depth with the corporate sector outside pre-conceived prejudices would be unwarranted in terms of time, effort, and desire. The ingrained nature of this attitude can be illustrated by proceedings from the German *Bundestag* during the 1980s. When accusations bordering on libel were made against German industry, business responded with facts to the contrary which were validated by the German government. Left-wing movements and their associated political parties, however, were simply not interested in the response. Instead, they prepared the same parliamentary questions and accusations in a seemingly endless loop throughout the 1980s.¹¹³ Such ‘parliamentary paper pushing’ was even more pronounced in the areas of defence, for example in the supply of submarine blueprints, and alleged nuclear co-operation, which are not in scope of this dissertation. Third, archival access, when requested, might not have been granted. Even today, this scholar found that repeated requests for access to the company archives of Daimler were denied, resulting in their exclusion as a case study. Given that it was an enduring target for the AAM, defendant in the lawsuit highlighted in the introduction, and the only large German business cited in interviews

¹¹² Knud Andresen, ‘Between Goodwill and Sanctions: Swedish and German Corporations in South Africa and the Politics of Codes of Conduct,’ in *Apartheid and Anti-Apartheid in Western Europe*, ed. Knud Andresen et al (Cham: Palgrave, 2021), 25-48, 26; Håkan Thörn, *Anti-apartheid and the Emergence of a Global Civil Society* (Basingstoke: Palgrave, 2009).

¹¹³ E.g. DIE GRÜNEN party, despite earlier government responses, continued to hand in similar parliamentary questions throughout the 1980s accusing Daimler of supplying military vehicles. See Deutscher Bundestag, 10. Wahlperiode, Drucksache 10/707, 30.11.1983 (*Menschenrechtsverletzungen in der Ciskei*); Deutscher Bundestag, 10. Wahlperiode, Drucksache 10/3080, 26.3.1985 (*Militärisch relevante Zusammenarbeit mit Südafrika (III)*); Deutscher Bundestag, 10. Wahlperiode, Drucksache 10/6759, 18.12.1986 (*Bundesdeutsche Rüstungsexporte*); Deutscher Bundestag, 11. Wahlperiode, Drucksache 11/5038, 7.8.1989 (*Militärisch relevante Zusammenarbeit mit Südafrika*).

with black employees as having a culture of racism, the company's position of overt caution suggests skeletons in the closet and is a disappointment to the research community.¹¹⁴ Therefore, in the context of no insight emanating from the existing historiography on what German company management thought of the AAM, which of its actions and actors it deemed worthy of a response and what changes in behaviour resulted from it, this thesis breaks new ground by sourcing primary evidence to present and understand the other side of the boycott movement.

(vi) *Historiography on corporate social responsibility and the Codes of Conduct*

In 1977 the American Sullivan principles governing US company behaviour in SA were introduced.¹¹⁵ The principles had been drafted by a General Motors ('GM') Board member and aimed to foster black integration as well as further the elimination of racial barriers within U.S. foreign enterprise operating in SA.¹¹⁶ They also served a secondary purpose by providing a rationale that could be employed to justify continued American business presence and stave off public criticism. In that respect they ultimately failed. Indeed, Leon Sullivan, their proponent would himself later call for U.S. disinvestment.¹¹⁷

Following the American initiative, the EEC introduced its own Code of Conduct (hereafter 'codex') in the same year. It was further revised in 1985/86, and until the 1990s was the *de jure*, though not always the *de facto* institutionalised standard on European corporate behaviour in respect to activities in SA. Unlike the Sullivan principles, the codex was deliberately set-up by European governments, under British and German pressure, on a voluntary basis.¹¹⁸ German business was initially against the introduction of the codex as it feared the inclusion of sanctions and had recommended to the government to stick to existing OECD guidelines.¹¹⁹ Their initial recalcitrant

¹¹⁴ Exemplified by a famous AAM poster against Daimler. Copy in Mara Brede, "'Apartheid tötet – boykottiert Südafrika!'" Plakate der westdeutschen Anti-Apartheid-Bewegung,' *Zeithistorische Forschungen/Studies in Contemporary History* (Online Edition) 13, no. 2 (2016), 348-359.

¹¹⁵ See Appendix I.

¹¹⁶ Karen Paul, 'Corporate Social Monitoring in South Africa: A Decade of Achievement, an Uncertain Future,' *Journal of Business Ethics* 8, no. 6 (1989): 463-469, 464-465.

¹¹⁷ *Ibid*, 463.

¹¹⁸ Steeg to BMWi BM, 13.9.1977, 2 in BArch B 102/149864.

¹¹⁹ BDI press release, 26.9.1977 in BArch B 102/149864.

attitude was followed by plentiful writing on the codex's shortcomings. Criticism included its voluntary nature, the lack of enforcement, the aggregation of company compliance reports by the FRG government, and its perception as a cop-out by European governments to avoid sanctions and corporate disinvestment.¹²⁰ Despite the consensus on its negligible impact and complete dismissal as an effective policy instrument by black labour unions, in part due to it being drafted without their input, the codex is a critical part of understanding business thinking in this era.¹²¹ The public at large might have dismissed it, yet major German corporates took it seriously. As this thesis will show, significant resources were devoted to preparing annual reports demonstrating their efforts to improve the welfare of their black workforce. When these reports were challenged by the IGM, especially through the development of their own fourteen-point minimum standards for South African subsidiaries, FRG business found itself once again in the spotlight. Suffice to say, academic literature, either in German or English, on this challenge facing businesses active in SA is yet to be put to paper.¹²²

Where the historiography does consider the behaviour of corporate subsidiaries in SA, is in tracts on corporate social responsibility. In particular, the dissertation by Cron (1997) took on the burden of challenging the activities of German industry in fostering the training, education, and development of the black population.¹²³ The thesis, however, is a disappointment. 211 of its 277 pages recount South African history and activities of party-political foundations followed by a description of political measures. Only in the last 50-odd pages does the author get to the topic of business, evaluating its response to an author-drafted questionnaire, before putting the text to bed with a brief conclusion. Another German thesis, this one written by Mundorf (1993), ostensibly

¹²⁰ Jennifer Seymour Whitaker, review of *European Business and South Africa: An Appraisal of the EC Code of Conduct*, ed. Anne Akeroyd, *Foreign Affairs* 60, no. 1 (1981), 219; Martin Holland, 'Disinvestment, Sanctions and the European Community's Code of Conduct in South Africa,' *African Affairs* 88, no. 353 (1989), 529-547.

¹²¹ Claudius Wenzel, *Südafrika-Politik der Bundesrepublik Deutschland, 1982-1992: Politik gegen Apartheid?* (Wiesbaden: Deutscher Universitäts-Verlag, 1994), 87; Siegmund Schmidt, 'Gewerkschaften und Industriebeziehungen in Südafrika: Der Kampf um wirtschaftliche und politische Emanzipation,' in *Südafrika Politik-Gesellschaft-Wirtschaft vor dem Ende der Apartheid*, ed. Hanns W. Maul (Opladen: Leske+Budrich, 1990), 191-242, 240.

¹²² Erika Martens, 'Umkehr am Kap,' *Die Zeit*, 22.7.1988.

¹²³ Cron, op. cit., 274-275.

focusing on the contribution of German corporates to the South African economy, makes a similar misstep. It consists of extensive retelling of history and existing facts ending with brief case studies on the social responsibility contributions of three German firms.¹²⁴ Apart from both above theses missing their original objective, their greater failing is that their research resulted in a missed opportunity to engage with the voice of management and primary evidence.

Any remaining academic interest into the codex faded once black labour unions were recognised and accepted as representative negotiation counterparties as these could now voice the concerns and needs of the workforce better than foreign-imposed standards on company behaviour.¹²⁵ Furthermore, apart from the above dissertation examples, upon majority-rule, output on subsidiary corporate social responsibility in SA became amalgamated within global research on corporate social responsibility standards.¹²⁶ This thesis therefore also provides a missing business perspective, particularly on implementation of the codex and union criticism, which has so far escaped secondary literature.

(vii) *The voice of management in existing scholarly output*

Only four pieces of writing effectively engage with and air the *voice of management* during the Botha period. Three of these, are unfortunately not only outdated by over thirty years but primarily represent the viewpoint of South African business leaders rather than that of MNC executives. The works I refer to are the Bloom (1985) chapter referenced earlier in this historiography, Sampson's (1987) seminal piece of journalism in novel form *Black & Gold* and the Kobach (1990) thesis.¹²⁷ The fourth publication is Andresen's (2016) article on the ethical aspects of German automotive

¹²⁴ Dirk Mundorf, *Bedeutung von Investitionen Deutscher Industrieunternehmen für die Wirtschaft Südafrikas: Eine Untersuchung auf der Grundlage historisch-geographischer und wirtschaftsgeographischer Untersuchungen* (Frankfurt Am Main: Lang, 1993); my thoughts mirror those in Rolf Hofmeier, review of *Bedeutung von Investitionen Deutscher Industrieunternehmen für die Wirtschaft Südafrikas: Eine Untersuchung auf der Grundlage historisch-geographischer und wirtschaftsgeographischer Untersuchungen*, Dirk Mundorf, *Africa Spectrum* 29, no. 3 (1994), 354.

¹²⁵ In contrast, the Sullivan principles were revised as the 'global Sullivan principles' in 1999. See Gwendolyn Yvonne Alexis, 'Global Sullivan Principles,' *Green Business: An A-to-Z Guide* (SAGE, 2010), <https://philarchive.org/archive/ALEGSP-2>.

¹²⁶ Dinah Rajak, "'HIV/AIDS Is Our Business": The Moral Economy of Treatment in a Transnational Mining Company,' *The Journal of the Royal Anthropological Institute* 16, no. 3 (2010), 551-71.

¹²⁷ Bloom, loc. cit.; Sampson, op. cit.; Kobach, op. cit.

engagement in apartheid-era SA.¹²⁸ As Andresen worked at Volkswagen after receipt of his doctorate before returning to academia, he restricts himself to VW as his sole case study but does draw on archival primary evidence, unlike virtually all authors cited in this historiographical overview. The papers of former 1970s VWoSA Chairman Blohm are his main source of primary evidence and this is reflected in the article, the bulk of which concerns the period of market entry after WWII up to 1980. Post-1980, Andresen's main personal research interest of industrial relations becomes overly prominent. These aspects should not detract from what is, overall, an excellent article that represents the sole academic contribution on the voice of management in German subsidiaries in the Republic. Given its focus on pre-1980s corporate decision-making, it is best read prior to and in conjunction with my case study chapter on Volkswagen. With *voice of management* literature not only outdated but restricted to South African business and a single German subsidiary prior to the Botha-era, this thesis marks the return of this analytical perspective by its application to both a wider period and number of stakeholders.

Main argument

This dissertation argues that the tenet established by Levitt, namely the pursuit of profits, always applied to German subsidiaries in SA. In accordance with this principle no ulterior political motive existed for business until it was necessitated by economic malaise caused by political factors, or to maintain solidarity with fellow FRG corporates.¹²⁹ Furthermore, I posit that business did neither lobby nor plan political statements. In fact, it ignored repeated calls and provocations to do so. This stance only changed upon realisation that the root cause of the problems they faced lay outside management's control to address – politics. The thesis argues that even when engaging in negligible political activity, German corporates were exceptionally careful in choosing which battles to fight, with a tendency to side with the South African government and they attempted to ensure at all costs a united front within the German bloc. The thesis further contends that although German

¹²⁸ Andresen, op. cit., 231-253.

¹²⁹ Theodore Levitt, 'The Dangers of Social Responsibility,' *Harvard Business Review* 36, no. 5 (1958), 41 – 50.

business had medium- to long-term scenarios and business plans drawn up for SA, of which an outlook on the political environment was a critical factor, companies were nonetheless caught off-guard by developments.

In addition, this dissertation broadly supports the arguments made by the liberal camp within South African economic history. The case studies support the assertion that FRG industrial businesses neither profited from apartheid nor consciously sought to prop it up via their investments. Furthermore, on the issue of racial discrimination, the argument is articulated that this was not fundamentally institutionalised within German corporates in the 1980s. Instead, it will be shown that management took steps to eliminate racial discrimination behind factory gates going to the limit of what was permissible under South African law and, in certain cases, beyond it. In terms of day-to-day operations, a hypothesis is set out that FRG subsidiaries orientated themselves primarily along their own standards of behaviour in Germany as well as large corporates peers when it came to black integration and development – rather than any outside pressure such as from unions, domestic or foreign.¹³⁰ When labour issues with the non-white workforce arose, these will be revealed to have arisen from specific factors.

In contrast to established public perception, the thesis posits that German subsidiary profits in SA were either negligible in terms of overall global revenues, abysmal or non-existent. Despite profitability metrics not being in their favour, disinvestment was never an option discussed at length within German corporates, with no serious withdrawal plan ever being prepared despite a barrage of ‘rainy days’. The paradox of maintaining an unprofitable subsidiary whilst being profit-orientated is accounted for by the opportunity cost of selling (at a significant loss) or writing down the South African business compared to annual injections of capital. Furthermore, specific chapters

¹³⁰ These values were at times inherent, e.g. the founder of Bosch established an enduring company culture based on mutual respect, transparency, fairness, trust, and responsibility whilst other companies developed effective norms due to the unique post-war German Supervisory Board system which by law required employee representation (reflecting that Germany is a ‘social market economy’). In context, this meant that companies expected to treat their employees in SA as they did in Germany without being explicitly seen to break local law. See ‘Werte gemeinsam leben,’ Bosch, <https://www.bosch.de/karriere/warum-bosch/kultur/>; ‘Mitbestimmung,’ Bundeszentrale für politische Bildung, <https://www.bpb.de/nachschlagen/lexika/recht-a-z/22568/mitbestimmung>.

will illustrate how subjective influences, such as moral concerns, steadfast optimism for the future and the affinity of company leadership for SA stayed many a hand from considering a hasty disinvestment. Moreover, I assert that management was in favour of reform but preferred a power-sharing system for reasons of stability without ever envisaging majority-rule until the closing years of the decade. Finally, the dissertation argues that contrary to Friedman's argument that the offering of social benefits violates the profit-seeking mission of the firm; their provision to black employees was seen, albeit in specific instances, as a form of investment into a demographic segment of prospective consumers to enable future returns.¹³¹ The above premises form constituent parts of an overarching hypothesis that contends a decision not to disinvest, irrespective of case-specific motives, was the morally appropriate choice; especially so for those citizens most disadvantaged and least represented both within and without the kaleidoscopic cacophony of 1980s SA.

Contribution

This dissertation represents an attempt to begin redressing the historiographical gap whilst deliberately building on several new approaches that go against the established academic grain. With unprecedented access to company archives of major German firms that stayed the course during the turbulent 1980s and chose not to disinvest, this thesis represents several firsts. Not only is it the first foray into exploring the numerous challenges foreign subsidiaries faced by opting to remain in SA, the first to base its research into business on primary evidence rather than secondary literature and press clippings but also the first to analyse this history from the perspective of management. Furthermore, as written by a former manager with experience of corporate processes, it forensically investigates the road leading up to the key decisions management had to make during the Botha era as well as the power politics between the South African subsidiary and the German mother company.

¹³¹ Milton Friedman, 'The Social Responsibility of Business is to Increase its Profits,' *NYT Magazine*, 13.9.1970, section SM, 17.

In addition, by presenting several case studies, each focused on a different business and drawing attention to a major specific challenge, be it at home or in SA, by such an approach the German corporate sector does not fall victim to being presented as a monolithic bloc from which generalized macro-level inferences can be made, despite the tendency of economic historians to argue otherwise. In this way existing assumptions about relevant issues such as apartheid buoying company profitability, the degree of lobbying of and by Pretoria, in-company racial discrimination and pro-forma public statements of sentiment being at odds with internally held views, are not regarded as sacrosanct. Instead, they are challenged and judged against archival facts.

Above and before all else, this dissertation provides a new picture of continuous, behind-the-scenes crisis-management by foreign subsidiaries in the 'long decade' of the 1980s, a period marked by ongoing economic, political, social, and labour challenges arising within and without SA. It questions existing opinions on the role of companies in the context of apartheid but is neither a thesis in classical economic history nor is it a history of business but is fundamentally a history of *management*. It examines whether any systematic decision-making process existed within the German corporate sector in SA in response to events and what drove these businesses to not only not pursue disinvestment given the myriad issues faced but in certain cases *volte-face* engage in borderline political activities. The thesis covers a multitude of companies via case studies, and by its nature touches upon all major developments in SA in the international context including those of a political and socio-economical nature, be it union agitation, UN and EEC sanctions, anti-apartheid campaigns, press attention and calls for disinvestment. But it is not a history of these movements. Rather it is a study of the missing factor of business and attempts to re-orientate existing historical discourse from a hitherto ignored perspective.

Of course, during this period certain challenges to company activities in SA were to a degree shared by all firms. In Germany these included media scrutiny, public protests, critical studies by ecumenical and political organisations, investigations by the UN Commission on TNCs, the curtailing of export credit guarantees and, at the beginning and end of the decade under analysis,

the involvement of German labour unions with prescriptive recommendations on conduct for the South African subsidiaries. Likewise, in SA, all firms had to grapple with the implementation of the codex, an economy in turmoil, a government deliberately reforming at snail's pace and the operation of a business in a declining market under the threat of sanctions. Notably, each firm in the following chapters had its own individual issues to tackle. This included a breakdown in labour relations, calls for product boycotts, a collapse in profitability, a troublesome geographical location near a Homeland border or fragile political relationships to Pretoria and/or the ANC.

Sources & Methodology

In terms of source material, the thesis presents the first analysis to chiefly draw on primary evidence located in company archives in Germany. The records in question are those held by Bosch, Siemens, Hoechst (Sanofi), Volkswagen, BMW, Henkel, BASF, and Degussa (Evonik). In addition to the material held by business, the archives of the German Economic Ministry, German Foreign Ministry and Chancellery were also consulted. To ensure a holistic picture, German archival sources are supplemented by special collections held in the UK National Archives, as well as the University of the Free State, University of the Witwatersrand, University of Cape Town, and the University of South Africa (UNISA) in SA. The insights provided by these written document collections are complemented by interviews with former MDs, resident principally in Germany, the UK and SA. Records of parliamentary questions in the *Bundestag* and secondary sources such as press clippings, union, and church publications (which also contain extensive interviews with black workers) are used to supplement the dissertation where appropriate.

The methodological approach taken in this dissertation reflects its stated objective in highlighting the *voice of management*. The internal records of a formal nature, such as minutes, memos and correspondence are often the result of a plethora of drafts, notes, scribbles, and peer commentary in the margins of memoranda. Together they provide a written record highlighting the perspective and experiences of executives in Germany as well as in SA. These archival collections also contain

correspondence with the NP's functionaries as well as publications aimed at outside parties. Such missives are the gestation of a decision-making process that identified outside communication and lobbying as a necessity. Secondary sources, such as newspaper articles, only see and record this 'final' output. An employment of such sources beyond a supporting role would allow for distortion to enter the narrative and undermine the thesis. These sources are therefore deliberately avoided, unless deemed necessary in the applicable context. Where possible, when events and policies originating outside the sphere of business are discussed, reference to the original document, such as from the UN, the EEC, or the NP and/or FRG government is made. If this is unavailable, citation is made to a discussion thereof in German government archives to maintain the primacy of primary source evidence.

Whilst a surface reading of this thesis may present the impression of the author being sympathetic towards management from the outset and overly reliant on corporate sources, this would be the wrong conclusion to draw. The consulted business archives contain records not only of their respective enterprise but also the formal and informal publications of their detractors. From critical press and think tank analysis both in Germany and in SA, union publications, church studies, interviews with black labour, to boycott posters of local community movements. A wealth of material stemming from a multitude of stakeholders was sifted in German company archives, including non-corporate output that can no longer be found in any South African collections. In addition, the extensive records housed in German governmental archives of different, often conflicting, ministries, represented a sound springboard, notwithstanding the secondary literature, into achieving a modicum of distance to fairly evaluate a plethora of positions put forward by management, labour, the NP Government, the ANC and the AAM. Any subsequent agreement with managerial decision-making by this dissertation is, therefore, ultimately based on ascertained fact – not perspective.

As a rule, MDs in SA, and senior executives in Germany in the 1980s were between the ages of thirty-five to sixty. The consequence has been that the great majority of these gentlemen, now forty

years later, are deceased. The author has taken all efforts to locate and contact the few that remain and are in sufficient health to provide oral testimony. Suffice to say, a journey involving the scouring of South African horse-breeding records, Western Cape Church magazines, Spanish avian charities, Home County residency associations, German obituary notices and liberal use of the phone book have proven fruitful. In addition, to providing the most accurate representation of the *voice of management*, these interviews with business leaders were complemented with those government officials formerly associated with the German Embassy in Pretoria.

By covering a multitude of companies, the use of a case study framework ensures differences and commonalities between the respective companies are sufficiently illuminated. The companies differed in set-up, strategy, profitability, management, geographic location, size, and proximity to government. These underlying factors coupled with their product and the divergent infrastructure and labour requirements to create this product shaped their responses to the challenges of the 1980s. Aspects of behavioural and cultural divergence can be best represented by the chosen approach. Furthermore, the case study method makes a significant contribution against 'reading fatigue' by presenting new perspectives on common challenges.

The drawback of the selected framework is its introduction of a great number of names, events, abbreviations, and business terminology. Great effort has been made to make the text approachable to the layman in this regard. Moreover, a list of abbreviations, major figures and chronology has been provided to mitigate this drawback. The case study method also means reverting to the past between the ending of one case study and the beginning of the next. This remains a downside of the employed structure but one that also ensures each chapter is a self-standing, thematically driven tale of a subsidiary.

Structure

The following dissertation does not adhere to a chronological layout. Rather it is split into seven chapters of divergent size categorized into three sections. These are bookended by a brief

historiographical overview with respect to literature on foreign subsidiaries in SA and concluding remarks that explore the validity of the above hypotheses. The individual chapter length is determined not by company size and importance but by the state of archival primary evidence that can provide insight into the thinking and decision-making of management. The introductory chapter on Bosch touches upon many of the themes, issues and challenges that concerned South African affairs in the 1980s. As such, it represents the recommended first step in the reader's journey. The subsequent chapters on Volkswagen and BMW within the section on the motor industry and its suppliers each highlight a different aspect in managerial thinking that completes the introductory picture painted by the initial case study but can be read in any order. The next section shifts the onus to the chemical sector. It comprises case studies on Hoechst, Degussa and Henkel that serve to illustrate the activities of a sector that was not in lockstep with the manufacturing corporates. Instead, it marched to its own tune regarding its South African subsidiaries. These middle chapters highlight that even smaller companies could not escape international and local scrutiny. The political shadow cast by operating in SA allowed for no escape into traditional corporate ambivalence and isolation whilst hoping only the large, and therefore prominent, conglomerates would be targeted by disinvestment and boycott pressure groups. The final section and chapter on the conglomerate of Siemens synthesises many of the issues raised in the preceding case studies. It places German foreign business in context within South African history up to the present day. By revealing the lasting impact of management's historically controversial commitment to remaining in the country as the enabler for success stories in the 'new SA', it brings the thesis full circle to the fundamental question on whether disinvestment was morally appropriate.

German business culture in context

To aid in the understanding of managerial decision-making within the following case studies, a brief presentation of corporate culture is warranted at this stage before proceeding. Indeed, many of the processes elaborated on within the following chapters reflect a great number of the

established tenets ascertained with German business culture.¹³² Indeed, within business history the cultural facet remains understudied versus the economic one. However, it is a critical aspect necessary to understand company decision-making methodology as well as the subsequent decisions illustrated in the following chapters. Yet, the exceptions to this convention reflect two key points: first, the power of individual actors to defy and overrule established corporate reasoning, as will be shown, for example, by the actions of BMW AG's Chairman in the applicable chapter, and second that SA was a 'special case' in subsidiary management where a multitude of characteristics attributed to UK/US company culture now applied to German business.

Comparison of business culture often begins with the discredited Hofstede model, the criticisms of which I share. Using a single sample set of unverified data from IBM, Hofstede (1991) attempted to establish categories to measure culture at the nation state level in quantitative terms.¹³³ Not only is a hard science approach to describe culture questionable, others such as Berghoff (2016) have correctly pointed out that in business, culture can hardly be measured at the national level.¹³⁴ This is especially so when sector-specific businesses share far more commonalities with their foreign peers than differences. Rather, culture is specific to the firm and to its management. Nonetheless, at a general level, Diehl (2002) and Schmidt (2002) respectively established broad characteristics of German and American business culture.¹³⁵

Within German business culture, leadership is as much about privilege as it is about responsibility.¹³⁶ Hereby, business culture reflects both on an inherent Protestant work ethic as it does a social responsibility towards society.¹³⁷ Unlike British or French enterprises where career progression is defined as being subject to education at an elite institution or membership of the old

¹³² Franco Amatori, 'Business History: State of the art and controversies,' *Entreprises et Histoire* 55, no. 2 (2009), 11-23, 18.

¹³³ Geert Hofstede, *Cultures and Organizations: Software of the Mind* (London: McGraw-Hill, 1991).

¹³⁴ Berghoff, op. cit., 166.

¹³⁵ Oliver P. Diehl, *Akkulturation, Führungsstil, Gruppenerfolg* (Münster: Waxmann, 2002); Patrick LeMont Schmidt, *Die amerikanische und die deutsche Wirtschaftskultur im Vergleich* (Göttingen: Hainholz, 2002).

¹³⁶ Diehl, 44.

¹³⁷ Ibid, 45.

boys' club, German companies operate on principles of 'continuity and loyalty'. In other words, rising up the ranks is best achieved by avoiding changes in employer.¹³⁸ Furthermore, German corporate culture is established on well-entrenched rules regarding structure, order and hierarchy whereby decision-making power remains at the top with subordinates having limited ability to influence top-down directives. Lastly, both Diehl and Schmidt agree that in terms of communication and interpersonal relationships, German managers rely on a large output of written missives, operate on principles of honesty, clarity, and directness but most of all base their reasoning on fact and extensive detail, not style, outside appearances or emotion.¹³⁹ The latter conclusion is particularly important to correctly comprehend the thinking behind the managerial decisions analyzed in this thesis.

In contrast, American managers 'want to be liked', shy a meticulous decision-making process, prefer to improvise and 'act first, understand later' with detail representing 'information overkill'.¹⁴⁰ They are also attributed with a healthier risk appetite as compared to their German peers. In the case of South African disinvestment, however, such broad characteristics must be taken with a pinch of salt, especially considering the relatively swift exit by US corporates from the country upon being subject to public pressure. Finally, as this thesis will show, contemporary descriptions of German business culture portraying a slow decision-making process that is underpinned by an extensive data gathering process, management preferring a consensus rather than divergent opinions, and decisions once arrived at as being irreversible, all apply to the handling of German subsidiaries during Botha's tenure.¹⁴¹ Whilst not a treatise on culture, this dissertation does illustrate how inherent German corporate values and processes were adapted to as well as challenged by the issues stemming out of their engagement with the apartheid-Republic.

¹³⁸ Ibid, 46.

¹³⁹ Ibid, 47-48; Schmidt, chapter 5. Compare with 'Business Culture,' Santander, June 2020, <https://santandertrade.com/en/portal/establish-overseas/germany/business-practices>.

¹⁴⁰ Schmidt, loc. cit.

¹⁴¹ 'Deutschland: business Etikette,' Passport to Trade 2.0, 2019, <https://businessculture.org/de/western-europe/germany/>.

Section I (The Motor Industry)

- Chapter 1 -

Robert Bosch South Africa: The spider's web

Introduction

This is the first of seven case studies that examines the South African business component of German companies. Each of these subsidiaries was larger, older, better politically connected or more successful than that of Robert Bosch GmbH's South African operation, RBSA. Yet, there is good reason for Bosch to constitute the first chapter. No German enterprise concerned itself with the complexities of operating in apartheid-SA to a greater degree than Robert Bosch ('RB'). As with a spider sitting in the centre of its web, so RB and RBSA sensed any movement along the strands of the 'South African issue'. Particularly during the tenure of Hans Merkle as CEO between 1963 and 1984, Bosch monitored, examined, debated, and processed information from a vast array of sources. Whilst liaising with German business associations as well as peers and major clients, RB nevertheless took care to develop its own strategic position on major issues of contention in the FRG. Concurrently, RBSA had touchpoints with applied apartheid policy in SA, be it race-based resettlement or Homeland labour sourcing. Both operated within a wider socio-political context of disinvestment, newly assertive unionism, and increased international NGO co-operation as well as challenging economic conditions. Such challenges required an unprecedented level of engagement by management with concerns outside the realm of business.

This first chapter introduces many of the major difficulties faced by all companies examined in this thesis, especially those issues arising out of FRG public debate. Whilst at first glance appearing to merely be an automotive supplier that had grown in SA together with its clients, such a simplification of RBSA would be a disservice to the disproportionate strategizing the South African operation ultimately warranted. This strategizing provides exceptional insight into the management of externally driven, socio-political challenges for the operative business of German subsidiaries in SA as well as into the process of formulating evidence-based counterarguments against the

emotionally charged pronouncements of the AAM. The argumentative thread of this case study adheres to a similar duality.

The following chapter underpins many of the core thesis hypotheses. In terms of management processes, it shows that apart from disinvestment never being an option for German companies, their handling of inquiries into their South African business rested on pronounced information sharing and co-ordinated, unified crisis-management. Furthermore, any differences in the aligned approach arose primarily from divergences in size and profitability, rather than in marked discrepancies in executive behaviour. Similar shared traits were a reticence to engage in politically tinged debate and to allow for the influence of non-corporate actors into their South African conduct. As the following case study shows, it was the internal standards of behaviour and precedents set by peers and clients that held sway in managerial decision-making. Moreover, the chapter also serves to critically oppose much of the AAM position as regards business. It questions the AAM rhetoric that apartheid-induced supernormal profits motivated market entry and expansion, that economic surplus propped up systemic racial separation and finally, that racial discrimination was institutionalised within the local operations of German business.

1. Follow your customer

In South African history, 1976 is rightly associated with the Soweto uprising and the subsequent turning point in the ANC's growth. For RB's operation in the country, the year too was highly significant. It marked the date when the German company first gained majority-ownership and thereby managerial control of a South African production business. Conscious of the implications of entering the South African market, management set out the guiding principle of 'non-discrimination' to be at the heart of any characterization of its new subsidiary.¹⁴² Indeed, Merkle, as CEO, clarified to the Board that RB's behaviour upon entry into SA had to be exemplary.

¹⁴² Minutes of RB Board meeting 22.11.1976, 29.11.1976 in RB, 1 022 568.

Despite this, little work has been undertaken on the subsequent years concerning the company's history in the Republic. For apart from a high-level blog post by RB's corporate history department, SA only features as a bullet point in chronologies of the company's international expansion.¹⁴³ Elsewhere, the market is not considered worthy of even a passing mention. Given the prominence of the company's founder, its diverse business interests, and its global operations, it is unsurprising that historians have ignored a minor overseas subsidiary. Had they not done so; they would have discovered that the business was a challenge from day one.

Bosch's South African position preceded the Union of SA, the company's products having been available for purchase since 1906. Yet, apart from a distributive sales organisation and a 30% shareholding in the automotive supplier Diesel-Electric Holdings ('DEH'), RB had a negligible local presence. Enter Pietro Carlo Spinazze - Italian émigré, firm believer in marriage by post, ironclad prenuptials, and founder of Auto Electrical & Engineering ('AESA') in Johannesburg in 1951.¹⁴⁴ He relocated his company to Brits on the border to Bophuthatswana in 1971 after Alfa Romeo concentrated right-hand drive production in a new factory there.¹⁴⁵ When VW and BMW affirmed their long-term commitment to SA by establishing full control over their local subsidiaries in 1974, the way forward for RB was clear. As an automotive supplier, Bosch, with its pre-existing client relationships in the FRG, had to follow its customers and seek to initiate local production. An initial 40% stake in AESA was soon followed by a DM15m payment for the remaining 60%.¹⁴⁶ This was the largest sum RB had ever invested in SA, surpassing even the DM11m paid for the

¹⁴³ E.g. Dietrich Kuhlitz, 'Bosch in Africa,' Bosch. <https://www.bosch.com/stories/bosch-history-in-africa/>; Vera Dendler et al., 'Der Weg zum Global Player: Die Internationalisierung der Bosch-Gruppe,' *Magazin zur Bosch-Geschichte Sonderheft 3* (Stuttgart: Robert Bosch GmbH, 2008). <https://amicale-citroen.de/wp-content/uploads/2012/09/journal-bosch-geschichte-teil-2.pdf>.

¹⁴⁴ 'Ex Parte Spinazze and another NNO 1985 (3) SA 650 (A), 24.5.1985,' Juta & Company, http://gimmenotes.co.za/wp-content/uploads/filebase/conflict_of_laws_lju4804/Ex-parte-Spinazze.pdf.

¹⁴⁵ On Homelands, consider John Pickles and Jeff Woods, 'South Africa's Homelands in the Age of Reform: The Case of QwaQwa,' *Annals of the Association of American Geographers* 82, no. 4 (1992), 629-652; Mark Addleson and Richard Tomlinson, 'Industrial Decentralisation Policy and the Prospects for the Development of South Africa's Homelands,' *The Journal of Modern African Studies* 24, no. 1 (1986), 155-163; Michael Lawrence and Andrew Manson, 'The "Dog of the Boers": The Rise and Fall of Mongoose in Bophuthatswana,' *Journal of Southern African Studies* 20, no. 3 (1994), 447-461.

¹⁴⁶ Summary of RBSA, 23 6.1978 in RB, 1 022 568.

30% shareholding in DEH in 1973.¹⁴⁷ However, upon becoming sole owner of AESA in 1976, RB realised the operation neither met the technical nor socio-political requirements the company expected of its constituent businesses.¹⁴⁸

AESA's numerous problems posed the first, albeit internal, challenge for Bosch. Its British location meant it sourced low skilled rural black labour from Bophuthatswana. When it attempted to compensate by expanding apprenticeships offered to black workers, several white supervisors resisted.¹⁴⁹ Concurrently, costs were not only uncompetitive but out of control leading to a hiring freeze for white candidates and salaried staff.¹⁵⁰ AESA had been purchased to secure an existing market, including to FRG clients, overcome tariff barriers in SA, potential export controls to SA from Germany, as well as provide company control over local sales.¹⁵¹ By taking over an existing company, Bosch had saved time in comparison to establishing a local production business from the ground up. Yet, it also thereby exposed itself to fundamental weaknesses in AESA ranging from location to labour quality. In 1977, only a year later, as Bosch still grappled with bringing the operation up to the expected standard, the EEC introduced the Code of Conduct on the behaviour of European corporations in SA ('codex').¹⁵²

2. 'Voluntary' measures

*(...) you must excuse us if we tend to regard these "Codes of Conduct" as somewhat hypocritical and cynical. They are directed at our country exclusively while very evil practices are ignored and/or condoned in the Communist States and the numerous dictatorships, with which the world is unfortunately saddled! Morality is not divisible!!*¹⁵³

Fundamentally, the imposition of the codex laid bare that trade with SA could no longer be divorced from the country's politics. Furthermore, within the FRG the BDI fought tooth and nail

¹⁴⁷ Loc. cit.

¹⁴⁸ RB to Otto Baxmann, 27.5.1981 in RB, 1 017 159.

¹⁴⁹ 'Eine Chance für Schwarzafrikaner,' *Zünder* (RB internal paper) 4, 11.4.1984, 12.

¹⁵⁰ Report on RBSA, 18.7.1978 in RB, 1 022 568.

¹⁵¹ Dr Karl-Günther Borchers (RB Legal) to Friedericke Frech (Student), 3.5.1983 in RB, 1 022 567.

¹⁵² See Appendix II.

¹⁵³ C. R. Tollemache (DEH) to Dr Fischer (Chamber), 7.10.1977. Copy in RB Archives.

to first oppose its adoption, then to secure favourable reporting terms.¹⁵⁴ Concurrently, German industry concluded it could no longer rely on unanimous backing from the FRG government. The topic of SA became as much an issue for moral outrage as it did a subject to be leveraged for coalition politics and political self-promotion. That the codex rattled the status quo amongst German stakeholders is exemplified by the government's prior conduct. For, only four years earlier, in 1973, Germany had concluded a double taxation agreement with SA with retrospective effect to 1965, thereby implying politics would not interfere in commercial relations.¹⁵⁵ Indeed, in 1975 the Secretary of State of the FRG Foreign Ministry ('AA') underlined that Germany was reliant on SA: 'As an export-orientated economy dependent on the import of raw materials, we cannot do without such a trading partner'.¹⁵⁶

The codex politicised trade relations by being solely issued for SA, yet it was an EEC-level measure. When German governmental export guarantees for South African trade were restricted despite Pretoria being an impeccable debtor, as well as tied to codex adherence, the prevailing wind running through the FRG government became unsettled. The restrictions were spun as a necessary measure to adjust to SA's new risk profile. However, both business and the foreign press could not be fooled: 'Whilst the wording draws on risk-based concerns, it should not belie that the decision for limitation was driven by *purely political* reasons'.¹⁵⁷

For the companies in the subsequent case studies, adoption of the codex was primarily a pro forma affair, given they already met the voluntary standards it requested. However, for AESA this was not the case. Not only was AESA unprofitable, but its agriculture-derived workforce lacked industrial experience.¹⁵⁸ Paying 50% above minimum wage as stipulated in the codex was simply not possible for the subsidiary in the late 1970s. Albeit a voluntary behavioural code, the codex was

¹⁵⁴ Paul Broicher (DIHT) and Dr Siegfried Mann (BDI) to Lambsdorff, 22.11.1977 in RB, 1 021 047.

¹⁵⁵ *Bundesgesetzblatt* 53, 5.9.1974, 1185-1210.

¹⁵⁶ Karl Moersch (Secretary of State AA) 9.10.1975 in *BPA Bulletin* 122, 14.10.1975, 120.

¹⁵⁷ 'Bürgerschaftsbeschränkungen Bonns für Südafrika,' *Neue Zürcher Zeitung*, 2.12.1977.

¹⁵⁸ Dr Kurt-Wilhelm Liedtke (RB Legal) report on AESA 13.11.1978 attached to RB to Dieter von Würzen (Secretary of State BMWi), 12.3.1979 in RB, 1 017 159.

nevertheless regarded by German industry as a *de jure* and *de facto* regulation to be complied with. AESA's shortcomings would not be made public as the summary report would be aggregated by the state. This process would have given the subsidiary the time and privacy necessary to improve its performance were it not for Eugen Loderer.

Loderer, Chairman of IGM, Germany's largest union, operating under the banner of a co-ordinated International Metalworkers' Federation ('IMF') initiative, presented the first major external crisis for Bosch resulting from its South African operation. In letters to German businesses with subsidiaries in SA, Loderer requested answers to seventeen questions on codex compliance and industrial relations, with Bosch receiving a corresponding letter in the summer of 1978.¹⁵⁹ As a first step, RB made enquiries on what its peers were considering as regards entertaining the missive with a response; it received mixed responses.¹⁶⁰ AESA was informed that RB most likely would not answer the letter, unhappy with its tone and fearing the consequences of an individual reply for it and other firms.¹⁶¹ Two weeks later Bosch began a draft response that questioned on what grounds German trade unionism had taken up the South African cause - only to shelve it following a subsequent BDI meeting.¹⁶² This was a clear case of the company curtailing its own activities to sound out the more preferable united response.

Unions should talk to unions. Such was the mantra emanating from the business associations and the majority of Bosch's peers.¹⁶³ Yet, again two weeks later, Bosch's management began drafting a letter.¹⁶⁴ Following two days of debate on wording, which included Merkle clarifying whether an adjective or an adverb was appropriate and to what extent to write in a more localised form of

¹⁵⁹ See Appendix III; Eugen Loderer to RB, 31.7.1978 in RB, 1 021 047.

¹⁶⁰ VW responded whilst BMW and AEG considered ignoring the letter. See Fritz Schad (VW Audit) 28.11.1978, to Liedtke in RB, 1 022 567; Liedtke to Dr Paul Adolf Stein (RB Board Member responsible for legal affairs), 3.8.1978 in RB, 1 021 047; Rose, note on call with Dr Jehmlich (Head of HR, AEG-Telefunken), 24.8.1978 in RB, 1 021 047.

¹⁶¹ RB to Maas (AESAs), 4.8.1978 in RB, 1 022 567.

¹⁶² Letter draft, 18.8.1978 in RB, 1 021 047.

¹⁶³ Liedtke, Note on 30.8.1978 BDI meeting, 31.8.1978, 2 in RB, 1 021 047.

¹⁶⁴ Letter draft, 11.9.1978 in RB, 1 021 047.

German, Bosch finally responded to Loderer.¹⁶⁵ Bosch toed the ‘party-line’ referring Loderer to the business associations but the company took pains to point out its 1976 principle of non-discrimination.¹⁶⁶ However, such acknowledgement by the parent also presented a threat, for it failed to nip interest into SA in the bud. With expectations shaped by Western European experiences, the actors so far had little touchpoints of their own with SA. Merely a day after RB sent its answer, AESA’s management highlighted the dangers of the path taken: ‘This has dangerous consequences, for the public, interested associations, and companies of the EEC orientate themselves on values that are simply not yet realistic’.¹⁶⁷

By treating the Loderer inquiry and thereby the codex as ever more obligatory rather than voluntary impositions, Bosch was opening itself up to undermining the impact of its own restructuring of AESA. For, were the company to raise wages to comply with the codex, it would have to lay off workers, thereby exacerbating local unemployment whilst making the path to profitability even more fraught. Outside stakeholders in the FRG interested in Bosch’s subsidiary may have then been appeased, but only at a cost detrimental to the black community of the Bophuthatswana border region.

RB, unsatisfied with the stand-offish nature of the formal BDI response strategized into the autumn of 1978 as to how a more detailed answer could be constructed.¹⁶⁸ One option was to send a copy of AESA’s codex report solely for Loderer’s personal consumption; another was to send a shortened version.¹⁶⁹ By November, Loderer received the fruits of option two as Bosch joined VW, Siemens, and BMW, as the only companies to submit individual responses to the trade unionist. Even when stepping outside the unified front of German industry, the ‘rebels’ operated along the

¹⁶⁵ Hans Lutz Merkle (CEO RB 1963-84) to Loderer, 13.9.1978 in RB, 1 021 047.

¹⁶⁶ Ibid, 2.

¹⁶⁷ Maas to Borchers, 14.9.1978, 3 in RB, 1 021 047.

¹⁶⁸ BDI to Loderer, 27.9.1978 in RB, 1 021 047.

¹⁶⁹ RB Legal to CEO et al., 10.11.1978 in RB, 1 021 047.

principle of alignment, as VW and Bosch pre-emptively shared their responses with one another.¹⁷⁰ The veracity of their answers, however, would be verified and commented on in the press. For, prior to Loderer approaching businesses, he had led a fact-finding union delegation to SA in January 1978.

Despite the codex's voluntary nature, it forced German industry, in this case Bosch, to unwillingly dip their toes into political currents. Even the company's Legal Department advised Merkle that it was not possible to ignore the request for a codex submission by the FRG government due to political reasons.¹⁷¹ However, the ineptitude of the bureaucrats in steering the submission process in a timely fashion coupled with BDI-led opposition to the entire enterprise provided Loderer the opportunity to publicise his concerns. Despite the codex being introduced in 1977, by 1979 not a single German report was available – in contrast to that of other EEC member states. Bosch itself was concerned in case of the BDI passing on its individual report to the BMWi. For once outside the control of business and its associations, it was all too easy for MPs and the press to sensationalize their contents or lack thereof.¹⁷² A proposal for the BDI, rather than the government, to aggregate the individual reports, was slapped down. Such were the misgivings and horse-trading amongst business, the BDI and the FRG government that a delay of the initial publication resulted. This enabled Loderer in 1978 to publish his own *Zwischenbericht* (interim report).

Business may have been forewarned regarding the introduction of the codex, particularly by the BDI/DIHT, however the issuance of the *Zwischenbericht* caught them off-guard. It demonstrated that whilst industry may have been astute in matters of commerce, new developments arising out of politics remained unexpected. The *Zwischenbericht* incorporated information provided by Bosch but also included such details as obtained from worker interviews. Consequently, the next codex-

¹⁷⁰ Schad to Liedtke, 15.11.1978 in RB, 1 021 047.

¹⁷¹ RB Legal to Merkle, 30.1.1979 in RB, 1 022 567.

¹⁷² Karl-Rudolf Stahl (AESAs/ Director of RB) to Stein and Merkle, 26.1.1979 in RB, 1 022 567.

related crisis began for RB. Loderer criticised the company for stating no racial segregation existed in the workplace but thereby seemed to define the workplace to exclude the cantina, as this continued to serve differing cuisine in separate locations based on race.¹⁷³ The company was flabbergasted as to how a German trade union could possibly know anything about disparities in food served.¹⁷⁴ Moreover, the entire matter was overblown in their view. For upon further investigation, the subsidiary's management felt they had valid reasons for upholding racial separation in the cantina.

South African law obliged racial separation in workplace facilities.¹⁷⁵ In addition, black workers had requested a different cuisine as that served to their white colleagues. Furthermore, local staff took objection to not only the table manners but also the treatment of cantina infrastructure by black employees.¹⁷⁶ However, rather than educating the workers to effect behavioural change and subsequently integrate the cantina, the German ex-patriate MD had preserved the status quo. Outside of the local context, the MD's lack of action may in part have been driven by racialised thinking imparted to him before he even set foot in SA. Indeed, the German institute for tropical medicine instructed him, on reasons of hygiene, to avoid toilets used by black labour under all circumstances.¹⁷⁷ The MD argued he had pragmatically killed multiple birds with one stone. By keeping the edifice in in one building but split into two rooms, he was convinced he was satisfying Bosch's principle of non-discrimination, meeting the concerns of local white cantina management, and complying with current legislation.¹⁷⁸

¹⁷³ Eugen Loderer, Zwischenbericht zu den Aktivitäten der IG Metall in Südafrika seit 1978, 9.10.1979, 14. Copy in BArch B 136/12597.

¹⁷⁴ Liedtke to AESA, 15.10.1979 in RB, 1 022 567.

¹⁷⁵ This was prior to the Wiehahn Commission, discussed later. Maas to Borchers, 1978 AESA report, 15.9.1978 in RB, 1 021 047.

¹⁷⁶ Albrecht (AESA) to Liedtke, 25.6.1980 in RB, 1 022 567.

¹⁷⁷ Loc. cit.

¹⁷⁸ Maas to Liedtke, 16.10.1979 in RB, 1 022 567.

However, not only was subsidiary management in the wrong, but the entire issue also exposed multiple failings by both mother-company and AESA's leadership. Racial separation in the cantina was not in accordance with Merkle's 1976 directive and whilst it can be argued that the subsidiary wished to comply with local law at all costs, the cantina was on factory grounds behind closed doors and not open to outside scrutiny. AESA, therefore, had the option as other foreign businesses, including German, had done or were in the process of, of discarding all trappings of apartheid on company property. Instead, it hid behind the law and statements of cultural difference to shield itself from accusations of racial discrimination. Given that some of its white employees were confirmed to have a racist mindset (discussed below), the German ex-patriate subsidiary manager appears to have opted for a policy of convenience that reminded the black workforce every workday at lunchtime of the existence of apartheid. RB itself had failed to police the subsidiary's compliance with Bosch's values and Merkle's directive. Were the IGM not to have taken an interest in labour relations at German subsidiaries in SA and made the effort to visit the country to interview the black workforce, the question arises of for how long 'lunchtime apartheid' could have continued to slip under the radar. To its credit, RB's Legal Department in Germany, upon becoming aware of the matter, immediately cracked down and recommended a change in the status quo, pointing out that other FRG businesses had already eliminated separate cantinas to stymie any protest by the subsidiary.¹⁷⁹ As a consequence, the cantina was integrated, and black workers subsidised to eat at half price.¹⁸⁰

The cantina example illustrates that *de facto* racial discrimination could arise out of localised expedience, contrary to the desires of senior leadership in Germany. Considering Bosch had only owned the company for two years and it had a pre-history and culture under South African management of adhering to apartheid policies, the union report also illustrated that outside the bastion of the cantina, AESA had abolished all other discriminatory workplace practices. It was,

¹⁷⁹ RB Legal to Stein, 27.6.1980 in RB, 1 022 567.

¹⁸⁰ RB Legal, Memo on call with Albrecht, 29.1.1982 in RB, 1 021 047.

however, a problem that if not addressed quickly would have invited further embarrassment and politically tinged scrutiny into Bosch's South African affairs. A scenario where the subsidiary became even more politicised was to be avoided at all costs. Yet, it was only the final aspect that led to fundamental change. For, the fact that its peers had already abolished separate lunchrooms drove RB to institute the same (rather than entertaining any thoughts of defending the practice based on the arguments made by the subsidiary's management), thereby pointing out the only external party outside of government that could affect managerial decision-making.

Nevertheless, whilst RB was inspired by its peers, it also drew their condemnation. Following press reports that Bosch had answered the IGM questionnaire (which it had not, for it had simply sent a shortened version of its codex report) DB demanded an explanation.¹⁸¹ Despite the Legal Department's proposal to answer that RB had not in fact responded to the questionnaire, it was overruled by senior management. Instead, it was instructed to pretend to have forgotten about calling DB back. Should DB call again, the lawyers were to state their initial proposal. After all: 'We do not have to justify ourselves towards DB. We have acted quite correctly'.¹⁸²

Even Loderer approached Bosch requesting the company use its positive mentions in the *Zwischenbericht* and press to influence its peers – a non-starter.¹⁸³ A company press release to highlight the positive impact of RB in SA was halted to provide AESA another two to three years to achieve full codex compliance and exemplary standards as achieved at VW and Siemens.¹⁸⁴ For the end result was that despite Bosch corporate policy in SA becoming part of FRG public debate without any impetus on its part, the Loderer inquiry had resulted in RB doing very well, especially

¹⁸¹ Handwritten note between RB Legal and Stein, 30.5.1979 in RB, 1 022 567.

¹⁸² Loc. cit.

¹⁸³ Loderer to Merkle, 29.6.1979 in RB, 1 022 567.

¹⁸⁴ Liedtke to Stein, 16. 11. 1979 in RB, 1 022 567.

as opposed to its peers. As one RB lawyer put it to his boss, when AAM scrutiny results in rare AAM recognition then this was best dealt with in only one manner: ‘we should leave it at that’.¹⁸⁵

3. United in anonymity vs the Bosch ‘Sonderweg’

From the start of the 1980s, outside interest in Bosch’s South African affairs only increased. In its management of scrutiny, the company was co-operative, but ensured its name was kept off the record were it not already publicly connected to SA. Three examples illustrate this aversion to being further drawn into discussion of its subsidiary in a political context.

First, Bosch declined to participate at the 1980 Bundestag codex hearings on German corporate activity in SA. Whilst peers such as BMW, Hoechst, Siemens, and VW took part in the public event, for Merkle, caution was the name of the game. This was especially so, when the company was still pulling up AESA by its bootstraps: ‘Remain cautious until our revenues in SA grow to such an extent that we are forced to enter the limelight’.¹⁸⁶ This reluctance stemmed from AESA’s situation and the focus on SA, which advised against changing tack and adopting a more offensive approach. A motivation confirmed by Merkle having no qualms in representing the firm at a more general Bundestag hearing on development policy.¹⁸⁷ Had the company opted in, it would have taken part in a preparatory meeting alongside the other participants with the BDI, thereby exemplifying the unified front amongst German industry when it had to account for itself towards political actors.

In contrast, the second example reveals that, beginning in 1979 when the UN Centre on TNCs requested data from Bosch, the company’s solidarity with its peers kept it from pursuing its desired response of an individual answer.¹⁸⁸ Whilst the reasoning of industry and the BDI had been that the codex submission was in aggregate and therefore any UN questionnaire should be answered in

¹⁸⁵ Loc. cit.

¹⁸⁶ Fischer, Merkle to Stein, 28.5.1980 in RB, 1 022 567.

¹⁸⁷ RB Legal to Stein, 27.5.1980 in RB, 1 022 567.

¹⁸⁸ RB Legal to Stein, 23.3.1979 in RB, 1 017 047.

a similar fashion, this had unintended consequences.¹⁸⁹ Klaus Sahlgren, the Finnish Director of the Centre, displeased with the summary response, initiated a campaign against Gerd Tacke, the German representative to the UN's Intergovernmental Working Group and a former CEO of Siemens.¹⁹⁰ With Tacke attending the next alignment meeting at the BDI, Bosch began to document how it would have answered the UN's questionnaire individually, had it not been peer-pressured out of solidarity. Similarly, it pondered whether other companies had paid lip-service to the aggregate report but clandestinely submitted individual answers.¹⁹¹ The net result was that senior management questioned whether a group response to outside information requests was appropriate for RB going forward: 'This process always leaves us with a bad conscience, which is underserved'.¹⁹²

The final example reveals the synthesis of the above methods. To counteract the criticism of MNCs operating in SA within the International Labour Organisation ('ILO'), where developing countries constituted the bulk of membership, the employer's organisation *Bundesvereinigung der deutschen Arbeitgeberverbände* ('BDA') in 1982 reached out to German industry to put together a report elaborating on the positive impact of FRG business in SA.¹⁹³ Whilst Bosch was happy to provide data, which would be shared with third parties via the BDA, it left explicit instructions for the company's name not to be published.¹⁹⁴ The mantra was simple, co-operation without attention. Yet precisely the opposite of such a stance was employed by RB upon the onset of the next major crisis.

4. *The German Inquisition*

The introduction of the codex had not only politicised German business on a single issue, but it had also provided a tool for left-wing elements of German society to discover and approach the

¹⁸⁹ RB Legal to Merkle, 16.2.1979 in RB, 1 017 047.

¹⁹⁰ RB Legal, op. cit., 23.3.1979.

¹⁹¹ Loc. cit.

¹⁹² Stein note on RB Legal memo, 28.1.1980 in RB, 1 021 047.

¹⁹³ Borchers to Merkle, 28.1.1982 in RB, 1 021 047.

¹⁹⁴ Borchers to Heinzemann (BDA), 8.2.1982 in RB, 1 021 047.

next topic *du jour* – SA. In the case of the union movement, the IGM used the codex to unilaterally expand its remit to cover the affairs of German subsidiaries abroad. Indeed, SA was the underlying issue throughout the 1980s that resulted in the establishment of many bilateral union relationships.¹⁹⁵ Alongside more inherent motivations, the press attention devoted to Loderer inspired the German ecumenical establishment to take up the cause of apartheid opposition; expressed via policing of codex compliance.¹⁹⁶ With regard to Bosch, the clerical assault can be categorized into three separate vectors. First, that of the German Lutheran Church; second, via the Lutheran Church in Baden, and finally through the South African echo of their actions expressed by Rev. Desmond Tutu.¹⁹⁷ This section’s subsequent analysis serves to strengthen several thesis arguments. Namely, business was caught off-guard by developments, whether in SA or in the FRG, a co-operative attitude was possible if the counterparty displayed a level of objectivity and a lack of prejudice, and that when an individual strategy had the prospect of derailing, business retreated to the safety of anonymity under the aegis of the BDI. Finally, in the case of Bosch especially, a ‘German Inquisition’ resulted in the company extending its engagement with South African political matters beyond prior historic concerns on industrial relations and social welfare.

Whilst history records May 13th, 1981 as the day the Pope survived an assassination attempt, for Bosch it was the date when nine pages of text set off a damage control offensive regarding its South African affairs. The aforementioned section in ‘Das Dilemma mit dem Kodex (III)’ written by the German Lutheran Church heavily criticised the company’s non-compliance with the codex based on interviews with its black workers.¹⁹⁸ Even more perplexing to Bosch than the out of the blue publication, was the inference that it, via its endowment of the Berghof-Foundation, had indirectly paid for the self-critical study.¹⁹⁹ Whilst Loderer’s initiative had primarily been concerned with

¹⁹⁵ Johan Trotskie (former Exec. Director Siemens Limited), interview with author, 31.1.2020.

¹⁹⁶ The clergy’s motives are explored in the Siemens and Henkel chapters.

¹⁹⁷ At the time Tutu was General Secretary of the SACC without a senior ecumenical title. See BMWSA chapter.

¹⁹⁸ Ulrich Albert and Walter Sohn, *Das Dilemma mit dem Kodex (III)* (Frankfurt: Evangelischer Pressedienst, 1981), 63-71.

¹⁹⁹ Merkle to Dr Georg Zundel (Berghof-Stiftung), 7.10.1981 in RB, 1 017 159.

codex compliance, the Church expanded upon this premise by questioning whether the codex could actually affect change in apartheid policy. Nevertheless, such considerations were secondary to the main angle of attack – the enforcement of a voluntary standard by public shaming. With the press picking up widely on the study with potential negative fallout for the company, SA became elevated to a Board-level problem.

Despite the Legal Department describing the interview responses as inapplicable to AESA, the Board concluded that a multi-pronged, offensive damage control strategy was necessary to ascertain facts and set the record straight. The execution of such efforts would proceed via five concrete actions: A special audit of AESA; a reader's letter to the *Frankfurter Allgemeine Zeitung* ('FAZ'); a briefing to the Supervisory Board; confirmation by all regional and functional MDs of conformance to group-wide policy obligations; and finally a volley of letters to third-parties such as its peers, the FRG government, and various employers' organisations informing them of RB's complete rejection of the study.²⁰⁰ Whilst the latter three actions were straightforward, the first two are worthy of further analysis.

The audit revealed that some of the study's assertions were indeed valid; they were simply out of date. For example, Bosch's non-compliance with the region-specific Minimum Living Level ('MLL'), a South African think-tank developed floor for black labour wage rates, would have been accurate for the 1970s, especially in the early years after the purchase of AESA. By 1981, however, black workers' wages were on average 38% above MLL, 61% if non-wage benefits were included.²⁰¹ Further disparities between white and black employee pay resulted from the former receiving monthly salaries, whereas the latter demanded weekly wages – often going so far as to refuse to take up employment if paid on a monthly basis.²⁰² A superficial analysis would therefore compare

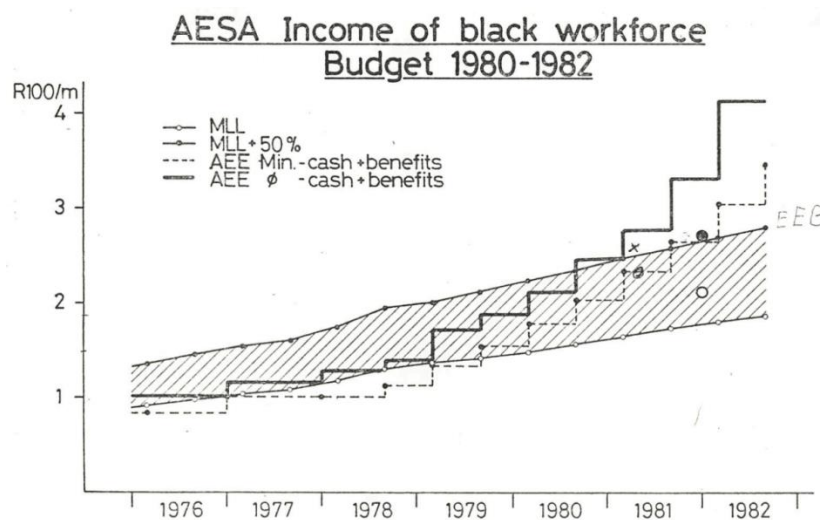
²⁰⁰ Board minutes extract, 25.5.1981, point 15 & 15.1 in RB, 1 017 159.

²⁰¹ Dr H Olbertz, Stellungnahme zur Dokumentation des Evangelischen Pressendienstes, 2.6.1981 in RB, 1 017 159.

²⁰² Loc. cit.

apples and oranges; for example, if a white and black worker were asked about pay, their answers would differ because they used different temporal measures. Had the Lutheran Church discussed its results with management or requested a comment by RB prior to publication, such laxities in analysis would have been clarified. Notwithstanding the ire the study's authors earned by not verifying assertions prior to going public, the report at least drew attention to problems in behaviour within the subsidiary's management.

Graph 1: AESA Budgeted wages vs MLL²⁰³



Precisely the 'softer', cultural aspects were the key lesson to be learned from the publication outside the immediate resulting crisis-management. Whilst the subsidiary may have adhered to the terms of the codex, black and white friction (particularly with an Afrikaner HR manager) had likely played a part in the critical responses by the black workers interviewed. Indeed, the headquarters-initiated audit highlighted once more that the majority of AESA's white workforce had not accepted equality with black workers in the past nor did so in the present.²⁰⁴ Such a local mind-set impacted the pace of Bosch's pace of reform of the subsidiary. Moreover, in the case of the HR manager, the German expatriate dispatched to lead the audit in SA remarked that the individual was neither gifted with diplomatic ability nor the right man to deliver on an HR strategy that met Bosch's expectations.²⁰⁵

²⁰³ AESA, 1.11.1979. Courtesy RB.

²⁰⁴ Olbertz, loc. cit.

²⁰⁵ Loc. cit.

With the audit allaying the Board's fears that there was any veracity to the study, the onus shifted to the PR exercise in the FRG.

The gravitas of the situation is best exemplified by Bosch communicating publicly rather than seeking to form a unified response together with its peers under the umbrella of the German business associations. Nevertheless, its solitary effort received support from two outside sources. The first offer of assistance was provided by Dr Otto Baxmann, a lawyer and CDU member who had recently toured SA and seen first-hand the social welfare efforts by FRG industry.²⁰⁶ If Bosch were able to confirm the report's accusations being without merit, then he would send a reader's letter to the *FAZ* thereby pre-empting the company's own missive. The second source of support came courtesy of the South African Embassy in Bonn which provided Bosch with advance copies of regional press articles on the study as well as the Bosch section itself – all this before the matter was picked up by national papers.²⁰⁷ Furthermore, even after the crisis had been addressed, Ambassador van Heerden promised SA's unconditional support:

*...we completely support actions such as yours to defend the behaviour of your staff in SA. I am firmly convinced that we best address these initiatives by not passing up any opportunity to reveal their true intentions.*²⁰⁸

Precisely two weeks after the study's publication, Bosch was able to submit its own reader's letter to the *FAZ* disproving the claims made against it. Thus, by the end of the month, the public counteraction had seemingly ended.²⁰⁹

Yet internally the tale was far from over. The Legal Department continued to fret over whether a more comprehensive answer beyond a mere reader's letter was necessary. And if such a response was to be prepared, multiple hows, whos and whats needed to be clarified. After all, RB in theory

²⁰⁶ Baxmann to RB, 25.5.1981 in RB, 1 017 159.

²⁰⁷ Stahl to Merkle, 22.5.1981 in RB, 1 017 159.

²⁰⁸ Neil Peter van Heerden (SA Ambassador to Bonn, 1981-85) to Dr Arwed-Ralf Grenzbach (RB political liaison to Bonn), 12.6.1981 in RB, 1 022 568.

²⁰⁹ 'Briefe an die Herausgeber,' in *FAZ*, 30.5. 1981, 8.

could prepare a detailed response alone, together with peers, via the BDI or through the AEU (Protestant Businessmen Assoc.). Even if that point was settled, then the question remained of who the recipient was to be. From the study's authors, the press, the public via a seminar, or the FRG government, a complete spectrum of options lay on the table. Moreover, the most important issue was the 'what'. The company could simply present its codex submission, discuss the codex's political implications, or present its general view on the South African problem. Such a wealth of options ultimately shows how unprecedented the case was. Whilst business had had previous run-ins with public interest in foreign operations in countries with questionable politics, no standardised methodology existed when such scrutiny morphed into full reports circulated to the press, shaming companies based on data supposedly provided by its own employees. Apartheid-era SA thereby provided the platform for external stakeholders, particularly on the Left, to investigate FRG business in novel ways – and the codex had provided them the introductory toolset to do so.²¹⁰ Ultimately, RB leadership decreed that whatever shape a possible response might take, it was to abide by three principles: Be objective; reference the company's long-standing policy of non-discrimination (now termed in positive tones as 'equal opportunities'); and put its political position as advocating evolutionary reform in SA.²¹¹

Management may have been caught by surprise by the study, yet it was quick to recognise its potential reputational impact. It speedily escalated the matter to the Board, obtained a decision, initiated a response strategy and following internal verification was able to swiftly submit a 'correction' to the press. This pace in handling the case can be attributed to two specific aspects of its corporate culture: going it alone and the potential reputational blowback, especially in the FRG, of Bosch not being true to its word. Such efficacy also meant that when the study's authors got in touch in the following month to discuss the results, the company could point to substantiated facts

²¹⁰ Indeed, one of its authors, Albrecht, had no qualms about implicitly legitimising the illegal occupation of buildings by the Hard left by giving lectures in them. See Dr Wolfgang Böhme (AEU) to BDI, 23.7.1981 in RB, 1 021 047.

²¹¹ RB Legal, Memo, 5.6.1981 in RB, 1 021 047.

as a basis to decline their meeting request.²¹² Moreover, it kept its response brief fearing any further comment may be spun into a legitimisation of the study's results.²¹³ The dismissive tone was warranted, for the report's authors themselves had pre-emptively stated in their work that a meaningful discussion with business could not be had, thereby confirming their prejudices.²¹⁴

In contrast, the Evangelische Landeskirche in Baden, a Protestant Regional Church, received a far warmer response by the company. Indeed, it went so far as to participate in a joint conference on SA between its peers and the Church. The dissimilar treatment was based primarily on the persona of the respective Bishop, Heidland, and thereby a difference in tone as opposed to the national Protestant Church:

*(...) he does not let himself be influenced by the presumptuous rabble-rousing conducted by the European churches against the country you are currently in, SA. He is a proponent of free markets and open towards the concerns of business.*²¹⁵

The Bishop would go on a Bosch-facilitated visit to Brits and returned to the FRG duly impressed.²¹⁶ Whereas the study had only interviewed employees outside the plant, the Bishop had complete access to the site, labour, and management.²¹⁷ When the report therefore broke the news in the following year, the Landeskirche instigated its own conference on the application of the codex by German industry; a meeting attended not only by RB but also BASF, Siemens, and DB. Moreover, the latter particularly recommended RB engage with the regional Churches rather than the national synod.²¹⁸ Such advice was unsurprising given that the synod had attacked DB in the prior year for shipping Unimog trucks to SA.²¹⁹ The subsequent meeting might have been convivial, but it had the danger of setting a precedent. If every regional Church association took it upon

²¹² Stein to Sohn, 8.9.1981 in RB, 1 017 159.

²¹³ Grögler (RB Internal audit), Memo, 3.9.1981 RB, 1 021 047.

²¹⁴ Albert, op. cit., 19.

²¹⁵ Merkle to Stahl, 4.9.1980 in RB, 1 021 047.

²¹⁶ RB Legal/PR to Stein, 20.11.1981 in RB, 1 021 047.

²¹⁷ RB to Baxmann, 27.5. 1981 in RB, 1 017 159.

²¹⁸ RB Legal to Press Office, 13. 11. 1981 in RB, 1 021 047.

²¹⁹ Hans Martin Siehl (Deacon of the Protestant Town Church of Baden-Baden) to DB, July 1981. Copy in RB, 1 021 047.

themselves to discuss the application of the codex, and thereby further drive politicised outside interference into business affairs, then it was feared such a co-operative spirit would only backfire.

Consequently, the ponderings on a more formalised response to the study and a public statement on Bosch's position on South African politics immediately ceased. The company shifted strategy by abstaining from any further individual responses. Responsibility would be abdicated to the aggregate codex report of the government and to the BDI for all other SA-related matters.²²⁰ It was one thing to refrain from politically tinged debate when the counterparty was biased towards business, as was the case with the study's authors. It was quite another to cease continued engagement with more neutral, perhaps even supportive parties. Yet ultimately the consequences would have been the same, an explosion of further interest and business having to stand and deliver answers to inquiry, never knowing who the next interrogator would be. Within such a context, it was impossible for industry to get ahead of public scrutiny, influence the terms of public discussion and most importantly have any possibility of avoiding tarnish in some way. Simply put, their pragmatic strategy was: If one cannot win – do not play, unless forced.

One-sided abdication, however, did not end this story of the clergy and the codex. In the following year, AESA was approached by Rev. Tutu who was now in possession of an English translation of 'Das Dilemma' and had questions of his own.²²¹ The company's response underlines two further aspects of the main thesis argument. First, any external inquiry into their South African business was now a concern for headquarters. The political dimension allowed for practically no space for subsidiaries to respond on their own, unless willing to face reprimands. Second, German corporates collaborated to an unprecedented degree. Escalation to Germany was virtually always followed by calls to multiple peers to discuss new or unfamiliar matters concerning SA. In addressing Tutu's

²²⁰ Note on letter by Behrendt (DB), 17.12.1981 in RB, 1 021 047.

²²¹ Desmond Tutu to RB, 8.12.1981 in RB, 1 021 047.

letter, Bosch not only made immediate inquiries to BMW and Siemens, but it also dismissed AESA's draft response as not being constructive enough.²²²

Not only had Tutu discerned the heart of the issue by closing his letter with the fundamental question of whether the codex could bring meaningful change, his query had also been picked up by the South African *Sunday Tribune* which made a call of its own to Bosch informing them of their intentions to issue a report on the matter.²²³ The company's response was yet again marked by speed. Indeed, the subsidiary had urged management in Stuttgart to act with all haste before Tutu 'prods them once again'.²²⁴ Only two weeks later, the clergyman received his answer.²²⁵ The response deliberately ignored the bait of answering his final question; it merely highlighted the company's full compliance with the codex. Whether contacted by German, transnational or South African bodies, the implicit guidelines that were forming were clear – avoid politics and any communication that could trigger a subsequent contact. Typical of Bosch was its internal ex post facto request to AESA to provide it with information on the SACC's composition.²²⁶ If there is one skill the company was exceptionally good at, then it was gathering information from multiple sources on SA and its critics whomever and wherever they may have been - confirming the spider's web adage.

The entire ecumenical saga ultimately illustrates two opposing trends. First, German business attempted to mitigate any possible escalation of outside interest into its South African operations. Irrespective of the political context and its implications, the goal was to preserve normal commercial relations with SA as it was considered a reliable trading partner. Therefore, taking the case of Bosch as an example, German industry did not prop up apartheid through supernormal profits (AESA barely achieved break-even), but it did proactively work to normalise interactions with the apartheid-state. A valid argument can be made that by treating SA as just another country

²²² RB Legal to Board, 15.1.1982 in RB, 1 021 047.

²²³ AESA to RB, 14.1.1982 in RB, 1 021 047.

²²⁴ Loc. cit.

²²⁵ AESA to Tutu, 21.1.1982 in RB, 1 021 047.

²²⁶ Borchers to Albrecht (AESA), 25.1.1982 in RB, 1 021 047.

with distasteful politics, FRG business provided the NP Government with a level of credibility and international legitimacy that it lacked within the wider socio-political global order. Second, the prevailing trend in public discourse was moving in precisely the opposite direction of what business desired. Here the argument went that apartheid, and therefore SA, was a special case. This implied that normal dealings, whether political or otherwise, were not possible. As a result, increased scrutiny was inevitable. In short, the Church and all its offshoots were to be just one crisis of many.²²⁷ The codex, ostensibly a tool to avert sanctions and halt further prominence of the South African issue had at least in part backfired. For both German industry and its ‘monitors’ now educated themselves to a hitherto unprecedented degree on the NP’s SA.

5. Understand but avoid politics

That the business community was not only better informed on the matter of apartheid-SA but had been so for far longer than its critics gave it credit for, is best exemplified by the persona of Merkle himself. For, if there was one individual that defined Bosch’s political position, it was Merkle. Even after stepping down from the CEO position in 1984 to take up the role of Chairman of the Supervisory Board, little got done without his approval. Indeed, the company’s positioning on SA bore his stamp throughout the 1980s. The following section briefly explores his role, persona, and the company’s touchpoints with South African stakeholders to ascertain Bosch’s perspective on disinvestment.

Whilst the BDI and RB were not always in alignment on initiatives to take on the South African problem, its 1981 commissioned report mirrored the company’s own viewpoint of the role German industry had in SA:

Given the circumstances, economic co-operation between the South African and German economy is decreed by economic reason...but therein we do not see any justification that due to special political reasons to be subject to virtually continuous behavioural control...It is not the role of German industry to provide the South African government recommendations on how to solve its complex domestic problems.²²⁸

²²⁷ The Lutheran Church itself suffered from internal discord stemming from disagreements on the treatment of German industry and/or SA. See RB Legal/Press Office to Merkle, 9.2.1982 in RB, 1 021 047.

²²⁸ Rolf Rodenstock, SA Report, 3.11. 1981, 2,3,6 in BDI to RB, 10.11.1981 in RB, 1 021 047.

Such sentiments found a receptive audience at Bosch. The company may have been 92% trust-owned but it was not a charity on a mission to end apartheid in a country where via its business it was merely a guest:²²⁹

*Let me remark that on the fundamentals, regardless of the BDI's position on them, that I am rather on the side of the white population of SA than of that of the FRG Foreign Minister. Abolition of racial discrimination is a catchphrase easily absorbed [by the masses].*²³⁰

That the company's CEO had considered the South African situation in-depth would not have come as a surprise to Bosch's employees. Merkle had relocated the executive offices away from production sites in Stuttgart to the local countryside, thereby not only creating an air of mystery of what went on at the new 'Schillerhöhe' complex but also resulting in the CEO hardly ever being glimpsed by the rank and file. Indeed, one was more likely to come across Merkle in hearing of his public activities, through missives in the *Zünder*, or via other forms of communication of his closed-door socio-political musings.²³¹ Upon his death in 2000, it was discovered that Merkle had not only been an adherent of Anthroposophy but had amassed a vast collection of 17.000 antique books, underlining the image of an unseen, scholarly patriarch able to comment on any issue.²³² Merkle believed that managers had to have an interdisciplinary education that comprised not only business and social history but also rigorous study of the classics and modern literature. His philosophy was straightforward: Business was part of culture, so businessmen had to learn about the culture in which they operated.

Whilst the CEO may have appeared remote, comparable distancing was also visible in the company's rejection of BDI invitations to meet with Anglo-American Corporation ('AAC') as well as ANC representatives on their visits to the FRG in the early 1980s, despite the Board meticulously

²²⁹ RB Legal, loc. cit.

²³⁰ Merkle to Mann, 11.11.1982 in RB, 1 021 047.

²³¹ Johannes Bähr and Paul Erker, *Bosch: History of a Global Enterprise*, trans. J. A. Underwood (Munich: C. H. Beck, 2015), 311-322.

²³² Heribert Klein, 'Eine einzigartige Sammlung enzyklopädischen Wissens,' *FAZ*, 22.4.2002.

reading any AAC's Chairman's Report sent to it by AESA.²³³ Bosch thereby followed BASF in a flat out refusal to meet with the ANC, fearing such an action would mean responding to their 'controversial positions'.²³⁴ When the ANC once again sought to meet with German business five years later in 1988, Bosch again abstained – the ANC's revolutionary approach being in stark contrast to RB's desire for evolutionary change. The meeting, however, did mark FRG industry responding to decade-long ANC criticism of apartheid collaboration in the most blunt and stark yet perhaps necessary terms so far. Simply put, the ANC was informed that if German industry disinvested then it would go to Asia where better conditions existed, and it was unlikely to return after the fall of apartheid. The message was this: It had not invested in SA for multiple decades for political reasons and it would not let future decision-making be guided by such considerations either.²³⁵

Significantly, under Merkle's tenure, even NP Cabinet Ministers were given the cold shoulder. When Bayer together with the BDI invited Bosch to meet with de Klerk in 1985, it was not the first such invitation.²³⁶ Pik Botha, the South African Foreign Minister, had been a guest of the BDI two years earlier.²³⁷ When Dr Wolfgang Hugo, Board member responsible for sales, declined stating that he had just met the NP Finance Minister, Barend du Plessis, which was 'enough' for him, no suitable replacement could be found.²³⁸ Paul Stein, the Board Member with the most insight and touchpoints with Bosch's South African business, refused to step in, asserting he had little inclination to meet de Klerk.²³⁹ In contrast, the company went out of its way to maintain excellent relations with Pretoria's man in Bonn, Ambassador van Heerden. Indeed, when van Heerden informed Bosch at short notice that he was considering stopping by in Stuttgart after a visit to the Frankfurt Opera Ball to discuss Bophuthatswana, the Legal Department informed catering to

²³³ RB to BDI, 16.5.1983, 1 022 567; RB Legal to AESA, 5.2.1987 in RB, 1 022 359.

²³⁴ RB Legal, loc. cit.

²³⁵ Minutes on 16.6.1988 BDI/ANC meeting, 23.6.1988, 2 in RB, 1 022 360.

²³⁶ BDI to Borchers, 3.9.1985 in RB, 1 022 568.

²³⁷ BDI to RB, 27.7.1983 in RB, 1 022 568.

²³⁸ Handwritten note attached to BDI to Borchers, op. cit., 3.9.1985.

²³⁹ Loc. cit.

prepare tea and snacks of a better quality as well as some Petits Fours.²⁴⁰ Such light-hearted details aside, the Ambassador sent regular briefings to Merkle covering a breadth of topics, from the Commission on mass media in SA to the status of discussions on constitutional reform.²⁴¹ These memoranda clearly influenced Merkle and thereby Bosch as a whole. For example, the CEO paraphrased the below passage only a few months later:

(...) Westminster system not a viable option in foreseeable future – majoritarianism, a single political system that includes Blacks cannot function as a successful democracy in current or foreseeable circumstances²⁴²

Furthermore, Merkle also integrated political positions elaborated on in van Heerden's letters into his own missives to wider industry. In a letter to the BDI, his views on universal enfranchisement, as evidenced by the second quote below, mirrored the written warnings he had received by van Heerden, as shown by the first quote:

[T]he conclusion was reached that South African conditions are highly unsuitable to the successful operation of such a democracy²⁴³

If one thereby intends for 'one man, one vote', then the unconditional and radical application of said principle would mean the end of SA being part of the Western world²⁴⁴

Whereas the debate on FRG business in SA in the early 1980s had been marked by the codex and related questions on wages and employment (business clarified it was either to be the status quo or higher wages and therefore increased use of machinery and less employment), the mid-1980s saw a shift in outside pressure. The watershed was the 1986 US Comprehensive Anti-Apartheid Act, indicating that outside Far Eastern corporates, German industry was now increasingly going it alone with its commitment to SA.

²⁴⁰ Borchers to Stahl, 8.2.1982 in RB, 1 021 047.

²⁴¹ Van Heerden to Merkle 5.2.1982 in RB, 1 021 047; van Heerden to Merkle, 4.7.1982 in RB, 1 021 047.

²⁴² Memorandum attached to van Heerden to Merkle, op. cit., 4.7.1982.

²⁴³ Van Heerden, 4.7. 1982, op. cit., 5.

²⁴⁴ Merkle to Mann, loc. cit.

That disinvestment was not an option considered is exemplified by RB drawing up a strategy plan within one month of the American bill being passed. Entitled 'RBSA langfristige Sicherung der Interessen', its objective was simple: Ensure the continuation of South African operations in case of sanctions or a change in government.²⁴⁵ The company's business had expanded in the interim, notably by taking full ownership of DESA in 1983, which had been the former DEH that had merged with another local business, before merging this with AESA in 1985 to create RBSA.²⁴⁶ Any execution of the plan would kill two birds with one stone. By setting up a charity to promote a positive image of Bosch amongst the black population – fundamental was an 'RB belongs to us feeling' – the organisation could become the caretaker owner of RBSA in the case of sanctions. Also, Bosch products would continue to be available, jobs would be secured, and the company would have a buyback option once the situation normalised. The company could then hold its head up high whilst earning praise that 'even in tough times RB did not abandon us'.²⁴⁷ Implicitly, however, such a premise would mean that a change in government or a transition would result in tough times and ergo be unwelcome. The charity would also resolve calls, including by peers such as Dr Walter Hasselkus of BMW, that urged:

*Due to the current political climate in SA and Germany, it is in addition necessary to execute social responsibility programmes in a manner that hastens the dismantling of apartheid and speeds up political reform, the recognition of human rights and the entrenchment of social justice in South Africa.*²⁴⁸

Concurrently, the EEC had updated the codex in 1985 but more importantly in September of 1986 it decided to ban further investment into SA amongst other measures.²⁴⁹ Merkle, now Chairman of the Supervisory Board, hinted that RB would not comply with such a rule if it threatened the maintenance of its South African subsidiary's productivity.²⁵⁰ Notwithstanding potential defiance by the business sector, the protagonist engaging in actual violation of regulations was in fact the

²⁴⁵ Wagner (RB Head of Southern Africa), RBSA Presentation, November 1986 in RB, 1 017 159.

²⁴⁶ Dietrich Kuhlitz, 'Am anderen Ende der Welt: Erste Vertretung in Südafrika,' in *Magazin zur Bosch-Geschichte 2006*, 14-15.

²⁴⁷ Wagner, op. cit., 11/1986.

²⁴⁸ Dr Walter Hasselkus to RB, 13.10.1986 in RB, 1 022 359.

²⁴⁹ BDI to RB, 16.9.1986 in RB, 1 022 359.

²⁵⁰ Merkle to Tyll Necker (Bundesverband der deutschen Industrie), 1.9.1987 in RB, 1 022 359.

German government. For, at the government funded German school in Pretoria, black staff, such as gardeners, were paid between R1 to 1.5 per day – far below the R2.8 minimum stipulated by the MLL+50% provision in the codex that it pushed onto business.²⁵¹

Bosch adhered to a position of not entertaining any thought of disinvestment regardless of whether foreign businesses were pulling out or mild sanctions were being imposed by the EEC, a commitment entrenched by Merkle. In fact, the only news that could set alarm bells ringing in Stuttgart were reports during the time of his successor, Dr Marcus Bierich, that DB was considering abandoning shop because the labour situation had become untenable.²⁵² With business only driven by economic viability rather than political interference in its disinvestment decision-making, the choice to remain meant exposure to increasingly assertive as well as globally connected South African unions. In the final years of P.W. Botha's presidency, Bosch was confronted by precisely such a dilemma. Not only did union militancy become a problem, but it also had to simultaneously address the impact Botha's backfiring attempts at shoring up the NP Government's credibility was having on its workers. Both issues were exacerbated by the IGM inviting itself yet again into the debate as a regulator of German business's South African affairs.

6. Unionism near and far

A decade after Loderer, the IGM, now under the leadership of Franz Steinkühler, became once more a thorn in the side of FRG business with South African interests. In 1988 Steinkühler prepared a list of fourteen terms that German industry was to adhere to when conducting business in SA.²⁵³ Objectively, the motivation was to create a set of 'Minimum Standards' for industrial relations in SA to overcome shortcomings in the codex – namely, its voluntary nature and that its drafting had occurred without any input from the South African labour movement. However, whilst the '14 points', as they came to be known, primarily concerned industrial relations, the area

²⁵¹ RB Memo, 29.9.1986 in RB, 1 022 359.

²⁵² Hansjörg Manger (Dir. RB) to Marcus Bierich (RB CEO 1984-92), 22.6.1981 in RB, 1 022 360.

²⁵³ See Appendix IV.

of expertise for unions, this, nevertheless, did not give unions a remit to apply 'legislation by other means' to overcome perceived shortcoming in German or South African law. Rather than lobbying government directly, the IGM initiated its actions on familiar territory, i.e. negotiating with German business. Yet, this meant taking up an extraterritorial cause, which clearly was not in the union's own remit and was completely unprecedented in German industrial relations. Furthermore, outside the specific political aspects of the case, the initiative was, at heart, the first test run of whether a now internationally, co-ordinated union movement had the power to affect change across borders: another apartheid-derived first.

In this crusade for 'Minimum Standards', Bosch as a German business with a South African subsidiary was not excluded. Commerce received a letter requesting them to sign a binding legal document to implement the '14 points'.²⁵⁴ Steinkühler's warning that the German public would never comprehend the non-application of the provided terms mirrored the overwhelming tone of the AAM in the country in the late 1980s. Indeed, a month after the letters, the SPD, FDP, and Green parties were demanding stronger measures against SA including immediate economic sanctions in the Bundestag.²⁵⁵ The IGM's self-proclaimed mission to provide the legal framework for the labour relations of South African subsidiaries could not have come at a more inopportune time for Bosch as RBSA was in the midst of negotiating a recognition agreement with local unions for the Brits site.²⁵⁶

Furthermore, RBSA had its own set of challenges to contend with. At its Johannesburg site, threats were made against the families of workers that came in to work on the anniversary of the 1960 Sharpeville massacre.²⁵⁷ Profitability meanwhile remained so low that the dividend had to be completely eliminated in order to fund necessary investment, earning it the ire of minority

²⁵⁴ Franz Steinkühler (Chairman IGM 1986-93) to Bierich, 19.4.1988 in RB, 1 022 360.

²⁵⁵ *VWD* (Vereinigte Wirtschaftsdienste), 19.5.1988 RB, 1 022 360.

²⁵⁶ An agreement recognizing a black workers' union as being the sole legal/agreed representative of black labour as opposed to other bodies, such as an employees' council.

²⁵⁷ RBSA operated on the 'no work – no pay' principle. See RB Legal to RB Leadership 24.3.1988 in RB, 1 022 360; Harrison, op. cit. 151.

shareholders.²⁵⁸ Moreover, the subsidiary had had some of its workers jailed by the police in response to agitation against Botha's investment push into black housing and seen a recent German public-private social initiative to garner international goodwill flounder.²⁵⁹ These latter events, in particular, had illustrated that German business had been unable to unite outside a crisis, that Bosch was unable to influence the apartheid-government, even at a local level, and a growing disparity between advice from the subsidiary and mother-company decision-making. When local management was not busy firefighting, it was working on creating this recognition agreement at Brits. Steinkühler's initiative, therefore, was regarded as more 'trouble from Germany' when SA was providing enough problems of its own.

Whilst the trade unionist argued his foray was intended to stop any possibility of settling industrial disputes using opportunities provided by South African law that were not reflected in German legislation, it had wider consequences.²⁶⁰ Most notably, by instituting a legal agreement rather than a voluntary behavioural code, it not only created the possibility of liability but also attempted to set multiple precedents. For the first time German law would be applied abroad; it would only apply to German subsidiaries; and it was exclusively targeted at SA. Even after co-ordinating with its peers in industry, Bosch's senior management was conflicted. Were it to sit back and apply the tried and tested method of letting the business federations handle the matter then this had the danger of setting a different precedent by allowing German employers' associations to treat with regard to their members' foreign subsidiaries.²⁶¹ Furthermore, the German Chancellery urged against outside interference into a matter already covered by the codex and which should be the preserve of South African unions.²⁶² Yet, the 14 points had been drawn up together with these unions precisely because the codex had not, which had resulted in its high-universal condemnation by them.

²⁵⁸ Manger to Hugo, 22.7.1988 in RB, 1 016 313.

²⁵⁹ See Appendix V and VI for details.

²⁶⁰ Steinkühler to Dr Werner Stumpfe (President *Gesamtmittel*), 21.4.1988 in RB, 1 022 358.

²⁶¹ Handwritten comment on Dr Wilfert and Blaettner (*Südwestmetall*) to RB of 19.5.1988, 26.5.1988 in RB, 1 022 360.

²⁶² Schäuble (on behalf of Chancellor Kohl) to Steinkühler, 8.7.1988, 2 in BArch B 136/23447.

Therein, however, lay another danger for RB. Were Steinkühler to become aware via now strengthened bilateral trade union ties that RBSA was concluding a recognition agreement for Brits, he might indirectly force the incorporation of the Minimum Standards through the existing negotiation process. One consequence was that Richard Rau, Chairman of Bosch's workers' council ('BR'), had to be clandestinely briefed by the CEO without the BR's knowledge and obliged to keep silent towards the IGM on the existence and status of negotiations at Brits.²⁶³ Steinkühler himself was brushed off by Bierich with the remark that its subsidiary would never agree to be legally bound by terms that went above and beyond both German and South African law.²⁶⁴ The true motive, however, was simple to deduce. RB could not allow neither the employers' federations nor the IGM to set precedent by treating on or imposing obligatory foreign regulations on its subsidiaries. Moreover, keeping South African matters localised (most importantly by concluding the recognition agreement) meant that industrial relations could become normalised, i.e. South African parties treating with each other based on South African law on South African ground. In summary, this meant the company could only protect its interests through an individual rather than a peer-aligned anonymous response.

Yet, worse was to come. Having learnt of the 14 points, the German Ministry for Labour and Social Affairs joined a spearhead by the AA to push for integration of the union clauses into the codex at a European level.²⁶⁵ The AA in turn was driven by Genscher who had already ignored the interests of German business a decade earlier by tying export credit guarantees to codex compliance. The joint Ministerial proposal was vociferously objected to by the BMWi which sought support from the business associations for its position.²⁶⁶ The opposition of business in part rested on Steinkühler's terms that allowed for free and unrestricted rights to take industrial action, including political and illegal strikes, pickets on company grounds and that all disputes had to be settled

²⁶³ Dr Günter Bensinger (RB Board Member for HR) to Bierich, 23.9.88 in RB, 1 016 313.

²⁶⁴ Bierich to Steinkühler, 13.7.1988 in RB, 1 022 358.

²⁶⁵ BMWi to BDI, 30.8.1988 in RB, 1 022 358.

²⁶⁶ Loc. cit.

exclusively through arbitration.²⁶⁷ Yet, the BMWi and industry were not alone in their opposition to governmental interference. The IGM too feared that the unilateral initiative by the AA would result in dilution of its terms to obtain EEC-wide buy-in.²⁶⁸ Particularly galling was that for all intents and purposes, this was a repeat of Genscher ignoring individual ministerial responsibilities to leverage an economic and labour matter to push his standing amongst European peers.

Such discord as existed amongst the German Ministries was not to be found in the ingrained behaviour of industry. Yet, the muscle memory of solidarity, however, proved counterproductive. For it not only weakened Bosch's initial position but sowed further discord between RB and RBSA. Concurrent to the governmental initiatives in the FRG, in SA the unions had hired a noted labour lawyer to explore how the 14 points could be adapted into legislation as a basis for wage negotiations.²⁶⁹ When RBSA concluded a recognition agreement for Brits which ignored the IGM demands in December 1988, it proceeded to throw its hard-fought victory away the next day.²⁷⁰ Together with VW, Siemens, DB, BMW and Hella, RBSA agreed to the 'broad principles behind/of the 14 points' in a meeting with NUMSA and IMF representatives.²⁷¹ Following a rebuke by Stuttgart, RBSA's MD admitted he had felt pressured to sign given the company's peers had already done so. Furthermore, an exception may have resulted in press and union scrutiny.²⁷² Perceived peer pressure and the fear of scrutiny, however, do not provide stable ground for sound decision-making. Whilst RBSA may have felt pressurized, its peers, especially VW and BMW, were subject to a war of attrition by the IGM, which dispatched one delegate after another to show up at their sites.²⁷³ The *FAZ* put it most succinctly: 'The IGM has yet again successfully blindsided German business in SA'.²⁷⁴

²⁶⁷ RB Legal to Bierich, 30.9.1988 in RB, 1 022 358.

²⁶⁸ RB Legal, Note on a call with Esser (BDI), 23.9.1988, 3 in RB, 1 016 313.

²⁶⁹ *Ibid.*, 1-2.

²⁷⁰ RBSA to Dr Malchow (RB Head of HR policies), 9.12.1988 in RB, 1 022 358.

²⁷¹ G. Korths (MD RBSA) to Bensinger et al., 15.12.1988 in RB, 1 022 358.

²⁷² Korths to Bensinger, 3.3.1989 in RB, 1 022 358.

²⁷³ *Loc. cit.*

²⁷⁴ *FAZ*, 20.3.1989.

Bosch had one trump card left – it had a recognition agreement. If the IGM could not be convinced that its terms were already contained in the existing agreement, then its expansion was to be kept to a minimum to satisfy all parties.²⁷⁵ Stuttgart took no chances; RBSA’s indiscretion had already resulted in one perceived setback. It dispatched RB’s head of corporate HR policies, a former labour lawyer, to supervise the negotiation.²⁷⁶ Still Bosch had been taken by surprise, resulting in it making the best of a bad situation rather than proactive crisis management. Whereas the push by the AA to expand the codex based on the 14 points stalled due to British opposition, Bosch’s peers nevertheless began to buckle and accept the principles as part of their own recognition agreements.²⁷⁷ VW, in particular, feared that not accepting the terms beyond their mere principle would see the IGM switch to calling for disinvestment and the company would run into trouble in the US.²⁷⁸ Shortly after P.W. Botha left office, Siemens and DB shared their own 14-points-integrating recognition agreements with Bosch.²⁷⁹ It was now the only remaining holdout. An initial make-do strategy of hoping the IGM and its local partner, COSATU, would focus on Siemens and the car manufacturers only bought it time that was now up.²⁸⁰ Stuttgart continued to instruct RBSA not to engage in any discussion of the Minimum Standards beyond a mere amendment to the existing recognition agreement.²⁸¹ Botha’s exit in 1989 and de Klerk’s subsequent course of reform not only saved SA but also RBSA from complete surrender. Once the dismantling of ‘core apartheid’ began in earnest, COSATU had greater priorities than the 14 points.²⁸²

Conclusion

Bosch exemplifies how the ownership of a South African subsidiary in the apartheid-era led to challenges that management could never have foreseen despite previous experience in operating in

²⁷⁵ Bensing to RBSA, 17.3.1989 in RB, 1 022 358.

²⁷⁶ Loc. cit.

²⁷⁷ RB Legal, Memo, 17.3.1989, 2 in RB 1 022 360.

²⁷⁸ Ibid, 3. The US Anti-Apartheid Act Amendments bill of 1989 was being debated at the time, see Appendix I.

²⁷⁹ Distel (DB) to RB Legal, 25.8.1989 in RB, 1 022 358; Siemens to RB, 5.9.1989 in RB, 1 022 358.

²⁸⁰ RB Legal, op. cit. 17.3.1989, 3.

²⁸¹ Dr Karl-Heinz Schrödl (RB HR and labour law) to RBSA, 16.8.1989 in RB, 1 022 360.

²⁸² See Appendix VII, for an example of post-1989 union activism.

politically questionable locations. The subject of union, Lutheran Church, and government attention – not to mention that of the press – the company could rely on few allies even when truth was on its side: the German business associations, the BMWi, its peers and clients as well as the South African Embassy. Even when positions differed, information and documents were freely exchanged, especially when external initiatives forced the company to reluctantly engage with politics publicly. It is important to understand that private political positions, such as those held by Merkle, are in the first instance precisely that - private. This chapter has indicated a recurring theme, returned to in Section III, namely to what extent the personal views espoused by corporate leadership are reflected in policy, actions, and external communications – often these can be in stark contrast. For example, Merkle desired evolutionary change with some form of white power-sharing for reasons of economic stability but concurrently abhorred apartheid and would not tolerate racism within the company. The limited tolerance RB had for outside initiatives that sought to impose external checks and balances on its South African operations (going so far as to rebuke its subsidiary) must be contrasted with its disappointment at not being able to publicize its efforts at improving black welfare and stamping out the minutiae of racism to maintain PR unity with its compatriot peers. It was disinclined to meet with ANC representatives as was also the case with delegates from AAC or the NP. Such a position could easily be misread to infer that company executives had limited information at hand, this would be far from the truth. It was precisely because of the lengthy internal deliberations and files collected on SA that management was able to establish a position on whom it would treat with and whom it would not.

Whilst the company at multiple points began to treat with outside FRG stakeholders, often on an individual basis, it could not guarantee that its name would not receive some tarnish and ceased the continuation of such efforts. Moreover, its unwavering stance on disinvestment, whilst driven by Merkle, benefited from its peers and clients sharing the same disinclination. Yet, it had in part expanded in SA precisely to serve these compatriot clients. Indeed, this inherent obligation to its customers resulted in a never-ending string of issues extending from the 1976 AESA takeover to

1989 union intransigence. However, with its purchase of AESA, RB enshrined a principle of non-discrimination into the South African business (despite not being in favour of immediate majority rule); another Merkle initiative. When towards the latter half of the 1980s, differences in opinion and alignment began to multiply between RB and RBSA, it was merely the icing (or corporate version of the ‘broedertwis’) on a cake constituted of multiple decades worth of red ink.²⁸³

For fifteen years Bosch had tried to implement its standards of behaviour on a local acquisition whilst attempting to create a commercially viable entity. Whilst it might have succeeded in the former, with initial setbacks, it certainly failed in the latter. Even after Merkle was no longer CEO, disinvestment was not considered for RB to maintain its relationships (and therefore profits) in other markets where it served the same German clients it supplied in SA. In addition, just as Bosch achieved a change in the subsidiary’s culture over time, its executives remained enduring optimists regarding turning around RBSA and achieving sustainable local profitability. The multiple trolley load’s worth of archival material on this subsidiary and time period in the company archives are as much a testament to German business culture of intensive data-gathering prior to decision-making as to an internal convention stemming from Merkle ‘that one could never read enough from multiple sources’.²⁸⁴ Yet, the mountains of material belie the negligible importance of AESA/RBSA to RB as a whole, even more so in consideration of all the problems it created and management attention it required. Perhaps most lastingly has been the enshrinement of the principle that ‘Bosch is Bosch’ (e.g. regarding hiring policies, values) wherever it operates – a policy initiated and reinforced by entering apartheid-SA.

When by the onset of the 1990s RBSA increased its market share by successfully attracting black entrepreneurs as Bosch dealers, it indicated the economic benefit that a welcome change was bringing to both country and company. A change that could not have come soon enough for its

²⁸³ Afrikaans: Loosely - dispute amongst brothers. Used to describe Afrikaner disunity. In the 1980s specifically, the rise of the CP, reflecting the fraying of historic ties between the NP and the ‘volk’.

²⁸⁴ Bierich-era files on SA are but a pond compared to the ocean from the Merkle-period.

client VW. For not only did the automaker dwarf Bosch in SA but so did its problems, as will be investigated next.

Photograph 1: Hector Mbau (RBSA) with a customer, 1990²⁸⁵



²⁸⁵ 'EW baut Marktpräsenz in Südafrika aus,' *Zünder* 8, 11.10.1990, 2.

- Chapter 2 -

Volkswagen of SA: No time left for day-to-day business

Introduction

In July 1979 P.W. Botha had been PM of SA for less than a year, yet a pessimistic sentiment had already begun to make the rounds amongst the gathered managers of Volkswagen of SA ('VWoSA') and VWAG. At a joint management seminar held in SA, Ernst Blohm, Chairman of VWoSA, deliberately began his keynote speech with a specific 'van der Merwe' joke, popular with many white South Africans at the time.²⁸⁶ However, it was not to humour the audience. Rather, the punch line highlighted that Western media would spin any positive endeavours by South Africans into counterfactual tales of racialised violence. For business, especially foreign business, the tale illustrated that the 'South African narrative' had become so politically charged with emotion that facts had become near irrelevant in global and domestic discourse. Within this quagmire, the management of foreign subsidiaries found themselves addressing problems not of their own making and outside their ability to control. In the case of VW, counteracting the impact of negative public attention, governmental whims and stubbornness, politically charged and militant unions, and a dismal economy with the limited means placed at their disposal proved a Sisyphean labour. The consequence was a dramatic shift in strategy and political affiliation for the company in SA. As such, the 1980s not only fundamentally altered the country but also VWoSA, the latter, VWAG's first overseas subsidiary, to a degree unforeseen a decade earlier.

The story of Volkswagen during Botha's tenure provides some of the deepest insights into the daily trials and tribulations the MD of a local MNC subsidiary had to face. This can be primarily attributed to two factors. First, the size of VW's investment in SA, primarily an extensive production plant in Uitenhage, a town near PE in the Eastern Cape. The high capital investment attracted and exposed it to national and international scrutiny, especially when dealing with labour unrest – a phenomena that was particularly endemic to the region in the 1980s. Together with DB

²⁸⁶ Blohm, op. cit., 8.

and Siemens, VW made up the three largest German manufacturing corporations with sizeable production capacities outside the chemical sector in the Republic. As a representative business of German industry, it set precedents in 1977 when it became one of the first companies in SA to recognise and negotiate with black trade unions.²⁸⁷ It set the lead on policy for local German SMEs. Concurrently, however, the company was also a target of agitation by newly legalized black unions and the UN Commission on TNC behaviour in SA.

Second, its local MD during this period, Peter Searle, was, in contrast to other heads of German subsidiaries, a South African native rather than a German expatriate. As a member of the Anglophone rather than Afrikaner business community, he was both an outsider and an insider. An insider, because as a South African national he understood how the country had developed into its current state and was naturally inclined to be more concerned with its long-term future versus an expatriate manager that would eventually return to Germany. An outsider, because of his Anglophone background he could never be as close to the Afrikaner dominated government or other German subsidiaries as a German executive. This, however, allowed him a modicum of distance to analyse the situation at hand and make decisions, which did not seek to curry the favour of Pretoria or to gain traction for a future career at VWAG. Because of these factors, Searle was the most outspoken leader of a German subsidiary - forced to defend country and company whilst grappling with increasing disillusionment with Pretoria.

In the historiography section of this thesis, the prior literature on VW's activities in SA, namely Nieke (2010) and Andresen (2016) were discussed in depth. Within the context of the following case study, the Andresen article represents the more polished work, in part due to it drawing on the Blohm papers held by UNISA. Both texts analyse a period prior to that examined in this thesis. Though the early history of VW in SA is a tale of fascinating individuals, including ex-colonialists,

²⁸⁷ Wesner and Ehinger, 1988 VW EG-Kodex Einzelbericht, 28.10.1988, 3. Copy in B 102/379778.

involving tales of bribery and far-right politics, it is not the subject of this case study and is therefore only covered briefly.

1. Centre of attention

The presence of Volkswagen in the Union of SA began, in similar fashion to that of many German automotive companies, via a general vehicle importer and assembler. The South African Motor Assemblers and Distributors Limited ('SAMAD') had originally been registered by the Johannesburg Industrial and Commercial Holding Group Ltd to import Studebaker cars into SA via a franchise agreement with the US parent in October 1946.²⁸⁸ SAMAD went on to add assembly of CKD Austin and VW models before VWAG acquired an equity stake of 38% in the business from its Anglophone managers-cum-owners in September 1956.²⁸⁹ In 1957, VWAG became the majority shareholder by increasing its shareholding to 57.6% and by November 1966 the German company had increased its ownership percentage to 63% and changed the company's name to Volkswagen of SA.²⁹⁰ Its parent's commitment to remain long-term in SA was confirmed in 1974 when VWoSA become a wholly-owned subsidiary.²⁹¹

With increasing investment and presence in the Republic, relations between the VW Board and the NP Government were cordial. As a large foreign investor this was in VW's interest. For Pretoria, keeping VW committed to SA was the paramount objective in their relations. VW was important to the state not solely on an economic basis, though this was formidable. It was the largest employer and taxpayer in the Eastern Cape with 7.587 workers on its payroll of which 71% were non-white.²⁹² Similar to VW's relationship to Wolfsburg, VWoSA's to Uitenhage can be described in a similar fashion – *it was the town*; the municipality being destitute without the company.²⁹³ VW also held an

²⁸⁸ 'History of VWoSA,' in Reisemappe Berthold Südafrika Oktober 1980, 14.1.1980 in UVW Z 1184, No. 364/1; See also Nieke, op. cit., 52.

²⁸⁹ Overview of VWoSA, April 1988 in UVW Z 947, No. 232/1; Manfred Grieger and Markus Lupa, *Heft 17: Vom Käfer zum Weltkonzern* (Wolfsburg: Historische Kommunikation der Volkswagen Aktiengesellschaft, 2015), 70.

²⁹⁰ *Ibid*, 98.

²⁹¹ *Loc. cit.*

²⁹² Wesner and Ehinger, op. cit., 2.

²⁹³ Peter Searle, interview with author, 4.3.2020.

implicit and explicit leadership role for its fellow European businesses on their long-term decision-making to remain in the country and on how to engage with challenges arising thereof both at home and abroad. Any break between Pretoria and VW would have a signalling as well as trickle-down impact on the disinvestment decisions of the wider German business community.

Understanding the motivations and concerns of a major European investor often meant in practical terms going beyond a working accord with local MDs. The NP Government, particularly via its ambassadors and through ministerial visits to Germany, maintained close, indeed personal, relationships with the Chief Executive of VWAG. This relationship carried over from ambassador to ambassador and from one chief executive to the next. South African officials desired to maintain the impression that they were business-friendly and could be counted on to listen to the concerns of the leadership of large, foreign-owned MNCs; a rapport not shared with any consistency with the domestic Anglophone corporate sector. Pursuant in this fashion, the Ambassador to Germany, D.B. Sole, wrote in March 1977 to Toni Schmücker, Chief Executive of VWAG. Concurring with all the points raised in a prior discussion on VW's concerns with regard to South African government policies, notably job reservation, he would push the matter further with Pretoria.²⁹⁴ When Sole left to become the Republic's man in Washington a month later, he wrote a farewell letter to Schmücker, thanking him for their time together, eager to leave the relationship on the best possible footing so the new ambassador to Bonn could pick up where he left off.²⁹⁵ Pretoria's new diplomat, Kurt Robert von Schirnding, a descendant of German nobility that had emigrated to SA, deepened the relationship further, visiting VW headquarters in Wolfsburg with his wife.²⁹⁶ This visit would herald a cavalcade of Pretoria's cabinet ministers passing through Wolfsburg whilst visiting Germany and/or Europe. The frequency of these visits indicated that in the face of the country's increasing international isolation, maintaining good relations with those partners it still

²⁹⁴ Sole to Schmücker, 3.3.1977 in UVW Z 610, No. 582/1. Job reservation, in practice, was already not being applied in many plants by 1977 but a persistent skills gap made promotion of non-white labour into positions previously banned under the Colour Bar problematic. It was officially repealed in 1979, see 'Apartheid Legislation 1850s-1970s,' South African History Online, <https://www.sahistory.org.za/article/apartheid-legislation-1850s-1970s>.

²⁹⁵ Sole to Schmücker, 21.4.1977, UVW Z 610, No. 582/1.

²⁹⁶ Schirnding to Schmücker, 8.11.1977, UVW Z 610, No. 582/1.

had, in this case the Eastern Cape's biggest business, became even more important to the NP Government. A visit by S.P. Botha, Minister for Labour and Mines, in 1978 was followed by his successor de Klerk in 1980, who, given the Republic's scarcity of oil, was particularly interested in alternative fuel sources for passenger cars.²⁹⁷

Research into methanol-burning engines was judged by the AAM as buffeting SA from sanctions.²⁹⁸ When the UN General Assembly agreed to a voluntary oil embargo in 1987 it marked the culmination of enduring NP Cabinet anxiety with regard to sourcing oil and managing the consumption thereof.²⁹⁹ Over the course of the 1980s, P.W. Botha estimated that SA paid a R22bn premium to import oil from the grey market, confirming the obscene economic losses Pretoria was willing to endure to maintain white political dominance.³⁰⁰

In addition to the personal calls upon Wolfsburg, the volume of paperwork stemming from the Bonn Embassy suggests that if the world was ignoring Pretoria's efforts at public relations, then it had to leverage its relationship with foreign business leaders as best as it could to shape opinion in its favour – with mixed success.³⁰¹ Irrespective of its efforts finding resonance, the South African government continued to cultivate an open-door policy with VW. When Peter Searle, MD of VWoSA, sent a draft agenda to Schmücker, nine months in advance of his boss's visit to SA in 1981, he included a meeting with the South African PM as a standard item, noting that if he were unavailable then the Minister of Industries would have to suffice.³⁰² No official in the Union

²⁹⁷ Schirnding to Schmücker, 16.5.1978, UVW Z 610, No. 582/1; Botha visited again in 1983 accompanied by Ambassador van Heerden and representatives from Bosch, Siemens, Bayer, and other notable German firms. See VW Beteiligungen II, Draft agenda 27.9.1983, 26.8.1983 in UVW Z 1006, No. 162/1; Bauer (VW subsidiaries) to Schulze (VW PR), 21.3.1980 in UVW Z 1184, No. 311/1.

²⁹⁸ William Otto, 'Profiles on some transnational corporations making significant contributions to the maintenance of Apartheid in SA,' *Supplementary report to AAG representative office*, 3.6.1981, 81-82 in UN 830/81. PA AA, B 34 (ZA), 321.00; yet, in the face of international condemnation, the NP Government, short of political reform, had little choice but to explore substitute technologies for oil production, such as the Fischer-Tropsch process employed at Sasolburg, source grey market supplies or in this case find methods to reduce the need for petroleum-derived products.

²⁹⁹ See UN General Assembly Resolution A/RES/42/23A-H, 20.11.1987, <https://undocs.org/en/A/RES/42/23>.

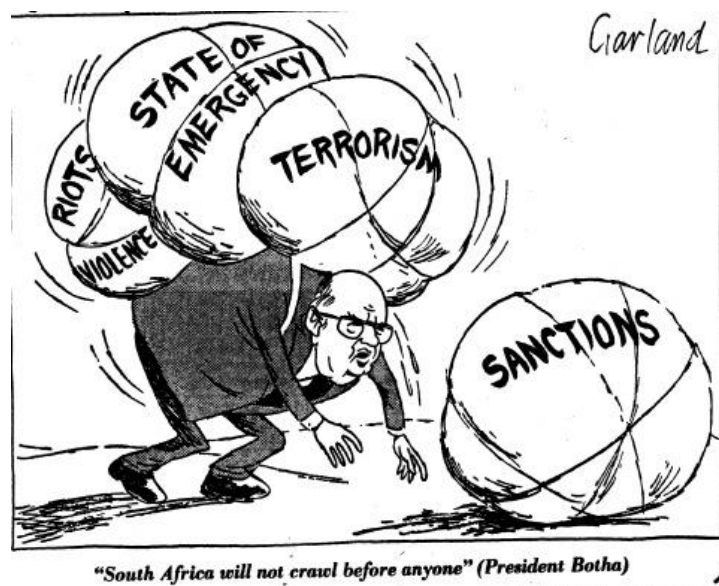
³⁰⁰ Hennie van Vuuren et al., *Apartheid guns and money: a tale of profit* (London: Hurst, 2019), 116.

³⁰¹ E.g. NP van Heerden to VWAG attaching 'The Facts', a press briefing by the Republic of SA on the Angola operation, 4.9.1981 in UVW Z 1184, No. 337/1.

³⁰² Searle to Schmücker, 31.10.1980, 2 in UVW Z 1184, No. 307/1.

Buildings had yet been consulted prior to the drafting of the agenda. It was not necessary – they would be notified of VW’s wishes. The NP, particularly P.W. Botha, were renowned for their stubbornness and refusal to be dictated terms to, as typified in the below contemporary cartoon.³⁰³ Here, however, was a case of them clearly being at the beck and call of another power, albeit an economic one. Neither was this a one-off occurrence.

Cartoon 1: Botha defiant³⁰⁴



The Afrikaner-dominated government would make itself available throughout the decade to visiting heads of VWAG. For example, on a 1982 visit by Hahn, Schmücker’s successor at the top of the automaker, Finance Minister Horwood and PM Botha both respectively held one and a half hour private meetings with the German executive.³⁰⁵ Local government in PE too would be of assistance. VWoSA flouted adherence to job reservation by hiring a great number of black South Africans. The subsidiary, however, was within a Coloured Labour Preference Area.³⁰⁶ Yet, there

³⁰³ C.f. with Verwoerd ‘leaving’ the Commonwealth rather than compromise on policies and thereby acknowledge outside interference into sovereign affairs.

³⁰⁴ Nicholas Garland, *The Sunday Telegraph*, 15.6.1986.

³⁰⁵ ‘Agenda Hahn visit on 24-29.7.1982,’ 7.6.1982 in UVW Z 1184, No. 525/2.

³⁰⁶ For policy details, consider DI Bishop, ‘The Coloured Labour Preference Area Policy’ (paper presented at the Black Sash National Conference, Cape Town, 10-13.3.1983), <https://digitalcollections.lib.uct.ac.za/coloured-labour-preference-area-policy-paper-presented-cape-western-region-national-conference-1983>.

were simply not enough local Coloured workers to staff all positions.³⁰⁷ By its acceptance of business ignoring apartheid-legislation, the municipality underlined that doing so was in the mutual economic self-interest of both it and the company. Blohm had once stated to VW managers that in the case of SA it was a matter of: '(...) when in Rome, do as the Romans do'.³⁰⁸ As it turns out, they need not have worried, for 'the Romans' had rolled out the red carpet. Meanwhile, the liberal business community discovered VW.

Whilst Pretoria may have been distributing its propaganda via traditional diplomatic channels supplemented by a personal touch through one-on-one meetings, VW was not prejudiced against entertaining opposition voices, particularly when they emanated from peers in the world of business. As an Anglophone South African, Searle was able to act as a conduit to leadership in Germany and the progressive business sector in SA. As a result, liberal thought, whether in writing or in person, found its way to the Board room in Wolfsburg, even prior to the 1980s.

In contrast to the asymmetrical relationship with the NP Government, VW and South African businessmen treated on a more equal footing, often pursuing similar goals of stability, reform, and progressive labour relations. Missives from SA by Searle attaching Oppenheimer speeches for distribution would be followed, upon the onset of the 1980s, by a myriad of visits of South African business leaders to Germany.³⁰⁹ Two of these are of interest.

The first concerns the 1980 visit by Messrs du Toit and Godsell of AAC.³¹⁰ Wolfsburg is a provincial town. A visit from the only airport with direct flights to SA, Frankfurt, necessitates many hours travel time by rail or by road. The ostensible cause of the gentlemen's visit was to obtain

³⁰⁷ Searle, interview, loc. cit.

³⁰⁸ Blohm, op. cit., 6.

³⁰⁹ Berthold to VWAG Board, note stating Searle requested distribution of attached speech (1978 Oppenheimer speech 'Why the world should continue investing in SA'), 2.10.1978 in UVW Z 1184, No. 436/3.

³¹⁰ AAC had dispatched its Finest to VW. Godsell was more than an industrial relations expert, he was a rising star. By the 1990s he headed up Anglo's gold division and by the 2000s was named 'business person of the decade'. See Gill Moodie, 'Who is Bobby Godsell, the big cheese whom the workers support?', Grubstreet.co.za, 11.11.2009. <https://web.archive.org/web/20091118134646/http://grubstreet.co.za/2009/11/who-is-bobby-godsell-the-big-cheese-whom-the-workers-support/> and Marina Bidoli, 'Beyond the bottom line to a new society,' *Financial Mail*, 7.5.2004.

VW's buy-in on their proposal that the company join not only the South African Employer's Association but also review the SACCOLA Code of Conduct. This Code had been prepared by the Urban Foundation ('UF'), an institution that was as much a think-tank as it was a charitable organisation, a legacy of its co-founding by AAC leadership post-Soweto. The Foundation hoped that its new South African-created Code could in the long-run replace existing domestic and foreign regulations on company behaviour, particularly the Sullivan principles and EEC codex.³¹¹ Yet, a South African solution for South African problems required the approval and commitment by foreign businesses active in the country to ensure its effectiveness. One of the largest was VW. By making the long journey to its HQ, one corporate giant hoped to convince another in full knowledge of the signalling effect the automaker would have amongst German industry. The Germans, however, were cautious of being drawn into a seemingly never-ending, intertwining web of South African quasi-political responses by business, even when it had the might of AAC behind it; a corporation they historically admired. Dr Ehinger, VWAG's legal head, in consultation with Karl-Heinz Briam, Director of Industrial Relations, pushed AAC's proposal back down the hierarchy to VWoSA. A clear signal of VWAG leadership hoping to keep South African affairs 'localised' to the subsidiary and a testament that they needed to revert to Searle's expertise in handling the matter. Moreover, the South African was requested to verify whether VWoSA current membership of three employers' associations already covered the additional request by AAC.³¹² A subtle wink implying Wolfsburg expected the issue to be nipped in the bud.

The second notable call on VWAG's leadership is that in the second half of 1980 by Bob Aldworth, MD of Barclays SA, and of Chris Ball, head of Barclays Western Bank. Aldworth sought to have talks at VW with executives dealing with SA whereas Ball, in charge of VWoSA's local bank, sought a special private plant tour and discussion with Richard Berthold, VWAG Director of Outside

³¹¹ Ehinger to Searle, 19.12.1980 in UVW Z 1184, No. 307/1.

³¹² Ibid.

Shareholdings and Corporate Planning, and representatives from credit and leasing.³¹³ Both Aldworth and Ball were firm proponents of the reformist corporate elite in the Republic and became divisive figures due to their public and private activities, including opening negotiations with the ANC and the indirect funding of pro-ANC advertisements.³¹⁴ In Wolfsburg they found a receptive audience for an appointment that mixed business, pleasure and political discussion.

VW, therefore, was not ignorant to the troubles besetting SA on the eve of the 1980s. In addition to German domestic reporting, it had first-hand access to both ideologically opposed white camps of South African politics – the Afrikaner government and the Anglophone business leaders. In handling points raised by either faction, the company's reliance on Searle was pivotal. It hoped he could smooth the way when necessary, contain problems locally and brief Wolfsburg regularly. Some matters, however, could not be relegated to SA.

2. A new reporting standard

VWAG's history following the 1977 passing of the EEC codex epitomizes how German business reacted to rather than lobbied government when it came to South African affairs, an overarching thesis argument. With new reports on business involvement and behaviour being requested by the EEC, unions and the UN, VW responded with ease. Indeed, it saw these demands as opportunities to promote the progressiveness of its South African business. Perplexingly, this situation resulted in the only dilemma for the company – one of its own making and purely an internal matter but nonetheless one solely arising from having a presence in the apartheid-Republic. Concurrently, when the company did come under scrutiny it was given cover by the German government

³¹³ Searle to Berthold, 12.8.1980 and Berthold to Aldworth, 3.9.1980 in UVW 1184/311/1; Telex Clive Warrilow of VWoSA to Bauer (VW Beteiligungen II), 5.5.1980 in UVW Z 1184, No. 311/1.

³¹⁴ Sampson, op. cit., 30, 172; Hilary Joffe, 'Exit Ball, just as he entered: Without speeches,' *Weekly Mail*, 20.1.1989; Chris Barron, 'Bob Aldworth: Media hero to banking zero,' *Sunday Times* (SA), 3.5. 2009, 19; 'Chris Ball,' The Presidency, Republic of South Africa. <http://www.thepresidency.gov.za/national-orders/recipient/chris-ball>.

internationally and by German politicians domestically; without having requested either. Its sheer size sufficed, negating any need to throw its weight around.

In terms of obligatory reporting to government, VW went out of its way to go beyond the call of duty in fulfilling its requirements. It set up cross-functional teams to specifically answer ministerial enquiries and collate necessary data to meet the regulatory burden, beginning with those of the EEC codex. The codex had no operational impact on VWoSA, for the subsidiary already met its stipulated requirements.³¹⁵ Neither did it find any fertile ground with the local unregistered black trade union, the National Automobile and Allied Workers' Union (NAAWU); it was dismissed as being too focused on petty apartheid and lambasted for having been created without any consultation with black South African unions.³¹⁶ The one stakeholder within VW that did discuss and debate the codex at length, however, was the VWAG Board.³¹⁷ On the one hand compliance with it was purely voluntary. On the other hand, it was a new development, specific to SA, and a harbinger of potential legislative action, including sanctions. As such, the German executives were faced with a hitherto unprecedented policy instrument and proceeded to monitor all future VW codex submissions. For, if the company could demonstrate its presence was making a positive change in SA, it could perhaps assuage the FRG government from heeding the ever-louder transnational cry for proscriptive measures.

That VW hoped to remain in the good graces of the German government and keep it as an ally in a wider debate on South African engagement, is illustrated by the company's response to even simple enquiries. The FRG Minister of Finance, Hans Apel, requested VW to provide him with details of its practices within VWoSA in preparation of possible questions in the Bundestag.³¹⁸ The

³¹⁵ Karl-Heinz Gerber (VWAG Foreign Shareholdings), internal note attaching 12.10.1977 response by H. Backsmann and Dr P. Frerk (HR Board member) to FRG Ministry of Finance ('BMFin') 26.9.1977 query, 13.10.1977 in UVW Z 610, No. 114/2.

³¹⁶ After 1979 it no longer saw any justification for the codex given it could now represent black workers' rights, see Kühl et al., *Travel report of VW AG works council members to SA 18.10. to 1.11.1982*, 9.12.1982, 2 in UVW Z 947, No. 205/2.

³¹⁷ Ehinger to VWAG Board, copy of pre-emptive EEC Code of 20.9.1977, 4.10.77 in UVW Z 610, No. 114/2; Ehinger to VWAG Senior Mgmt and Board, Copy of 2nd EEC Code VW submission, 15.5.1981 in UVW Z 610, No. 114/1.

³¹⁸ Gerber, loc. cit.

company's Legal Department, Foreign Shareholdings Department, and the Board member responsible for HR pulled out all the stops to send a detailed nine-page report to the Minister highlighting the company's progressive policies in the Republic.³¹⁹ That the Minister in question belonged to the social democratic party, SPD, known for its intimacy with the trade unions and thereby to the wider solidarity movement with South African labour, cannot be discounted as an additional motivation in surpassing the Minister's expectations.

In a similar forthcoming fashion, the company addressed the Loderer questionnaire, representing the exception amongst its peers.³²⁰ Moreover, it earned accolades by both Loderer and the press for its progressive behaviour in SA, in particular stemming from its early recognition of a black trade union.³²¹ In contrast, its competitor BMW was heaped with scorn by the trade unionist.³²²

Despite outside praise, the situation inside the company was an entirely different matter. South African politics and a South African presence meant VW was forced to take a stand, thereby weighing up historic FRG business solidarity versus fostering positive public perception through proactive communication. The automaker's halo position within German industry further complicated the issue. At the root of the problem lay the distribution of the government-imposed, voluntary codex submission to the public. Individual company submissions were submitted via the BDI to the Federal Government which amalgamated and anonymised it together with other reports to publish an overall paper on the adherence of German business to the codex. VW, however, wrestled with the pros and cons of making its report directly available to the public.³²³ The company's senior functionaries were adamant that the company had nothing to hide and instead had performed exemplary work in SA; a fact to be shouted from the rooftops.³²⁴ VWAG's Legal Department repeatedly urged the BDI-chaired inter-company codex taskforce to consider

³¹⁹ Loc. cit.

³²⁰ Berthold to VWAG Board, 15.8.1978 in UVW Z 610, No. 114/2; Schad, note on 30.8.1978 BDI meeting, 7.9.1978 in UVW Z 373, No. 208/2; see also Schmücker and Frerk to Loderer, 15.9.1978 in BArch B 136/12597.

³²¹ 'Eugen Loderer: VW-Werk ist der einzige weiße Rabe,' *Handelsblatt*, 10.10.1979.

³²² Loc. cit.

³²³ Ehinger, internal memo, 21.1.1980 in UVW Z 610, No. 114/2.

³²⁴ Berthold to Ehinger, 26.8.1981 in UVW Z 1006, No. 162/1.

discretionary individual publication.³²⁵ VW management expected public dissatisfaction with the overall government report, not only in terms of its anonymised contents but also with the submission and monitoring process, as well as the ministerial evaluation of business efforts.³²⁶

At the heart of the issue was how to resolve historic responsibility towards unity within the German corporate bloc versus highlighting its progressive nature in SA to avoid being targeted by the AAM. Whilst its German peers were already breaking ranks and thinking of the public rather than the government when compiling their codex reports, VW, was being cautioned not to follow this lead.³²⁷ In the eyes of the BDI, if VW went it alone then it would result in the break-up of the unified German business front in the face of external inquiry.³²⁸ The BDI, however, would consider acceding to a separate publication on VWoSA, similar to offerings by Hoechst and Siemens. Be that as it may, the message simply increased the existing conflict within the corridors of Wolfsburg.

A separate report only opened more questions for VWAG. Its form, its function, its credibility, and which part of the company should be responsible for it, were all subject to extensive debate between various group-level departments. A discretionary publication by VW of its compliance report as its social report, would, given its status as a guiding light for other corporates, potentially put other businesses, including SMEs, under pressure to create an individual report even though they may lack the capability to do so.³²⁹ Furthermore, an additional social report, separate of the compliance submission, would not only cost time, effort and money; it might be dismissed purely as a PR exercise, thereby backfiring.³³⁰ The annual BDI compilation was viewed solely as an accountability exercise and not part of VW's official PR and communications strategy vis-à-vis its

³²⁵ Ehinger to Quambusch (BDI Head), 15.7.1981 in UVW Z 1006, No. 162/1.

³²⁶ Loc. cit.

³²⁷ C.f. the publicised codex submissions of BMW and Hoechst who feared the reputational impact that an anonymized report had with its inclusion of 'laggards'. By pre-emptively going public, they aimed to shape the discussion from one of business versus workers to a narrative of progressive businesses versus the rest. See Ehinger to Berthold and Briam, 13.8.1981 and Lüders (VW Legal) to internal mailing list, 13.8.81 in UVW Z 62, No. 58/7; Lüders to internal distribution list, note on press coverage of BMW in FR 26.1.1987, 5.2.1987 in UVW Z 62, No. 103/6; Ehinger to Briam, 20.11.1979.

³²⁸ '...bedeutete die Aufgabe der bisher von der Wirtschaft eingenommenen einheitlichen Haltung' in Esser (BDI) to Ehinger, 23.7.1980 in UVW Z 1006, No. 162/1.

³²⁹ Berthold to Ehinger, 14.7.1980 in UVW Z 1006, No. 162/1.

³³⁰ Loc. cit.

South African involvement.³³¹ In the end, VW settled on producing an objective paper for distribution in Germany.³³² VWoSA in turn was instructed to work on its own publication for use in SA.³³³ The company had narrowly avoided a complete upset of German corporate unity by first, waiting for BDI approval before proceeding and second, creating its social report independently of the codex submission. Above all, when pressed on SA, the company desired to be as transparent as possible without making waves in the business world.

Transparency in the face of public scrutiny and conformance to corporate standards of behaviour were not just one-off examples, as illustrated by subsequent developments. For example, VW skirted on the edges of the established position held by the German corporate bloc when it came to dealing with the UN. In 1982, the UN Centre on TNCs sent a request for confidential company data to German businesses. This was summarily dismissed by the BDI with reference to the FRG government's summary codex report and verbiage on how German business had made a positive contribution to the South African situation and would co-operate whenever 'objective' reporting was guaranteed.³³⁴ Unwilling to break ranks but eager to be seen as forthcoming, VW, independently of the BDI, wrote to New York and pointed out that it had already sent its annual report pre-emptively to the UN.³³⁵ Similarly, adherence to voluntary codes on corporate behaviour was not simply a matter of lip-service for senior management. In a 1980 letter to Searle, VWAG made explicitly clear that OECD business guidelines and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy would apply to the South African subsidiary and that he was responsible for their full implementation.³³⁶ The message, considering

³³¹ Loc. cit;

³³² Drawing lessons from the social reports of Hoechst, Siemens, and BMW. See Lüders to senior management, 2.9.1980 in UVW Z 373, No. 437/3; Ehinger, memo, 2.9.1980, 1-2 in UVW Z 373, No. 437/3; Berthold, 26.8.1981, loc. cit.

³³³ VWoSA subsequently published a PR brochure 'Was der Mensch schaffen kann' for use in SA, see Bauer to Ehinger, 15.9.1980 in UVW Z 1184, No. 307/1.

³³⁴ Ehinger to Itsuo Kawamura (UN TNC) attaching initial letter by Kawamura to German companies on 14.10.1982 and the BDI response dated 16.12.1982, 17.12.1982 in UVW Z 1006, No. 162/1.

³³⁵ Ehinger, loc. cit.

³³⁶ Frerk and Berthold to Searle, 10.11.1980, in UVW Z 1006, No. 162/1.

its countersignature by the internal audit unit, was clear - there would be no exceptions in the way the company conducted business in SA, irrespective of apartheid.

Within the FRG, public interest and the subsequent controversy of conducting business in SA reached a new crescendo, culminating in a 1980 Bundestag hearing on the subsidiaries of German business.³³⁷ Given the lethargic pace of bureaucracy, VW's Legal Department required little effort in keeping abreast of upcoming inquiries and regulations that might affect its South African business; the hearings therefore came as no surprise. Nevertheless, the company found an unexpected ally. Joachim Angermeyer, a former Nazi party member now opposition FDP MP, informed VW that he would set up a preparatory meeting prior to the hearings.³³⁸ Present would be a member of his staff, the lawyer Achim Stracke, who was to become the new MD of the Chamber.³³⁹ Certain politicians therefore not only provided backing to VW, however desired or not, they also moved their associates into positions where their existing network to FRG government could benefit German subsidiaries on-site in SA.

The company's management culture had played a key role in successfully navigating outside scrutiny thus far. By holding the South African subsidiary to the same standards of behaviour as applied in Germany, including racial equality, and recognising an unregistered black trade union, the company had no skeletons in the closet to be discovered. Indeed, it had the luxury to ponder an offensive PR strategy rather than retreat behind the cover of the BDI when it came to discussing business engagement with apartheid-SA.

3. The best laid plans

The case that business was caught off-guard by South African developments can be seen in VW's scrambling to regain its footing once political tensions began to affect VWoSA. By the end of the

³³⁷ Ehinger to Briam, 20.11.79, 2 in UVW Z 62, No. 58/7.

³³⁸ See Helmut Gewalt, Angehörige des Bundestags / I. - X. Legislaturperiode ehemaliger NSDAP- & / oder Gliederungsmemberschaften, 20.10.2005, <https://web.archive.org/web/20120118095711/http://www.niqel.de/bredel/news/mdb.pdf>.

³³⁹ Angermeyer to Briam, 13.5.1980 in UVW Z 652, No. 7/1.

1970s, with the AAM going from strength to strength, the prospect of sanctions arising anew and violent gestations by a militant, politically frustrated labour force, troubleshooting by VWAG's CEO and VWoSA's MD culminated to a hitherto unprecedented degree. The issues that South African involvement spawned had begun to multiply and take on substance, necessitating the need to escalate their handling beyond middle management before they could worsen. Leadership, however, would come to realise that soon matters, including the profitability of the subsidiary, were no longer going to be under its ability to control if the situation were to persist.

The triumphant return of the NP Government in the 1977 general election was the first ripple in the pond of VW's calm facade. Two months earlier the Board had expected the Westminster system of government to end by 1979 with Indian and Coloured South Africans to be represented in central government and racial discrimination largely abolished.³⁴⁰ VW leadership predicted the Homeland policy to continue but not be accepted, further growth in the number of 'dissatisfied' black youth, full black administrative control of townships, equality in labour law, the black demographic still barred from central power and sporadic but controlled unrest resulting in loss of trust at home and abroad.³⁴¹ The Board was on the right track with its predictions but the subsequent resounding victory of the NP meant political reforms would not materialise until the 1983 constitutional referendum and the predicted unrest would be anything but sporadic come the latter half of the 1980s. For the first time the company found itself in uncharted territory.

With a middling track record of reform to show for his time in office, Vorster, post-election victory was not going to usher in a different SA, especially considering the divergent *verkrampste* and *verligte* camps within the Cabinet. For SA and thereby for VW, the existing discussion on potential sanctions would not disappear soon. With the world's eyes now increasingly drawn to the Cape, the company could no longer depend on missives by the BDI to sway the pro-sanction factions

³⁴⁰ VWAG Board minutes, 22.9.1977, Appendix 1, 6 in UVW Z 373, No. 199/1.

³⁴¹ Loc. cit.; see Appendix VIII for further details.

within the FRG government. The earnestness of the situation is highlighted by VW bringing in its CEO to lobby Bonn for the first time.

Significantly, in a 1978 letter to Hans-Dietrich Genscher, Schmücker put a new spin on the classical argument against sanctions.³⁴² Apart from underlining the size of VW's investment, its local content of between 50 to 60%, which thereby fostered the development of South African businesses and jobs, abolishment of internal job reservation, and its social work, the CEO pointed out praise received in the press for institutionalizing equal pay irrespective of race.³⁴³ New was Schmücker's stressing of German jobs that depended on a healthy South African business and economy – tactically a clever play, for the threat of job losses has historically always been the default method to convince German politicians. Indeed, it is often referred to as the *Totschlagargument*.³⁴⁴ The main objective of the letter, however, was to hold Genscher off from further exploring the prospect of sanctions by clarifying that these would create unemployment both for South African black labour resulting in increased confrontation and for German voters, with no description of the latter's consequences being necessary.

Whilst Schmücker took pains to state he was not writing to gain sympathy for Pretoria, he did let slip his interest in South African politics for he predicted the hard-line Mulder to succeed Vorster rather than P.W. Botha.³⁴⁵ The CEO was at pains to highlight that legislative reform in SA in the field of industrial relations would only make official a reality that German business had already established behind closed doors. Neither would sanctions lead to an improvement in the socio-political situation in the Republic. Genscher's FDP was conflicted on the issue, though the party agreed that a strong message was needed towards Pretoria.³⁴⁶ The Foreign Minister placated the CEO's fears, stating that he did not regard sanctions as a tool and hoped existing business relations

³⁴² Schmücker to Genscher, 28.3.1978 in UVW Z 610, No. 582/1.

³⁴³ The parts of a vehicle that were sourced within SA (% local content) was tied to the effective tax-rate imposed by the SA government. For example, in 1980, 0.5% in tax was added for every per cent below 50%. See VWAG Board minutes 21/79, 9.7.1979, 8 in UVW Z 1133, No. 256/1.

³⁴⁴ The rhetorical knock-out blow.

³⁴⁵ The Information Scandal, however, changed the political landscape and the outcome of this prediction.

³⁴⁶ Wenzel, op. cit., 139-140.

via adherence to the codex would spread positive change across the entire domestic political spectrum.³⁴⁷ Only speedy compliance by German business could avert demands for economic sanctions.³⁴⁸

Genscher's stance is explained by his drive to gain the support of German industry for his 'Afrikapolitik'.³⁴⁹ He sacrificed business interests to further his own wider agenda, notably in the past tightening rules on government-provided export credit guarantees for companies trading with SA to better his credentials with European peers.³⁵⁰ Between the lines, Schmücker had highlighted that management's political impact was solely restricted to factory grounds. That Genscher responded by employing the naïve, if not already discredited, argument of the codex having knock-on effects outside the subsidiaries, accentuates the hypothesis of Genscher seeking to entangle commerce to foster his broader foreign policy goals. As for Schmücker, he informed the public that 'as regards further investments in SA we shall continue to make them on merit without regard to any political pressures'.³⁵¹

Meanwhile, the South African and German labour unions had established an accord to put pressure on VWAG to take VWoSA on a tighter leash. Disputes in SA could be shared from union to union, thereby circumventing VW's local management and had the potential to be leaked to the German press. Furthermore, via the Supervisory Board, the German workers' council representatives could press VWAG executives on issues arising out of VWoSA's handling of labour relations. The company subsequently had to engage in troubleshooting on two fronts: in Germany to avert legislative intervention, and in SA to address disagreements that became increasingly tainted by politics.

³⁴⁷ Genscher to Schmücker, 28.4.1978 in UVW Z 610, No. 582/1.

³⁴⁸ Loc. cit.

³⁴⁹ Steeg, memo, 2.9.1977 in BArch B 102/149864.

³⁵⁰ Steeg to Hans Friedrichs (BMWi BM), 13.9.1977 in BArch B 102/149864.

³⁵¹ Statement at VWAG press conference, April 1979, cited in Blohm, op. cit., 9.

The first such disagreement to arise was a labour dispute in Uitenhage that came to the attention of the IGM, the same union representing VW's workers in Germany. It complained to VWAG's Supervisory Board that dismissals were taking place in its South African subsidiary without union consultation.³⁵² At a subsequent meeting with the VWAG workers' council to which representatives of VWoSA were invited, the company agreed not to do so again and invest in further training for black staff as well as reduce the number of wage categories.³⁵³ VW made clear, however, that whilst its leadership standards also applied to its South African subsidiary it would neither impede on VWoSA's South African identity nor its conformance to the 'national and social realities of SA'.³⁵⁴ Furthermore, the company promised to send a senior manager from Wolfsburg to ensure implementation of the new changes.³⁵⁵ The follow-up visit by Briam in 1979 to meet with local management, union representatives and State Secretary for Labour Celliers, was painted as a Board-initiated fact-finding mission into the socio-political situation at VWoSA rather than a 'troubleshooting' expedition.³⁵⁶ Yet, it was exactly that - a rebuke of the management of VWoSA's handling of industrial relations.³⁵⁷ Upon Briam's return, a proselytizing travel report entitled 'A human being is a human being' stressed that Uitenhage was now only a 30-40 second phone connection away and the need to be a neighbourly corporate citizen.³⁵⁸ The message was clear: VWoSA was under scrutiny and modern communications meant the South African subsidiary was 'closer' to Germany than ever before; the same standard of management behaviour therefore was expected and required.

By enforcing German standards in SA, Briam believed he had laid the foundation for labour peace. This was a hastily drawn conclusion, for the prime motivation behind worker agitation came to increasingly stem from lack of any form of political representation, not solely company conduct.

³⁵² Loderer, Zwischenbericht, op. cit., 20.

³⁵³ Loc. cit.

³⁵⁴ Ibid, 21.

³⁵⁵ Loc. cit.

³⁵⁶ Wesner to Konrad, 16.8.1979 in UVW Z 62, No. 58/7.

³⁵⁷ Andresen, op. cit., 247.

³⁵⁸ Karl-Heinz Briam, 'Ein Mensch ist ein Mensch', Travel report of 12-17.7.1979 Briam visit to SA, 1. 9. 1979, 1-2 in UVW Autogramm No.9, 1.9.1979.

At the Bundestag hearing in the following year he believed that given the extensive information provided on the company's socio-political measures, the training and education programme, the pay, the setting up of a technical school, the social climate and the acceptance by VWoSA management of employee representatives, VWAG had left a positive impression with all participants whilst enduring minimal criticism.³⁵⁹ Yet, even Briam must have become aware that the labour situation in SA was taking on a new dimension, for it was the main topic in a discussion held with the IMF.³⁶⁰ When reform in South African labour law finally permitted VWoSA's local union, UAW, to apply for registration, a new era of industrial unrest began.³⁶¹ With virtually no means of political representation and power, the South African black population had now via the unions a legal method of voicing their demands - *de jure* in the field of industrial relations, *de facto* as means of political expression.³⁶²

Unlike Briam, Searle, as a South African and as MD of VWoSA, had already recognised the new status quo of 'political creep', one that the German had failed to spot on his sojourn from Wolfsburg. Caught between the regimented German corporate world that believed rules could be developed, applied, and enforced in an increasingly chaotic South African political environment, Searle became the man in the middle who saw the pending storm coming. The MD watched how his efforts to maintain a semblance of normality as well as labour peace were being undermined by Pretoria's plodding pace of reform and ideologically driven detractors of SA in the international community. In regular letters to Wolfsburg, Searle began to explain the realities and consequences of the South African situation to his superiors. In part, they could be regarded as a concerted effort to deflect blame for poor operational results by shifting responsibility to the political arena in which VWoSA could only watch helplessly. Such a conclusion would be a disservice, for Searle's

³⁵⁹ 'Die VWoSA bzw. die VW AG hätten das Hearing "gut bestanden";' Minutes of Board meeting 22/1980, 30.6.1980, 9 in UVW Z 1133, No. 8/1.

³⁶⁰ Reference to meeting with Rebhahn of IMB in Geneva, loc. cit.; Searle to Berthold, 30.7.1980 in UAW Z 1184, No. 307/1.

³⁶¹ Previously impossible for black trade unions until the Industrial Conciliation Amendment Act, 1979 (No 94).

³⁶² E.g. MBSA Chairman Sepp van Hullen stated that the Ciskei was a 'political prison' resulting in its citizens expressing their political aspirations at work. See 'Van Hullen statement "shocking";' *Business Day*, 7.11.1988.

correspondence is balanced, rational and fact-based – a rarity for the time and executive leadership under examination.

Initiator of VWoSA's plight was the NP Government. P.W. Botha's initial vigour for reforms that had represented a departure from prior NP PMs was turning out to be a case of *plus ça change, plus c'est la même chose*. Two years after the *Groot Krokodil* took office, Searle informed Wolfsburg that matters were only going to deteriorate:

*A serious situation is developing with the apparent inability of the Government to come close to meeting even moderate Non-White aspirations (...) whilst on the economic front, inflation is seen by Non-Whites to be eroding increased earning power (...) Having created a promise of change, the apparent lack of urgency in implementing reforms is serious and will have far reaching consequences... action must now be seen to happen... or frustration and violence will be the logical outcome..., Non-White youth must be trained, developed and motivated towards a future which holds promise or the current adverse trend amongst schoolchildren, and the youth generally, will accelerate.*³⁶³

Whereas Pretoria was placing obstacles in the path of SA returning to some semblance of normality, it was the ideologues with access to the levers of political power internationally that were presently sabotaging VWoSA's efforts at running the business effectively:

*It is very apparent from recent events that outside influences (left wing members of the local and overseas trade unions and U.S. Government people in S.A.) are nullifying our attempts to develop good worker relationships in their efforts to attack the establishment in S.A.*³⁶⁴

VWoSA was caught in the middle of a battle between those it criticised. According to Searle, the pervasive influence of international solidarity groups, left-wing organisations and the international union movement were resulting in increasing unrest within the local black population eliciting a reaction from the authorities. This in turn prompted the subsequent response by the left, a vicious cycle mirroring Newton's third law of motion. The only way out of this predicament was for Pretoria to back-down and engage wholeheartedly in significant political reform, a sentiment shared by leadership in Wolfsburg.³⁶⁵ When the South African attributed the negative business development of VWoSA to socio-political rather than economic factors, he was in the right. For

³⁶³ Peter Searle, Reisemappe Berthold Oktober 1980, 18.7.1980, section 5, 2 in UVW Z 1184, No. 364/1.

³⁶⁴ Ibid, 4.

³⁶⁵ 'SA possibly needs a re-think on its internal and international strategy if the situation is not to continue to deteriorate' (Wolfsburg agreed, underlining Searle's passage twice and adding two exclamation marks), loc. cit.

VW, unlike BMW, was in the competitive vehicle mass market. Without a captive, price-inelastic corporate and government customer base it could not establish a cornerstone of above-average profitability. These non-existent profits could then be used to placate the unions – an option not available to the company. There was only the present bleak reality with limited options.

Despite introduction and compliance with both the Sullivan and EEC codices as well as assisting organized labour to establish itself in Uitenhage, these efforts were proving counter-productive with positive international publicity spurring on left-wing interests ‘in their attempts to discredit SA’.³⁶⁶ As a native South African *in SA*, Searle and his local team had far greater insight into the domestic socio-political environment than many foreign critics, who much to his dismay were at heart not always concerned with his country at all:

*It seems that opponents of the South African system are not interested in positive developments in SA or even a chance to assess rationally and at first what the problems are and how they are being tackled. They are only interested in creating solidarity in their ranks through vitriolic attacks on SA.*³⁶⁷

To maintain peace within the plant, management had to demonstrate genuine willingness to invest into non-white living conditions via social programmes as well as offer training and development opportunities to build trust.³⁶⁸ In the long-term strategy plan, drafted in 1981, the MD identified the bottleneck in skills and capacity that was being exacerbated by socio-political factors and keeping the South African economy from achieving its growth potential but failed to mention the cost in time, manpower and resources that were being spent enforcing apartheid.³⁶⁹ Elaborating on the urban black demographic he foresaw them not being catered for by the ‘Constellation of States’ Homelands policy and expected them to remain the source of political strife to be expressed via union agitation.³⁷⁰ As the 1980s progressed, this prediction turned out too to be accurate. The precision of Searle’s pontification revealed an underlying quality as a cunning political analyst – a

³⁶⁶ Loc. cit.

³⁶⁷ Loc. cit.

³⁶⁸ Ibid, 6.

³⁶⁹ Searle to Berthold, 29.7.1981 in UVW Z 610, No. 114/1.

³⁷⁰ Ibid, 4.

niche vocation that had become a necessary competency to perform even rudimentary business planning during the Botha era.

In SA, however, even when one can account for trends as Searle had done, events would continue to occur sooner and, in a magnitude, greater than expected: apart from political reform. In 1982, VWoSA was hit by the first tidal wave of unrest. A wildcat strike in Uitenhage resulted in 5.600 non-white workers laying down their tools and riot units of the security forces taking up positions near the plant.³⁷¹ That the stoppage was wholesale across the factory had its origins in union unity irrespective of race, a circumstance only achieved at VW according to Adler (1997), in part due to the intermixing of races outside of work in Uitenhage.³⁷² Whilst labour struggles of the 1960s and 1970s were concerned with achieving basic human dignity for non-white workers and breaking the power of foremen and supervisors to engage in arbitrary abusive practices, in the 1980s additional objectives came to the forefront. With existing methods of worker control increasingly broken, labour unrest centred on avoiding new forms of suspected control, such as job evaluation, entrenching shop floor power, democratising the selection process for worker representatives, and consolidating an economic base.³⁷³ In the case of VWoSA, John Gomomo, Chairman of UAW/NAAWU plant shop stewards, pointed out the strike was based on perceived ill-treatment of workers by supervisors and their scepticism of union shop stewards becoming a permanent fixture in collective bargaining.³⁷⁴ However, such statements must be treated with caution. Examining the specifics, reveals the union in fact demanded a 50% increase in both pay and in bonus levels, but also a 40% increase in the attendance allowance.³⁷⁵ Not only were such rates far above any existing Industrial Council agreement in the Republic, but the union also immediately escalated the matter by simultaneously publishing their demands in local and international press as

³⁷¹ Cable by Eickhoff (German embassy Pretoria) to AA and BMWi, 30.4.1982 in BArch B 136/23444.

³⁷² Glenn Adler, 'Shop Floors and Rugby Fields: The Social Basis of Auto Worker Solidarity in South Africa,' *International Labor and Working-Class History* 51, (Spring 1997), 96-128, 98-99, 124-5.

³⁷³ *South African Labour Bulletin* ('SALB') 10, no. 4 (1985), 4.

³⁷⁴ 'Union Organisation at Volkswagen,' *SALB* 11, no. 1 (1985), 71-76, 73.

³⁷⁵ Rademeyer (Head of Industrial Relations at VWoSA) to Briam, 13.4.1982 in UVW Z 1006, No. 16 2/1.

they issued them to VWoSA management. Whilst not acting in a spirit of good faith, such tactics were nevertheless unrestrainable.

In an article in the South African business paper *Leadership*, Searle reasoned that VW's employees work in the First World but return home to the Third World with access to neither electricity nor transport and cannot effectively spend any higher wages the company pays them.³⁷⁶ Given marked rivalry between unions, capturing national attention and thereby membership and 'political' influence by confronting management meant that irrespective of VWoSA's forthcoming stance, a strike was inevitable.³⁷⁷ Moreover, agitation at VW, compared to smaller companies such as Bosch, would also result in international exposure. By the following year, the economic situation in SA had deteriorated to such an extent that it was now management exercising its power by reducing production to four days a week and dismissing 200 workers.³⁷⁸ The anticipated, international left-wing backlash, meanwhile, did not keep business waiting.

4. Firefighting on the home front

With the tone of the SA debate set by the media, VW, despite internal misgivings of lop-sided journalism, managed to establish a public relations strategy it would adhere to for the remainder of the 1980s. Blohm's 1979 statement of trying to convince biased reporters as a hopeless cause was proving to be true. Nevertheless, in a war it 'couldn't win', the company remained engaged with public discussion, notwithstanding efforts at damage control. Its entry into the political arena was hesitant and deliberate; the company chose its battles, in this case opportunities where company representatives were present, with care. Passive means of action such as position papers and representation via third parties constituted the bulk of its efforts. German business, simply, was not in the business of politics. Having a South African subsidiary forced companies to reticently

³⁷⁶ Draft article text sent to VWAG, 25.10.1982 in UVW Z 847, No. 160/1, 6.

³⁷⁷ *Ibid*, 8; in this case it was the rivalry between MACWUSA and NAAWU, see Eickhoff Cable in BArch B 136/23444.

³⁷⁸ Telex Rademeyer to P. Stroemel (VWAG HR), 21.2.1983 in UVW Z 1006, No. 604/1.

enter the fray. Even then, they preferred the employment of strategies whereby the political aspect could be ‘managed’ allowing for a return to affairs of business.

Outside the Republic, the increasingly heated tone of public engagement with South African affairs was not going unmonitored by VW. A critical article by the left-leaning *Frankfurter Rundschau* (‘FR’) assigning blame to German industry for helping to prop up and modernise apartheid to replace jobs in Germany was responded to by a five-page repudiation from Wolfsburg.³⁷⁹ Internally, VWoSA was even more forthright in its disdain of the one-sided statements on SA, its response to the ILO declaration concerning apartheid of June 1981 being a prime example.³⁸⁰ The declaration listed a number of German firms, including Siemens, Hoechst and VW, as providing material support to the ‘apartheid system’.³⁸¹ It recommended governments to halt export credit guarantees as well as the setting up of a permanent apartheid commission to monitor foreign companies active in SA.³⁸² For VWoSA the declaration offered the ‘customary bias towards SWAPO’ and presented over-simplified solutions to ‘what (...) is a highly complex and involved problem which the eradication of apartheid and “one man one vote” would definitely not solve’.³⁸³ According to the local industrial relations director, Rademeyer, were the ILO to be serious about the rights of labour rather than politically motivated, then it would focus on Black Africa with its non-existent trade union and collective bargaining systems with no right of appeal.³⁸⁴ He, thereby, reflected a sentiment shared by many South Africans businessmen.³⁸⁵ These managers regarded SA as being unfairly singled out for moral posturing whereas the communist world and other quasi-dictatorial countries were being ignored. A valid point, despite its ‘whataboutism’, but SA was the only country where discrimination was enforced on grounds of legislation. For the South African, positive

³⁷⁹ ‘So wird das Apartheid-System auf Stromlinienform gebracht,’ *Frankfurter Rundschau*, 24.4.1980 and repudiation by VWAG Beteiligungen Ausland II, 22.5.1980 in UVW Z 1184, No. 319/1.

³⁸⁰ ‘SA likened by critics to a fascist regime but half a million blacks voted with their feet.’ A clear case of double standards for Rademeyer who wrote to Bauer, 2.11.1981 in UVW Z 1006, No. 162/1, 2.

³⁸¹ Lüders to multiple managers, 30.6.1981 in UVW Z 1006, No. 162/1.

³⁸² Loc. cit.

³⁸³ Rademeyer, loc. cit.

³⁸⁴ Loc. cit.

³⁸⁵ C.f. Tollemache, loc. cit.

engagement by foreign actors was needed – not moral grandstanding. Via increased business investment and mutual co-operation between Pretoria and outside bodies, change could be achieved; another case of the liberal argument being applied:

*I think the only way we will bring about changes in this country is through closer co-operation with overseas organisations and greater investment by multinationals (...) it is only against this background that positive changes have taken place and will continue to take place.*³⁸⁶

This liberal argument had failed in the 1960s and was not going to succeed in the 1980s. Neither economic growth nor continued exposure to progressive trends, both a result of reversing the increasing isolation of the country, would result in a different outcome to that of twenty years prior. Whilst P.W. Botha might have been more accommodating towards business than Verwoerd, as well as less driven by dogma, he remained a proponent of the Afrikaner *Sonderweg*. Working in industry, Rademeyer regarded the positive changes within labour relations of the past five years as setting the path for reform in SA's employment of the majority demographic. Yet, it was precisely labour law reform that enabled black labour unions to gain ground and contribute to unrest. In that respect, this legislative change also had the side-effect of sharing responsibility for increased caution on the side of Pretoria for further reform.

VWoSA's fundamental scepticism of multinational organisations was shared but not driven by Pretoria's underlings. N.P. van Heerden, Ambassador to Bonn, whilst keeping VWAG apprised of current shenanigans within international bodies with respect to SA, only had to let the facts speak for themselves to confirm shared beliefs. For example, in one missive to the company, he pointed out that German and Swiss academics providing balanced analysis of the activities of MNCs in southern Africa had been put under pressure to withdraw from a UN seminar as their research did not fit the negative tone of the presentation: 'It seems there is no line they will not cross to systematically push their reckless, one-sided vendetta'.³⁸⁷ The Ambassador could speak plainly in

³⁸⁶ Rademeyer, loc. cit.

³⁸⁷ van Heerden to Hahn, 4.2.1983, 1-2 in UVW Z 1006, No. 162/1.

his private correspondence, for he knew that outside the public eye, management shared his, and thereby Pretoria's, views with respect to the AAM in all its aberrations. The public battle, however, especially once it hit German television screens, was the one that counted.

Whereas international organisations and the media had focused on business in general terms, the German political TV programme *Monitor*, with a viewing audience share of 25%, specifically criticised VW's presence in Brazil and SA.³⁸⁸ This report resulted in a snowball effect with German journalists discovering their newfound interest in VW's operations in these countries. Assembly line workers on their way to work in Wolfsburg were being questioned on what their company was doing in those markets. A subsequent article in the FR accused VW of insufficient racial integration and offering limited training in SA.³⁸⁹ VW's PR department quickly came to two conclusions. First, that they could tell German journalists all they could on country specific circumstances as well as critical differences in the economic, social, and political structures but the press would always pass judgement based on yardsticks applicable in Germany.³⁹⁰ Second, that irrespective of the validity of a public statement by Schmücker that VW could not provide 'socio-political pacemaker services' in Third World countries; it was unlikely to be what journalists wished to hear.³⁹¹

The South African problem became an established topic of inquiry for the German public and media, one that would not go away anytime soon. Options available to the company were few. Disinvestment was off the table. Racial discrimination had been long abolished within VWoSA. The only choice therefore available was to revamp its communication strategy and thereby present its achievements as counterargument to disinvestment. Over the course of a few years, the key

³⁸⁸ Brazil was led by a military dictatorship until 1985, see Kenneth P. Serbin, 'The Ghosts of Brazil's Military Dictatorship,' *Foreign Affairs*, 1.1.2019; *Monitor*, directed by Claus Hinrich Casdorff, aired 3.7. 1979 on ARD; VWAG Board minutes 21/1979, 9.7.1979, 2 in UVW Z 1133, No. 256/1; Konrad (VWAG PR) and Graef (Press monitoring), position paper on publicity of VW in June 1979 for 21/1979 Board meeting, 6.7.79, 2 in UVW Z 1133, No. 256/1; at the same time, completely unrelated, SABC wished to visit Wolfsburg for a company profile. See Searle to Berthold, 1.2. 1979, 2 in UVW Z 62, No. 58/7.

³⁸⁹ Konrad and Graef, loc. cit.

³⁹⁰ Their conclusion was based on media reports of the IMB congress, see VWAG Board minutes 21/1979, loc. cit.

³⁹¹ Loc. cit.

tenets of this strategy came to be established. Handling VW's public profile regarding SA would come to rest on five main pillars.

First, it went on to monitor all major domestic and international reports concerning SA, the activities of foreign businesses in the Republic and its own image in this context. Second, it would maintain the long-standing German approach of aligning with the BDI and other major corporates regarding its communications, social activities, and collective bargaining processes both as VWAG and locally via VVoSA.³⁹² Third, it would continue to publish a social report in SA as well as highlight its social and training schemes for its black staff in its annual report and discretionary publications. Fourth, it would engage with various lobby groups and business associations where possible, notably the Pretoria-funded 'Deutsch-Südafrikanische Gesellschaft' in Germany, which included plant tours of VW in Uitenhage as part of its study trips, and the Chamber, whose head was also Chairman of VVoSA.³⁹³ Finally, it would send representatives to express the company's viewpoint and highlight its social work at select public events, but in line with other German companies would continuously decline hearing invitations by the UN Commission on TNCs.³⁹⁴

The events open to the public, were the only visible form of active VW engagement with the South African issue. Other facets of the PR strategy represented themselves via third parties or self-contained written publications. The company's approach to attending public forums was dictated by their national profile, the make-up of the panel or audience and what its peers and competitors were doing. Preference was given to events attended or initiated by politicians.³⁹⁵ On occasion, proceedings of national church committees were honoured with a delegate from Wolfsburg, but local and regional church conferences were favoured.³⁹⁶ This is understandable as regional church

³⁹² Ehinger to Briam, 23.3.1981 in UVW Z 1006, No. 162/1.

³⁹³ Ernst Prinz von Isenburg to Hoffmeister (VW), 15.2.1983, 1981 in UVW Z 1006, No. 162/1; DSAG 1982 annual report, 25 in UVW Z 1006, No. 162/1; *History of VVoSA*, op. cit., section 3.

³⁹⁴ Board minutes of 20/85, 18.6.1985, 23 point 6.3 in UVW Z 1133, No. 111/1.

³⁹⁵ See Ehinger to Brian, 2.3.1981 in UVW Z 1006, No. 162/1; Ehinger to senior managers, 10.9.1979 in UVW Z 62, No. 58/7.

³⁹⁶ Lutheran Church Braunschweig to Heinz Bauer, 15.12.1981 in UVW Z 1184, No. 336/1.

gatherings tended to be more balanced compared to national church organisations that had become politically charged and therefore biased. Finally, as regards acceptance of invitations to podium discussions by the AAM, VWAG's company secretary, Dr Ekkehardt Wesner, summarised the company's position: 'I have grave concerns regarding such actions'; an understandable sentiment.³⁹⁷ For the PR Team, the only vexing matter remained which events to send a management delegate to and who this should be. For example, when the deputy CEO of DB, Edzard Reuter, indicated he would attend a church discussion on apartheid, VW questioned if it were appropriate for it to only send a department head.³⁹⁸ The need for VW to establish its PR on a new, firmer footing that could be managed with minimal executive attention is easily discernible. Management had to address tangible issues, the most pressing being the abyss of economic and political despair that had completely engulfed VVoSA by the middle of the decade.

5. Manager, Mediator, Salesman, South African

The mid-1980s presented a quagmire for VVoSA and thereby VWAG. Commercial problems with political origins made the company susceptible to macroeconomic downturns, increased government regulation and union pressure. By categorically rejecting disinvestment, VW, however proved incapable of presenting an alternative strategy for VVoSA, even one that would see the subsidiary return to break-even. Instead, it struggled from one bad day to the next; careful of any action it took not to be misinterpreted as disinvestment. The following narrative illustrates above all else, VW, was not in apartheid-SA for above-average profits, let alone for the money; there was none to be had during the Botha years.

*Of course there are many people who will nevertheless find room for criticism but I just invite them to show me a single African country where the situation is half as good...and this makes us really enthusiastic*³⁹⁹

³⁹⁷ Anti-Apartheid Movement to VW, 13.3.1981 and Wesner to Berthold, 16.3.1987 in UVW Z 1184, No. 336/1.

³⁹⁸ Reuter became CEO only three months later. See Weber (VW equity participation) to Hahn, 8.4.1987 in UVW Z 610, No. 126/3.

³⁹⁹ In reference to 1985 wages being comparable to 1955 German purchasing power, Carl Hahn, Interview, *CAR Magazine*, January 1985, 60-65, 60, copy in UVW Z 1006, No. 162/1.

In the above quote, Carl Hahn, head of VWAG, referred to SA's economic and political stability as opposed to decolonised Black Africa. Speaking in January 1985, the CEO's attempt at deflecting attention away from SA and thereby VW's deep involvement with the country was exceptionally ill-timed, for the worst for VVoSA and the country was about to come. Through the course of 1985 the economic environment in SA deteriorated significantly. Efforts of both VWAG and its subsidiary VVoSA, as a result, were primarily directed towards keeping abreast of political developments whilst managing a business that was being hampered by severe financial, economic, and labour difficulties often outside its direct control or influence. In addition to communication between Searle and Hahn increasing exponentially, heads of various centralised corporate functions would now travel directly to the Eastern Cape to prepare deep dive analytical reports based on first-hand accounts of the in-country situation. With a 40% increase in fuel prices, high interest rates, and new taxation on fringe benefits including company cars, VVoSA experienced a significant drop in demand for its vehicles.⁴⁰⁰ With economic indicators unlikely to improve in the near future and the plant now suffering from overcapacity, management grew concerned whether local banks would continue to roll-over and finance the company's debt and considered obtaining guarantees from Germany.⁴⁰¹ Furthermore, a debate began on whether to move tooling of Audi vehicles to China due to the collapse in domestic sales and profitability, a consideration vehemently opposed by Searle:

*(...) to even consider withdrawing Audi from SA will damage everything we have so painstakingly built up. It will be seen as disinvestment, lack of confidence and worst of all lack of integrity at a time when this is the whole thrust of our effort.*⁴⁰²

Disinvestment had been rejected five years earlier after FIAT's exit from the market by Ford, GM as well as VW, the latter highlighting its R100m investment into the Uitenhage assembly line.⁴⁰³

Ford would later go on to approach VW to explore options of disposing its stake in its local

⁴⁰⁰ P.J. Weber, Minutes of VVoSA planning conference, 6.3.1985 in UVW Z 610, No. 12/1.

⁴⁰¹ Loc. cit.

⁴⁰² Searle to Hahn, 10.3.1985, 6 point 11 in UVW Z 610, No. 12/1; in the end Audi tooling was shipped to China whilst SA received new tooling for a new Audi model. Together with the export of semi-CKD Jettas, VVoSA indirectly provided the technical stimulus for the Chinese motor industry. See Searle, interview, loc. cit.

⁴⁰³ 'Big three car plants in SA here to stay,' *Evening Post*, 24.9.1980, copy in UVW Z 1184, No. 364/1.

subsidiary Samcor before pulling out of SA altogether, applying the veneer of compliant disinvestment to a decision fundamentally based on its poor competitive profile in the market.⁴⁰⁴

By opting to remain in SA, VW exposed itself to future developments in the country, whether negative or positive. One method, the company employed to mitigate the risk factor was to explore opportunities at co-operation with fellow German car-maker BMW. A dialogue began between their respective CEOs to examine options for securing their investments in SA under several possible future scenarios.⁴⁰⁵ BMW had a markedly different profile than VW in SA. Whereas VW held 17.4% of the market, faced permanent political unrest given its presence near PE and financial difficulties, BMW was a different case entirely. The luxury car company had a mere 7.5% market share but a far healthier bottom line. In addition, its Rosslyn plant was not only isolated from Eastern Cape militant unionism, but had the advantage of 70% of its customers being in nearby PWV.⁴⁰⁶ In confidence, Hahn informed his counterpart at BMW that VW regarded 'the overall risk profile of SA as too high'.⁴⁰⁷ To protect against unforeseen political risk, the company's legal team would subsequently push Hahn to leverage VWoSA's Non-Executive Directors' connections to Pretoria as well as approach the Federal Government.⁴⁰⁸ Inspired by its fellow German automaker, VW too initiated an employee share purchase scheme but was concerned this might be regarded as an indicator of pending disinvestment.⁴⁰⁹ The talks with BMW never progressed beyond the initial stage, too specific proved to be VWoSA's burden and too self-evident that VW was beginning to grasp at straws.

⁴⁰⁴ Confidentiality Agreement between VW and Ford, 23.9.1987 in UVW Z 610, No. 370/2; 'Ford Completes Disinvestment in SA,' *NYT*, 25.11.1987, section A, 10.

⁴⁰⁵ Hahn, minutes on meeting with Eberhard von Kuenheim (BMW Chairman), 22.11.1986 in UVW Z 1184, No. 500/1; see also record of phone call between Hahn and von Kuenheim 18.7.1986, 22.7.1986 in UVW Z 1184, No. 477/2.

⁴⁰⁶ VWAG Equity participations, Briefing paper on VWoSA for 1987 VWAG AGM, 30.6.1987, 96 in UVW Z 1184, No. 505/1; 'Turmoil in Eastern Cape,' *FOSATU Worker News*, September 1982, 1 in UW AG3307 4.5,1; Hahn, loc. cit.

⁴⁰⁷ Hahn, loc. cit.

⁴⁰⁸ VWAG Legal dept. to Hahn, memo, 29.8.1985 in UVW Z 610, No. 12/1.

⁴⁰⁹ Bage (VWoSA) to Wolfsburg, 25.10.1987 in UVW Z 610, No. 370/1; multiple US companies would put part of their subsidiary's equity into employee hands before subsequently disinvesting. See Hahn, memo of SA trip, 15.10.1987 in UVW Z 610, No. 370/1.

The third German automaker in SA, DB, was not part of this round of 'alignment' discussions and processes, perhaps because over 2.000 of its black workers were not so much on strike but in open revolt by 1987, including carrying out violent attacks on foremen.⁴¹⁰ Indeed, violence was so endemic at DB, partially due to the presence of two unions, one registered (NAAWU/NUMSA) and one unregistered with origins in the Black Consciousness Movement (SAAWU), that management deemed the plant ungovernable and no longer able to ensure the safety of its workforce, thereby threatening to disinvest.⁴¹¹ The strikers, violating an Industrial Council agreement that was valid until February 1988, demanded a 35% wage increase to R5 an hour compared to the existing R3.7.⁴¹² The present rate at MBSA equalled the one at VWoSA, and for Searle it meant any increase granted by DB would have to be met by VW as Uitenhage could 'ill afford a strike' given its economic predicament.⁴¹³ In a note to Wolfsburg he highlighted that MBSA suspected the strike to be called for by COSATU with possible support by the German disinvestment lobby to discredit DB and thereby force disinvestment.⁴¹⁴ In short, all three German car makers had their own burden to bear. For VW, however, the difficulties were greater and increasingly costly.

VWoSA had had its own experiences with the caprice of black trade unions. In 1985 an illegal strike had occurred when a demand to pay out the employees' contribution into the company's pension fund was not acceded to.⁴¹⁵ NAAWU, the representative black labour union, sought to build up cash reserves to tide them over for the next round of wage negotiations to afford a longer strike in future.⁴¹⁶ Facing a multitude of business and market problems, VWoSA would be put in further difficulties had the strike, despite its illegal nature, continued. A month later the subsidiary acceded

⁴¹⁰ Hahn, note referencing VWoSA Board meeting of 6.10.1987, 15.10.1987 in UVW Z 610, No. 370/1.

⁴¹¹ Sven Lünsche, 'Mercedes threatens to pull out of SA,' *The Star*, 16.6.1988; Dubow, 'Apartheid', op. cit. 162-186.

⁴¹² Searle to Weber (VWAG Equity participations/business planning) 17.8.1987 in UVW Z 610, No. 370/1.

⁴¹³ Internal memo on MBSA strike by VWoSA, 6.10.1987 in UVW Z 610, No. 370/1; Searle, loc. cit.

⁴¹⁴ Loc. cit.

⁴¹⁵ Weber to Hahn referencing call with Searle on 18.7.1985, 19.7.1985 in UVW Z 610, No.12/1; 'Pension money needed by workers,' *FOSATU Worker News* no. 40, August 1985, 4 in UW AG3307 7.6.1.

⁴¹⁶ Loc. cit.

to the union's request and paid out R10m.⁴¹⁷ It had concluded that giving in to economic blackmail was the lesser evil. A choice, no matter how inevitable, that further tipped the balance of negotiating power in the union's favour. Indeed, the union had already attained a degree of strength that not even VW's unions in Germany had. Five years earlier it had already been able to successfully win influence on the production schedule – an operational matter that had previously been a managerial prerogative.⁴¹⁸ For VWoSA, without profit, management was not in a position of strength. And without production, there would be no opportunity to achieve any profits and thereby return to historic strength. For NAAWU, VW must have resembled a confused giant. The company rejected disinvestment to remain in the country and continue piling up losses whilst tolerating an illegal union action resulting in it giving in to extortion to go on writing a profit and loss statement with red ink. Apartheid economics, it appeared, still had the capacity to provide the backdrop to ever more bizarre micro-tales.

Under such conditions, it was perhaps not surprising that German news media was trying its very best to get a company boss before the cameras whilst TASS was stating the government in Pretoria would be overthrown but it would take at least another fifteen years.⁴¹⁹ VW, based on its own fact-finding missions, had by this time grown mistrustful of all key actors in SA. NAAWU was regarded as acting dishonestly, stating they could not influence their membership base but at the same time calling for wildcat strikes.⁴²⁰ In addition, management was under the impression that the black trade unions believed VWAG's part-government ownership made them an easier target for wage demands.⁴²¹ Concurrently, union representatives were also driving violence between employed and

⁴¹⁷ Searle to Hahn, 20.8.1985 in UVW Z 1184, No. 458/2.

⁴¹⁸ 'Union forges ahead,' *FOSATU Worker News*, October 1980, 4 in UW AG3307 3.2.1.

⁴¹⁹ Comment by Albert Schunk (Trade Union rep on VWAG Supervisory Board) on a TASS report dated 14.8.1985 that a timespan of more than fifteen years seemed more realistic than German televised media hysteria. See 'Schunk SA travel report' attached in Frerk to Hahn, 30.8.1985 in UVW Z 610, No. 13/1.

⁴²⁰ Ehinger, travel report of visit to SA in August 1985, [undated], 6 in UVW Z 610, No. 12/1.

⁴²¹ The German state of Lower Saxony holds 20% of voting rights in VWAG. See 'Volkswagen AG, Wolfsburg,' Niedersächsisches Finanzministerium, 5.2.2020, <https://www.mf.niedersachsen.de/themen/beteiligungen/volkswagen-ag-wolfsburg-1590.html>; Ehinger, travel report August 1985, op. cit., 5-6.

unemployed black South Africans in the local townships. The company's scepticism also extended to statements by the South African government.

When Pretoria's man in Bonn personally wrote to VWAG in autumn 1985, elaborating on how Botha's poorly-received Rubicon speech could not mention all reform plans due to fear of strengthening staunchly conservative forces whilst appearing to submit to black violence, it was taken with more than just a pinch of salt.⁴²² For VW, the white population were in actual fact willing to accept reforms having grown increasingly fearful of the domestic situation; it was only the Afrikaner demographic that was regarded as being overly conservative and impeding speedy political changes; although the Anglophone Johannesburg business world and VWoSA's Non-Executive Directors were also noted as never accepting a black Head of State or PM.⁴²³ The disappointment of the Rubicon speech may have been a shock, but it illustrates VW and by it German business as a whole was not only politically conscious but well-versed in South African affairs and the risks of conducting business in the country. Indeed, political theorising increased at VWAG in correlation with worsening business metrics at VWoSA, underlining that politics was the only source from which a solution for the subsidiary's predicament could be found.

Politics continued to be behind many of the troubles besetting VWoSA's management. A collapse in FX rates driven by political issues, rising inflation in part caused by increased government spending to improve the welfare of the black population as well as unsustainable interest rates were only a few of the macroeconomic factors impacting the subsidiary.⁴²⁴ With the rand falling to \$0.36 and below 1DM, the financial rand had been reintroduced by Pretoria.⁴²⁵ Compensatory price increases to maintain some modicum of profitability and positive dividend to the mother company

⁴²² See skepticism in Ehinger, travel report August 1985, op. cit., 7.

⁴²³ Ibid, 4, 7.

⁴²⁴ Searle to Hahn, 17.10.1985 in UVW Z 610, No. 12/1.

⁴²⁵ Searle to Hahn, 16.9.1985 in UVW Z 610, No. 12/1.

were accurately predicted as having a ‘disastrous’ impact on vehicle sales.⁴²⁶ As a consequence, the business was further battered. It was already reeling from quality problems, Japanese competition that had only become more prevalent when the Yen weakened, and the DM strengthened and its inability to fund automated production which was the status quo in German plants. By the mid-1980s, VWoSA’s market share, therefore, dropped to 14.4%.⁴²⁷ This in a period when it needed to sell ever more cars, as they became increasingly cheaper, to recoup a R44m tooling investment to introduce the Golf II to SA.⁴²⁸ Year-on-year vehicle sales fell by 20%.⁴²⁹ VWoSA had even kept the Golf I going as the Citi Golf in order to maintain some foothold in the market, despite objections from VWAG that this meant maintaining multiple vehicle platforms. With the Golf II being 20-30% more expensive than its predecessor, the subsidiary had had little choice in the face of Japanese competition.⁴³⁰

In September 1985 alone, VWoSA booked a R11.7m loss and adjusted the outlook of predicted 1986 sales volume from 38.300 to only 33.500 vehicles, a figure equating to that of an internal planning scenario labelled ‘disaster’.⁴³¹ In response, Hahn requested Searle to prepare a business plan for only 26.500 automobiles labelled ‘survival only’ – necessitating a production level that could not guarantee the full functioning of the Uitenhage plant.⁴³² With South African interest rates at 25%, the crisis-management options of VWoSA were further restricted with additional capital expenditure being impossible.⁴³³ A capital injection from Germany too was off the table notwithstanding the pending EEC ban on new FDI into SA the following year.⁴³⁴ By the end of

⁴²⁶ Hahn to Searle, 24.10.1985 in UVW Z 610, No. 12/1.

⁴²⁷ VWAG Equity participations, Briefing paper for 1987 AGM, loc. cit.

⁴²⁸ ‘It’s shrink or swim,’ *Financial Mail*, 8.2.1985, 32. Copy in UVW Z 1184, No. 458/2.

⁴²⁹ ‘Autofirmen unterbrechen Produktion in Südafrika,’ *Süddeutsche Zeitung*, 16.9.1985.

⁴³⁰ Searle, interview, loc. cit.

⁴³¹ Hahn to Searle, 24.10.1985 in UVW Z 610, No. 12/1.

⁴³² Considering car demand was a leading economic indicator, this is a notable expression in business terms of uncertainty on political developments. See also VWAG Board minutes 19/1986, 2.6.1986, Appendix 1, 2 in UVW Z 1133, No. 130/3; telegram Hahn to Searle, 24.10.1985 in UVW Z 610, No. 12/1.

⁴³³ Hahn, Speech to VWoSA management, 17.9.1984, 3 in UVW Z 610, No. 380/1.

⁴³⁴ Utess and Dr. Bischoff (DB) to BMW (Kropf) and VW (Bauer, Ehinger, Weber), Telefax requesting agreement on a proposed automotive industry position on looming investment ban, 18.9.1986 in UVW Z 1184, No. 500/1; see also Meyer-Sebastian (BMW) to the Head of the Federal Chancellery, 27.8.1987 in BArch B 102/379778.

the FY, the subsidiary had attempted to offset macroeconomic factors by a price increase of 29% but ended up posting another significant loss, this time of R58m.⁴³⁵ Its new 'disaster' plan estimated the impact of passing on a price increase of 38%, considered a potential collapse of the vehicle market and made provisions for 'hibernating' the plant - to be restarted once conditions improve.⁴³⁶ In retrospect the company had no other option. Its size meant that any automaker that could afford to take on its factory, namely the Americans, had already disinvested. Writing off the entire capital investment and cumulative losses by disinvesting was a pill too bitter to swallow, yet the alternative appeared no better. Steering the off-course and rudderless Titanic that had become VWoSA, was a lone South African MD and his local team attempting to hold on to some semblance of sanity.

1985 was the nadir of Volkswagen's operations in SA so far. In an insightful, personal letter to Hahn, Searle gave his view on the political environment which he correctly identified as the cause of much of the subsidiary's problems, and the difficulties of being MD of the operation in those trying times. Despite SA being the 'media event of the year', the foreign press, though distorting the picture, was, on the whole, not lying.⁴³⁷ Given the violence, lack of consumer and business confidence and foreign debt issues, it was 'difficult to see how SA is to ultimately solve its political problems' yet South African history was full of conflicts and declines so the future might be difficult but 'by no means impossible'.⁴³⁸ Outside the plant, in the Uitenhage locality, the year had been marked by violence on both sides, most notably the Langa massacre.⁴³⁹ Within the plant, Searle was being told by black shop stewards that the removal of the security forces would lead to increased violence in the townships, given the strife between different black groups.⁴⁴⁰ He himself was finding

⁴³⁵ The worsening exchange rate had added R100m in negative effects in 1985 alone, see Searle to Hahn, 8.11.1985, 4 in UVW Z 610, No. 12/1; Minutes of VW SA 26.11.1985 planning conference, 28.11.85, 6 in UVW Z 610, No. 12/1.

⁴³⁶ Minutes of VW SA 26.11.1985, op. cit., Appendix 9.1.

⁴³⁷ Searle, loc. cit.

⁴³⁸ Loc. cit.

⁴³⁹ In March 1985 security forces shot over 20 mourners, see Robert J. Thornton, 'The Shooting at Uitenhage, SA, 1985: The Context and Interpretation of Violence.' *American Ethnologist* 17, no. 2 (1990), 217-236 or 'The Langa Lies,' *FOSATU Workers NEWS* no. 37, May 1985, 1 in UW AG3307 7.2.

⁴⁴⁰ Searle, loc. cit.

running a business, let alone a vast manufacturing plant ‘extremely difficult’ due to almost daily visit requests by concerned overseas businessmen, politicians, foreign and domestic trade unionists, clergymen and journalists.⁴⁴¹

Given the economic struggles of VWoSA, the bulk of Searle’s time should have been spent being virtually involved at all levels of the factory and in marketing decisions, yet as MD of a Western business subsidiary he found it impossible not to be enmeshed in a myriad of activities to either improve black quality of life or navigate escalating political turbulence.⁴⁴² Be it the funding of black housing, assisting in the development of black business, consulting with black groups on the government’s reform process or chairing the National Association of Automobile Manufacturers of South Africa (NAAMSA) and the Corporate Forum to foster government relations, Searle was spending the second half of the 1980s ‘managing’ far more than just a car assembly plant.⁴⁴³ Pressing operational matters, such as the plant’s thirty-year-old kitchen and cantina being condemned by the local health inspector and therefore requiring an unaffordable R5m refit, COSATU calling for a three-day stay-away and the Eastern Cape being one of the provinces most affected by the 1985 State of Emergency must have seemed like the Uitenhage version of Murphy’s Law.⁴⁴⁴ When a business is running fairly decently, as was the case with competitor BMW, then these flights of fancy can be indulged in. Given that VWoSA was German-owned, and under scrutiny by Wolfsburg and the wider public, it had no leeway not to get involved in social and political affairs despite its losses, which should have been its main concern in normal circumstances.

In such an environment, lapses of judgement occurred, such as VWoSA ill-advised provision of buses for the New Zealand rugby team, the All Blacks, to tour SA. Despite the tour being

⁴⁴¹ Loc. cit.

⁴⁴² Loc. cit.

⁴⁴³ National Association of Auto Manufacturers of SA, loc. cit.

⁴⁴⁴ Searle to Ehinger, 10.4.1986, 3 in UVW Z 1184, No. 477/2; Searle to Weber, 18.7.1986, 2 in UVW Z 1184, No. 477/2; Searle to Hahn, 20.8.1985 in UVW Z 1184, No. 458/2.

subsequently called off by the All Blacks, the action nevertheless resulted in a strike, bad publicity internationally for the company, and a two-page passive-aggressive cable by the AA to VWAG, thereby triggering a warning letter by Wolfsburg to Searle.⁴⁴⁵

Unlike management in Germany, all too willing to placate detractors of its South African engagement, Searle, as a South African, begged to differ. He felt the West was being impatient and did not 'have to live with the consequences' and that 'much of what has happened in Africa bears testimony to this', making the South African government and the white population very cautious.⁴⁴⁶ The economic and political basket-cases that the decolonised African states had become is well-known and not worth exploring in detail here. Nevertheless, Searle was correct in describing South African white public sentiment, exemplified by the below images of political parties hoping to tap into the fears of a repeat debacle à la Rhodesia/Zimbabwe.

Posters 1 and 2: HNP political posters⁴⁴⁷



To placate his superiors in Germany, the MD ensured VWoSA based its business planning assumptions on Pretoria submitting to domestic and foreign pressure to grant black participation

⁴⁴⁵ Searle to Weber, 24.7.1985 in UVW Z 1184, No. 458/2; Weber to Searle, 16.7.1985 in UVW Z 1184, No. 458/2; AA (Schlingensiepen) to VWAG, telex, 15.7.1985 in UVW Z 1184, No. 458/2; 'Tour Tussle at VW,' *FOSATU Worker News* no. 40, August 1985, 4 in UW AG 3307 7.6.1.

⁴⁴⁶ Searle, 8.11.1985, loc. cit.

⁴⁴⁷ Poster 1 date unknown, Poster 2 from 1983. See KPC 320 and KPC 379 in Political posters, Archives and Special Collections, UNISA.

in political power but without resorting to a 'one man one vote' system.⁴⁴⁸ Incorporating wishful thinking from the political theorists back in Wolfsburg did not affect the fundamental reality that the company had no way out for VVoSA from its predicament. Whilst Hahn included VVoSA in his roll-out of the 'Excellence Programme' aimed at improving operational performance and customer satisfaction, it would take another two costly years for a new game plan to finally emerge.⁴⁴⁹

6. The strategy is dead. Long live the strategy

When the financial year of 1987 began, VVoSA could point out a near continuous track record of losses since 1975, including a R32m loss in the prior business year.⁴⁵⁰ By then the company had been accused of having supplied military jeeps to Pretoria and its managers working in their time off as security force goons in the townships.⁴⁵¹ Both accusations were without merit but that did not stop VW being included in the same sentence with the German banks as pillars of apartheid, even in its home town of Wolfsburg.⁴⁵² Pointing out its history of losses, VW informed its critics that it was clearly not in SA for profit and that instead it was creating hope with no intention of leaving.⁴⁵³ In an address to South African dealers, Hahn not only confirmed that VW/Audi would remain in the country but was 'positive that, if similar actions are taken throughout SA peaceful solutions will be found to our problems' ending his speech with an appeal to the franchisees: 'Believe in the future of SA and Volkswagen in SA'.⁴⁵⁴ The strategy of 'hope' however meant dissatisfaction with the status quo and thereby of Pretoria, a pivot the company began to defend top-down.

⁴⁴⁸ Minutes 26.11.1985 planning conference, op. cit., 3.

⁴⁴⁹ Based off Tom Peters' *In Search of Excellence*. See <http://tompeterscompany.com/solutions/excellence-academy/>.

⁴⁵⁰ Summary of statement given by VW representatives at German Lutheran Church Day, 18.6.1987 included in part two of briefing papers for Hahn in UVW Z 1184, No. 453/1; the sole exception had been 1979-1980 which had been a boom year following the introduction of the Golf I.

⁴⁵¹ Wiest (BMW) to Bauer (VW equity participation), note referring to the 21.5.1985 Kleine Anfrage in the Bundestag, 12.6.1985 in UVW Z 1006, No. 162/1; Ehinger to Frerk, 24.4.1985 in UVW Z 1006, No. 162/1; Hans-Jürgen Uhl (SPD politician) to Karl-Heinz Mihr (VW BR), 23.4.1986 in UVW Z 947, No. 232/1; rebuttal in VWAG Board minutes 40/1985, 25.11.1985, 12 point 8.5 in UVW Z 1133, No. 119/3.

⁴⁵² Stallmeister to Bauer, briefing note regarding the Wolfsburg open forum, 9.9.1987 in UVW Z 610, No. 370/1.

⁴⁵³ Briefing paper for Hahn, 18.6.1987 in UVW Z 1006, No. 162/1.

⁴⁵⁴ Hahn, Speech at Sandton Sun Hotel, 7.10.1987, 1 point 3 in UVW Z 610, No. 370/1.

VWAG went on a PR offensive on the home front, issuing statements of an unmistakably political nature, though Searle had been doing so in SA for some time.⁴⁵⁵ In the 1986 AGM briefing, VW confirmed its apolitical management style, but Pretoria's lack of progress had forced its hand. The reforms so far executed and announced simply would not lead to peaceful change.⁴⁵⁶ It was the role of German business, given its historic relationship to the Republic, to play a 'special role' in solving political tensions.⁴⁵⁷ Sanctions were dismissed as hitting the weakest members of the multi-racial country, elaborated on as dangerous instruments in international trade and that disinvestment in any shape or form would affect the livelihood of 50-60.000 people.⁴⁵⁸ The car manufacturer's shift in strategy to court the black demographic was helped by statistics emanating from VWoSA. 44% of workers that had remained with VWoSA over twenty years were black.⁴⁵⁹ VW could now do more than simply point out its provision of social benefits. Rather, it could present a history of employing black South Africans and these workers choosing to remain with the company for its equitable treatment. Going forward, Searle was instructed to focus on intensive grass roots PR in SA and leave advertising in the foreign press to VWAG.⁴⁶⁰

This PR blitz and the public confirmation that VW would remain in the country is surprising given not only a decade of losses, a bleak outlook, and the internal lack of faith in practically all elements of South African civil society. Given its large capital investment into plant and equipment, notably the R100m capital injection in three tranches between 1982 and 1985 to finance VWoSA and the roll-out of new Audi and Golf models, its position as supplying one-fifth of the South African car market, and use of spare capacity to produce vehicles for export and thereby generate at least some form of contribution margin, VW's decision to stay is in some part understandable on business

⁴⁵⁵ See Johan Swanepoel, 'Searle calls on business to get into politics of reform,' [Unknown South African paper], 23.9.1985, copy in UVW Z 1184, No. 458/2; Ehlers and Hillers (both VWAG BR) to Searle, 10.10.1985 in UVW Z 1184, No. 458/2; Searle to Ehlers and Hiller, 23.10.1985 in UVW Z 1184, No. 458/2.

⁴⁵⁶ Part three of Hahn briefing paper regarding the company's position on SA, prepared for the 1986 AGM, 3.7.1986 in UVW Z 1184, No. 453/1.

⁴⁵⁷ Loc. cit.

⁴⁵⁸ Loc. cit.

⁴⁵⁹ Hahn, Speech at Sandton, loc. cit.

⁴⁶⁰ Hahn, Note on 16.11.1987 meeting with Searle, 17.11.1987 in UVW Z 610, No. 370/1.

grounds.⁴⁶¹ The company also continuously explored further means of negating the financial drain that the South African subsidiary was causing, including arbitrage opportunities between the financial and commercial rand to finance VWoSA.⁴⁶²

At the beginning of this chapter, reference was made to the close relations between Pretoria and VW. By the closing stages of the decade, the large volume of official correspondence from different parts of the hierarchy of the Bonn Embassy was being supplemented by letters from South African businessmen and Homeland representatives. For the contemporary scholar, reading these missives with the benefit of hindsight, the texts appear as death throes of a political system pointing out its change of clothes whilst standing on the edge of the abyss. Whether highlighting the viability and economic success of Bophuthatswana, elaborating on how Bill Cosby had done more for SA than the UN Anti-apartheid committee and WCC or sending a five-page letter explaining the 1987 election result as *not* being a shift to the right in South African politics, these communiqués were becoming increasingly farcical.⁴⁶³ Apart from an acknowledgement receipt they were met by a wall of silence. The company's loss of faith in the South African government and its supporters was absolute. A position not helped by ambassadorial notes to VW which supposed that just as other foreign businesses, the company 'could hardly recognise SA due to the rapid change occurring'.⁴⁶⁴ For Wolfsburg, the writing was on the wall, and the company's strategy in SA now completed its shift towards building trust with the black population and their delayed but inevitable rise to the corridors of power.⁴⁶⁵

In a strategy paper, the automaker outlined its leadership role for German business, its provision of employment for thousands of black workers, its social commitments to raise their living

⁴⁶¹ VWAG Equity participations, Briefing paper on VWoSA for 1987 AGM, op. cit., 103; Hahn, Speech to VWoSA 17.9.1984, op. cit., 2; 21 per cent market share see Briam, loc. cit.

⁴⁶² VWAG Board minutes 38/1987, 3.11.1987, 22, point 6.9 in UVW Z 1133, No. 159/1.

⁴⁶³ Jürgen Komischke (Bophuthatswana Delegate for economy and trade) to VW, 10.4.1986 in UVW Z 947, No. 232/1; Sidney Borsook (Saficon Investments) to Hahn, 7.12.1987 in UVW Z 610, No. 370/1; the 1987 election was a definitive shift to the right with the strengthening of the KP on the fringe. Arguing to the contrary was G.J.Grobler (Chargé d'Affaires, SA Embassy, Bonn) to Hahn, 22.5.1987 in UVW Z 1184, No. 453/1.

⁴⁶⁴ W. R. Retief to Hiller, 7.4.1986, 1 in UVW Z 947, No. 232/1.

⁴⁶⁵ VW SA Strategie, 1987 in UVW Z 610, No. 370/2

standards and its responsibility for convincing the non-white demographic of the capitalist economic model as justification for having remained in the country.⁴⁶⁶ Whilst the above is certainly true, business is not driven by the provision of welfare; for then it would be a charity. At the beginning of the 1980s, the company perhaps hoped for the political situation to settle down and the subsidiary to achieve profitability. It thereby rejected the option of disinvestment. Indeed, the company continued to fund the tooling of new models in SA. With the economic downturn showing no signs of abatement whilst being supplemented and driven by ongoing political unrest, losses piled up and the company was rudderless and adrift on how best to proceed. Only following the 1987 South African election results with its rightward shift, did VW's leadership identify a way to make the best out of a bad situation of having committed to the country. Through word and deed, it aspired to build goodwill with the black population. At heart, however, VW was artlessly paving the way to appeal to a demographic that it knew would represent VWoSA's future customers, and thereby the subsidiary's economic salvation.⁴⁶⁷

Conclusion

Today, VW occupies the top two positions in the South African car market with variants of the VW Polo and together with its subsidiary Audi has a market share of 22.9%.⁴⁶⁸ This primacy in the present can be misleading when looking at the past. During the 1980s, VW booked significant losses in SA, experienced questionable business growth with non-operational matters dominating the agenda of local management. In turn, given its revenues, the German head office was spending a disproportionate amount of time dealing with affairs concerning its presence in SA compared to its sizeable business operations in Europe and North America. Indeed, VWoSA made up only 2%

⁴⁶⁶ Loc. cit.

⁴⁶⁷ Loc. cit.; see also Winfried Wilhelm, 'Deutsche Firmen in Südafrika „Strategie der kleinen Schritte“,' *manager magazin*, July 1978, 75. Copy in BMW Unternehmensarchiv (=BMW UA) 2165/1.

⁴⁶⁸ 'These are SA's best selling cars of 2019 so far,' Business Tech, 7.9.2019, <https://businesstech.co.za/news/motoring/339213/these-are-south-africas-best-selling-cars-of-2019-so-far/>; 'Car sales: Volkswagen's popular Polos lead the way but what about Audi SA?', wheels24, 16.1.2019, https://www.wheels24.co.za/News/SA_vehicle_sales/car-sales-volkswagens-popular-polos-lead-the-way-but-what-about-audi-sa-20190116.

of VW's business and, apart from unconditional support by Hahn, Searle felt that VWAG had 'given up on SA'.⁴⁶⁹

Despite the company's economic misfortunes and the lack of a clear 'win' whether on the home front in Germany in counter-acting negative reports, in SA in managing semi-militant unions or in lobbying Pretoria for change, VW never seriously considered disinvestment. Its worst planning scenario was centred on running the plant at the minimum capacity to keep it at functional levels. Management correctly predicted change and volatility early on but was itself taken aback by the South African government's slow pace of reform and the chaotic, often violent nature of opposition forces. Caught in a maelstrom stemming from the political situation in the country, Searle's correspondence provides a unique insight into the challenges an MD of a foreign subsidiary faced in the 1980s, including near-daily negative developments outside his ability to control. With profit metrics turning an increasingly deeper shade of red due to the socio-political environment, Searle engaged in political PR – whether in forums between industry and government or by approaching the press directly. Prior to this, VW had stringently pursued a policy of minimal political interference.

That a single decade, the 1980s, sufficed for VW to abandon its historically close ties to Pretoria, the culprit in its eyes for the dire straits its subsidiary found itself in, is exemplified by its pivot in South African strategy. Via doubling down on remaining in the country, VW discovered a way forward precisely due to VWoSA's economic predicament. By arguing that it rejected calls for disinvestment and endured losses to improve the lives of its black workers, the company hoped to spin its misfortune into an appeal to a new rising demographic segment of consumer purchasing power. Whilst a valid argument can be made that SA's black population benefited from VW staying, presenting this as the main rationale was obvious pandering to the moralist lobby and disguised the opportunity cost of a disinvestment decision.

⁴⁶⁹ Searle, interview, loc. cit.

Critics, accusing German big business of propping up the apartheid system to benefit their own profit motive would, however, be well advised to objectively examine the figures.⁴⁷⁰ In the case of VW, investment in SA was to their detriment – the light at the end of the tunnel only appearing when it committed to focusing its efforts on courting the rising black middle class with its respective purchasing power. A clear case of business adapting to survive with neither loyalty nor love lost for the apartheid system of the NP Government, which had confirmed that it remained its own worst enemy. Only when political reform began in earnest in the 1990s and with it the lifting of sanctions, which allowed for exports to resume, did the long-awaited turnaround of VWoSA succeed.

By scrutinizing the response of VWAG and VWoSA's management to the multiple crises the company faced stemming from its sizeable South African operation, this case study supports multiple key thesis arguments. First, the South African business was not profitable. Second, despite continuous loss-making, disinvestment was never considered. Third, racial discrimination was not institutionalised within the subsidiary. Fourth, whilst VWoSA was proactive in the provision of social benefits for the non-white community, these can be regarded in-part as an investment into a future customer demographic, in effect reaffirming the Friedman doctrine. Fifth, the subsidiary's size meant a level of visibility, both locally and internationally, that resulted in it being targeted by local unions and foreign politicians. Sixth, business was caught off-guard by political, social, and economic developments. Finally, spill over from the political arena forced VWoSA, to reluctantly enter the policy debate whilst VWAG still desired to retain some semblance of German corporate unity. In summary, this chapter underlines two overarching objectives. On the one hand it reveals the thankless task of managing a foreign business in 1980s SA. On the other hand, it exemplifies how the AAM got its position on business wrong. It argued that apartheid-SA presented a unique business opportunity that foreign companies were profiteering from. On moral grounds, they

⁴⁷⁰ E.g. UN Commission on Transnational Corporations in South Africa and Namibia, 7th session, 19.4.1985, agenda item 6(a), Appendix 1, 2 point 3. Copy in BArch, B136/23447.

argued for disinvestment. Yet, it was precisely the opposite. SA in the 1980s was an unattractive basket case, especially compared to Asian markets, and the only reason left to remain was, as this case study reveals, the moral one.

Considering the ordeal that the ‘South African problem’ became for VW during the Botha years, it should have come as no surprise that Searle’s first response on discussing the past with this author was ‘I have done my best to forget the 1980s!’⁴⁷¹

⁴⁷¹ Peter Searle, E-mail to author, 5.8.2019.

- Chapter 3 -

BMW South Africa: Pretoria's darling?

Introduction

In this regard I should like to draw your attention to BMW's forthrightness about its involvement in South Africa. Many foreign companies often endeavour to conceal their involvement in South Africa but not so BMW. It makes no effort to conceal its involvement in South Africa; it says in public that it has confidence in the country's political and economic future, and its investments have been made accordingly.⁴⁷²

With the above words P.W. Botha marked the occasion of BMW's 1983 R100m expansion of its plant in Rosslyn, an outer suburb of the capital Pretoria. Following the successful 'Yes' vote in the constitutional referendum six days earlier, Botha may have felt events in SA were finally heading in the government's favour. Yet the tone and wording of the speech hinted at the difficulties the country and particularly its economy were facing. Local business confidence had initially grown after he took office in 1978 with the promise of reform. By 1983, the earlier positive spirits had imploded to a level not seen since the aftermath of Soweto.⁴⁷³ Domestic gloom was complemented by reticence in the international business community whether to continue doing business with the country. Indeed, many companies, particularly American, were busy distinguishing themselves by setting out or executing upon individual disinvestment strategies. The trigger for the renewed malaise had been the details of the announced constitutional reform - the subject of the above referendum. By obtaining support for the creation of a tricameral parliamentary system based on enfranchisement of the Coloured and Indian population only, Botha's NP was fundamentally co-opting SA's other racial minorities into preserving white control over the instruments of power. As the black majority demographic was deliberately excluded, public and international opinion was mixed, tending towards the negative.⁴⁷⁴ On the one hand, it could be regarded as a step in the right direction. On the other hand, by creating a powerful State Presidency and excluding the black

⁴⁷² P.W. Botha, Speech at opening of BMW's Rosslyn expansion, 9.11.1983, 10-11 in BMW UA 2001-1.

⁴⁷³ 'South Africa Business Confidence Index: Quarterly: Manufacturers (1975-2019, quarterly in per cent),' Bureau for Economic Research. <https://www.ceicdata.com/en/south-africa/business-confidence-index/business-confidence-index-quarterly-manufacturers>.

⁴⁷⁴ Peter Sharp, 'South Africa: Politics: Referendum,' *ITN*, 1.11.1983, video, 2:15, <https://www.gettyimages.de/detail/video/politics-referendum-south-africa-johannesburg-nachrichtenfilmmaterial/810402474?adppopup=true>.

population, the underlying goal of the reform proposal was easily sussed out. Overall, the South African business community supported the ‘Yes’ vote despite reservations.⁴⁷⁵ It had already been scarred by its own experience with Botha’s policies of co-optation, namely that of the South African corporate sector. Initial faith in the government, pronounced after the 1979 Carlton Conference, had turned, latest by the 1981 Good Hope Conference, into disappointment.⁴⁷⁶ Anglophone business leaders had concluded that Botha’s reform path would visually alter but fundamentally not change the status quo on apartheid and with it the racial composition of South African political power. However, foreign companies and their subsidiaries, including BMW, were still on the fence. The PM’s attendance at the opening of the car maker’s plant expansion was therefore not simply an honorary gesture given the size of the investment. Rather it represented an effort to politicise a rare occasion of increased foreign investment into the South African economy. More importantly, it was an instrument to further Botha’s own credibility as a reformer with international cachet. As this chapter reveals, the choice of BMW to validate Botha’s desired self-image was not one of mere circumstance.

The case study is split into two parts to contrast how late 1970s managerial surety in investing in SA (Part A) was put to the ultimate test by the crises of the 1980s under Botha (Part B).

PART A

1. Context

The only preceding work on BMW in SA has been the Biss (2018) chapter in an edited volume.⁴⁷⁷ As an employee of the company’s archival department, therefore naturally inclined to engage with on-site primary evidence, she aims to cover the period 1967 up to 1985. Whilst providing a solid overview of German foreign relations and company operations within the framework of apartheid,

⁴⁷⁵ By supporting the reform, South African business practically wiped out their remaining support amongst the black population. See Kobach op. cit., 46-47.

⁴⁷⁶ Deon Geldenhuys, *The Diplomacy of Isolation: South African Foreign Policy Making*, (Johannesburg: Macmillan, 1984), 162.

⁴⁷⁷ Biss, ‘BMW in Südafrika’, loc. cit.

30% of her brief article is solely focused on the international political context, with the remainder being devoted primarily to corporate minutiae whilst still telling a story of the 1970s. In addition, her essay fails to mention the human element, a flaw characteristic of in-house company histories. By not identifying key personnel, BMW comes across as a faceless company where the interested reader, who does not identify as closely with the firm as Biss does as an employee, cannot find an anchor to guide them through the company's history in SA. This thesis, however, is in partial agreement with her argument: Both American and German companies reasoned on grounds of morality to explain their implementation or refusal of disinvestment but behind the veil, economics remained the driving factor in decision-making.⁴⁷⁸

BMW AG took full control of its subsidiary, BMW SA, in 1974 and as a first step introduced the BMW '3 litre' model into the South African market. At a price of R9000, it was the most expensive car available in the country and signalled the company's intention of serving the top-end of the vehicle market.⁴⁷⁹ Apart from corporate clients and the well-heeled, government business represented the third main segment of BMW's customer base. This was not an unprecedented development. In the past the company's motorcycles had been the two-wheeler of choice for 80% of the nation's traffic enforcement units.⁴⁸⁰ Despite the high price of the company's vehicles, demand had historically outstripped supply. A former importer and subsequent dealer of BMWs, Siegie Ludwig, remarked on the previous decade of the 1960s: 'For every one BMW we shipped to SA we could have sold three or four'.⁴⁸¹ These stories of sales success should not detract from the fact that despite its strong brand, the nature of its premium products made BMW a niche player in South Africa. In 1974, it represented less than 1% of the total market and averaged only about 180 sales a month.⁴⁸²

⁴⁷⁸ Ibid, 188.

⁴⁷⁹ A Brief History of BMW in South Africa, press release by BMW SA, 9.11.1983, 4.

⁴⁸⁰ Ibid, 1.

⁴⁸¹ Ibid, 2.

⁴⁸² Ibid, 8.

However, the establishment of a local plant was a historical milestone for the company and described as ‘a commitment to SA’.⁴⁸³ It was the first factory outside Germany, and though strict local content regulations and illiquidity of the local assembler played a part in establishing a permanent physical presence in the Republic, it was not the only factor.⁴⁸⁴ BMW AG reasoned that the plant’s establishment rested on two further grounds. First, management expected disposable incomes of South Africans to continue to increase and therefore sales volumes to develop positively.⁴⁸⁵ In particular, BMW targeted the white demographic that was expected to gravitate to more expensive vehicles to distinguish itself from those driven by the increasingly affluent black majority population. This ‘vehicular demonstration of apartheid’ was explained by the local MD, Dr Eberhard von Koerber in a 1981 retrospective:

*But the prime consideration at that time was that black purchasing power, over the years and decades, would grow in this country to such an extent that more and more people – certainly whites – to differentiate themselves, would be pushed up in the car range to drive something exclusive. At the same time more and more blacks, forming a medium-sized capitalistic society, would try and copy that and would also buy this sort of car.*⁴⁸⁶

Whether the latter imitation effect kicked in is questionable. In 1984, ten years after BMW took full control of the South African subsidiary, black buyers made up less than 2% of purchases across all model ranges.⁴⁸⁷ White buyers drove the bulk of sales; on average they constituted 94% of volume for any given model.⁴⁸⁸

Second, the factory was a cornerstone of an international organisational structure and strategy that went beyond SA and its neighbouring markets. Practically, this meant that spare capacity in the South African plant would be used to fulfil export orders that its home factories in Bavaria could not meet due to already running at full tilt. Significant shipments in this respect began in 1978 from Durban, following a dip in the South African domestic vehicle market in 1977; the single largest

⁴⁸³ Dr. Eberhard von Koerber (MD BMW SA 1977-1984) in *ibid*, 6.

⁴⁸⁴ See statement by von Koerber in Executive Car Survey, Supplement to *Financial Mail*, Johannesburg, 20.3.1981, 5; Biss, *op. cit.*, 178-180.

⁴⁸⁵ A Brief History, *op. cit.*, 5.

⁴⁸⁶ Executive Car Survey, *loc. cit.*

⁴⁸⁷ BMW South Africa. A corporate report. Supplement to *Financial Mail*, Johannesburg, 22.3.1985, 20.

⁴⁸⁸ *Loc. cit.*

export market being Iran with an approximately 25% share of consignments.⁴⁸⁹ Although von Koerber was concerned with the political risk of Iran being the major offtaker of South African BMWs, the domestic environment was solely remarked upon in business terms when making public statements. In an article for a business publication, he pointed out:

*The South African market cannot provide us with the sort of growth we want. We have achieved greater market penetration in South Africa than BMW has achieved anywhere else and any further increase in our market share would involve extremely high marketing costs. Therefore, for BMW SA future significance [sic] growth lies in exports.*⁴⁹⁰

Apart from its contribution to the bottom-line, the South African business also served as a testing ground for rising stars within the company. Leaders-in-waiting were expected to cut their teeth at the sole non-German production site before progressing to group-level executive positions. This would apply to von Koerber, his predecessor Rudolf Graf von der Schulenburg-Wolfsburg, as well as his peers and successors including Bernd Pischetsrieder and Walter Hasselkus. Thus, the South African operation was not simply a case of another international subsidiary for BMW. The business was a linchpin to not only manage its plants in Germany, foster its international expansion, serve the profitable domestic market but also to develop its human capital. Moreover, continued success, would require increasing its engagement with the socio-political environment as well as the NP Government and its racial policies; a process which would begin in earnest in the late 1970s.

2. The late 1970s: Initial problems meet pragmatic solutions

Economic rather than political considerations were at the forefront of BMW's executives' minds upon gaining control of the South African business. Indeed, as a first step the company decided to sharpen its competitive profile in the country at the top of the vehicle market, especially as an alternative to DB. In 1976, management decided to introduce the flagship model range, the 7 series, into SA in the latter half of the decade.⁴⁹¹ The model was deliberately launched in Pretoria in 1978, to court the government market. Von Koerber stated that the decision, although made shortly

⁴⁸⁹ Exporter of the month BMW, *Safto Exporter*, Johannesburg, May 1979, 10.

⁴⁹⁰ Loc. cit.

⁴⁹¹ A Brief History, op. cit., 8.

before the Soweto uprising, could still have been reversed but was not.⁴⁹² For better or worse, the company had sunk capital into the country. He believed a write-off would be not only financially costly but also a blow to BMW's reputation of following sound business strategy.

Details on the BMW SA MD's reasoning survive, revealing the commercial rather than political rationale behind the decision. Citing full utilisation of German plants and that the firm exported 20% of production compared to the competitor average of 5%, head office required its South African factory to contribute on all fronts.⁴⁹³ Yet, despite these elaborations, the company and its management were not operating in a political vacuum. Koerber's remark at the launch: 'We are here to stay – not only to continue operating but to grow', became the headline topic for South African nightly news, displacing all political developments.⁴⁹⁴ Coming two years after Soweto and its fallout, BMW's decision to stay the course is controversial – especially since management confirmed that it had ample opportunity to change its plans. It is abundantly clear that BMW, first and foremost strove for maximum efficiency. With the South African plant being the only plant outside its home country of Germany, it was natural for it to contribute to fulfilling customer orders via the production of another model range. Whilst this meant committing whole-heartedly to SA, the negative political fallout remained a secondary concern.

Yet even prior to the launch of the 7 series, the company was coming up with its own solutions to the challenges posed by operating in apartheid-era SA. Despite the NP Government's commitment to free enterprise, it continued to exhibit characteristics of a command economy on occasion. Price controls on vehicles were only lifted in 1976 but were followed by a ministerial decree stating that there were too many different car models in SA(!)⁴⁹⁵ The Secretary of Industries was tasked with informing NAAMSA members that they needed to examine methods of significantly reducing the number of model types in the South African market. This ministerial 'suggestion' is perhaps

⁴⁹² Wilhelm, loc. cit.

⁴⁹³ Ibid, 77.

⁴⁹⁴ Loc. cit.

⁴⁹⁵ Minutes of a meeting of the directors of B.M.W. (South Africa), 26.7.1976, 6 in BMW UA 2018-1 Guard Book BMW SA Vol 5.

understandable given that the South African vehicle market was described in one report as ‘being one of the most demanding in the world when it comes to range of models and choice of trims and accessories’.⁴⁹⁶ Indeed, if one could succeed in such a highly competitive market and concurrently make a South African customer happy, one could succeed in any other market.

The interference by the South African government was only one part of the equation of political pressure. In a 1977 informal meeting of the BMWSA Board, one member, K. Baudert, noted that the company ‘had a huge task in attempting to overcome the lack of overseas confidence and increasing political pressures’.⁴⁹⁷ For example, exports to Australia were proving difficult as the importer had ‘an anti-South African attitude’.⁴⁹⁸ Von Koerber informed the Directors not to worry; BMW would take over Australian distribution itself.⁴⁹⁹ The next motion emanating from Pretoria was that in addition to prescribing a local content component by weight of 66%, differing tax rates would now apply depending on the size and value of the vehicle. Von Koerber lamented: ‘Via drastic taxation measures they are attempting to interfere in our planned product mix’.⁵⁰⁰ The company would have to expand without selling individual model ranges whilst thereby enduring massive increases in per unit costs. The MD would not tolerate this and got his way by successfully lobbying the Minister of Finance, Owen Horwood. Whilst Horwood provided given verbal assurance this would now not be implemented, other taxes might reduce the disposable income of BMWSA’s customers.⁵⁰¹ For Steyn, an Afrikaner Board member, the government’s interference into the financial and business sector was

⁴⁹⁶ Exporter of the month BMW, loc.cit.

⁴⁹⁷ Minutes of an informal meeting of the directors of B.M.W. (South Africa), 10.8.1977, 6 in BMW UA 2018-1 Guard Book BMW SA Vol 5.

⁴⁹⁸ Loc. cit.

⁴⁹⁹ Loc. cit.; this was also in-line with BMW’s strategy of taking over distribution in all markets its products were sold in. See Richard Johnson, ‘Von Kuenheim took BMW from small time to big leagues,’ *Automotive News*, 8.3.2016. <https://www.autonews.com/article/20160307/OEM02/303079993/von-kuenheim-took-bmw-from-small-time-to-big-leagues>.

⁵⁰⁰ Wilhelm, loc. cit.

⁵⁰¹ Minutes of a meeting of the directors of B.M.W. (South Africa), 18.5.1979, 2 in BMW UA 2018-1 Guard Book BMW SA Vol 5.

*a remedy to an ill-conceived system. What the Government should do is change the system completely as this kind of action is contrary to the capitalistic ideology on which our economy is based.*⁵⁰²

He had touched a nerve. Despite Botha's administration being the most pro-business government SA had ever seen, it continued to meddle in the economy.⁵⁰³ Whilst BMW's managers were not proactive in political dealings, they were forced to react and did so successfully by approaching and lobbying the executive branch directly. This attitude of tackling the bull by the horns and of hiring and promoting 'hands-on' talent exemplified the leadership cadre and culture within BMWSA. The issues, however, would keep coming.

The South African Treasury was a repeat offender when it came to intruding into the affairs of foreign companies. For example, solely profits could be withdrawn from the country, share capital would not usually be permitted and this was monitored by the government. By 1977 profits in SA could only be repatriated if the company had been profitable for the past two years. Prior to this any amount accrued in profits since January 1st, 1960 could be remitted without issue. This regulation, however, was self-defeating. Companies fearing further restrictions simply accelerated existing capital flight.⁵⁰⁴

BMWSA yet again demonstrated its effective leadership in tackling another issue it faced, one encountered by many of its German corporate peers, namely the poor skill and educational level of black labour. Verwoerd's Bantu Education Act, 1953 was bearing its rotten fruit.⁵⁰⁵ Many black workers, especially from the Homelands, had no experience with the industrial sector. A majority had never seen a factory, let alone from the inside. One German HR manager remarked to a compatriot business publication: "They first need to be taught how to wear shoes".⁵⁰⁶ Companies such as Hoechst and Siemens introduced aptitude tests to save themselves from negative

⁵⁰² Ibid, 3.

⁵⁰³ See footnote 57.

⁵⁰⁴ Wilhelm, loc.cit.

⁵⁰⁵ The Bantu Education Act, 1953 restricted black teaching to reading, writing and numeracy thereby trapping the black demographic in unskilled and semi-skilled professions.

⁵⁰⁶ Wilhelm, op. cit., 73

surprises.⁵⁰⁷ For BMW SA, the major issue was illiteracy as the company was drawing from Bophuthatswana's labour pool.⁵⁰⁸ The need to address the poor or non-existent education of its workforce and introduce a more rigorous hiring process was illustrated by the case of a company mail clerk turning out to be illiterate.⁵⁰⁹ What was simply another facet of operating in the NP's SA, was not taken by the company in its stride. It founded a training centre, primarily to make up the shortfall in black education with a stipend of half a million DM per year.⁵¹⁰ By 1979 the company had also taken steps to overcome apartheid on factory premises, integrating the cantina.⁵¹¹ Three years earlier the subsidiary had already proposed setting up black workers in a company pension scheme on the same terms as white staff members.⁵¹² It noted that whilst many migrant workers were not permitted to join unions, these could be represented by the liaison committee.⁵¹³ Furthermore, a relaxation in regulations meant that black apprentices could now be trained in white areas – a development the company immediately took up with in-dealership training at a national Service Centre.⁵¹⁴

For Biss, training was also driven by an economic rationale.⁵¹⁵ Undisputed is that company-provided education did allow black workers to take on roles of increasing responsibility, raise their underlying productivity and increase the quality of their output. At heart, however, training must be seen as establishing a common educational baseline without which it becomes impossible to trust any hire to fulfil their job requirements let alone operate within a company when even the simplest of technical terms are not understood. The training of black labour therefore had its commercial and moral benefits but importantly was simply *necessary*.

⁵⁰⁷ Loc. cit.

⁵⁰⁸ Von Koerber to Dr Hermann Jung, Secretary of the FRG Foreign relations committee, 7.6.1978, 4, copy in von Koerber to Dr Avenarius, 16.6.1978 in BMW UA 2165/1.

⁵⁰⁹ Wilhelm, loc. cit.

⁵¹⁰ Von Koerber to Jung, loc. cit.

⁵¹¹ Earlier in the year German church organisations and the IGM union had criticised BMW, amongst other German companies, for segregated eating and sanitary facilities. See Heinrich M. Broder, 'Schwarze fliegen zuallererst raus,' *Welt der Arbeit*, 18.10.1979.

⁵¹² Minutes of a meeting of the directors of B.M.W. (South Africa), 12.11.1976, 7 in BMW UA 1987/1.

⁵¹³ Minutes, '18.5.1979', op. cit., 3.

⁵¹⁴ Loc. cit.

⁵¹⁵ Biss, op. cit., 186.

The company continued to operate at the limits of what was permissible under apartheid legislation – a deliberate management policy. ‘We also have Indian dealers and the community sees that we are prepared to appoint black dealers whenever the opportunities and the financial circumstances allow’, von Koerber remarked in an interview.⁵¹⁶ Indeed, the company would help establish a black independent dealership in the Soweto CBD in 1982. Despite appearances, this was no altruistic act. It was regarded as a contribution to the Black Small Business concept and an instrument ‘of major political and marketing importance’.⁵¹⁷ Yet, when five SPD MPs visited in 1978, they showed no interest in BMWSA’s integrated training centre and the fact that it had black quality inspectors.⁵¹⁸ Such policies did not fit the business-critical narrative of the party in Germany.

Photograph 2: BMWSA CSR advert in SA business press, 1980⁵¹⁹



Paradoxically, BMW with its high-priced offerings began its targeted courting of the black demographic nearly a decade before Volkswagen did with its mass-market offerings. In an interview with the South African business press, von Koerber put it bluntly:

⁵¹⁶ Executive Car Survey, loc. cit.

⁵¹⁷ Minutes of a meeting of the directors of B.M.W. (South Africa), 27.10.1982, 6 in BMW UA 2019-3.

⁵¹⁸ Wilhelm, op. cit., 70-71.

⁵¹⁹ Multinationals Survey, op. cit., 33.

*(...) white incomes are already stagnating and decreasing (...) We are convinced that a company that cannot participate in that (the black sector) growth of disposable income will not have any growth potential in this country. It's that simple! (...) if it is not the basis of our current success, then it is certainly the basis for our future success.*⁵²⁰

Von Koerber was all business in the interview; after all he was talking to a domestic publication focused on commercial affairs. Nevertheless, the MD had begun to deliberate on the moral aspect of running a successful business in the apartheid economy. The outcome of his ponderings culminated in a speech to his peers only eight months later, analysed in further detail in a later section.

3. Personnel: Non-executive directors with bite

Effective management cannot be executed without first staffing leadership positions with personnel of talent or other qualities. In this aspect, BMW was a master of its trade. Strategic staffing was a cornerstone of the success of its South African subsidiary. This capability encompassed all senior functions, even those without direct leadership responsibility, such as non-executive director positions. Appointments to BMWSA's Board were based on both strategic as well as political considerations.

BMWSA's hiring practices illustrate that it possessed an understanding of the dynamic underlying White South African socio-economic and socio-political society. Indeed, expatriate management acquired such knowledge quickly even when thrown in at the deep end. In 1978, following a visit to the country, BMW Group Chief Executive and Chairman, Eberhard von Kuenheim, offered a direct glimpse of his thoughts in a draft letter requesting the resignation of Brian Gilfillan, Board member of BMWSA and partner in the Johannesburg legal juggernaut of Bowman Gilfillan & Blacklock:

I must say that, having visited South Africa and once again confirmed for myself that the political situation there is nothing like as bad as depicted in our news media, my confidence has been renewed in your country's ability to overcome its present difficulties and enjoy future economic prosperity. (...) Although the current economic climate is unhappily depressed, I am very pleased that BMW (South Africa) is doing relatively well, which is a credit not only to the company's management, but also to its outside directors, such as

⁵²⁰ Executive Car Survey, loc. cit.

*yourself, and (following) the (...) BMW 100 per cent take over, (we wish to) reduce holding company boards solely to (their) statutory purpose.*⁵²¹

It reveals that the Chairman and therefore headquarters preferred to make up their own mind, preferably first-hand, on the actual state of SA. A sceptical position towards outside reports on the country's situation, as seen in the letter, ingrained itself top-down into BMW's hierarchy. Second, von Kuenheim did have his doubts about the country returning to some degree of normality. These, likely to have stemmed from the fallout post-Soweto, were only placated two years later following his in-person visit.

Von Koerber disagreed with his boss's proposal to dismiss Gilfillan from the Board, recognising that the company needed an Anglophone representative. No other candidate came to mind that was as 'harmless' as the lawyer and he was regarded as having good economic and social contacts.⁵²²

The subsequent U-turn on the retirement of Gilfillan demonstrates that both hiring and firing decisions were considered within a commercial and political context. In this case, the subsidiary reversed a mother company decision to reduce the size of the Board by stressing the need to maintain a representative link to the Anglophone business and political community. Von Koerber had only been in SA for a year, but the MD had obviously quickly grasped the key elements required to steer a business, let alone a foreign business, through the South African political and economic scene.

A firm grasp on the professional and personal requirements necessary in a candidate to grow and manage BMW SA's business appeared to be von Koerber's forte. For in the selection of who to nominate as Director to the Board of BMW SA, the great care taken by both BMW SA and BMW AG proved to be time well-spent and a labour worthwhile. The appointees not only proved of great assistance in navigating the South African political landscape but also in running its domestic business. To replace the departing Board member, Baudert, von Koerber nominated Professor

⁵²¹ Unsent draft letter by Eberhard von Kuenheim to Brian Gilfillan, drafted by Schulenburg in BMW UA 1987/1.

⁵²² Von Koerber to von Kuenheim, 23.3.1978, 1 in BMW UA 1987/1.

Wiehahn – known for the Wiehahn Commission tasked with proposing reforms to South African labour legislation.⁵²³

Wiehahn was put forward by the MD for being a powerful personality. He was in the right age bracket of between 45 to 50, part of the progressive wing of the NP, from German stock (he also spoke German), internationally experienced, an avid BMW client and an established figure in South African political and economic life. Additionally, ‘one cannot rule out that he will later go on to hold a prominent position within government’.⁵²⁴ Wiehahn had already been of use to BMW by facilitating a meeting between the head of BMW AG workers’ council, Kurt Golda, the BMW AG Board member responsible for HR, Dr Sarfert, and Stephanus Botha, Minister for Manpower Utilisation.⁵²⁵

Von Koerber also proposed G.J.J.F. Steyn as a replacement for Johannes Hermanus Pretorius, a Board member who had headed the previous constellation of the subsidiary before BMW gained majority control.⁵²⁶ Steyn had been Secretary of Commerce and chairman of the South African Shipping Board. More importantly he was part of the conservative wing of the NP and regarded as a good counterweight to Wiehahn. As BMWSA’s MD elaborated to von Kuenheim: ‘In any event it cannot hurt to have another Afrikaner on our Board’.⁵²⁷ Von Koerber’s suggestions were a masterstroke of management showing remarkable political astuteness for a German expatriate manager. By including representatives of not only the *verkrampste* and *verligte* wing of the NP but also retaining an Anglophone non-executive director in Gilfillan, he prepared the foundations for BMWSA to retain access to the corridors of power, regardless of who would succeed Vorster, as well as the Anglophone and Afrikaner business communities.⁵²⁸

⁵²³ See Appendix IX.

⁵²⁴ Von Koerber to von Kuenheim, 23.3.1978, loc.cit.

⁵²⁵ Ibid, 2.

⁵²⁶ Ibid, 1.

⁵²⁷ Loc. cit.

⁵²⁸ In brief: The *verkrampste* faction opposed reforms to the apartheid system whilst the *verligte* group was open to amendments. See Newell Maynard Stultz, *Afrikaner Politics in South Africa 1934-1948* (Berkeley: University of California Press, 1974), 182.

Von Kuenheim, acting on von Koerber's advice, met Steyn in SA and confirmed BMW's commitment to the country:

*With your statements you have given me a number of valuable hints, and I would like to assure you that we on our part shall do everything possible to further extend our activities in South Africa, as long as we shall not be facing unsurmountable difficulties from the part of the governments. Your convincing comments have reaffirmed that our decision is the right one.*⁵²⁹

BMW AG's CEO chose his words carefully, anticipating detrimental political developments not only arising from Pretoria's conduct but also from the FRG government if it chose to join the call for sanctions. Wiehahn, similar to Steyn, accepted an invitation to join the Board with von Kuenheim stressing he expected a significant contribution in the field of BMW SA's industrial relations from the Professor.⁵³⁰ Von Kuenheim had thereby given both South Africans explicit counsel on what BMW expected of them – assistance in treating with government and in managing labour.

The hiring process was conducted against the backdrop of a decline in the rand/DM exchange rate. Indeed, in 1978 alone the rand dropped nearly 20% in value against its German counterpart.⁵³¹

Whilst BMW's German peers were put under further pressure by this macroeconomic development, for BMW SA in the late 1970s, it only affected executive compensation due to the company's financial health and high local content percentage.⁵³²

Both new Non-Executive Directors immediately harnessed their expertise and personal network to further BMW SA's goals. Steyn, for example, lobbied Pretoria multiple times to introduce incentives for vehicle exports.⁵³³ As BMW was considering introducing a unique car model solely for export purposes in the South African plant, it leveraged its connection to the Afrikaner government via Steyn to ensure the profitability of the proposed venture. Steyn would go on to propose lobbying efforts that did not stem from BMW's corporate planning. For example, in 1981

⁵²⁹ Von Kuehnheim to Steyn, 16.2.1978 in BMW UA 1987/1.

⁵³⁰ Von Kuenheim to Wiehahn, 21.10.1980 in BMW UA 1987/1.

⁵³¹ See Appendix XII.

⁵³² See Appendix X.

⁵³³ Minutes of a meeting of the directors of B.M.W. (South Africa), 29.2.1980, 2 in BMW UA 1987/1.

he informed the Board that he was lobbying the government on behalf of another company to grant tax concessions given its housing scheme for black workers and whether similar efforts could be made on behalf of BMWSA.⁵³⁴

Wiehahn, meanwhile, before going on to assist BMWSA in further developing its apprentice training scheme, delivered a lecture to all senior managers of the BMW Group on the future of industrial relations in SA.⁵³⁵ Given his international renown, as well as expertise in this field and BMW's success in winning him to the subsidiary's board, such a lecture is unsurprising. The Professor, however, had already been connected to the German corporate sector prior to his Board appointment at BMWSA. A 1980 supplement on MNCs in the South African *Financial Mail* outlined that: 'A number of German subsidiaries (...) have been (...) a positive influence on the Wiehahn Commission'.⁵³⁶ It is therefore unsurprising that the Professor closed with the remark that German MNCs would continue to play a significant role in SA's development outside of business:

*We appreciate the engagement by German MNCs because these companies, just as us South Africans, believe in our country, our people and our future. We welcome the fine relations between our countries (though there might be some friction between our respective politicians).*⁵³⁷

However, behind the façade of praise for BMW and the German business sector, Wiehahn comes across as an apologist. The reforms, accepted by the NP Government, especially in the case of those proposed by his Commission simply formalised what was already happening behind a vast number of factory gates.⁵³⁸ Given the increased levels of agitation and the continued involvement of foreign companies in SA, international scrutiny was warranted. He, however, repeated the mantra of South African solutions to South African problems without outside interference. By attempting to speak for the views of the black population, the academic comes across as patronising

⁵³⁴ Minutes of a meeting of the directors of B.M.W. (South Africa), 25.2.1981, 3 in BMW UA 2018-1 Guard Book BMW SA Vol 5.

⁵³⁵ Minutes of a meeting of the directors of B.M.W. (South Africa), 9.11.1983, 6 in BMW UA 2019-2. See Appendix XI.

⁵³⁶ Multinationals Survey, op. cit., 17.

⁵³⁷ Loc. cit.

⁵³⁸ Kobach, op. cit., 148.

and mirrors the pronouncements of the NP – knowing what is best without fundamentally engaging with the majority demographic. Nevertheless, his warnings on likely labour trouble and praise for BMWSA’s behaviour to the black workforce were warranted.

4. The early 1980s: Profitability and the political mandate

The company’s performance in the early years of the 1980s confirmed management’s decision to commit to SA whilst simultaneously providing a funding source for welfare programmes. Towards the end of 1981, BMWSA continued to fire on all cylinders. Revenues were up 55% over the prior year at R177m and not a single vehicle remained in the company’s inventory.⁵³⁹ BMW had a global market share of only 1.5%, but in SA it had a record 4.5% and this nearly doubled towards the end of the decade.⁵⁴⁰ By 1984, SA had the highest density of BMW dealerships in the world.⁵⁴¹ Given that its vehicles were sold at premium prices and 94% of its customer base was white, BMW’s relatively high market penetration validated its financial commitment to continue to operate in SA.⁵⁴² Von Koerber bluntly elucidated on the firm’s target market:

*The Company has no intention of being everything to everybody, and it is in the nature of the philosophy of BMW that to be anything other than exclusive would not guarantee excellence (...) The marketing strategy in South Africa during the past 10 years has been based on entrenching BMW at the top of its market sector.*⁵⁴³

High profitability meant the subsidiary could also continue to invest into the provision of training, education, and social benefits for its black workforce. These were expenditures not driven solely based on altruism. The lack of skilled labour amongst the black population was an ongoing issue for BMWSA. Of fifteen apprentices trained in 1981, fourteen were black.⁵⁴⁴

⁵³⁹ Minutes of a meeting of the directors of B.M.W. (South Africa), 18.10.1981, 1 in BMW UA 2018-1 Guard Book BMW SA Vol 5.

⁵⁴⁰ John Brett Cohen, ed. *Industrial South Africa: The Great Achievement*, (Florida, South Africa: Industrial Publishing Corporation, 7th ed., 1984), 150; Büchelhofer and Aurich, *Briefing paper on future SA strategy*, prepared for Board meeting of 16.10.1985, 9. 10.1985, 14; by 1989 the exit of competitors enabled a record 8% market share, see *The BMW Story*, op. cit., 30.

⁵⁴¹ Minutes of a meeting of the directors of B.M.W. (South Africa), 16.3.1984, 4 in BMW UA 2019-2.

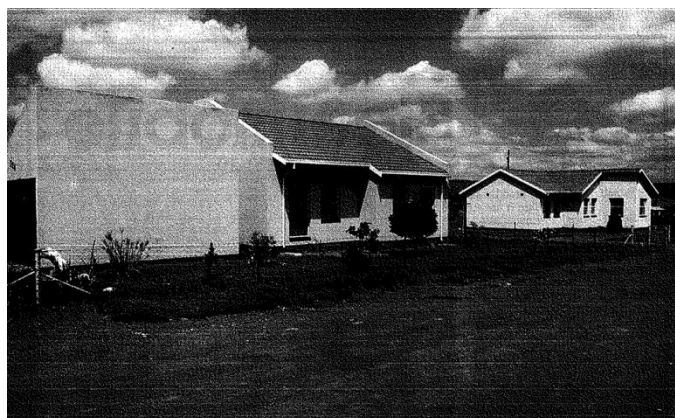
⁵⁴² BMW South Africa, loc. cit.; it is also a material confirmation of the affluence of many white South Africans.

⁵⁴³ Cohen, op. cit., 150-151.

⁵⁴⁴ Minutes, ‘18.10.1981’, op. cit. 2.

Furthermore, the company instituted a housing assistance scheme whereby it would provide up to 20% of the collateral to purchase property. If unavailable, the subsidiary would commission architects to design and under their supervision construct accommodation in Bophuthatswana.⁵⁴⁵ On the sales front, similar efforts were being expended. Vic Doolan, Marketing Director of BMWSA, assured the subsidiary's Board in February 1981 that the business would have six non-white dealers within the next two months.⁵⁴⁶ Within the framework of Pretoria's decentralisation strategy, BMWSA leased a site from the Bophuthatswana National Development Corporation and set up a seat and upholstery factory in the Homeland.⁵⁴⁷

Photograph 3: BMWSA-built housing for black workers, Bophuthatswana⁵⁴⁸



The founding of a small plant in Bophuthatswana killed three birds with one stone, exemplifying the adeptness of the company's management. First, BMWSA raised its credibility with Pretoria by taking physical and financial steps to support government policy with respect to identified growth regions. Second, it created employment in a semi-rural area with few, if any, existing employment opportunities. In von Koerber's words: 'we believe we are making a general contribution to standards of education and living in a relatively underdeveloped community'.⁵⁴⁹ Third, to ensure its adherence to the local content requirement, BMW had already been planning to source automobile

⁵⁴⁵ Loc. cit.

⁵⁴⁶ Minutes, '25.2.1981', op. cit., 4.

⁵⁴⁷ Minutes, '27.10.1982', op. cit., 5.

⁵⁴⁸ BMW South Africa, op. cit., 48.

⁵⁴⁹ Von Koerber, speech to the Chamber, 25.11.1981, 7 in UFS PV 203 - PS 12/11/9.

upholstery domestically. In its eyes, a new smaller plant would be easier to manage in terms of labour relations than an expansion to the existing factory to enable upholstery fabrication. Sound business reasoning therefore underpinned any managerial decision, no matter how moral or socially appealing the outcome may appear to be at first glance. The MD had simply been canny enough to concurrently please a great number of outside stakeholders in addition to the internal expectations placed on him by Munich.

Photograph 4: Cutting of interior trim and seats, BMW plant, Ga-Rankuwa,

Bophuthatswana⁵⁵⁰



Whether BMWSA thereby legitimised the implementation and pursuit of the Homelands policy is a valid question. For the unemployed labour force with limited prospects in the Homeland, however, BMW's investment represented a lifeline.

The Bophuthatswana case proved that BMWSA's management understood and leveraged the factors it could affect by its presence in SA within a predetermined political and economic framework. Whilst elements of society outside the world of business both in Germany and SA misguidedly believed the corporate sector could fundamentally sway Pretoria, von Koerber operated on facts rather than belief. The introduction to this thesis highlighted that the South African Government had a history of willingly tolerating the apartheid tax on the economy to the consternation of the business community. One vocal anti-apartheid figure, Winne Mandela, wife

⁵⁵⁰ The BMW Story, op. cit., 54.

of the imprisoned Nelson Mandela, stated: ‘There can be no real change until business takes the side of freedom’.⁵⁵¹ Yet a headline in the domestic papers best summed up the limits of corporate influence: ‘PW Tells Business to Leave Politics’.⁵⁵² Botha thereby reiterated a view held by Afrikaner PMs since Verwoerd.⁵⁵³ For BMWSA, the roles and responsibilities of business vis-à-vis politics were already clear by 1981.

Video still 1: BMWSA plant, Ga-Rankuwa, Bophuthatswana⁵⁵⁴



The new-found reciprocity between South African business leaders and the Botha government that resulted from the 1981 Cape Conference provided the impetus for von Koerber to clarify the company’s own position with respect to politics. At the annual banquet of the Chamber, the MD was the keynote speaker. The topic of the speech could not have been timelier – the political mandate of foreign subsidiaries. Nominating BMWSA’s top executive as the headline act, indicated two truths: One, BMWSA’s activities and stance had a significant signalling effect amongst its peers and the expatriate community. Two, recognition of von Koerber as the driving force behind the

⁵⁵¹ Interview with Winnie Mandela by Anthony Sampson, Johannesburg, August 1987. Cited in Sampson, op. cit., 246. W.M. is a controversial, dichotomous figure. Her mix of empathy and brutality is best captured by her own words and behaviour. Consider Klaus Wirtgen, ‘Wenn die Schwarzen sich wehren...’, *DER SPIEGEL*, No. 18/1986, 28.4.1986, 47-48; SABC, ‘TRC Episode 79, Part 03,’ YouTube video, 15:05. 14.6.2011, <https://www.youtube.com/watch?v=7TyP1jrGiok>; Adam Lusher, ‘Winnie Mandela: the turbulent life of the woman who went from ‘Mother of the Nation’ to ‘mugger’,’ *The Independent*, 2.4.2018, <https://www.independent.co.uk/news/world/africa/winnie-mandela-dead-madikizela-nelson-wife-life-story-obituary-anc-football-club-soweto-apartheid-mother-nation-mugger-a8285581.html>; Interview in *A Question of Survival*, eds. Michel Albeldas and Alan Fischer (Johannesburg: J. Publishers, 1987), 457-466.

⁵⁵² ‘PW Tells Business to Leave Politics,’ *Cape Times*, 20.5.1987, 1.

⁵⁵³ Verwoerd, loc. cit.; O’Meara, op. cit., 361.

⁵⁵⁴ Video still taken by author from *ZDF-Magazin*, ‘Südafrika im Blickpunkt,’ aired 21.8.1985 on ZDF. Copy in Siemens AG Archive (‘SAA’) DVD 45.

subsidiary's success as well as his status as a fellow German manager that 'understood SA'. He had demonstrated astuteness in handling political matters, both domestic and foreign. Indeed, recently declassified documents reveal political links even his colleagues at BMW were unaware of. For the MD was not only successfully used by Kohl, the German Chancellor, on repeat occasions as a personal emissary to P.W. Botha to circumvent Genscher, he was also in consideration to act on a similar behalf for Thatcher.⁵⁵⁵ The close relationship to Pretoria is best expressed by the MD being invited to big game hunts with Botha and half the NP Cabinet.⁵⁵⁶ In his speech, he explored three questions:

1. Did a mandate exist for political involvement for foreign investors?
2. Does international business have the power to directly influence political developments?
3. Or, do MNCs have an opportunity and even responsibility to indirectly influence political developments by their conduct and behaviour?⁵⁵⁷

The first question was summarily dismissed on the grounds that neither a legislative nor government-endowed mandate existed for foreign business to engage in political affairs.⁵⁵⁸ In addition, Rev. Tutu's call for disinvestment was invalidated because the clergyman himself had no political mandate either.⁵⁵⁹ Tutu had been a vocal opponent of continued foreign engagement with the country, advancing the position that MNCs, simply by being in SA, made not only apartheid 'more comfortable' but thereby, also presented a political statement in favour of Pretoria.⁵⁶⁰ It could be argued that Tutu represented the voice of millions of South Africans without access to the franchise but in the same vein BMW SA regarded itself as representing the voices of thousands of black workers who had voted with their feet. Furthermore, managerial due diligence on Tutu revealed that as General Secretary of SACC, he only spoke for twenty-one churches, when Soweto

⁵⁵⁵ Christopher Mallaby (UK Ambassador, Bonn) to FCO, 9.9.1988 in The National Archives ('TNA'), PREM 19/2527 f247.

⁵⁵⁶ Walter Hasselkus (MD BMW SA 1984-89) in interview with author, 29.12.2019.

⁵⁵⁷ Von Koerber, '25.11.1981', op. cit., 1.

⁵⁵⁸ Loc. cit.

⁵⁵⁹ On Tutu, consider John Allen, *Rabble-rouser for Peace* (London: Ebury, 2012).

⁵⁶⁰ Sampson, op. cit., 186, 209.

alone had 911 black churches.⁵⁶¹ For von Koerber, Tutu, at the time, neither had a political mandate by South African law nor spoke for the majority of the black population.⁵⁶² Yet, the MD's attempt at delegitimization did not confront the argument of whether disinvestment was truly best for all South Africans or not.

Video stills 2 and 3: Anti-Tutu Protests - 'White' protest, Johannesburg 14.5.1985 and 'Mixed race' protest, PE, June 1988⁵⁶³



For von Koerber even if business had a mandate to get actively involved in political affairs, it was no simple matter. As the South African Anglophone corporate leaders had discovered money means nothing when a government is run according to dogma. After all, Oppenheimer had been making speeches for the past twenty years advocating for an end to racial discrimination with no effect.⁵⁶⁴ Instead, the MD turned his attention to foreign critics of business: “The communist theory of so-called monopoly capitalism is based on this very fallacy, and provides the ideological

⁵⁶¹ In 1981 Tutu was not an Archbishop, let alone a Bishop; Albrecht to Borchers, 28.1.1982, 1 point 2 in RB, 1 021 047.

⁵⁶² Tutu (and the ANC's) call for disinvestment was opposed by a broad spectrum of South Africans, including the NP, CP, PFP, Inkatha, black business representatives and black workers. See Firing Line with William F. Buckley Jr, 'A Firing Line Special: Sanctions and Apartheid,' YouTube video, 59:40. 30.6.2017, <https://www.youtube.com/watch?v=QzpN9SCR8L4> and AP Archive, 'G13068818,' YouTube video, 11:39, 18.9.2017, <https://www.youtube.com/watch?v=AzuZOn-cT-M>.

⁵⁶³ Taken by author from AP Archive, 'G15058516,' YouTube video, 7:22, 3.10.2018, <https://www.youtube.com/watch?v=OKHX JsDoXs> and AP Archive, 'G13068818,' loc. cit.

⁵⁶⁴ E.g. Harry Oppenheimer, 'The fifth Stock Exchange Chairman's Lecture,' Supplement to *Optima* (1), London, 18.5.1976, 2.

platform from where free enterprise gets attacked'.⁵⁶⁵ Given the ideological influence of Marxist theory on the ANC, the German was concerned that the perpetuation of communist thought would widen an existing gulf between business leaders and employees as well as the public.⁵⁶⁶

Indeed, on the matter of the controversial German Lutheran Church's 'Das Dilemma' that had caused waves in Germany upon its 1979 publication, von Koerber was even more candid. The publication had been vocal in its criticism of BMW based on an unverified interview with a BMW worker and called for German companies to threaten Botha with disinvestment to achieve policy changes. Whilst the Lutheran Church was a major figure in the German AAM, it was biased from the outset against business and the South African government. Its credibility with enterprise therefore was non-existent. Still, the Lutherans represented a force that had to be taken seriously given their ability to shape public opinion in Germany which in turn could lead to actual pressure on BMW via the German government. For von Koerber, however, 'politically knowledgeable people who publish such statements overseas as part of a political strategy, are agitators, not reporters of facts'.⁵⁶⁷ Yet, apart from the Loderer report, the German public had little access to information on what their country's companies were doing in SA and how. By not being proactive in communicating the benefits the subsidiaries were bringing to disadvantaged South Africans, business provided a space and platform for precisely such publications; a failing recognised by the MD. He encouraged his peers to communicate both at home and abroad on their efforts to that respect.⁵⁶⁸ In addition, proactive disclosure would help in spreading the *de facto* non-racialized working environment to wider corporate and political society that existed behind the closed doors of German subsidiaries.

Foreign business, however, could not escape responsibility for operating in SA. It had an opportunity and a prerogative to act for positive change as far as South African law and economic

⁵⁶⁵ Von Koerber, '25.11.1981', op. cit., 2.

⁵⁶⁶ Loc. cit.

⁵⁶⁷ Von Koerber, '25.11.1981', op. cit., 3.

⁵⁶⁸ Ibid, 9.

reason permitted. A principle the MD recognised and promoted given the size and impact of German industry in the country.⁵⁶⁹ Within company premises, business could control the ‘racial aspect’ and thereby promote evolutionary change.⁵⁷⁰ That such a statement was not simply blue-sky thinking, but ingrained corporate culture can be demonstrated by one anecdote. When BMWSA introduced black secretarial staff, existing white secretaries were perturbed. In time, they accepted both their black colleagues and that this was the ‘BMW way’ of running a business.⁵⁷¹ The signalling effect German subsidiaries had within SA was reiterated by BMWSA’s MD and with the preceding example he illustrated how even staunchly conservative members of South African society could have their attitudes ‘softened’.⁵⁷² In the German’s eyes, the moral question of operating a business in apartheid-era SA was settled with a clear conscience. For, he concluded, ‘by staying here and by making the unprecedented policy of today the accepted norm of tomorrow, we are working in the interests of all the peoples of Southern Africa’. The attendees left with the impression, that here was an articulate advocate on their side but they had to make exemplary strides in labour relations, wage rates and decentralizing their business as promoted by BMWSA’s managerial activities.

Institutionalising racial non-discrimination was one thing, reversing decades of discrimination in practice was another matter entirely. With respect to managerial positions, the firm had decreed that it was an equal opportunities employer and would fill positions based solely on the candidate’s qualifications irrespective of race. However, the company acknowledged it was operating in an environment with Third World levels of education for most of its workforce.⁵⁷³ This meant that the bulk of its black staff entered into positions at the lower end of the employment ladder. Nevertheless, BMW ensured that even these positions were remunerated well, for management regarded its activities as setting the benchmark for both foreign and domestic business:

⁵⁶⁹ Ibid, 3.

⁵⁷⁰ Ibid, 6.

⁵⁷¹ Ibid, 5.

⁵⁷² Ibid, 6.

⁵⁷³ Cohen, loc. cit.

*BMW's contribution to the quality of life of the people who are employed in their works and factories could become a model for the rest of South African industry. BMW pays the highest rates in the industry and among the highest wages in the manufacturing industry.*⁵⁷⁴

Even the South African business press was heaping praise on the company's management, drawing comparisons to the West German reconstruction miracle in the process.⁵⁷⁵ In an internal newsletter, von Koerber declared, with one eye on in-house detractors who saw the company's future growth plans in SA as too ambitious and overblown: 'One has to desire the extraordinary to achieve the extraordinary'.⁵⁷⁶ When quality issues, alongside a healthy risk appetite and a capacity to innovate were identified in 1982 by the MD as key hurdles for success over the next decade in SA, the company did not hesitate to tackle these threats.⁵⁷⁷ Within nine months it had set up a workshop programme focused on quality, primarily for black workers, backed by expertise from Munich.⁵⁷⁸ It would retain this progressive attitude for the remainder of the apartheid-era.

Indeed, the company's entire activities on this front can be regarded as a pre-emptive action to the benefit of its workforce, bottom line, and image abroad. In 1983, BMW cemented its commitment to the South African market by investing R100m into doubling production capacity at Rosslyn.⁵⁷⁹ This expansion enabled the firm to introduce its 3 series model, which was the volume leader in other markets, to the country.⁵⁸⁰ The company now employed 2.600 staff and indirectly contributed to another 10.000 jobs. Hence, not only was the PM in attendance but also Germany's unshakeable supporter of engagement with SA, CSU Chairman Strauss.⁵⁸¹ BMW AG's Chairman, consistent with the firm's prior strategy of tackling issues head on, explained at the inauguration of the expansion:

⁵⁷⁴ Loc. cit.

⁵⁷⁵ Cohen, op. cit., 150.

⁵⁷⁶ BMW intern, Nr 16/82, 7.10.1982, 3 in BMW UU 675-10.

⁵⁷⁷ Loc. cit.

⁵⁷⁸ BMW intern, Nr 13/83, 21.7.1983, 6-7 in BMW UU 694-10.

⁵⁷⁹ BMW intern, Nr 18/83, 10.11.1983, 2 in BMW UU 698-10.

⁵⁸⁰ A Brief History, op. cit., 9.

⁵⁸¹ Wenzel, op. cit., 60-73.

*An investment decision is also political, considering the faith that an investor places in the future of a country. Especially in your country our original investment decision has not been without political implications: It did not go along with the politics of the dis-investment faction.*⁵⁸²

It is one thing to commit to a pariah state when your local subsidiary is unprofitable, as was the case with VW. It becomes a far easier task when BMWSA was booming. Von Kuenheim stressed, however, that an investment in SA by a German business was of mutual benefit:

*(...) it is good for (...) South Africa in general, to retain and strengthen its trade ties with the industrial sector in Germany. The Federal Republic still leads the world in terms of its infrastructure, its industrial versatility, its highly-developed training systems, the general level of efficiency achieved in industry, and its advanced labour relations structure. All of these factors serve as sources of know-how which, I hope, will continue to be transferred to South Africa in the interest of progress and prosperity. (...) When we, the guests, leave these premises, the planning of our future investments will already begin. We are embarking on those plans with confidence in the future of this country.*⁵⁸³

The company continued to be on a roll in terms of sales, launching a new 5 series in the South African market only two years later.⁵⁸⁴ The company's increases in sales volume not only outpaced its main competitor DB but the entire South African vehicle market (see Graph 2). That BMWSA displaced MBSA in the premium segment was due to two primary reasons. First, von Koerber's manifold efforts at promoting the BMW brand locally. Second, MBSA had no equivalent competitive offering to the 3 series. The net result was that BMWSA not only gained market share at MBSA's expense but also attracted new customers to the premium segment via its model portfolio and competitive pricing.⁵⁸⁵ However, South African premium car buyers were, just as businesses, facing constraints on the amount of currency they could convert and therefore invest abroad. Apart from creating new rallies on the JSE, the surplus of cash trapped in the country also increased expenditure on luxury goods and vehicles, playing into BMWSA's favour. As a result, the premium vehicle segment in SA made up a far higher share of the total vehicle market than any

⁵⁸² Von Kuenheim, address, 9.11.1983, 3-4 in BMW UA 2001-1.

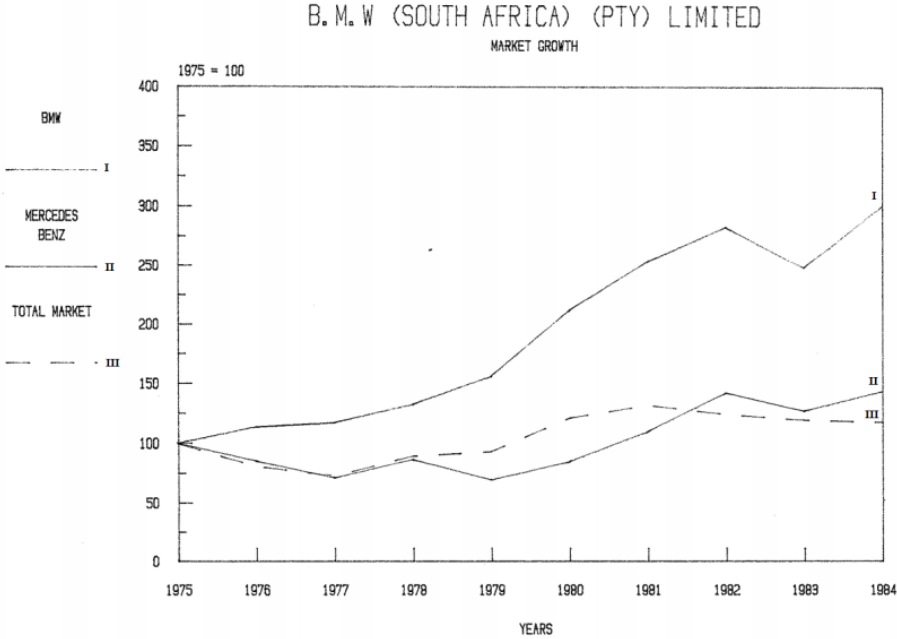
⁵⁸³ Ibid, 8-10.

⁵⁸⁴ BMW South Africa, loc. cit.

⁵⁸⁵ Hasselkus, interview, loc. cit.

other country where BMW operated.⁵⁸⁶ The R100m investment into Rosslyn, praised by Botha as foreign commitment to the Republic, had in fact primarily consisted of local capital.⁵⁸⁷

Graph 2: BMWSA’s sales growth post-1975 majority ownership indexed against MBSA and the total car market⁵⁸⁸



So far by ensuring it had the ‘best’ people, setting up its subsidiary thoughtfully in terms of model structure, key customer base, and target markets had allowed the company to weather all turbulences upon entering SA as well as the initial Botha years. Whilst management had proved skilful in adjusting to unforeseen developments in the socio-political environment, going forward BMWSA, just as other foreign and local firms, would not be spared by the onset of macroeconomic malaise.

⁵⁸⁶ The BMW Story, loc. cit.

⁵⁸⁷ Ibid, 9.

⁵⁸⁸ Walter Hasselkus, Speech at launch of Five Series, April 1985, Appendix diagram three in BMW UA 2001-2.

PART B

5. Foreign currency woes

By the early 1980s, the continued drop in the value of the rand vs other major currencies, particularly the US\$ and German DM saw a flurry of action by BMW SA to counteract the impact whilst concurrently receiving sternly worded warnings from Munich.⁵⁸⁹ Minutes of a 1982 Board meeting noted with concern the drop in the Rand/DM exchange rate.⁵⁹⁰ Given that only 66-67% of every vehicle was assembled from locally sourced components, BMW SA was paying BMW AG to provide and ship the remaining percentage of parts, particularly engines, to SA. Bernd Pischetsrieder, BMW SA's Director of Sourcing and Production Engineering, explained in an interview, that every Pfennig the rand dropped, added another R600.000 to the subsidiary's import bill.⁵⁹¹ Considering that locally sourced parts were already 50-100% more expensive than their German equivalent due to smaller volumes, increases in the cost of imports only worsened the cost fundamentals of the South African business.⁵⁹² Furthermore, the worsening exchange rate also cut the value of any profits that BMW SA sought to remit via dividends to its mother company.

In addition, the high interest rates that the South African Reserve Bank introduced to fight inflation and attract capital to the country were hampering domestic consumption. The Board regarded the immediate future as holding a 'general gloomy outlook for the consumer' that would affect the entire vehicle market.⁵⁹³ The domestic vehicle market contracted by 10.8% but it was the fall in the rand's value that underlined the rationale to increase exports.⁵⁹⁴ Shipments of BMWs from SA had taken a back seat given high domestic demand and the Iranian revolution. Now, with a dip in the local market, the FX rate could be turned to the company's advantage. A cheaper rand meant South

⁵⁸⁹ By 1989 the rand had lost 81% of its value vs the DM and 73% vs the USD compared to its 1975 trading levels. See Appendix XII.

⁵⁹⁰ Minutes, '27.10.1982', op. cit., 2.

⁵⁹¹ BMW South Africa, op. cit., 30.

⁵⁹² Loc. cit.

⁵⁹³ Minutes, '27.10.1982', loc. cit.

⁵⁹⁴ Minutes, '9.11.1983', op. cit., 3.

African produced BMWs and components, such as upholstery and alloy rims, became more attractive as a sourcing option for BMW AG's various international subsidiaries.⁵⁹⁵ Chairman von Kuenheim successfully lobbied Botha and the Minister for Trade and Industry, de Villiers, to obtain the Government's buy-in on a resumption of an export programme.⁵⁹⁶ The favourable agreement allowed for a concession on import excise tax to be tied to a granted increase in exports.⁵⁹⁷ Exports would go on to provide a bulwark against a challenging South African market for the remainder of the decade. Whilst BMWSA primarily exported components to other parts of BMW Group, it did make a one-off exception for a special SA-derived car model. 20% of South African production of this, the most expensive model the 745i, went to Hong Kong, netting the subsidiary a consistent R2m line of revenue.⁵⁹⁸ Yet, Munich frowned on an enduring export of SA-produced right-hand drive models. Notwithstanding a lack of official approval, BMWSA, desperate for contribution margin nevertheless went ahead and exported a total of R10-15m of cars to the Far East.⁵⁹⁹

The Chairman once again proved his worth by requesting BMWSA's MD von Koerber to investigate whether it was possible to profit by short-term portfolio investment in SA despite the loss in the value of the rand.⁶⁰⁰ For example, a deposit account with three months' notice before access paid 18.25% interest p.a. in the Republic, far higher than equivalent rates in Europe.⁶⁰¹ Although the business did not pursue this idea, it did react by providing South African dealerships with a method of holding less stock at high local interest rates by offering them via an associated company the ability to access BMW's far lower European rates of circa 5%.⁶⁰²

Whilst BMW's Chairman may have been looking for a way out of the predicament for the subsidiary, the Munich Board's Financial Director, Volker Doppelfeld, was more concerned with

⁵⁹⁵ Hasselkus, interview, loc. cit.

⁵⁹⁶ Minutes, '27.10.1982', op. cit., 6.

⁵⁹⁷ Hasselkus, Speech, op. cit., 4; the company received an export subsidy of R4/kg shipped abroad, see Büchelhofer and Aurich, op. cit., 32.

⁵⁹⁸ BMW South Africa, op. cit., 27.

⁵⁹⁹ Hasselkus, interview, loc. cit.

⁶⁰⁰ Mason, Barry (Hill Samuel Merchant Bank South Africa) to Schneider (BMW AG), 5.12.1983 in BMW UA 1994/1.

⁶⁰¹ Loc. cit.

⁶⁰² BMW South Africa, op. cit., 12.

BMWSA's liabilities towards the mother company. He warned von Koerber that the South African business faced critical exposure to the R/US\$ exchange rate, significant obligations to BMW AG remained open and if the rand would not recover according to the South African MD's projections then profitability would be at risk.⁶⁰³ Von Koerber tried to placate his fears; outlining measures taken but then ended his note with a bombshell – as a result of the losses, share capital in BMWSA was in sustained decline and the subsidiary might require a capital injection from Munich. Even with a cut of the dividend to R7m, owner's equity would fall to 18.4% by 1984.⁶⁰⁴ Within the subsidiary, von Koerber made enquiries on whether the firm could have employed a better hedging strategy. BMWSA's Finance Director, Balfour, explained to his boss that the strengthening of the US\$ was behind the weakening of the rand and that there was nothing the company could have done:

*I am advised that the major Motor companies and Mining Houses in South Africa have also not covered the Rand/Dollar leg, forward. (...) I do not believe that we could have foreseen the major fall in the Rand.*⁶⁰⁵

The MD, however, was obviously looking for a scapegoat as Balfour 'resigned' barely three weeks later. He himself would be promoted to the Board of BMW AG in the following year, despite the subsidiary booking its first loss in recent history. That the loss of R8.4m in 1984 was mainly driven by the exchange rate can be validated, for von Koerber's successor, Walter Hasselkus, immediately outlined to the BMWSA Board that had the rand recovered to about US\$0.6, then the company would have achieved break-even.⁶⁰⁶ BMWSA would eventually return to profitability by 1988 via high continuous growth in sales, efficiency programmes and exports.⁶⁰⁷ Nevertheless, the latter would require continued lobbying of Botha to raise the volume limit for shipments destined for abroad.⁶⁰⁸ Still, dealing with the NP Government was a known factor; adjusting to the new black

⁶⁰³ Doppelfeld, Volker to von Koerber, 30.11.1983 in BMW UA 1994/1.

⁶⁰⁴ I.e. BMWSA was becoming heavily reliant on debt to continue trading. See von Koerber to Doppelfeld, 12.12.1983 in BMW UA 1994/1.

⁶⁰⁵ D. F. Balfour to von Koerber, 12. 12. 1983 in BMW UA 1994/1.

⁶⁰⁶ Minutes of a meeting of the directors of B.M.W. (South Africa), 28.2.1985, 3 in BMW UA 2019-2.

⁶⁰⁷ The BMW Story, op. cit., 30.

⁶⁰⁸ BMW South Africa, op. cit., 27.

trade unions, however, resulted in the company's behaviour catching the eye of organisations far less accommodating than Pretoria.

6. Union problems foreign and domestic

There is a kind of credo among those in free enterprise which leads many to scream beneath their breath that is good to make a buck under any circumstances, but that to make two bucks under difficult circumstances is better. They get some kind of precarious sense of satisfaction by walking along the knife edge between government displeasure and black labour displeasure.⁶⁰⁹

Prior to the onset of the 1980s, labour and union headaches that came to concern the South African business arose not from the land of the king protea, but from social democratic forces in Germany which sought to solidarize themselves with black workers' movements. The 1978 Loderer questionnaire was dismissed by von Kuenheim in a letter to the former as being better addressed by the business associations: "The issues raised contain such a significant political aspect that in our opinion they cannot be answered by any individual business".⁶¹⁰ This lack of co-operation would come to haunt the company. Loderer's *Zwischenbericht* to the press blasted von Kuenheim for breaking a verbal agreement not to make recognition of the United Automobile, Rubber and Allied Workers' Union of South Africa (UAW) conditional on a majority of BMW's black workforce being members.⁶¹¹ The following day, the German press ran articles with headlines such as 'Apartheid bei BMW'. It had a field day repeating a Loderer quote to the German public that described BMW's management as being 'deliberately obstructive'.⁶¹²

The company ignored the negative press until opposition SPD MP Brigitte Erler issued a public statement a year later. Part of a research team within the German Lutheran Church that analysed labour relations in SA, she accused BMW of banning all union activity on its grounds in the country.⁶¹³ Loderer picked up on the Lutheran Church Report to emphasise his existing criticism

⁶⁰⁹ Gatsha Buthelezi, 'Strategies in the Struggle for Liberation in South Africa and the Shape of Political Events to Come,' in Leape et al., op. cit., 109-121, 113.

⁶¹⁰ Von Kuenheim and Sarfert to Loderer, 31.8.1978, copy in BArch B 136/12597.

⁶¹¹ Loderer, *Zwischenbericht*, op. cit., 10.

⁶¹² Apartheid bei BMW, *Die Welt*, 10.10.1979; 'Deutsche Firmen „drücken“ Schwarze in Südafrika: IG Metall wittert Absprache der Arbeitgeber/ Schwere Vorwürfe gegen BMW / Absage an Boykott,' *FR*, 10.10.1979

⁶¹³ 'Unheimlich überlegen,' *DER SPIEGEL*, No. 12 1979, 19.3.1979, 151-152.

of the Bavarian automaker and submitted a letter of complaint to the German Minister for Economic Affairs, Dr Otto Graf Lambsdorff.⁶¹⁴

Due to this appeal made to the FRG Government, the Chairman of BMW AG could no longer ignore the activities of the trade unionist. He clarified to Loderer that BMW did not impede the formation of unions but that the existing hundred or so union members at Rosslyn were afraid of making themselves known citing fears of dismissal due to militant union activity at other plants. The company would gladly negotiate with a black trade union beyond the existing framework of a liaison committee, he insisted, if it could legitimise itself as representing most black workers.⁶¹⁵ Von Kuenheim would meet with Loderer personally should he decide to visit BMWSA.⁶¹⁶

Loderer, however, was not appeased. The Church study had supposedly interviewed black workers. These interviewees had indicated that the management of the South African subsidiary were not positively disposed towards the formation of a UAW presence in the plant. Furthermore, BMWSA's requirement of a 51% membership of the factory's workers in the union, prior to being granted counterparty negotiation rights, was regarded as simply another excuse. Indeed, such conditions were also regarded within the South African labour movement as simply another form of anti-union tactic.⁶¹⁷ Given a 'climate of fear' at the plant within the already difficult South African legal and political environment, a 51% membership was unlikely to be achieved according to Loderer.⁶¹⁸ He accused BMW of engaging in continuous 'lip service' and lack of a positive mind-set. Given that VW was already negotiating with a black trade union without any political fallout from Pretoria, BMW was simply coming up with 'new excuses' at every turn.⁶¹⁹ For the Chairman the matter was already closed. In his initial letter he had already noted his disappointment that Loderer's 1978 report had failed to mention BMW's mixed-race training and its investment in black

⁶¹⁴ Loderer to Lambsdorff, 23.5.1979 in BArch B 136/12597.

⁶¹⁵ Von Kuenheim to Loderer, 25.6.1979, 1 in BArch B 136/12597.

⁶¹⁶ Ibid, 2.

⁶¹⁷ Peter Mahlangu, 'The Current Political and Legal Status of Unions in South Africa,' *Journal of Law and Religion* 5, no. 2 (1987), 501-509, 503.

⁶¹⁸ Loderer to von Kuenheim, 6.8.1979, 1-2 in BArch B 136/12597.

⁶¹⁹ Loderer, '6.8.1979', op. cit., 2.

employee apprenticeships. In a final response to the trade unionist, he attached a pamphlet distributed at Rosslyn that stated the company would not impede workers' rights to form and/or join a union and clear recognition of the UAW. He reiterated the above 51% requirement did not exist.⁶²⁰ The Chairman, however, was lying as BMW's internal documents dealing with matters arising from a successor union reveal.

That labour relations were an Achilles heel for the management of BMWSA is illustrated by management confidentially describing the circumstance that black workers within the plant were solely represented by an Employees' Council 'a major potential risk'.⁶²¹ NAAWU, had steadily been increasing its membership at the Rosslyn plant in the early 1980s. It was a new union, founded in 1980, the result of a merger of three existing unions previously active in the automotive sector, including the UAW.⁶²² Following six months of talks, BMWSA agreed to conditionally recognise the union in July 1983 as a representative counterparty for the entire plant. However, it only accepted their right to negotiate if it could prove that it spoke for at least 50% of the non-white workforce.⁶²³ 50% might not exactly match the 51% dismissed by von Kuenheim as a falsehood four years earlier; nevertheless, this is splitting hairs for BMWSA clearly applied conditions regarding union membership prior to recognition. Before this agreement, the union had only been recognised in a few zones of the plant rather than the entire factory complex. The union, however, only represented 38% of the black workforce.

In January 1984, only a month after passing the 50% membership mark and thereby receiving full negotiation rights, NAAWU triggered a series of wildcat strikes. The union sought a higher wage increase than that previously agreed between the Employees' Council and management.⁶²⁴ In the eyes of BMWSA's leadership, the trade union 'actively pursued a policy of confrontation with a

⁶²⁰ Von Kuenheim to Loderer, 10. 9.1979, in BArch B 136/12597.

⁶²¹ Minutes, '27.10.1982', op. cit., 2.

⁶²² Edward Rababalela, 'NUMSA History,' NUMSA. <https://www.numsa.org.za/history/>.

⁶²³ Minutes, '9.11.1983', op. cit., 5.

⁶²⁴ BMW South Africa, op. cit., 46.

view to embarrassing the Company'.⁶²⁵ BMWSA dropped leaflets by helicopter onto the mass of striking workers pointing out the existing agreement to no avail.⁶²⁶ As a result of the strikes, the subsidiary dismissed thirty-seven workers for breaking explicit company regulations.⁶²⁷ A great majority of these were sacked for intimidating other employees and violent action in line with disciplinary procedures established jointly with the union. NAAWU, nevertheless, distributed a pamphlet amongst the workforce calling for the reinstatement of staff made redundant despite their criminal behaviour. In addition, the leaflet outlined the union's demands of an immediate 46% increase in wages with another 5% increase every six months.⁶²⁸ BMWSA was aghast; it doubted 'that there was any genuine desire on their part to work together'.⁶²⁹ It even considered ending the still fresh recognition agreement.⁶³⁰ The actions of NAAWU, which went against the clauses it itself had agreed to, were not without precedent in SA. The Board noted that in the Eastern Cape both Ford and VW had had negative experiences with the same labour union.⁶³¹

Given that the black trade unions were still in their infancy, NAAWU's actions can be forgiven in part. In apartheid-era SA they were regarded as only a *moderately* radical union. When BMWSA refused to reinstate the workers it had made redundant, NAAWU appealed to the Minister of Manpower du Plessis.⁶³² The application was dismissed by the Minister following the subsidiary making its own case explaining the circumstances.⁶³³

Significantly, the entire affair resulted in stupefaction amongst BMWSA's Board. Steyn felt that 'the level of remuneration of black workers in SA had been kept too low for a long time and thereafter increased too much. One should aim at a happy medium between increased wages and increased productivity'.⁶³⁴ The Afrikaner also requested the company to report the matter of strikes

⁶²⁵ Minutes, '16.3.1984', op. cit., 4.

⁶²⁶ BMW South Africa, op. cit., 48.

⁶²⁷ Minutes, '16.3.1984', loc. cit.

⁶²⁸ Ibid, 5.

⁶²⁹ Loc. cit.

⁶³⁰ Minutes, 16.3.1984, op. cit., 7.

⁶³¹ Ibid, 6.

⁶³² Minutes of a meeting of the directors of B.M.W. (South Africa), 28.2.1985, 4 in BMW UA 2019-2.

⁶³³ Loc. cit.

⁶³⁴ Minutes, '27.10.1982', op. cit., 4.

to Pretoria.⁶³⁵ The subsidiary had taken note that once the strike had begun, union membership fell. It pondered whether to encourage anti-union movements within the plant as it was beyond the business's control to remove the 'English system of unionism'.⁶³⁶ The issue would take care of itself, however, as union membership peaked just above 70% before declining of its own accord to 58% by 1985.⁶³⁷ The close association of the German and international trade union movement and the South African black labour unions was noted for future reference. According to von Kuenheim, the Geneva-based IMF seemed to not only know more regarding the strike but also far earlier than BMW AG in Munich.

Nevertheless, union relations stabilised after 1984. Given that BMW was widely known for paying the highest wages in the South African motor industry and provided generous social benefits, including a subsidized bus service and funding for three-bedroom garaged homes for its black employees, the workforce understood it had a good thing going.⁶³⁸ The impetus not to rock the boat can be seen by the vast number of applications for open positions. For example, 4500 applicants applied for only 150 jobs at the company - necessitating an intensive selection process. With thirty times more applicants than jobs, securing long-term employment in SA was not easy, but landing a job at BMW SA represented the zenith of employment prospects in the southern Transvaal.

The company also improved its understanding of the causes of issues stemming from its black workforce. It instituted regular *indabas* between workers and management.⁶³⁹ By training the union's shop stewards in negotiation methods and explaining to them the meaning of the clauses their union had signed as part of the agreement with the company, it stepped in to assist in overcoming the union's own failings.⁶⁴⁰ With respect to new applicants, those shortlisted would be visited by a

⁶³⁵ Minutes, '16.3.1984', op. cit., 6.

⁶³⁶ Loc. cit.

⁶³⁷ Minutes, '28.2.1985', loc. cit.

⁶³⁸ Lengthy commutes from remote areas being a consequence of apartheid; BMW South Africa, loc. cit.

⁶³⁹ Conferences; The BMW Story, op. cit., 61.

⁶⁴⁰ Ibid, 63.

social worker. The objective was to ensure stable family and/or community obligations existed. If no family ties were noted, the applicant was unlikely to succeed.⁶⁴¹ When the wages BMWSA paid increased the spending power of its black workforce beyond hitherto familiar levels, the result was high absenteeism on Mondays due to excessive drinking on weekends. Via disciplinary measures, labour was imparted with a message of no tolerance. The result, in the words of Dave Kirby, responsible for the subsidiary's industrial relations, was a pronounced increase in home and car ownership.⁶⁴² It was the total package on offer, including training, bursaries and other social benefits that represented the way forward in operating in apartheid-SA. Pierre de la Rey, in charge of BMWSA's public affairs and planning, confirmed: 'That, we believe, is the way to eliminate apartheid, not sanctions, which will destroy the economy and, in the process, make it impossible for BMW to remain in this country'.⁶⁴³ Indeed, Kirby would be leading much of the NAAMSA charge in formulating industrial policies, whilst the triumvirate of Hasselkus, Kirby and de la Rey continued to explore opportunities to promote black welfare throughout the 1980s.⁶⁴⁴ However, criticism and scrutiny would not go away.

7. The mid-1980s: the disinvestment question

The company's FX and labour woes were part and parcel of doing business in SA. A market that an increasing number of foreign companies, particularly American, were exiting, albeit many of them retained exposure to South African consumers via licensing, franchise agreements and supply contracts to their successor companies.⁶⁴⁵ As in the mid-1970s, BMW once again had to consider its commitment to the country, although now it was more explicit on the preconditions. Political unrest, international isolation, and public criticism – these were all no concern. In response to an enquiry by Professor Wiehahn, von Kuenheim specified that Munich expected the company to

⁶⁴¹ Loc. cit.

⁶⁴² Loc. cit.

⁶⁴³ Ibid, 64.

⁶⁴⁴ Hasselkus, interview, loc. cit.

⁶⁴⁵ About 50% of US firms that left maintained business ties. See Karen Paul, 'After the Americans Leave, What Next?', *NYT*, 7.8.1988, section 3, 3.

remain in SA ‘as long as the South African government would ensure an economic environment in which foreign investors could expect to make a reasonable profit’.⁶⁴⁶ Von Koerber contributed ‘that AG [Munich] had a long history of success in dealing with political pressure groups’.⁶⁴⁷ Given the above examples of dealing with fallout from trade union and ecumenical reports, this competence had already been put into practice vis-à-vis BMWSA. For the car manufacturer, the profit rationale remained paramount, regardless of whether it meant continued engagement with the apartheid state. Chairman von Kuenheim, in a not-so-subtle message to P.W. Botha to secure his approval for a greater number of exports, confirmed this stance in a public interview: ‘The more profitable foreign investors become, the less likelihood there is of their withdrawing from SA’.⁶⁴⁸

With respect to the political reform progress, the company had made a very minor contribution towards it by funding a two-year postgraduate bursary for a South African student to study constitutional law at the Universities of Munich and Heidelberg. It hoped ‘that this could positively influence the constitutional development in this country’.⁶⁴⁹ Fundamentally, however, BMWSA was more concerned with pressures from abroad and the disinvestment activity of its non-German peers. This contrasted with VW whose main concern was domestic politics. No clearer indication of profitability being the driving force behind German automobile company decision making could exist. BMW, nearly consistently profitable in SA, was anxious about any international pressure or sanction that would force it to pull out of the country. VW, unprofitable in SA for a decade, saw no path to profitability without significant domestic political change. Their public relations foci mirrored their respective internal concerns. Nevertheless, fundamentally, business in apartheid-era SA simply adhered to the tenets of business anywhere else – achieve, sustain, and grow profitability.

In its campaign against disinvestment, management employed the classical argument: To disinvest would exacerbate unemployment and undo the positive contribution foreign business was making

⁶⁴⁶ Minutes, ‘28.2.1985’, op. cit., 5.

⁶⁴⁷ Loc. cit.

⁶⁴⁸ BMW South Africa, op. cit., 27.

⁶⁴⁹ Minutes, ‘9.11.1983’, op. cit., 8.

to the furthering of non-white rights and living standards. Furthermore, it continued that without MNCs, SA would not benefit from access to high technology that it needed to develop its economy to its full potential.⁶⁵⁰

Indeed, BMW operated as one united hierarchy in fighting disinvestment with both BMW SA and BMW AG voicing their concern on any political developments that might force their hand. For Hasselkus, new MD of BMW SA, long-term prosperity for SA necessitated foreign companies remaining in the country. In a 1985 speech he informed the South African attendees:

*The only dark cloud hanging over this scenario, is the American disinvestment campaign. Whereas for a company like BMW disinvestment is very much a non-issue, it is nevertheless crucial to all South Africans to avoid the formation of an economic environment that plays into the hands of the disinvestment lobby.*⁶⁵¹

Leadership, for all intents and purposes the business publication in SA, emphasised what BMW had been stating all along. It argued that were foreign firms to withdraw, SA's 'political time-warp' would be extended to the economic dimension with the means of production becoming increasingly out of date and inefficient. 'The country will, ineluctably, take on even greater Third World complexities'.⁶⁵² In an interview, von Kuenheim reiterated that for BMW AG disinvestment remained solely a politically driven process to be avoided at all costs:

*We can only hope and pray that the South African government will do what it knows it must do. I think the State President, Mr Botha, is aware of what he must do, but I do not know how far he and his supporters can go in bringing about change without disrupting the entire country. It is more an internal than external problem. The danger, of course, is that we can be forced out by political decree. We have always been proud of our association with South Africa, but there is little we can do if politicians in Germany and elsewhere make it impossible for us to continue.*⁶⁵³

BMW AG's management, despite its public reaffirmation to the country, was nobody's fool. It commissioned an in-house review and projection of the South African economy and the country's long-term political outlook. As part of this strategic planning process, management for the first time drew up calculations on the withdrawal of capital under differing scenarios they had

⁶⁵⁰ Hasselkus, 'Speech', op. cit., 5-6.

⁶⁵¹ Ibid, 5.

⁶⁵² The BMW Story, op. cit., 5.

⁶⁵³ Ibid, 14.

identified.⁶⁵⁴ BMW might have been the poster child of foreign investment for the NP Government, but its leadership was not myopic to socio-political developments. By instigating a strategic review, it prepared the groundwork to enable its style of pragmatic, effective management to continue no matter what the 1980s held in store.

1985 was the second-worst year for South African GDP growth since the Republic's foundation.⁶⁵⁵ The worst so far had been 1983, the year of the referendum on the Tricameral parliamentary system.⁶⁵⁶ Both black marks had occurred with Botha at the helm. Yet, at a fateful autumn 1985 BMW AG Board meeting to decide the future of the South African subsidiary, the disinvestment option was shunned once again. Three key factors contributed to this outcome. First, continued, although, damaged faith in the NP's reform process, particularly by Chairman von Kuenheim. Second, historically intrinsic though patchy profitability of the subsidiary. Finally, the huge amount of capital sunk into the plant and related infrastructure, including the 1983 expansion. As a result, BMW SA's importance went far above that of simply another subsidiary; it represented an integral part of BMW AG's production and international sales fulfilment network. When, therefore, the internal paper reviewing South African engagement had been completed and was presented to the Board in October 1985, it was not simply a question on the future of BMW SA but also on the composition of BMW AG.

Though, capital withdrawal was one aspect of the analysis, the bulk of the document focused on the rationale behind model mix and production level recommendations in the case of three possible scenarios. This emphasis maintained BMW's consistent rejection of disinvestment even when the South African domestic environment was becoming increasingly marked by unrest and recession. Pretoria's obstinacy towards internal and external pressure was explained in part as resting on moral

⁶⁵⁴ [Likely Büchelhofer and Aurich], capital withdrawal calculation, 15.10.1985 in BMW UA 1994/1.

⁶⁵⁵ 1.2% contraction in 1985. See World Bank data, available at <https://data.worldbank.org/country/south-africa?view=chart>.

⁶⁵⁶ 1.8% contraction in 1983, loc. cit.

and religious grounds. Domestic agitation, often attributed by Botha to communist meddling, was interpreted by BMW's strategists as a deliberate attempt at undermining the South African *Gottesstaat* (theocracy).⁶⁵⁷ Unwittingly, the 'boffins' in Munich had drawn an inference to what was then contemporary historiography on apartheid underpinnings. This school of literature reasoned the fundamentals of apartheid ideology stemmed in part on the unique facets of Boer culture and history. It elucidated that the Boers were 'chosen' by god and that within the Afrikaner population there existed a belief that their arrival and expansion across SA formed a journey of historical and religious significance.⁶⁵⁸

The NP Government, BMW calculated, was not going to consider changes to the favourable balance of power until at least 1989. Any partial relinquishment bore the risk of events spinning out of control as well as the division of power politics changing irreversibly to the detriment of the Afrikaners.⁶⁵⁹ Similarly, the strategists elaborated, Botha needed another four years to demonstrate the success of his reformist approach.⁶⁶⁰ In hindsight, BMW AG was correct in predicting change would come only after 1989, which it did when the *Groot Krokodil* misguidedly resigned as NP leader believing he still had the party faithful behind him and thereby opened up a path for de Klerk towards the State Presidency.⁶⁶¹ However, where the strategists got it wrong was in expecting reform to come from Botha himself. For he had trapped himself into a hopeless political and policy stalemate after eliminating 'peripheral' apartheid, resulting in a loss of MPs and voters to the KP whilst employing the security forces to retain government supremacy but thereby undermining his own credibility for effective reform.⁶⁶² BMW AG envisioned Pretoria would cautiously enter into negotiations by the end of the decade but would not discuss any proposition that suggested a relinquishment of white dominance or the introduction of 'one man, one vote'. It did expect a

⁶⁵⁷ Szenarienrelevante Umfeldler und Reaktionsmuster von "Weiß" und "Schwarz", 1985, 3 in BMW UA 1994/1.

⁶⁵⁸ Maull, op. cit., 90.

⁶⁵⁹ Loc. cit.

⁶⁶⁰ Szenarienrelevante Umfeldler und Reaktionsmuster, loc. cit.

⁶⁶¹ O'Meara, op. cit., 388-390; Christopher S. Wren, 'Botha Quits as Head Of Nationalist Party; To Remain President,' *NYT*, 3.2.1989, section A,1.

⁶⁶² Maull, op. cit., 118.

‘visible’ reform of the Group Areas Act.⁶⁶³ The subsidiary meanwhile espoused a different, less Botha-centric view. In their personal dealings with the State President, they had found him courteous, friendly and charming but remarkably *beratungsresistent* (not open to counsel).⁶⁶⁴ Indeed, he even complained to BMWSA when Doolan, after learning of Botha’s Rubicon speech, gave a critical interview.

BMWSA correctly grasped that the NP remained the only vehicle for change in SA outside of revolutionary upheaval. Still its faith in the party rested on more pro-reform personalities reaching the top of the executive hierarchy. Barend du Plessis, now Minister of Finance, F.W. de Klerk or Dawie de Villiers were its favoured candidates. Indeed, via multiple contacts with de Klerk, Hasselkus had a far earlier indication of the Afrikaner’s progressive leanings than the outside world, which only got wise to his ambitions in 1990.⁶⁶⁵

For BMW, a step-based dismantling of apartheid was the only viable process to reduce violence and division in SA. Contrary to the liberal position it believed this should occur based on human rights first and driven by economic reasons second.⁶⁶⁶ Much of the reasoning behind the strategy paper was influenced by Harry Oppenheimer’s public statements. The South African magnate represented one of the few recognised and trusted sources of critical thought from the Cape for BMW just as he did for the corporate planning department of fellow German car maker VW. The strategists deliberately quoted Oppenheimer in the AG Board meeting on future South African subsidiary strategy precisely because he was an individual the Directors respected and could relate to.⁶⁶⁷ The ‘Oppenheimer thesis’, which favoured engagement by foreign business with SA to eliminate racial discrimination, matched BMW’s own preferred strategy of remaining in the

⁶⁶³ The Group Areas Act in all its versions and reforms since the 1950s principally segregated urban spaces on racial lines. It was repealed in 1991; Szenarienrelevante Umfeldler und Reaktionsmuster, loc. cit.

⁶⁶⁴ Hasselkus, interview, loc. cit.

⁶⁶⁵ See F.W. de Klerk, ‘Speech at the opening of Parliament, 2.2.1990,’ O’Malley, <https://omalley.nelsonmandela.org/omalley/index.php/site/q/03lv02039/04lv02103/05lv02104/06lv02105.htm>.

⁶⁶⁶ Büchelhofer and Aurich, op.cit., 2.

⁶⁶⁷ The specific Oppenheimer quote: ‘Apartheid is currently a significant structural impediment in SA’s transition from an emerging market to an industrialised country’; Büchelhofer and Aurich, loc. cit.

country. Although the white population, particularly through company car schemes, made up the bulk of its customers, the company recognised that nearly 50% of general consumer demand in the country was now coming from the black demographic.⁶⁶⁸

Business prefers stability and certainty, desiring a step-based approach, therefore, is reasonable. Expecting one, however, is optimistic. With reforms coming when and if Botha judged them to be appropriate, without any fundamental engagement with ANC demands, an acceptable political playing field for all parties, necessary for an evolutionary approach, simply did not exist. By citing the composition of purchasing power rather than demographics, the strategists were seeing SA through the prism of economics. However, the black population, apart from micro-scale boycotts, exercised their power through more confrontational methods rather than commercial acumen. Strikes, sabotage, violence, unrest, making SA 'ungovernable' were the preferred tools of the trade when democratic efforts proved ineffective. Botha, however, had run out of evolutionary steps to take, short of putting Afrikaner domination of political might and his own position on the line, an impassable impasse.

Noting that in the case of disinvestment it would abandon the market to Japanese competitors, three future scenarios were drawn up. Labelled 'dictatorship', 'reform' and 'anarchy and revolution' the scenarios are indicative of forward-thinking by management.⁶⁶⁹ Furthermore, all scenarios predicted BMWSA incurring significant losses, which could not be completely mitigated.⁶⁷⁰ Which scenario would most likely come to pass, was evaluated by Munich as depending on the interplay between the various population groups in SA.⁶⁷¹ Irrespective of the company's chosen policy, it was concluded that imparting a positive opinion of foreign capital within increasingly politicized

⁶⁶⁸ Loc. cit.; this figure was confirmed three years later, indicating the excellent quality of data available to BMW's strategists in 1985. For, by 1985 the white demographic only accounted for 55.5% of total spending and the spending of non-white South Africans was expected to exceed the white populations' spending by 1990. See Mary Beale et al., *Race Relations Survey: 1986 Part 2*, (Johannesburg: South African Institute of Race Relations, 1988), 717.

⁶⁶⁹ See Appendix XIII.

⁶⁷⁰ Ibid, 22.

⁶⁷¹ Szenarienrelevante Umfeldler und Reaktionsmuster, op. cit., 1.

unions would be absolutely critical in order to maintain a future business presence.⁶⁷² In that aspect, they mirrored the Anglophone South African business community.

The case for divestment was studied but assessed as too costly to be pursued in 1985. Withdrawal meant either incurring a one-time charge in the range of R300m or a sale to a willing local co-operation partner. Given the plight of the South African economy by then, the sourcing of not only a partner but one with sufficient liquidity to take over the operation was determined to be virtually nil.⁶⁷³ In addition to the above reasons, the company reasoned disinvestment would also cause public outcry in SA, even more pronounced amongst its black workforce, who had few other employment opportunities. Illegal occupation of the plant and sabotage were not ruled out should the company lean this way.⁶⁷⁴

This strategic planning exercise demonstrated that Munich did not expect the political situation to normalise within the next five to ten years but did believe that black majority rule and continued reform were inevitable.⁶⁷⁵ For BMW, the vehicle market was projected to indefinitely not return to its previous highs. The corporate planning department advocated a shrinkage strategy.⁶⁷⁶ The advantage of shrinkage lay in that it was neither here nor there. It was neither disinvestment nor complete engagement. Rather it allowed for a modicum in flexibility should the market recover or decline further. An agreement on shrinkage would also mean conceding to a provision to draw up plans for a complete market exit by 1988/89.⁶⁷⁷ As 1985 therefore grew to a close, the Board of BMW AG faced one of the most divisive strategic decisions in its history – to stay or not in SA.

Ultimately, von Kuenheim was the driving force that resulted in the tight decision to remain in the country went in favour of remaining. Aurich's planning department and Hasselkus's BMW SA both

⁶⁷² Büchelhofer and Aurich, op. cit., 4.

⁶⁷³ Ibid, 23.

⁶⁷⁴ Ibid, 26.

⁶⁷⁵ Ibid, 11.

⁶⁷⁶ Ibid, 36. This included measures such as reducing the number and range of models offered, reduce working capital tied up in the subsidiary, and delay introduction of model updates to the market.

⁶⁷⁷ Ibid, 26.

directly reported to the Chairman yet espoused differing positions. Whilst the patriarch had always been sympathetic towards SA and the BMW operation in the country, the Board was split: SA was ‘too complex, too risky’ to warrant further investment.⁶⁷⁸ Indeed, Golda had previously joked that BMW SA had already been written off to ‘1DM’. In the case of any trouble, one simply had to write-down ‘the remainder’.⁶⁷⁹ Notwithstanding the detractors, the Chairman viewed such calls as a challenge. He aligned with Hasselkus prior to the Board meeting that it was best to remain in SA with progressive policies rather than disinvest. BMW SA was here to stay and would continue to receive tooling investment to introduce new models into the SA market, especially the new 7 series. It was clear that even were other FRG businesses, such as VW, to ever disinvest, BMW SA would remain.⁶⁸⁰ The overt support of BMW SA by the Chairman himself would be barely noticeable outside BMW. For, as he revealed to Hasselkus, on grounds of expediency, i.e. a possible public backlash in the FRG, he would always remain a true but silent champion of the subsidiary.⁶⁸¹

Concurrently to BMW AG fermenting a decision on remaining in SA, GM had approached BMW SA in the hope of the subsidiary taking over its local operation.⁶⁸² Whilst, ultimately the deal never came to fruition, it shows that even in the ‘worst of times’ German business continued to operate against the prevailing wind by forsaking disinvestment. However, a decision to stay also meant addressing all the challenges that came with its execution. Hasselkus had had to hit the ground running upon taking over the mantle of leadership in BMW SA. Profitability had taken a hit, the macroeconomic outlook was poor, the car market in dire straits, pressure from Munich immense, and the aura of disinvestment considerations still lingered. The elephant in the room, however, was South African politics. And, like his predecessor, he came to realise that running a company in SA required an offensive approach to address this issue.

⁶⁷⁸ Hasselkus, interview, loc. cit.

⁶⁷⁹ Loc. cit.

⁶⁸⁰ Loc. cit.

⁶⁸¹ Von Kuenheim to Hasselkus, 8.1.1987. Private letter seen by author.

⁶⁸² See Appendix XIV.

Photograph 5: Dr Walter Hasselkus⁶⁸³



8. Vanguard of a unified political response?

With disinvestment banished forevermore to the filing cabinet, Hasselkus now had to face managing the difficulties of the South African business whilst praying for an economic recovery. In contrast to von Koerber, he concluded that political concerns could no longer be ignored. This was a notable change in policy. Only a month prior to the climactic 1985 BMW AG Board meeting, he had been the BMW representative at a meeting of German industry leaders, the German business associations and the FRG Government. The AA noted the BMW MD as having made clear he saw no political mandate for German business in SA, its sole obligation in that regard was to contribute in reducing social tensions in the country.⁶⁸⁴ Though, Hasselkus followed von Koerber in rejecting calls with respect to the political mandate, he proved far more cooperative with both the German state and media, appearing, for example, on a primetime TV debate.⁶⁸⁵ Indeed, Fritz Ziefer, Chargé d'affaires at the German Embassy in Pretoria, came to regard Hasselkus, alongside the local MD of Bayer, Forstmann, as one of the few executives serious about

⁶⁸³ The BMW Story, op. cit., 31.

⁶⁸⁴ Herz (AA), Memo on 3.9.1985 meeting, 10.9.1985, 2 in PA AA PRET 404.21.

⁶⁸⁵ *ZDF-Magazin*, loc. cit.

working together with the AA to do all they could to improve the South African socio-political environment.⁶⁸⁶ Hasselkus, however, was driven by being proactive in leveraging all options to avert criticism of BMW's South African business.

The political issues now furrowing the MD's brow were not those of SA but rather the scrutiny emanating from parties on the left of the political spectrum in Germany. SA had descended ever further down the rabbit hole. Notably, it achieved GDP growth of 0.0% in 1986, a clear indicator of the socioeconomic and political malaise that had taken hold.⁶⁸⁷ Visitor volume from the Bundestag crept steadily higher. To take the heat off the German parent companies, Hasselkus recommended his fellow MDs at the local subsidiaries of BASF, Hoechst, Siemens, DB, and Volkswagen join him in taking a public stance on their political position.⁶⁸⁸ In a personal letter he elaborated that this exercise was forced upon them by a 'new morality' having taken hold in Germany. This was an ethical trend that required German companies to:

...whatever the consequences, (...) take a principled stand against South Africa, and in favour of sanctions/ disinvestment. It is an attitude of principles-without-responsibility, an attitude which has enabled the Green movement to flourish beyond expectations, and which implores people to make morally correct decisions despite practical pitfalls. One might object but we should not get involved in what is (a) German/European domestic perspective.⁶⁸⁹

What form the action was to take remained vague and undefined. A suggestion by a visiting German politician of a newspaper advertisement declaring opposition to apartheid was likely to be viewed by the South African public as 'phoney'. Hasselkus questioned what room to manoeuvre was available to business: 'What does being against apartheid mean? The world might think you are against PW Botha but he repeatedly declared his government is against apartheid'.⁶⁹⁰ Though Botha might be formally against apartheid, he was not in favour of 'one man, one vote' in a unitary state. Neither would he ever consider relinquishing white primacy via the NP within the executive arm of government. On the one hand it is laudable that BMWSA's MD urged his fellow German

⁶⁸⁶ Fritz Ziefer (FRG Chargé d'affaires Pretoria 1985-89), interview with author, 4.12.2019.

⁶⁸⁷ An improvement on the negative figure of the prior year. World Bank data, loc. cit.

⁶⁸⁸ Hasselkus to Searle, 25. 10. 1987 in UVW Z 610, No. 370/1.

⁶⁸⁹ Loc. cit.

⁶⁹⁰ Loc. cit.

industrial compatriots to consider a public statement. Given the backlash South African businessmen faced after secretly meeting with the ANC in 1985 and Pretoria not ruling out the ultimate weapon of nationalisation, though this would not have been in its own interest in attracting further foreign capital, a public relations project of such a nature was not without risk.⁶⁹¹ On the other hand, continuing to believe in Botha's commitment to reform by 1987 as well as solely being driven by German political scrutiny are respectively naïve and regrettable if not too little, far too late. Notwithstanding a lack of definite clarity on the shape of the project, the message to be transmitted was clear. Human rights, equal chances, a commitment to advance the black population, economic growth and a position against sanctions and disinvestment were to be the main themes. BMWSA was prepared to go it alone but felt a joint production would carry more weight.⁶⁹² A professional advert with 'social responsibility-type pictures representative of various companies', potentially combined with an elaborate book and video were Hasselkus's own preferred formats. Key was having something tangible to distribute amongst politicians and opinion makers both in SA and abroad. There was some urgency to the affair. For the BMWSA MD ended his appeal pointing out 'I think we should implement some action before the next wave of anti-South African hysteria hits the German media'.⁶⁹³

The project ultimately never gained traction with each company preferring to forge its own path in making quasi-political press statements and/or advertisements. The sole exception was a fallout-generating 1986 joint statement by German business federations that Pretoria's reform path would not result in peaceful change.⁶⁹⁴ The press release whilst clearly political was mild mannered as the critical sentences were followed by paragraphs arguing against sanctions, more stringent application of the discredited codex, and greater company investment into black employee training and benefits. As ever, German corporates were careful not to rock the boat; to present no opinion that

⁶⁹¹ Sampson, op. cit., 255-264.

⁶⁹² Hasselkus, '25.10.1987', op. cit., 2.

⁶⁹³ Ibid, 3.

⁶⁹⁴ BDI/DIHT/BGA/ Bundesverband deutscher Banken, *Gemeinsame Erklärung von Spitzenverbänden der deutschen Wirtschaft zu Südafrika*, press statement, 25.6.1986.

could be traced back to an individual business, and to maintain a united front in the face of outside scrutiny. The only outlier remained Searle's article in *Leadership* calling for business to enter the political fray to push for reform. As with the German Business Trust initiative, German industry had been unable to proactively unite outside a crisis to further a positive initiative.⁶⁹⁵ Instead they, including BMW, forged their own paths on mitigating apartheid's effects via social welfare projects. Nevertheless, these schemes were always also an attempt at placating German opposition politicians and the FRG AAM whilst boosting their image with foreign business peers and the public. Via their annual reports, often including a separate social report with ever increasing detail on their 'positive contribution' in fighting racial inequality, German companies by the late 1980s pushed a message of South African engagement as a benefit for all. According to Cron, however, German subsidiaries were never significant agents for political transformation; their main contribution in combatting apartheid lay precisely in this visibility in the corporate social responsibility sphere as 'cultural change agents'.⁶⁹⁶ The above example reveals management, at heart, never desired to be more than just that.

That BMWSA significantly benefited from its close relationship to the NP Government, outside of remarkable social occasions and management of ever-evolving, politically influenced trade restrictions is questionable. But the company was always Pretoria's darling as illustrated by one episode. When the subsidiary's local content percentage dipped below duty-free levels, du Plessis passed a legislative exemption for it to be temporarily excluded from regulations.⁶⁹⁷ He thereby saved BMWSA from paying additional taxes summing to millions of rand; a largesse for a subsidiary that had only just returned to profitability in 1988, helped by 4.2% GDP growth. It remains the sole example of BMW receiving an explicit favour, despite being simply an NP solution to an NP created bureaucratic and regulatory problem. With the recovery of BMWSA's fortunes,

⁶⁹⁵ See Appendix V.

⁶⁹⁶ Cron, op. cit., 274-275.

⁶⁹⁷ Loc. cit.

any thoughts of disinvestment were consigned firmly to the past.⁶⁹⁸ When questioned by the press on the subsidiary's perspective on the country, Hasselkus explained that they were 'still fairly optimistic'.⁶⁹⁹ In his view, despite increasing economic liberalisation, only a political solution would fundamentally address the country's problems. Nevertheless, the MD described business as 'creating a new *de facto* SA which one day, the politicians will have to recognise'.⁷⁰⁰

In a twist of fate, BMW's use of its exported South African leather and upholstery in its automobiles, including those exported to the US after the passing of the Comprehensive Anti-Apartheid Act of 1986, summarises best this second part of the case study. Fearing possible repercussions, von Kuenheim requested Hasselkus to get in touch with the Rupert family. In subsequent negotiations, they agreed to take over BMWSA in a caretaker function should BMW AG be forced to disinvest due to any potential US pressure. Agreeing not to eviscerate the subsidiary for their own profit, Johann Rupert clarified 'we will do it in the interests of South Africa'.⁷⁰¹ In their typical efficient fashion, BMW's management, as ever, had prepared for all eventualities arising from the quandary of investing and remaining in SA.

Conclusion

Since taking majority ownership of the subsidiary in 1974, the company had never taken its foot off the accelerator pedal in SA. It increased the revenue of BMWSA from R2m (1975) to R400m (1985), a remarkable growth rate despite the fall in the rand.⁷⁰² Posting unparalleled sales figures and, apart from the South African crisis years, nearly consistent profitability since 1980, the business had the leeway to offer generous wages and social benefits that quelled union unrest after an initial period of confrontation. By strategic hiring to its Board of Directors, the subsidiary maintained professional and personal relationships to not only the corridors of power but also to

⁶⁹⁸ World bank, loc. cit.

⁶⁹⁹ The BMW Story, op. cit., 32.

⁷⁰⁰ Loc. cit.

⁷⁰¹ Hasselkus, interview, loc. cit.

⁷⁰² BMW South Africa, op. cit., 5; Hasselkus, 'Speech', op. cit., 4.

the main white political groups, namely the *verkerampptes* and *verligtes* factions within the NP as well as Anglophone liberals. As such it was able to ramp-up an existing strategy to increase exports in the crisis years of the 1980s. This allowed it to buffet the sales decline resulting from the downturn in the vehicle market during the recession years of 1982, 1983 and 1985. The fall in the value of the rand played into this export strategy and allowed it to fund a plant expansion completely out of local capital that was trapped in SA. Upon realizing its first loss under majority ownership in 1983/84, the company quickly commissioned an internal review team in the Munich headquarters to prepare recommendations, independent of those of the subsidiary's management, on the future of the South African business with no option being off the table. A subsequent shrinkage strategy coupled with the drafting of a disinvestment plan never came to fruition due to the Chairman's intervention and an economic recovery. The abhorrence of disinvestment had been a hallmark of BMW's decade in SA. Citing an independent survey that found 70% of its black workforce opposed it, Hasselkus expressed: 'That leaves me feeling pretty good to be here'.⁷⁰³ Five years earlier, in 1985, the MD had outlined that one of BMW's comparative advantages versus its competitors was its 'pragmatic, adaptable and flexible management style'.⁷⁰⁴ In hindsight, no truer words could have ever been spoken on the management of its South African affairs.

The sober management of the car maker's South African subsidiary meant that even when the firm got its predictions wrong, it remained practical in seeking solutions, the consideration of GM's offer being only one example. Whilst management's methods were flexible, its commitment to SA was consistent. It was inextricably linked to the status quo elite, especially through its products, a relationship captured by an Afrikaans punk rock song brought out in the final year of Botha's presidency:

*(...) ons ry 'n BMW
 ons stem vir die PFP, die KP, die NP
 alles met 'n P, net nie die ANC, nee!
 ons ry 'n BMW*

⁷⁰³ Loc. cit.

⁷⁰⁴ Hasselkus, 'Speech', op. cit., 3.

(we drive a BMW, we vote for the PFP, the KP, the NP, everything with a P, just not the ANC, no!, we drive a BMW)⁷⁰⁵

Operating in the Republic did not mean agreeing to or implementing racial discrimination. Rather the opposite was very much possible. An assessment of how BMW supported the regime could be argued from three positions. First, by remaining in the country rather than disinvesting, it profited from the high purchasing power of the white demographic. Salaries would not have been so high, had they not been quasi-protected by an apartheid system that kept Bantu education standards low and provided protected jobs for Afrikaners within the bureaucracy. A fully open and competitive labour market would potentially not have resulted in the record market shares BMW experienced vis-à-vis the rest of the world. Second, disinvestment by the company may have resulted in a signalling effect that could have broken German corporate unity and thereby encouraged further withdrawal. The NP Government would then be faced with its largest foreign investors and significant employers of labour turning their back on apartheid-SA until it reformed. Compared to US capital and UK portfolio investment withdrawal, German disinvestment would have been even more painful. In 1991, BMWSA's PR Manager mused that had the premium automakers not been in SA, the best and brightest would have left under apartheid: 'For a start, if during the sanctions years high-tech cars were not available in SA, the brain drain from this country would at least have doubled.'⁷⁰⁶ This, however, ignores the fact that even without a local subsidiary, SA would have simply imported such vehicles, as it had in the 1960s and 1970s. Third, as a profitable company, BMWSA was contributing to Pretoria's coffers via its tax payments. These could then be amalgamated with other revenue sources to enforce the government's strategy of retaining white control over the levers of power. These arguments, however, could also be applied to other businesses. For BMW AG, BMWSA's continuation was integral – whilst not the heart, the subsidiary was nevertheless a major organ of the carmaker's body.

⁷⁰⁵ Johannes Kerkorrel, 'Ons ry 'n BMW,' by Johannes Kerkorrel. Daggadirk Uys and Andre le Toit, recorded 1989, track 8 on *Eet Kreefl*, Shifty Music, Vinyl LP; English translation from O'Meara, op. cit., 369.

⁷⁰⁶ Chris Moerdyk (General Manager, Public Affairs and Planning, BMWSA), letter to the editor, *Business Day*, 7.10.1991.

In post-transition SA, BMWs remained the vehicle of choice for the Government of National Unity and later the ANC government. In 1996 an order of one-hundred BMWs by the Government indicated that the fall of apartheid would not impact the state's relationship with the company.⁷⁰⁷ Indeed, this author's own family obtained its first vehicle by the manufacturer when the South African Embassy sold its existing vehicle fleet to make room for an updated model in the early 2000s. For the majority of South Africans, BMW remained a symbol of white oppression in the 1980s, not helped by Botha continuing to drive a BMW after retirement.⁷⁰⁸ The colloquial description of its vehicles had not changed but, as BMW's former management might say, it had simply been adapted: 'He indicated the leased BMW. They call it "Break my Window" in the townships'.⁷⁰⁹

⁷⁰⁷ 'South African police launch 100 luxury BMW sedans,' Reuters, 15.5.1996, <https://stock.adobe.com/ee/editorial/south-african-police-launch-100-luxury-bmw-sedans-may-15-as-a-highway-patrol-to-curb-the-hijackings/146537447>.

⁷⁰⁸ SABC, 'TRC Episode 79, Part 02,' YouTube video, 18:47, 14.6.2011, <https://www.youtube.com/watch?v=Ffu1NHcYOFQ>.

⁷⁰⁹ South African security consultant, 1997 citing a term used in SA since the 1980s for BMWs. Quoted in Jeremy Vine, *It's all News to Me* (London: Simon and Schuster, 2012), chapter 12, 3.

Section II (The Chemists)

- Chapter 4-

Hoechst South Africa: South African solutions to South African problems

Introduction

‘Arms embargo flouted’⁷¹⁰

The leadership of Hoechst AG, a global company founded in an eponymous Frankfurt suburb in the mid-19th century, may have spilt their morning coffee in November 1991. The FR, their local paper, had picked up on a prior piece by the South African *Weekly Mail* that alleged at least thirty-eight foreign companies had ignored the 1977 UN imposed arms embargo against the Republic, and that Hoechst was amongst them. The claim by the South African press was most speculative; given the source was conjecture on the *Helderberg* case. The downing of the *Helderberg*, a South African Airways plane, near Mauritius in 1987, had never been conclusively resolved. Widely presumed to be covertly transporting chemicals or explosives from the Far East (Taiwan) for the South African parastatal defence procurement company, ARMSCOR, the incident is still subject to discussion today.⁷¹¹ Hoechst was named as supplying either raw materials or finished products on the airliner downed on its return flight to SA.

Whilst 1991 may have seen SA under way on the path of reform and conciliation, concurrently the secrets of the prior Botha-era were beginning to trickle into the public domain. Time and geography appeared to present no obstacle for apartheid’s reach even after its demise. This first chapter within the section on the German chemical industry explores Hoechst’s history in SA to gauge the credibility of the press accusations. Whilst the case study primarily serves to illustrate wider, unknown aspects of running a foreign subsidiary during apartheid, it also supports three of the main thesis arguments: Profitability allowed for flexibility and stability from macro-level issues, thereby differentiating German businesses; racial discrimination was not institutionalised, rather the root cause stemmed from legislation; and that business whilst knowledgeable of politics

⁷¹⁰ ‘Waffenembargo mißachtet,’ FR, 9.11.1991.

⁷¹¹ van Vuuren, op. cit., 118-124.

preferred to act behind the scenes via a unified, anonymized response when forced to take action in this regard.

1. Large, larger, Hoechst

In 1994, the German Hoechst AG was the world's largest chemical company by revenue. With recorded sales of DM49.6bn (R128.8bn), the company had surpassed an earlier milestone when it became the biggest pharmaceutical company on the planet by the 1980s.⁷¹² When a new CEO, Jürgen Dormann, initiated a transformation process involving a series of restructurings, spin-offs, and mergers that resulted in Hoechst disappearing forever by 1999 as a household name, the German press gave the CEO the moniker 'Soft Rambo'.⁷¹³ At the time, the business was represented in 120 countries and could trace its history back to 1863. The company's subsequent deliberate 'destruction' at the hands of its own executives roughly 130 years later resulted in significant upheaval on an international stage. In addition, the abandonment of traditional business principles and norms which had underpinned its success over the previous century became the focal point for the existing historiography.

The two most notable studies on the subject are those by Wehnelt (2009), a former journalist, and by Seifert (2018), a former Director.⁷¹⁴ They tell the story of how a company with annual profit in the DM multi-billions needlessly initiated a process of self-dismemberment that saw it enter a death spiral within six years of Dormann being handpicked for the top job. Apart from a mention in the company's chronology prior to tackling the above tale, both authors – understandably – do not engage with 1980s SA. They were writing a tale of the fall of a giant within German industry aimed at a German public attempting to come to terms with an incomprehensible disaster. For the sake of completeness, there are four further publications on Hoechst that necessitate mentioning. Two

⁷¹² HOSAF History, Company report, 1995, 6 in Hoechst GmbH, Firmenarchiv, D-65926 Frankfurt am Main (hereafter 'HGF') H 0177201.

⁷¹³ 'Der ABB-Präsident und - CEO Jürgen Dormann und seine Beziehungen,' *BILANZ*, 30.1.2001.

⁷¹⁴ Christoph Wehnelt, *Hoechst: Untergang des deutschen Weltkonzerns* (Lindenberg: Kunstverlag Fink, 2009); Karl-Gerhard Seifert, *Goodbye Hoechst Erinnerungen eines Insiders: Von Könnern, Spielern und Scharlatanen* (Frankfurt: Societäts-Verlag, 2018).

of these are company commissioned publications. The first, a 1960 book commemorating Hoechst's centenary, precedes the company's growth in SA due to its age.⁷¹⁵ The second, a study on Hoechst during the time of the Third Reich as part of the infamous conglomerate I.G. Farben, was critically acclaimed but is, in the context of this thesis, irrelevant.⁷¹⁶ The third, an essay collection of employee recollections of life within the main German plant mourns a company that was no more.⁷¹⁷ The final publication comes full circle and analyses Hoechst's 1994 pivot to achieving shareholder value above all else as a cultural phenomenon in continental business.⁷¹⁸

The former company's documents are, given the takeover of its individual parts by differing corporate entities, scattered across multiple private business archives as well as local and state government collections. Sourcing and accessing applicable records is not an easy task and has in all likelihood contributed to the limited research on Hoechst. Furthermore, as a dormant enterprise, contemporary scholarship within business history does not come across the company unless already working in specialist research. The above issues will only worsen in future, particularly for manuscripts relating to former subsidiaries which are mostly held, if at all, outside Germany.

2. *A gateway to Africa*

In terms of revenue, the South African subsidiary had always been a marginal unit within the Hoechst business empire. In 1994, its R1.6bn in sales represented less than 1.5% of Hoechst AG's combined turnover.⁷¹⁹ Indeed, the company spent globally five times more, R8.8bn, on research.⁷²⁰ Whilst from a quantitative perspective, Hoechst South Africa ('HOSAF') appears to be a relatively minor subsidiary compared to those of the manufacturers examined in the preceding section, such as BMWSA or VWoSA, such a conclusion is misleading. Even as the 10th largest subsidiary within

⁷¹⁵ Ernst Bäuml, Gustav Ehrhart and Volkmar Muthesius, *Ein Jahrhundert Chemie* (Düsseldorf: Econ., 1963).

⁷¹⁶ Stephan H. Lindner, *Hoechst: ein I.G. Farben Werk im Dritten Reich* (Munich: Beck, 2005).

⁷¹⁷ Ernst-Josef Robiné and Peter H. Schäfer, *Geschichten aus der „Rotfabrik“: von Hühnermördern, Schafböcken und Schlawinern* (Frankfurt am Main: Societäts-Verlag, 2008).

⁷¹⁸ Stefan Eckert, *Aktionärsorientierung der Unternehmenspolitik?* (Wiesbaden: Springer, 2004).

⁷¹⁹ HOSAF History, loc. cit.

⁷²⁰ Loc. cit.

Hoechst, HOSAF dwarfed the local operations of the company's international peers such as BASF. Furthermore, within the company, the South African business was regarded as not just the end but also the strategic means to penetrate new African markets after decolonization.⁷²¹

When African decolonization formally began with Ghana's independence in 1957, Hoechst established representative offices in SA. Prior to its sales bureaus opening in CT, PE and Durban, the bulk of the company's product range had been marketed by a subsidiary of the Dutch *Hamer* group. The existing Hoechst business within this 'Dutch and Overseas Trading Company' was transferred to the new HOSAF that by 1964 had become a wholly owned subsidiary.⁷²² Hoechst quickly scaled up its presence and operation. In 1958, only a year after HOSAF's founding, it incorporated a pharmaceutical subsidiary in the country and commissioned its first production plant.⁷²³ When Kurt Lanz, future Hoechst deputy CEO, visited SA for the first time in 1959, he spent three weeks touring the country. HOSAF, at the time headed by the Dutch expatriate Otto Schoemaker, remarked to Lanz that racial separation and the creation of the Homelands would be the only way to maintain economic prosperity, peace, and South African pre-eminence in Sub-Saharan Africa.⁷²⁴ Schoemaker, it appeared, had completely bought into the elaborations of the new PM Verwoerd, who had only taken office in the prior year.

The Promotion of Bantu Self-Government Act, 1959 introduced by Verwoerd, was one of the core legislative underpinnings of 'grand apartheid'. By categorising the black majority population according to tribal lines to allocate and restrict their residency to specific quasi-autonomous territories, the PM desired to maintain an expansive white SA under Afrikaner leadership.⁷²⁵ In confidence, Schoemaker told Lanz that grand apartheid was the only way by which the 'Coloureds', in this case referring to all non-white South Africans, could attain living standards far above those

⁷²¹ Interview Reinhard Traub (MD HOSAF 1989-96). 29.1.2020.

⁷²² KDA ('Direktionsabteilung' of Hoechst AG), Südafrika 1, 1.2.1965, 1 in HGF H0085463.

⁷²³ Loc. cit.; HOSAF History, loc. cit.

⁷²⁴ Kurt Lanz, *Weltreisender in Chemie Erfahrungen in fünf Kontinenten* (Düsseldorf: ECON Verlag, 1978), 387-388.

⁷²⁵ 'Promotion of Bantu Self-Government Act, 1959,' University of KwaZulu-Natal online repository, https://disa.ukzn.ac.za/sites/default/files/pdf_files/leg19590619.028.020.046.pdf.

of fellow African countries, apart from Nigeria. In Lanz, the émigré Dutchman found not only a receptive audience for his musings but a boss that shared his political and moral outlook. For in his subsequent travel report, the German recorded: ‘I agreed with his views’.⁷²⁶

HOSAF continued to expand at a rapid clip throughout the 1960s and 1970s benefiting from SA’s increasing economic isolation and the Government’s fostering of domestic self-reliance. In 1968, the South African subsidiary opened a polyester fibre manufacturing plant in Milnerton in the Western Cape to provide the regional textile industry with raw material.⁷²⁷ The following year, 1969, saw Hoechst solidify its presence in the country when HOSAF established a JV with the partially-state owned, Afrikaner-led Sentrachem. The offspring of this JV, Safripol, constructed a thermoplastic production plant and went on to establish a distribution company, Plastomark, to market the plant’s output.⁷²⁸ Though the relationship is noted for orchestrating the construction of Africa’s largest polyolefin manufactory, it also indicated that the South African market, despite its size, contained a highly sophisticated and dynamic chemicals sector able to foment profitable business cases for large-scale capital investment.⁷²⁹

Constructed in Sasolburg to source feedstock from Sasol’s CTL plants nearby, Safripol’s business, similar to the fibre plant, tied into a regional, often vertically integrated chemical and process materials industry. Network effects, however, were not the only benefit. Tariffs and import duties made sourcing of raw materials on world markets relatively expensive, thereby buffeting margins for foreign firms that chose to produce locally. Yet even were SA to have become an economy bereft of duties in the apartheid-era, the costs of shipping and storing process inputs would have made domestic production a prospect worthy of consideration. This should not discount from the fact that SA’s increasing pariah status also made Safripol, whilst a private venture, a pillar in the

⁷²⁶ Lanz, loc. cit.

⁷²⁷ Ibid, 390.

⁷²⁸ G. C. Gerrans, ‘Historical Overview of the South African Chemical Industry: 1896 – 1998,’ *Chemistry International* 21, no. 3 (1999), 71-77.

⁷²⁹ U.S. Department of Commerce, ‘Industrial Process Controls South Africa,’ *Country Market Survey*, April 1982, 6.

state's strategy to replace imports.⁷³⁰ Indeed, 95% of the plant's annual output was absorbed into the domestic market with the remainder exported to other African countries.⁷³¹ As such, Safripol and its related businesses provided not only stable recurring cash flow to HOSAF, but the venture was *the* revenue and profitability driver for the subsidiary.⁷³²

When the European Council of Ministers passed a resolution in autumn 1986 prohibiting new investment by member states in SA, the JV found itself in a quandary.⁷³³ Unable to fund its share of a proposed 1988 expansion via an increase in investment capital, Hoechst AG was presented an alternative method by its partner Sentrachem. At the heart of the scheme lay the leveraging of a particularly South African idiosyncrasy, the financial rand. Reintroduced shortly after P.W. Botha's dismal Rubicon speech to stem capital outflow, the financial rand traded at a 25% discount to the commercial (official) rand. Sentrachem's proposal rested on it funding the entire Safripol expansion. Hoechst in turn would offer a US\$75m currency credit to a European company indirectly controlled by Sentrachem.⁷³⁴ This credit was to be made available for a period of seven years and to be managed by a newly created trust company located in an unspecified tax haven. As new investments into SA were converted at the beneficial financial rand rate, only US\$5m were required to fund Hoechst's equity share of R14.3m for the plant's further development. The remaining US\$70m were to be used in buying South African government bonds traded in London. These paid a coupon rate of 12.5% and given the economic and political risk profile of SA, traded at 81% of their value, well below par. With the contemplated seven-year investment period, the rate of return equated to roughly 15.43% per annum.

The plan was ingenious. If approved, the enlargement of the Safripol plant would be fully funded; Hoechst would honour its share of the investment; Sentrachem would have a niche operation

⁷³⁰ Thokozani Majozi and Patrick Veldhuizen, 'The Chemicals Industry in South Africa,' *CEP Magazine*, July 2015, 46-51, 47. <https://www.aiche.org/sites/default/files/cep/20150746.pdf>.

⁷³¹ Interview Traub, loc. cit.

⁷³² Loc. cit.

⁷³³ Hans-Michael Meyer-Sebastian (Chancellery) to Wolfgang Schäuble (Head of Chancellery), 27.8.1987 in BArch B 102/285480.

⁷³⁴ Hoechst AG Finanzwesen-Beteiligungsfinanzierung, memo, 2.5.1988, 1 in HGF H0177177.

providing it above-average returns by accessing foreign currency without converting any rand; and no government, apart from Pretoria, would be any wiser. Internally, Hoechst's finance department noted that the only risk was political for 'the Boers could be trusted to honour their debts'.⁷³⁵ This was an overly optimistic and perhaps naïve view. For only three years earlier, Pretoria had issued a moratorium on the repayment of short-term debt because of the withdrawal of portfolio investment by American banks. Whilst the transaction never took place, it provides a glimpse into business flexibility into meeting financial obligations even when sanctions were present.⁷³⁶

3. Putting a price on apartheid

This case study can answer two enduring, yet markedly different questions by establishing a relationship between them. The first considers whether SA was *de facto* enduring a low-level civil war in the 1980s; whilst the second examines to what intents and purposes Lloyd's of London insures absolutely anything given the right price. Surprisingly, the answers can be found in the dusty and overlooked records of Hoechst AG's risk-management department. Due to the interconnected infrastructure at Sasolburg, HOSAF relied on a seamless supply of raw materials for its own plant from SASOL's refineries. The geographic proximity also exposed it to potential sabotage activity by the armed wing of the ANC, Umkhonto weSizwe ('MK'). The ANC, a banned, racially inclusive political party campaigning for an end to apartheid and majority rule, had turned to violence as a method of political leverage, frustrated by Pretoria's obstinacy in maintaining white political supremacy. Attacks on critical infrastructure, including the CTL plant complex, were meant to

⁷³⁵ Ibid, 2; Sampson, op. cit., 44-59.

⁷³⁶ When SA reformed in the 1990s and once again became part of the international community, the strategic case concerning Safripol began to unravel. Non-strategic businesses, such as Mega Plastic Industries, a JV plastic processor in which HOSAF held a 50% shareholding, were sold to the remaining partner, i.e. Sentrachem. Safripol, itself, despite continuing to bring in record profits, was regarded as a non-core operation leading Hoechst's stake being put up for sale during Dormann's restructuring. In 1999, two years after acquiring Hoechst's former partner, Sentrachem, Dow Chemical bought Hoechst's stake in Safripol. To all intents and purposes, Safripol remains the only surviving child of two parents, Hoechst and Sentrachem, that are today no more. See 'Hoechst Südafrika baut die Produktion aus,' *FAZ*, 18.12.1990; Arend Hoogervorst, 'Sentrachem plunges into Rand 235m loss for 96/97,' *ICIS*, 10.12.1997. <https://www.icis.com/explore/resources/news/1997/12/10/46415/sentrachem-plunges-into-rand235m-loss-for-96-97/>; Historical Overview, loc. cit.; Elaine Burridge, 'Safripol Sold to KAP Industrial Holdings,' *CHEManager International*, 16.8.2016. <https://www.chemanager-online.com/en/news-opinions/headlines/safripol-sold-kap-industrial-holdings>.

highlight to the civilian population and the NP Government that targeted guerrilla activity could hurt the regime and its economy. According to its own leadership, the party would not shy away from destroying SA's economy if that were required to end apartheid.⁷³⁷

As the stroke of the midnight hour approached on the night of SA's former Republic Day, May 31st, 1980, the MK terrorists, abetted by prior IRA reconnaissance, blew up several fuel tanks at SASOL's petrochemical complex in Sasolburg using limpet mines.⁷³⁸ The NKPA required private corporations to secure their facilities if their sites were deemed vital to national security by the South African government. Safripol, however, was a JV with Sentrachem, a company part-owned by the state via IDC. As such, security concerns were already handled by the government. All HOSAF could do was mitigate against any losses from a possible attack. Four days after the incident, Hoechst AG's risk-management division informed HOSAF that it was insured against losses arising from unrest and strike activity but not politically motivated terrorism.⁷³⁹ Furthermore, within the parent company's 'master policy' which included diverse reinsurance agreements, Hoechst had ensured that it, its subsidiaries and its partner companies, including the Safripol JV, were covered against 'political riot and civil commotion'.⁷⁴⁰ War, however, as well as war-like circumstances could, in general, not be insured against. The unanswered question was whether sabotage by the ANC was part of a 'covert war' and thereby not subject to loss protection, or rather a politically motivated act of unrest and therefore covered by existing insurance policies. Given the large amount of fixed capital investment HOSAF had in SA, including several smaller plants dotted around the country (see Illustration 1), this was not a negligible point. Furthermore, the attack at Sasolburg had been an escalation of historic violence. At the onset of the 1980s, businessmen, the

⁷³⁷ Suitbert Schmüdderich, 'Der schwarze Widerstand,' in *Südafrika Politik-Gesellschaft-Wirtschaft vor dem Ende der Apartheid*, ed. Hanns W. Maul (Opladen: Leske+Budrich, 1990), 129-190, 178.

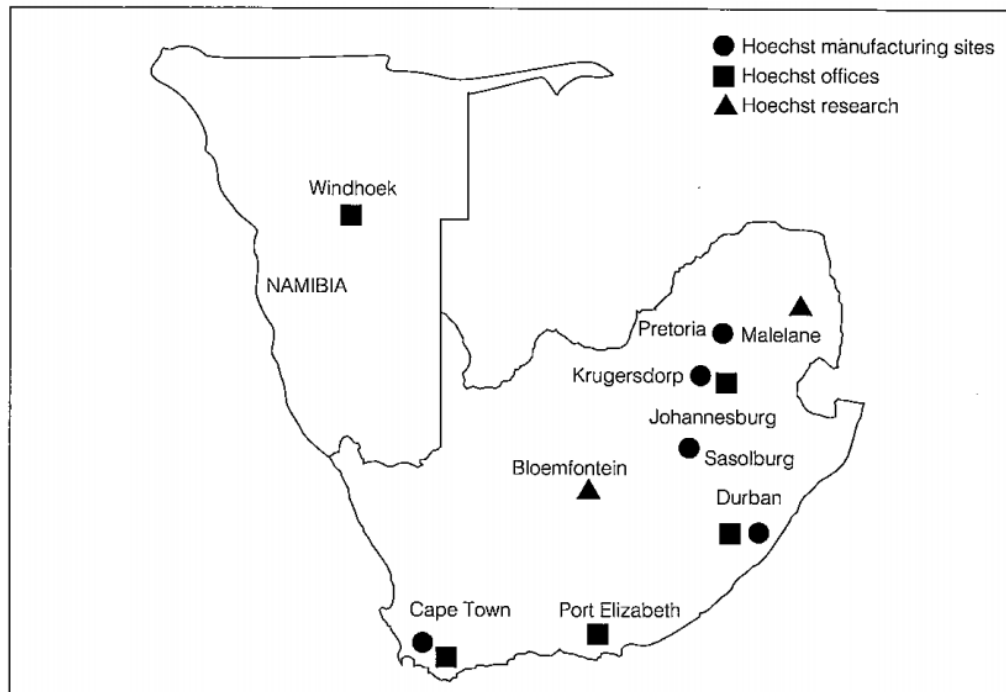
⁷³⁸ Peter Alexander, IRA aided anti-apartheid bombing, claimed Asmal,' *The Irish Times*, 29.8.2011. <https://www.irishtimes.com/news/ira-aided-anti-apartheid-bombing-claimed-asmal-1.609314>.

⁷³⁹ Peter Ramb (Hoechst AG risk management) to J. Lehmann (Hoechst AG legal), 4.6.1980 in HGF H0177184.

⁷⁴⁰ Loc. cit.

insurance industry and the government could consequently not discern whether the remainder of the decade would see a return to calm or an escalation in terrorism.

Illustration 1: Hoechst sites in SA and Namibia, 1995⁷⁴¹



The immediate response from Hoechst was twofold. First, to keep Safripol from independently sourcing its insurance cover from local South African insurers, who did cover against losses from political terrorism, Hoechst had to agree to 40% of the JV Company's insurance business being allocated to South African firms. Second, it sought legal advice on whether the situation was deemed a case of political strife or something even more serious. Given that the following years saw SA experience continued unrest, interrupted by periods of relative tranquillity, the legal opinion it sought required continuous adjustment. Moreover, the wheels of justice turn slowly. The outcome of which, was that a definitive answer was only reached by the summer of 1984.

Based primarily on the issue of whether the damage incurred as part of the 1976 Soweto uprising was indemnifiable, the South African judiciary concluded:

⁷⁴¹ HOSAF History, op. cit., 7.

*(...) isolated acts of terrorism not forming part of open resistance with an organized or serious purpose of supplanting authority are unlikely to be construed as amounting to “insurrection” and certainly not “rebellion or revolution”.*⁷⁴²

The Soweto case was not classified as an insurrection and was ultimately settled out of court.⁷⁴³ For Hoechst, the court’s opinion meant any future insurance cover and pay-out in case of terrorism, depended on ‘the object and purpose of the rioters’. In practice, this meant it would have to establish whether a saboteur was driven by making a one-off political statement or sought to form or was part of an organized conspiracy to overthrow the government.⁷⁴⁴ This was an unenviable task that was unique to foreign business with significant fixed investment in apartheid-era SA. Discerning the motivation of political actors as well as armed groups and thereby pricing political risk has become an established insurance model in contemporary times. It is a little-known fact that the unrest in 1980s SA helped establish the ground rules by providing a legal precedent as well as quantifiable examples.

One such example was Hoechst’s efforts to gain equivalent cover to that offered by SASRIA, an SOE, unparalleled in history, and set up by the NP after the Soweto massacre to provide state-backed short-term political risk cover.⁷⁴⁵ Though Hoechst already had existing cover insuring it against losses arising from political riots up to DM150m, it was nevertheless proactively approached by SASRIA. The SOE could offer the German company an appealing proposal, designed to allay any concerns it had and obstacles it faced by remaining in the country. The SASRIA policy may have only provided cover up to R115m but it included insurance against insurrection, rebellion, and revolution. Only outright open warfare was not included in the terms.⁷⁴⁶ Before jumping ship to SASRIA, Hoechst approached the one insurer it believed could match the

⁷⁴² Deneys Reitz (SA law firm) to Robert Enthoven & Co (Tvl) (Pty) Ltd (HOSAF outside counsel), 26.6.1984, 3 in HGF H0177184.

⁷⁴³ Michael Hart (Deneys Reitz) to R. Bucknall (Enthoven), 19.6. 1984, 2 in HGF H0177184.

⁷⁴⁴ Ibid, 1.

⁷⁴⁵ ‘Company Profile,’ SASRIA SOC Ltd. <https://www.sasria.co.za/company-profile/>.

⁷⁴⁶ Rainer Gleiss (Hoechst AG, insurance dept.) to Arno Leo Baltzer (MD HOSAF), Wagner (HOSAF), 5.8.85 in HGF H0177184.

extent of the South African insurer's hitherto globally unprecedented range of coverage: Lloyd's of London.

Lloyd's, living up to its reputation of insuring anything if one could stomach the premiums, acceded to Hoechst's request. The industrial giant could have political risk cover, as offered by SASRIA, for all markets outside the 'safe' countries of Europe, North America, Japan, and Australia. The catch was an insurance premium of half a million DM per year, a loss limit of DM200m and a DM10m deductible.⁷⁴⁷ The sum was insultingly astronomical. If there was a company that could afford it however, it was multibillion DM Hoechst AG. It instructed Lloyds on July 18th, 1985 to begin cover immediately. Two days later, whilst the final terms of the insurance agreement were still being put to paper, *die Groot Krokodil* declared a state of emergency. The price of apartheid had just gone up.

The 1985 state of emergency, whilst limited to only select districts of SA, irrevocably changed the numbers game behind Lloyd's offer. It revised its terms, citing an 'impact' on its political risk capacity. Its new offer was a loss limit reduced by 75% to DM50m and an increased premium of DM525.000 per annum.⁷⁴⁸ Monitoring developments in SA, whilst urging Hoechst to acquiesce and sign on the dotted line, the insurer pointed out that the premium figure may be adjusted upwards on a daily basis.⁷⁴⁹ The global insurance administration sitting in Frankfurt could no longer, in good faith, recommend political risk coverage by Lloyd's for any market apart from SA; and for that country a better offer was already on the table. HOSAF was instructed to conclude a policy with SASRIA, notwithstanding for certain events this meant double coverage versus the Hoechst AG 'master policy'. As some of Hoechst's plants were in areas designated by the government as falling under state of emergency regulations, paying for double the cover was the least of the company's worries. One drawback of the SASRIA policy was that coverage did not

⁷⁴⁷ Loc. cit.

⁷⁴⁸ Loc. cit.

⁷⁴⁹ Loc. cit.

extend to accumulated profits, a key concern for Hoechst. Given capital controls, accumulated profits could not be remitted out of the country without incurring significant costs. As a profitable enterprise, HOSAF therefore had ‘money in the bank’ that necessitated coverage come what may. Hoechst AG resolved the matter by reverting to Lloyd’s for profit coverage. Up to DM50m in profits were to be covered by the City firm with the DM150.000 premium to be stemmed by the subsidiary responsible, HOSAF.⁷⁵⁰ In a letter to the HOSAF MD, Arno Leo Baltzer, the insurance boffins in Frankfurt informed him that if matters got any worse in the Republic, Lloyd’s may decline cover in line with its thirty-day cancellation clause and return the premium. Apartheid-induced political risk was insurable but even Lloyd’s could not guarantee the same could apply to apartheid-era profits.

4. Black labour

As a profitable enterprise, HOSAF could, similar to other German subsidiaries, engage in in-plant desegregation whilst investing in training and social benefits to counteract socioeconomic disadvantages caused by apartheid. A visit by Hoechst AG’s workers’ council to multiple African countries in which the firm operated, included a final stopover in the South African subsidiary. They left ‘positively surprised’ at the racial harmony and investment in the non-white labour pool compared to those observed in countries under majority rule.⁷⁵¹ On the one hand, conditions within HOSAF were progressive as opposed to the conventional diatribe on exploitation pushed by the politicised German media and the UN TNC Commission. On the other hand, no mention was made of conditions outside the plant and whether Hoechst as an MNC could leverage its clout to exert a positive influence in this regard.

Nevertheless, the German employers’ confederation, BDA, was convinced that FRG MNCs were making a difference in overcoming apartheid outside the business environment. HOSAF’s 82% increase in the number of skilled black workers it employed between 1976 and 1980 was cited,

⁷⁵⁰ Loc. cit.

⁷⁵¹ Lanz, op. cit., 389.

amongst other West German subsidiary examples, in a 1982 letter to the ILO warning against sanctions which would hit the black population the hardest.⁷⁵² Indeed, by 1989 HOSAF had over a hundred non-white staff deemed either skilled or already inhabiting a managerial position.⁷⁵³ A decade earlier it had been less than ten.⁷⁵⁴ Similarly, the firm had reduced the number of seconded staff from Hoechst AG to 19 by 1989 compared to a high of 43 in 1982.⁷⁵⁵ In the annual codex report, the subsidiary all but apologised for the remaining nineteen staff – it simply could not find suitable highly skilled technical workers, whether white or black, in all of SA. These were not short-term, reactive policies but rather part of a long-term commitment against the South African status quo. Since the 1970s, the company had recognised that one of the few places the races mixed, was at the workplace. It hoped that via its labour practices, the ‘contacts, understanding and creative partnerships’ it espoused at its plants would have a spill-over effect not only on experiences amongst the races outside the factory gates but also change existing thinking of one another.⁷⁵⁶

Photograph 6: Hoechst advertising, Johannesburg, 1979⁷⁵⁷



⁷⁵² BDA to Beguin (ILO), 1.2.1982, 2-3. Copy in RB, 1 0210 047.

⁷⁵³ H Schubert and I. Crickmore-Thompson (HOSAF) to V. Schuermann (Hoechst AG), HOSAF EEC Code of Conduct Submission 1989, 27.9.1989, 4 in HGF Südafrika - HOSAF A - B H0177189.

⁷⁵⁴ Loc. cit.

⁷⁵⁵ Loc. cit.

⁷⁵⁶ Hoechst EC Codex report, 1979, point 2.2 in Historical Papers Research Archive, University of the Witwatersrand ('UW') AH1999 - C1.13.1.13.10 (Hoechst).

⁷⁵⁷ 'Unheimlich überlegen,' *DER SPIEGEL* 12, 19.3.1979, 151-152, 152.

HOSAF's success in integrating non-white labour rested on its amicable relationship with the unions in the chemical sector and its proactive funding of internal as well as external training. Given the complexity in operating a chemical plant and the cost of expatriate labour, it was in HOSAF's own best interest to develop its local labour pool in terms of skills and education for mutual benefit. The company, similar to BMW, funded negotiation training for union members, but also financed participation in the CATS scheme, invested in black enterprise, and in the development of black teachers thereby recognising a socioeconomic deficit in the country that affected the majority demographic as well as business.⁷⁵⁸ To term the subsidiary's policies as whitewashing to mitigate reputational damage from operating profitably in apartheid SA is questionable. The 1977 introduction of the codex did force many businesses to engage for the first time with the political nature of being present in SA and in ensuring a non-discriminatory equal opportunities workplace.⁷⁵⁹ But, continued industrialisation also meant that labour integration was a necessity, as per the liberal argument. For Hoechst, proof that aptitude not race mattered is demonstrated by a speculative application received in the spring of 1987. This example provides an insight that racial factors were not on the mind of management, rather quid pro quos between HOSAF and the mother company.

The unsolicited application from a young black woman for IT-training was viewed by Frankfurt, who, duly impressed, pondered on how to create a training programme for 'Blacks and Coloureds' to gain computing skills.⁷⁶⁰ Whilst Hoechst AG considered the matter, HOSAF interviewed the applicant and recognised an appealing candidate for a position that hitherto did not exist. Nevertheless, it informed Head Office that it could not begin training an external candidate in computing before training its existing staff. The subsidiary made clear it would hire the candidate

⁷⁵⁸ Lehmann and Schürmann (Hoechst AG) to BMWi, 1988 codex submission, 26.10.1988, 3 in BArch B 102/379778; The Commercial Advancement Training Scheme was a programme created in 1985 by the Chamber together with UNISA tailored to the needs of business. It included modules promoting free enterprise and capitalism. See Unsigned letter to Dr. J. Lehmann, HOSAF Manpower Report October to December 1988, 20.3.1989, 1-3 in HGF H0177187.

⁷⁵⁹ Ziefer, interview, loc. cit.

⁷⁶⁰ D. Cord (Zentrale Direktionsabteilung, Hoechst AG) to Dr. Günter Metz (Board member, Hoechst AG), 26.5.1987 in HGF H0177186.

but that a training scheme would have to include current staff, which it would delegate to Frankfurt for up to two years.⁷⁶¹ Whilst the applicant may at first appear to be a pawn in intercompany wrangling, this would be a hastily drawn conclusion. First, the woman was hired, despite no job being available nor any vacancy notice being published. It was her get-up-and-go mind-set that saw her draft the application, gain notice, impress at interview, and land employment, not her race. Second, it highlighted to the company that no IT-training scheme existed for non-white workers within the company and that these traditionally had little touchpoints with computing in their private life and existing education. This skills-gap once recognised was addressed by the establishment of a training curriculum. Finally, the fact that the scheme was established in Frankfurt and not in SA pushed up the cost of instruction, but this was a negligible issue. For HOSAF the main concern was that the trainees, regardless of race, received a cutting-edge education.

In dealing with politicized issues involving labour and unions that had gained public attention, HOSAF resolved these by rigidly presenting facts and pointing out established rules. By sticking to this policy, it was able to quickly address two incidents near the beginning of the decade and thereby calm affairs for years to come. Its refusal to be drawn into making statements that involved anything more than a presentation of facts appears in hindsight to have been a successful strategy for its aims. The company thereby avoided any ongoing spotlight on its South African affairs and kept its name out of the papers.

The first incident consisted of a spate of negative press coverage in 1979 following the publication of the German Lutheran Church report on working conditions within German subsidiaries in SA. Criticised for adhering to racial segregation and institutionalising discrimination within its plants, the study triggered the first public response by the firm on its South African operation. It explained that the cantina was split based on seniority and earnings; these unfortunately reflected existing racial disparities.⁷⁶² The study also stated that all eighteen of the examined subsidiaries segregated

⁷⁶¹ Loc. cit.

⁷⁶² *DER SPIEGEL*, loc. cit.

sanitary facilities.⁷⁶³ Though Hoechst AG did not respond to this general accusation, it knew that it was false for it had already desegregated its plants by 1978 - a year before the study.⁷⁶⁴ Indeed, the company had gone as far as South African law allowed: 'We are running in circles. We keep arriving at the point where the political element places limitations on us'.⁷⁶⁵

Press clipping 1: South African Hoechst advert, 1980⁷⁶⁶

It's fun living in a cardboard box
...unless you have to.

These children love their cardboard house. But they are only playing. Too many really do have to eat, sleep and grow up in something just as basic, or little better. Hoechst's scientists are making invaluable contributions to improve house construction in order to satisfy a growing world. With plastics and fibres, paints and pigments. They are also involved in new perspectives in architecture, like textile structures using Trevira® high tenacity polyester. Already pedestrian precincts, sports arenas and swimming pools can be covered to render them independent of the weather. Tomorrow, perhaps, it could be entire cities in areas like the Arctic or the Sahara. In fact, in every continent, Hoechst is at work on the great problems of our time: raw materials and energy shortages, hunger, disease. To solve them, Hoechst invests no less than R480 million every year in research.

Your child needs our research.

Hoechst

Hoechst South Africa (Pty) Ltd.
31 Cassel Street, Johannesburg
P.O. Box 8852 Johannesburg 2008

Multinationals Survey: Supplement to Financial Mail June 27 1980

TC009-0088

Later that year, the press had a field day with another morsel of information with respect to how HOSAF's workers decided to spend their festive period. The choice by black workers to opt for a food parcel rather than a joint Christmas party alongside white staff played into a media narrative of racial division at work and at play.⁷⁶⁷ This was a decision driven by cultural considerations,

⁷⁶³ Loc. cit.

⁷⁶⁴ Lanz, loc. cit.; also, in 1978 Dr. Josef Max Nowotny of the Hoechst AG Board refused to clear a picture of HOSAF's Baltzer appearing on the cover page of *manager magazin*. The Board did not want the hassle of attention, especially in terms of AGM disruptions, see Wilhelm, op. cit., 75; perhaps they wished to avoid a repeat of an earlier event where Baltzer had remarked 'Ich bin in dieses Land verliebt' (I'm in love with this country) to a German financial magazine only six months after Soweto. See 'Überlebenstraining,' *Capital* 12/1976.

⁷⁶⁵ Wilhelm, op. cit., 70-71.

⁷⁶⁶ Multinationals Survey, op. cit., back cover. Copy in Konzernarchiv Henkel Acc. 271 No. 299.

⁷⁶⁷ 'Wir bekennen, daß wir einseitig sind,' *FR*, 8.12.1979, 10.12.1979, 4.

particularly the wish by black workers to also share food with extended friends, family, and neighbours – an impossibility at a joint, internal employee-only event. As VWoSA's Chairman had concurrently realised, Hoechst too concluded that once the media set the narrative it was impossible 'to win'.⁷⁶⁸ In future, to get ahead of the story, it established a social report alongside the subsidiary's annual report. Its publication in this regard being subsequently judged by its business peers as the *ne plus ultra*.⁷⁶⁹

The second event occurred, not unusually, when the drive for black unionisation was in full swing in the early 1980s. Applying a policy of non-interference, Hoechst AG placed its trust in its South African subsidiary to better understand and address the situation without unsolicited advice from Germany. A strike had broken out in 1983 at Mega Plastic, a part-owned HOSAF JV. The underlying cause can be attributed to miscommunication between management and workers, but, more importantly, it was a test of the limits of power of organised black labour.⁷⁷⁰ The strikers' rationale was solidarity with two workers they erroneously believed had been dismissed by the company. The respective quality control workers were under review for deliberately marking R30.000 of defective 'Kanaflex' hose as approved and fit for sale.⁷⁷¹ Such action contravened company regulation on internal fraud and was a dismissal offense.⁷⁷² Once the strike began, workers that crossed the picket line were threatened by the strikers and informed management that they were in fear of their lives.⁷⁷³ The strikers' intimidating behaviour was something novel for Hoechst AG. Commenting on the subsidiary's report on the incident, the Legal Department remarked: 'The mentality of South Africans has seemingly been an essential driver in inducing this example of labour conflict'.⁷⁷⁴ The underlying, rational cause behind the strike action had been black labour's anticipation of any issue to arise to promote unionisation within the workforce.

⁷⁶⁸ See VWoSA chapter, 102.

⁷⁶⁹ See footnote 320.

⁷⁷⁰ R.L. Oxenham (Head of Mega Plastic) to Baltzer, 18.8.1983, 1 in HGF H0177195.

⁷⁷¹ *Ibid*, 2.

⁷⁷² *Loc. cit.*

⁷⁷³ *Ibid*, 4.

⁷⁷⁴ Lehmann to Dr. Gehringer (Hoechst AG HR Director), 1.9.1983 in HGF H0177195.

With increasing union recognition at HOSAF's various plants, a modicum of peace set in for the remainder of the 1980s – especially when compared to the near-militant unrest within the automotive industry. Yet, a level of friction would persist until the 1990s, not least in the form of strikes and legal action.⁷⁷⁵ Industrial relations, however, was an aspect management could directly influence whilst profitability meant union demands could be met part-way if not outright acceded to enable a degree of stability. In contrast, the political environment was a field of battle the company was at pains to avoid entering despite waxing lyrically internally and in company publications on the situation.

5. White politics

Up until the onset of the 1980s, Hoechst had been an advocate of Pretoria. When the 1990s approached, little had changed in its commitment, unlike other companies examined in this thesis. Its defence of SA rested on perceived unfair singling out of the country. African politicians pointing fingers at the Afrikaner government had, similarly to the South African government, not distinguished themselves in their racial policies. No independent state on the continent under majority rule had ultimately tolerated power-sharing with a white minority. This fact, Lanz mused in 1978, should not exclude SA from becoming a positive example in this respect in the future.⁷⁷⁶ Pretoria, in the eyes of Hoechst's senior management, was valiantly attempting to improve the lives, schools, education, health care, and social emancipation of the non-white population but undermined its efforts through miscommunication and poor execution. In his memoirs, the deputy CEO of Hoechst AG recorded: 'Unfortunately, Pretoria isn't always a skilful executor of its own intentions. This has done much to contribute to the negative image of SA in the Western world'.⁷⁷⁷ In particular, the motivations behind the hypocrisy of SA's allies in the free world were a bone of contention. US leadership in Western condemnation of apartheid was explained as a diversionary

⁷⁷⁵ Interview Traub, loc. cit.

⁷⁷⁶ Lanz, op. cit., 392.

⁷⁷⁷ Ibid, 390-391.

tactic from American domestic friction: ‘They probably believe that given their own racial problems they need to be especially vocal in proceeding against real or alleged racial discrimination’.⁷⁷⁸ But criticising US policy would neither negate SA’s problems nor the conduct of its leadership, behaviour which Hoechst’s management had adequate opportunity to witness first-hand.

One such opportunity, illustrating the company’s close association with the South African Government, was the dinner held between HOSAF management, its executive peers from fellow German subsidiaries, and South African Foreign Minister R.F. ‘Pik’ Botha in the spring of 1987. The evening gathering was orchestrated by Pretoria’s former Ambassador to Germany, Neil van Heerden, at the request of Botha. Botha had a reputation for interfering across government ministerial hierarchies and exhibiting extrovert behaviour, bordering at times on the bizarre.⁷⁷⁹ The dinner included the wives of the German managers and was held at the South African government’s guest house. The Foreign Minister deliberately ensured no representative of the FRG Embassy was invited and issued the invitations so shortly before the event that the MDs had no opportunity to consult with it whether meeting Botha in a private capacity without an Embassy representative was appropriate. In a disorganised and rambling manner, Botha explained the gathering was to thank German industry for remaining in SA. When challenged by one of the managers in attendance that significant domestic political change was necessary to ensure no situation arose where German business felt it became unavoidable to leave the country, Botha revealed not only his true nature but the fundamental position of the NP Cabinet on the role of foreign business.

Gratitude has its limits. Those limits are breached when non-political actors, whether foreign or domestic, provide unwanted advice to the government. A viewpoint shared between Pik Botha and P.W. Botha. Abandoning all semblance of facilitating an objective and fact-based discussion, the Foreign Minister informed his guests: ‘If you do not agree with the policies of the South African

⁷⁷⁸ Loc. cit.

⁷⁷⁹ Ian Douglas Smith, *The Great Betrayal* (London: Blake Publishing, 1997), 287; Glenn Babb, ‘The hollowness of Pik Botha,’ Politicsweb, 20.1.2020, <https://www.politicsweb.co.za/opinion/the-hollowness-of-pik-botha>.

government, then you'll just have to leave'.⁷⁸⁰ The most senior manager in attendance by age, Hellmut Bischoff, a former president of the Chamber, responded by confirming the loyalty of German business to SA and that based on his 'inside connection' to the FRG Government, he could assure Botha that Bonn felt the same. In a debriefing with Embassy staff, several managers summarised this response as unnecessary and inappropriate. German business may have been unified in public but its leadership in SA, especially in terms of political leanings, differed greatly in private.⁷⁸¹ The dinner and Pik Botha's conduct were summarised by the attendees as coming from the heart but also amateurish, dilettante and with regard to the Foreign Minister's elaborations on the future of the country as meagre and unsatisfactory.⁷⁸² Though the informal meeting was set-up with the best of intentions, the South African Government representatives had, once again, shot themselves in the foot. It thereby validated Lanz's statement nine years earlier of Pretoria being its own worst enemy.

Upon hearing of the affair, the FRG Embassy and AA were aghast. Even more taxing than the slight of not inviting an Embassy representative, was the AA's concern that at a future occasion, a German manager might see fit to give a similar, utterly inappropriate reply to the musings of NP Cabinet Ministers.⁷⁸³ Hans-Günter Sulimma, who had been passed over for the post of Ambassador to Pretoria due to coalition party politics, informed Immo Stabreit, who ultimately got the post as Ambassador, of the clear and present danger of the current course. Another speech by a German businessman, identifying so closely with Pretoria would be detrimental to the long-term interests of German industry. The Embassy felt it was in its rights to complain to the South African Foreign Ministry, but Bonn countermanded it and instructed the Ambassador to feign ignorance and keep quiet if the matter was raised in discussions.⁷⁸⁴ Notably the German Government appeared to know

⁷⁸⁰ Embassy Pretoria to AA Bonn, cable, 10.6.1987, 2 in PA AA B34 (ZA) 410.20 SUA.

⁷⁸¹ See Ziefer interview, loc. cit.

⁷⁸² Pretoria to Bonn, 10.6.1987, loc. cit.

⁷⁸³ Hans-Günter Sulimma (AA African Affairs) to Immo Stabreit (Ambassador Pretoria), 11.6.1987, 1 in PA AA B34 (ZA) 410.20 SUA.

⁷⁸⁴ *Ibid*, 2.

better what was in the interests of business, than business itself which had demonstrated a certain naivety in the political arena.

Despite the fallout from the first 'informal' meeting with Pik Botha, German executives, including those of HOSAF were not opposed to continuing the *soirées*. The dinner had indicated the weakening position of the South African Government and its reliance on the continued commitment of German capital to offset its international isolation. The timing of the get-together stemmed from the wave of American disinvestment immediately before and after the passing of the US Comprehensive Anti-Apartheid Act of 1986. The fact that the subsidiary heads agreed to continue meeting with Botha can be explained threefold. First as a courtesy obligation to the host nation; second to gain first-hand information on the plans and thoughts of the South African government; and finally, to validate personal beliefs on their own importance given time and place. As the managers represented an eclectic group of companies, egos and political beliefs, this last point begets further explanation. For some, their closeness to Pretoria, such as Bischoff who was suspected of orchestrating arms shipments, meant any opportunity to bask in gratitude was opportune.⁷⁸⁵ Others acted as information conduits to the Embassy, earning recognition from German diplomats. For most, though, it was a fascination of their possible role in the most important game in town throughout the 1980s – South African affairs.⁷⁸⁶ Though the executives agreed to further meetings with Pik Botha, they did make one, stereotypical, change. They concluded they had to meet 2.5 hrs before the set time to align their approach.⁷⁸⁷

Hoechst, confidentially, attempted to counteract Pretoria's policy measures that would have dragged its name once more into the limelight using insights it had gained from engaging with the South African politicians from events such as the above – irrespective of any political beliefs its managers held. In no case is this more evident than in the matter of rent boycotts. Throughout the

⁷⁸⁵ Hans Brandt, 'Deutsches Wesen in Südafrika,' *taž*, 14.7.1988, 10-11.

⁷⁸⁶ See Ziefer interview, loc. cit.

⁷⁸⁷ Forstmann (Bayer SA) to S. Bieber (MD HOSAF), 6.8.1987 in Bieber to Lehmann, 13.8.1987 in HGF H0177186.

1980s, the NP Government had oft announced legislation designed to circumvent black rent boycotts. Though the law had never successfully gone past the draft stage, it resurfaced in parliament in 1987 because of ongoing unrest and protest action in the country.⁷⁸⁸ By requiring employers to deduct outstanding rent debt directly from employee payslips, Pretoria also touched on foreign business that employed large numbers of black labour. Over R300m in rent was in arrears, necessitating central government to provide funding from an already stretched budget to local municipalities.⁷⁸⁹ The problem, therefore, was one both financial as well as political.

The progressive head of the Chamber, Ernst Kahle, whose family had opposed the Nazi Party, took it upon himself to draft a letter of protest.⁷⁹⁰ The final document was only counter-signed by a minority of Chamber member companies and submitted confidentially to three government ministers, rather than being published as an open letter. By being a private submission, the missive lacked efficacy. Furthermore, the public silence did not enhance the image of German business in SA. The subsidiaries' reluctance and passivity were not acceptable to many mother company directors sitting in West German boardrooms.

For Hoechst, politics was best dealt with by using its knowledge to advise and assist behind the scenes whilst at all costs avoiding publicity. This position can be illustrated in a letter to the BDI, where HOSAF provided guidance on how a second missive was to be drafted, that importantly was to be sent by the BDI rather than individual firms.⁷⁹¹ The subsidiary advised the German business association on directing its draft correspondence to the Minister of Manpower rather than Chris Heunis, the Minister of Constitutional Development, given that the impact of the legislation would be most felt in the field of industrial relations. Furthermore, it expected the BDI to, similar to the missive by the British trade association, emphasise that the legislation would involve MNCs

⁷⁸⁸ Embassy Pretoria (Stabreit) to Bonn AA, cable, 19.6.1987, 1.

⁷⁸⁹ Data from an interview with Helen Suzman, CT, 24.6.1987. Cited in Kobach, op. cit., 155.

⁷⁹⁰ Horst Kleinschmidt, Tribute to Petra Kahle, 20.6.2015, 2, http://www.horstkleinschmidt.co.za/uploads/3/0/6/1/30613317/skn_26.3_dr_petra_kahle.pdf.

⁷⁹¹ H. Schubert (HOSAF) to V Schürmann (BDI), 7.8.1987 in HGF H0177186.

‘directly in the political arena’.⁷⁹² The South African trade unions would have comparable objections; unrest on the shop floor could not be discounted. HOSAF ended its note by advocating for great caution in drafting the BDI statement. Aware of the Afrikaner government’s prickliness, it advised that the letter should ‘take the format of a recommendation’, it may also express concern but under no circumstances was to put to paper any passage that might be misconstrued as a threat.⁷⁹³ The rent boycott would go on to persist until 1990 when the successor de Klerk government caved in. In the Transvaal alone, it wrote off R1.1bn in rent and electricity arrears, thereby laying the groundwork for the precariousness that would become Eskom’s finances in the present day.⁷⁹⁴

Analogous to BMW, HOSAF too, did not expect much progress towards reform to emanate in the latter half of the decade from the NP Government. It noted the slow pace of reform, pondered whether black politicians might emerge out of the politicized unions but by 1989 no longer expected any decisive political change.⁷⁹⁵ Privately, the company extended its provision of social benefits to black workers and created a Small Business Development department backed by company funding.⁷⁹⁶ After the first year of its operation, management remarked ‘the success seems small and disappointments numerous’.⁷⁹⁷ The same could have been said of the results of Pretoria’s reforms of the 1980s. Nonetheless, the subsidiary regarded its work as a long-term contribution to addressing the major problems in the country. Its lengthy track record evidenced not least by its co-funding of the 1983 South African Race Relations Survey.⁷⁹⁸ On the whole, however, its efforts were commendable albeit negligible in terms of impact.

⁷⁹² Loc. cit.

⁷⁹³ Loc. cit.

⁷⁹⁴ Steven Mufson, ‘South Africa 1990,’ *Foreign Affairs* 70, no. 1 (1990/1), 120-141, here p. 130; David Pilling, ‘Vested interests are dragging South Africa down,’ *FT*, 27.11.2019. <https://www.ft.com/content/e1bba280-1115-11ea-a225-db2f231cfeae>.

⁷⁹⁵ Bieber and Wagner (HOSAF) to Cord, 22.1.1988 in HGF H0177187; Bieber and Wagner to Cord, 18.1.1989 in HGF H0177187.

⁷⁹⁶ Hayes-Jones (HOSAF) and MC Veysie (HOSAF) to Lehmann, 28.3.1988 in HGF H0177187.

⁷⁹⁷ Lehmann to Hayes-Jones and Wagner, 12.4.1988 in HGF H0177187.

⁷⁹⁸ Carole Cooper et al., *Race Relations Survey: 1983* (Johannesburg: South African Institute of Race Relations, 1983), acknowledgements.

By the end of the P.W. Botha era, the importance and concurrent insignificance of the South African business as outlined in the first section of this case study were reconfirmed. As American competitors continued to withdraw by selling their operations to South African conglomerates, Hoechst considered an increase in its own investment.⁷⁹⁹ In 1990, HOSAF made its biggest investment to date in the country by using local capital to the tune of DM70m to expand a production plant that manufactured packaging materials.⁸⁰⁰ The new MD, Reinhard Traub, explained to the press that the investment was based on faith the company had in the economic future of the country. A further expansion of Hoechst's presence in the country in the following year was attended by the Finance Minister du Plessis and Minister for Agriculture van Niekerk, who honoured the company for remaining in SA.⁸⁰¹ This commitment, however, had not meant the abandonment of business norms. For example, in 1989/90 it ceased in-house pharmaceutical production for economic and strategic reasons.⁸⁰² Concurrently, to it receiving accolades at the Cape, Hoechst AG was receiving letters from legal firms, representing American educational institutions, enquiring about the company's involvement with SA. The crux of the company's engagement with SA was summarised perfectly by one such letter that fell into the lap of the CFO Jürgen Dormann, then Head of the North American business and next in line for the CEO position. Dormann, mystified at the piece of paper, passed it on to the PR department enquiring 'whether anyone knew anything about South Africa'.⁸⁰³ After all the turbulence of the 1980s, SA returned to what it had always fundamentally been in the minds of Hoechst's Board - an insignificant market they neither knew nor cared about.

6. Helderberg

When the story on the arms embargo broke in the *FR* in 1991, it was already a day old having been covered by a German regional state radio station a day earlier. Citing the *Weekly Mail*, the paper

⁷⁹⁹ V.L. Schmidt to Hinkel (Hoechst AG), 11.5.88 in HGF H0177186.

⁸⁰⁰ 'Hoechst Südafrika baut die Produktion aus,' *FAZ*, 18.12.1990.

⁸⁰¹ Dieter von Bremer, 'Engagement bekräftigt,' *FP*, 10/1991. Copy in HGF H0085463.

⁸⁰² 'Schließt Hoechst in Südafrika die Pharmaproduktion?,' *FAZ*, 8.7.1989; *FAZ*, 18.12.1990, loc. cit.

⁸⁰³ Von Winterfelt (Zentrale Öffentlichkeitsarbeit (PR), Hoechst AG) to Lehmann, 7.2.1990 in HGF H0177186.

that had originally broken the story, as a left-leaning, liberal paper, the Johannesburg-based ARD correspondent, Klaus Metzler, nevertheless demanded consequences whilst on air.⁸⁰⁴ Less than three hours later, Hoechst AG's spokeswoman, Dr Felicitas Feick appeared on a sister radio station denouncing the accusation as crazy and without merit.⁸⁰⁵ Taking charge, Feick instructed Traub later that day to meet with the editor of the *Weekly Mail* as well as the SA correspondent of the state radio station.⁸⁰⁶ In this incident Hoechst was unable to nip the negative publicity in the bud by presenting facts to the contrary as it had at the beginning of the 1980s. Instead, the company pulled out all the stops to kill the story in its tracks evidenced by it sending a senior representative on the air within three hours of it breaking.

The veracity of the narrative that the *Helderberg* was carrying chemicals for Hoechst is questionable. Whilst the full manifest of the *Helderberg* remains unknown, Taiwan has a notable defence industry. Furthermore, the bilateral relationship between apartheid-SA and the ROC, both politically isolated nations on the world stage, is not a revelation. Indeed, SA's bolstering of connections to the Far East following increased Western isolation is well-documented.⁸⁰⁷ Yet, HOSAF's involvement relies purely on conjecture. No record exists of the subsidiary sourcing raw materials from Taiwan, let alone transporting these via SAA. Moreover, apart from a single visit in the spring of 1987 by representatives of the Taiwanese firm *Chang Chun Petrochemicals Taipei* to announce their employer's market entry into SA, no relationship to Taiwan can be established.⁸⁰⁸ Whilst one of the casualties, Thomas Barry Osler, was a general manager at IDC, which was the government shareholder in Sentrachem that in turn was HOSAF's JV partner in multiple ventures, this is a tangential fact.⁸⁰⁹ In summary, the probability of the *FR* abandoning journalistic standards of due diligence to push

⁸⁰⁴ '(...) müßten eigentlich Konsequenzen für die deutschen Unternehmen nach sich ziehen, die sich einen Pflifferring um das UN-Embargo scherten.' Interview Klaus Metzler, 8.11.1991 (13:38) on HR 1 radio.

⁸⁰⁵ Interview Dr. Felicitas Feick, 'Rhein-Main-Journal,' 8.11.1991 (16:15) on HR 4 radio.

⁸⁰⁶ Feick to Traub, memo, 8.11.1991 in HGF H0085463.

⁸⁰⁷ John Pickles and Jeff Woods, 'Reorientating South Africa's International Links,' *Capital & Class* 12, no. 2 (June 1988), 49–55.

⁸⁰⁸ Fichert and Troppitz (HOSAF), note on visit by Chang Chun Petrochemicals Taipei, 4.6.1987 in HGF H0177186.

⁸⁰⁹ 'South African Airways Office Releases Passenger List With AM-South Africa-Plane,' AP, 29.11.1987. <https://apnews.com/44058db3c2823babd7c42f6be349deaa>.

a headline of a large local employer, i.e. Hoechst, being tied to *Helderberg* is far higher than that of the claim itself. Indeed, the claim echoed prior mudslinging against Hoechst. In the 1970s, the global AAM had accused the company of operating in SA to produce poison gas.⁸¹⁰ To its credit, the German AAM revealed the accusation had been without any merit. Yet, it took nearly three decades for them to print a half-hearted retraction, long after Hoechst was no more.⁸¹¹

Conclusion

HOSAF was a minor revenue cog in the Hoechst chemical and pharmaceutical empire. Despite its economic insignificance, the subsidiary experienced business challenges during the P.W. Both years unique to apartheid-era SA. Autarkical measures by the NP Government certainly played their part in strengthening business cases for capital investment. Yet, such benefits were complemented by international reluctance to insure against any fallout from apartheid policies. Similar to the problems, the solutions, too, proved to be particular to SA. JVs with the partially-state owned Sentrachem, and thereby implicit support of IDC's pursuit of *volkskapitalisme*, as well as loss-protection from political violence provided by SASRIA are two examples highlighted in this chapter. Labour and union issues, the source of much consternation for fellow FRG subsidiaries, whilst not nipped in the bud at HOSAF, could be managed without great fanfare, in part due to the negotiation leeway provided by underlying profitability. Whilst politically docile, HOSAF used its knowledge of the landscape to shape behind the scenes responses when it feared to be dragged into the limelight.

Hoechst did not disinvest from SA for two fundamental reasons. First, it was able to overcome the difficulties posed by operating in the country as demonstrated above. Macro-level challenges were successfully managed and micro-level difficulties, such as the need for skilled labour, were addressed via multiple training and welfare programmes. Second, there was no expected benefit. It would have broken solidarity amongst German companies not to be swayed by political affairs in

⁸¹⁰ 'PCP (Portuguese Communist Party) Organ scores FRG support of apartheid regime,' *Avante!*, 10.9.1977, 10.

⁸¹¹ Morgenrath and Wellmer, op. cit., 51.

their investment and managerial decisions. Furthermore, in 1981 its margin was 7% on revenues of R291m. By 1990 it had increased sales to R952m and doubled margins to 14.2%. Indeed, the subsidiary's profitable growth allowed for its part-float on the JSE in 1995 to access local capital to fund further expansion.⁸¹² Regardless of whether Botha or Mandela headed the government, Hoechst did not abandon a profitable enterprise – no matter how small. Consistent profitability, nigh any profitability, for Degussa South Africa, however, would remain a pipe dream and is examined next.

⁸¹² Interview Traub, loc. cit.

- Chapter 5 -

Degussa South Africa: Peer pressure

Introduction

The following chapter on Degussa in SA serves two purposes. On the one hand, it presents material which supports several of the overarching hypotheses of this thesis. Namely, that business was motivated by economic concerns and opted to maintain a distance from political matters until backed into a corner. Second, that institutionalised racial discrimination was not the status quo within German subsidiaries in the 1980s. Third, that companies orientated themselves on the behaviour of their peers rather than outside pressure and fourth, how the established media narrative was biased against business, even going so far as to knowingly present falsehoods to promote a left-wing agenda. On the other hand, the chapter also acts as a foray into the tapestry of eclectic and utterly abnormal business concerns a manager of a foreign subsidiary in 1980s SA was presented with. It thereby reveals the high level of political ‘creep’ into every facet of business that complicated the day-to-day running of an enterprise in the era of P.W. Botha.

1. Historiography and history of DSA

Existing historiography on the *Deutsche Gold- und Silberscheideanstalt* (‘Degussa’) is limited and restricted solely to the company’s involvement with the Nazi regime.⁸¹³ Given that it was primarily involved in two areas, speciality chemicals and metals trading, historical reappraisal of its affairs during the Third Reich exposed complicity in the trading of confiscated Jewish gold and production of Zyklon B, the gas of choice for the Nazi death camps.⁸¹⁴ Three years after the end of the Second World War, which had resulted in the virtual destruction of the business and its infrastructure, the company resumed trading.⁸¹⁵ By the 1950s it began setting up international sales offices.

⁸¹³ German gold and silver separation refinery.

⁸¹⁴ See Peter Hayes, *Die Degussa im Dritten Reich: Von der Zusammenarbeit zur Mittäterschaft* (Munich: C. H. Beck, 2004) and Sebastian Brünger, ‘Unternehmensgeschichte und Erinnerungskulturen: Zeithistorische Auftragsforschung der 1990er Jahre am Beispiel der Degussa,’ *Zeitgeschichte-online*, December 2012, <https://zeitgeschichte-online.de/themen/unternehmensgeschichte-und-erinnerungskulturen>.

⁸¹⁵ ‘Die Geschichte der vormaligen Degussa AG (‘DAG’),’ Evonik, <https://history.evonik.com/sites/geschichte/de/gesellschaften/degussa/>.

Prior to Degussa formally entering the South African market by founding DSA in 1976, its sales representatives had made it aware that such a step would be to willingly grasp a poisoned chalice. Ulrich Kunze, Degussa's delegate to SA between 1963 and 1970, had arrived in the country just in time to experience apartheid's economic and political boom period.⁸¹⁶ Fascinated by the country's remarkable economic growth in the 1960s, he championed the potential of a greater investment in SA to his superiors in Frankfurt. Yet, he also recognised that SA's continued adherence to the political path of apartheid would eventually result in instability and significant risk for any economic investment. Furthermore, he pointed out the company might thereby draw criticism from its existing clients in Europe and shut the doors on any Black African export markets.⁸¹⁷ Still, Verwoerd was pressing forward with an economic policy that promoted South African self-reliance, thereby opening up a valuable new market for Degussa's core business. If the company did not act quickly, a rival would likely establish themselves in the country and benefit from bumper orders.

The NP Government's drive for autarky correlated with the country's isolation resulting from its political policies. Indeed, the announcement of arms embargos and other sanctions by African and Asian countries throughout the 1960s simply increased the interventionist nature of the South African state.⁸¹⁸ Despite the small size of the domestic market, heavy industry, in particular metal processing and steel production, was growing at an astounding rate; the surge only dampened by a lack of skilled labour. By 1963, 92% of steel was provided in-country and supply was barely keeping up with demand, an issue about to be exacerbated by impending growth in the defence sector and automobile production.⁸¹⁹ As such, heavy industry was about to invest heartily into the heat treatment of steel to serve these new sectors, including via a technique known as 'salt bath hardening'.⁸²⁰ But to capture a share of this growth market, companies had to be represented in SA

⁸¹⁶ Ulrich Kunze, 2nd aggregate report, 11.5.1970 in EICA GPT 2./28.

⁸¹⁷ *Ibid*, 10.

⁸¹⁸ Ulrich Kunze to DAG, Report no. 96, 21. 9. 1964, 1 in EICA Degussa ZKA 01 0116.

⁸¹⁹ *Ibid*, 2.

⁸²⁰ *Ibid*, 3.

and the only representation that mattered was investment, not a sales office.⁸²¹ Kunze appealed to Frankfurt in 1964:

*It is advisable that we enter this segment [heat treatment of steel] as quickly as possible in order to secure an appropriate share of the market. The possibility of achieving this ought to absolutely exist.*⁸²²

Head Office, however, perhaps at the time overly busy with the task of managing the construction of a large chemical plant in Belgium, did not follow its emissary's appeal to raise its investment profile in SA.⁸²³ The country, meanwhile, boomed with or without Degussa's increased involvement. In 1964, a new production plant was being opened in SA every single day.⁸²⁴ Conscious of the threat of sanctions, part of the boom can be attributed to Verwoerd's economic policy: autarky to mitigate any future sanctions.⁸²⁵

By 1970, the dichotomy between economic growth and apartheid political rigidity had become increasingly pronounced, thereby presenting Degussa with the same trade-off concerning investment it had faced in the 1960s. This time the stakes were higher. Short-to-medium-term profits had to be weighed against inevitable long-term crises. Those crises years could now be just around the corner, a fact Kunze recognised. If the government increased its flexibility on job reservation, foreign and apartheid policy, and provided the non-white populace some form of political rights, then the politics of separate development, he mused, would one day bear fruit. Should the country not be prepared over time to create conditions that would enable a fair participation of disenfranchised citizens in the economic and political life of SA, then the delegate correctly predicted there would be conflict between the races.⁸²⁶ Yet Kunze regarded the potential

⁸²¹ Kunze, 2nd report, op. cit., 10.

⁸²² Kunze, Report no. 96, loc. cit.

⁸²³ 'Die Geschichte,' loc. cit.

⁸²⁴ Kunze, 2nd report, op. cit., 9.

⁸²⁵ Britain's response after Rhodesia's 1965 UDI put into practice Verwoerd's fears.

⁸²⁶ Kunze, op. cit., 8.

for violence as coming from abroad. A misreading, considering the ANC had already begun its domestic bombing campaign in 1961.⁸²⁷

That the coming of the crises years would be sooner rather than later was illustrated by the main white parties in the 1970 SA election: They only differed by the means in which they wished to continue maintaining white political dominance.⁸²⁸ The country's future depended now so heavily on the political element, including the impact of foreign criticism, that Degussa's envoy found himself incapable of offering any predictions beyond a single year.⁸²⁹ The economic case for investment still existed but the political risk of that investment had now not only increased but could, due to SA's increasing global isolation, affect Degussa's existing business in Western Europe. Apartheid now directly impacted any future bottom line in the case of market entry by increasing the cost of capital due to the risk component. At the root of it all was racial discrimination. A truth and concurrent obstacle eloquently captured by Kunze in his explanation of why a revised discount rate of 20% applied to any considered investment: '[A greater discount rate is necessary] given [SA's] racial problems burden it with an unenviable debt...'⁸³⁰

For the immediate future, therefore, SA remained primarily a market from which Degussa AG ('DAG') sourced platinum rather than engaged in any significant sales activity.⁸³¹ When the company tried to obtain a similar long-term sourcing agreement for gold to be shipped to Frankfurt, at equivalent prices offered to those by the South African Reserve Bank in London and Zurich, it was rebuffed by the central bankers.⁸³² As a consequence, it notified the Reserve Bank that despite Degussa's 'loyalty to SA' it would safeguard its own interests.⁸³³ The company thus went on to explore procurement options with the Soviets, whilst lambasting South African

⁸²⁷ Peter Biles, 'South Africa's "Red Pimpernel" recalls armed struggle,' BBC News, 16.12.2011. <https://www.bbc.co.uk/news/world-africa-16196913>.

⁸²⁸ Kunze, op. cit., 7.

⁸²⁹ Loc. cit.

⁸³⁰ Ibid, 10.

⁸³¹ Dr Felix Prentzel (CEO Degussa) to SA Ambassador D. B. Sole, 16.6.1972, 2 in EICA PRE 01 0048.

⁸³² H. O. de Villiers (SA Reserve Bank Deputy Governor) to Prentzel, 3.2.1972 in EICA PRE 01 0048.

⁸³³ Gerhard Wiesmann (DSA) to Werner Knies (DAG metals), 23.3.1971 in EICA PRE 01 0048.

inflexibility.⁸³⁴ Notwithstanding its choice of words, clearly no loyalty to apartheid-era SA existed outside normal business relations, and even these were subject to fundamental economic imperatives. Indeed, the cost-factor rather than potential sales growth ultimately drove the company to found a wholly-owned subsidiary in 1976.

2. Market entry

SA's political climate presented an obstacle to investment, one that a classical business case of growth and profits simply could not overcome for Degussa. Noticeably, the company had rejected investment in the 1960s and early 1970s, although this period had represented the golden age of South African economic growth. Indeed, the establishment of a permanent office was justified to Degussa's Board on the grounds of cost-effectiveness compared to its historic sales agent model of dispatching or nominating an in-country delegate.⁸³⁵ In addition, senior management believed it was necessary to establish and retain direct contacts given SA's importance for the global precious metals sector.⁸³⁶ Yet, in a 1976 Board decision paper on formal SA market entry, the political aspect and the safety of any investment rather than any sales projections took pride of place. The company neither invested because of supposed above-average apartheid profits, nor did it commit funds to establish a production plant. Rather its formal entry into the South African market was a banal optimisation of the cost position behind its sales infrastructure.

To alleviate the concerns of the Board regarding the political risk of an investment, management employed three main arguments. First - favourite of German industry - namely other companies are doing it. In this case, Degussa's foreign competitors were already present in SA.⁸³⁷ Second, belief that the Homelands policy had a decent probability of leading to a peaceful solution to the 'racial problem'.⁸³⁸ Hereby, Degussa AG was influenced by DSA's impression that the Vorster

⁸³⁴ Loc. cit.

⁸³⁵ Decision paper on founding of DEGUSSA SOUTH AFRICA PTY. LTD for DAG Board, 15.6.1976, 3-4 in EICA LIE 01 0056.

⁸³⁶ Ibid, 8.

⁸³⁷ Loc. cit.

⁸³⁸ Ibid, 9.

Government was committed to racial harmony.⁸³⁹ The proponents of investment relied on the optimism of the current German expatriate in SA, Wiesmann.⁸⁴⁰ Given the earlier enthusiastic but subsequently sceptical stance of Kunze, the change one man and his opinion could have on the course of events cannot be underestimated. Whether SA's black population and the frontier states accepted the Homelands policy as a credible solution was placed in doubt, but reasons were presented to alleviate worry. For, in this case, the third argument applied. Even in the case of violence resulting in political change, history had shown that the investment and wealth of foreign investors in the primary industries and resource sector had been spared.⁸⁴¹ The Board's subsequent approval of investment could not have been any more ill-timed, for the following day the Soweto uprising took place.⁸⁴²

3. Apartheid business

By 1978, the political framework of SA represented both boon and burden for Degussa. On the one hand, the company was optimistic about the fundamentals of the South African economy, despite its high inflation rates, lack of skilled labour and dependence on oil imports.⁸⁴³ On the other hand, its local subsidiary feared that Pretoria's politics and economic interventionism would undermine future economic success:

*Against this background it would appear that South Africa has the potential in the 1980s of becoming one of the soundest economies in the world and it would be severely detrimental to the Republic's long term future if this possibility were denied to us by lack of flexibility and enlightenment on the part of the fiscal and political authorities.*⁸⁴⁴

Yet, it was precisely the state's policies of economic independence for key materials that offered the first business opportunities for DSA. The fundamental distortion of the apartheid economy enabled business cases that under normal circumstances were far from economically viable. By

⁸³⁹ True but not at the cost of granting non-whites citizens political rights in 'core' SA thereby undermining any tangential pursuit of racial harmony.

⁸⁴⁰ Loc. cit.

⁸⁴¹ Ibid, 10.

⁸⁴² A culmination of inherent problems in Black education expressed by student protest with a subsequent police response resulting in a great number of wounded and dead. See Harrison, op. cit., 176-183.

⁸⁴³ DSA Annual Report FY 1977/78, 3 in EICA DL 22.4./349.

⁸⁴⁴ Ibid, 4.

seeking to source critical resources domestically, the NP was reacting to political isolation from its treatment of the non-white majority by burdening the white minority with the inflated costs of domestic production, a paradox illustrated by the discussions between Sentrachem and DSA.

The part-government-owned chemical company Sentrachem approached DSA citing its fears of economic sanctions by industrialised countries.⁸⁴⁵ The impetus had been the imposition of a mandatory arms embargo by the UN in the previous year, a resolution that marked SA's traditional backers on the Security Council, the US and the UK, joining the votes in favour.⁸⁴⁶ With discussions of an economic boycott now trending in Western corridors of power, particularly in the Netherlands and in Denmark, Sentrachem sought to extend its domestic production of key chemicals to also cover intermediary products, in this case cyanuric chloride, an organic compound used in the production of herbicide. Given the importance of maize to the agricultural sector, protecting its growth was not simply a throwback to historical Boer cultural romanticism of a rural farming idyll but an economic fundamental. Meeting the ambitions of Sentrachem would require a DM34m investment by Degussa to aid in the commissioning of a plant to produce the compound.⁸⁴⁷ The size of both the investment and the plant's output capacity of 5.000 tons per year were judged by the DSA representatives as being utterly overproportioned compared to the size of the South African market: '(...) it makes no economic sense'.⁸⁴⁸ Furthermore, delays in getting a proposed plant operational might cost the company between DM2m to 4m per year in penalty clauses. P.E.J. Kruger, an attendant chemist, pointed out that were the Germans to provide a detailed cost-breakdown then the South Africans were sure to find ways and means to reduce the size of the required investment. After all, Sentrachem knew how to reduce investment costs in a South African environment.⁸⁴⁹ Another complication was that should SA's political and economic isolation worsen, a proposed DM10.2m budget for spare parts would not suffice. Instead,

⁸⁴⁵ Dieter Pfeiffer (MD DSA), meeting memo with Sentrachem 19.6.1978, 22.6.1978, 2 in EICA BOD 01 0422.

⁸⁴⁶ See Resolution 418 (1977), 4.11.1977. [https://undocs.org/S/RES/417\(1977\)](https://undocs.org/S/RES/417(1977)).

⁸⁴⁷ Pfeiffer, op. cit., 3.

⁸⁴⁸ Ibid, 3-4.

⁸⁴⁹ Pfeiffer, op. cit., 3.

replacement parts would have to be shipped and stockpiled to cover at least two years of production.⁸⁵⁰ With no agreement reached, the South Africans proceeded to put their proposal to other foreign chemical companies, only to return to Degussa two years later.

If P.W. Botha was known for being stubbornly uncompromising, then Sentrachem proved to be the same – choosing to walk away from a deal rather than compromise. When the company met Degussa representatives once again in 1980, it had no other choice. Contact had been broken off with other foreign chemical firms on the proposed venture in cyanuric chloride production.⁸⁵¹ The South Africans had become obsessed in obtaining maximum independence for the compound necessary to produce a triazine-based herbicide. For, in their discussions with the Germans, they underscored that no exports of cyanuric chloride would take place should the project go ahead, despite the proposed plant's annual production far surpassing SA's requirements. Clearly the Afrikaner-led Sentrachem was thinking in terms of stockpiles and a siege economy, one of the few incontestable examples of Boer 'laager' mentality truly taking hold in the 1980s. The project would produce one kg of cyanuric chloride at a cost of DM4.80 compared to a global price of DM3.60, perplexing Degussa that the South Africans remained willing to pay such a high price for autarky for an intermediary chemical.⁸⁵² Indeed, at a DM1.2 price differential per kilo and production of 5.000 tonnes per annum, the country would be paying a self-imposed annual apartheid-premium of DM6m. This represented a recurring waste of tax-payer money, notwithstanding the sunk costs of plant construction, misallocation of limited skilled labour, and the large amount of working capital trapped in spare parts. For a foreign partner, such as Degussa, the project could only become economically viable if the NP Government maintained tariff barriers versus foreign compound imports. Furthermore, it would require costly local, synthetic production of deadly hydrogen cyanide to produce an end-product with only a single-customer.⁸⁵³ As such, potential investment

⁸⁵⁰ Birkenbeil (DAG) to Schue (DSA/DAG Ceramics), 23.10.1978 in EICA BOD 01 0422.

⁸⁵¹ Kegel (DAG), meeting memo with Sentrachem 6.10.1980, 13.10.1980, 1 in EICA BOD 01 0422.

⁸⁵² Ibid, 5.

⁸⁵³ Niels Von Ekesparre (MD DSA) interview with author, 16.1.2020.

also carried an unenviable business risk profile. In the end, this second round of negotiations broke down. With no alternative but Degussa available, Sentrachem remained unwilling to compromise on terms and walked away. The apartheid-economy had thereby presented Degussa with its first significant opportunity to grow in SA, one that it had not rejected out of hand despite the company's political anxieties.⁸⁵⁴ Thus, apart from a minor JV in charcoal production with a family-owned agricultural business held in trust for another part of DAG, and a small production unit for mixing salts, Degussa in SA remained unremarkable and unprofitable. In the mid-1980s this picture, however, changed significantly.

4. The profitable fruit of disinvestment

So far within this case study collection, the 1980s are demonstrated as not being a period of significant if any profitability for German business in apartheid-era SA. It is perhaps therefore fitting for a company with hitherto minor involvement in the country, namely Degussa, to provide the exception to the rule. That there existed cost as well as opportunity in disinvestment is highlighted by the example of Algorax.

In 1986, Degussa bought the US/Indian Phillips Carbon Black company's shareholding in a Carbon Black production plant in PE for US\$3m.⁸⁵⁵ The plant was the main asset in a JV with IDC, which retained its stake after the US/Indian company's exit. Upon Degussa's entry as a new partner with the parastatal, the venture was renamed Algorax. Crucially, misgivings on political risk were overcome by reference to the consistency in revenues and profits of the plant.⁸⁵⁶ Furthermore, Carbon Black had been listed as a strategic product by the NP Government, ensuring favourable conditions for domestic production. Degussa would take control/gain full ownership of six further

⁸⁵⁴ Degussa subsequently was approached by Sentrachem regarding co-operation in the field of hydrogen peroxide. In 1991 it confirmed that it had maintained good relations with the parastatal despite politics limiting its room to manoeuvre. See Dr Hahn (DAG Chemicals) and Willmann (DAG), Board discussion paper 2.7.1991, 26. 5. 1991, 1-2 in EICA BOD 01 0422.

⁸⁵⁵ Dittrich (DAG) and Wolf (DAG Head of inorganic chemistry), Board decision paper 4.2.1986, 29.1.1986 in EICA DL 22.4./257.

⁸⁵⁶ Loc. cit.

Carbon Black production plants across the US and Europe within two years, in line with its strategic global expansion into this segment.⁸⁵⁷ However, that this growth began *in 1986* and *in SA* via Algorax was entirely driven by Philips seeking to be rid of its local equity stake post-haste due to the 1986 US Comprehensive Anti-Apartheid Act. Given Degussa's planned strategy, this opportunity came at the right moment, yet tied it into Pretoria's strategic economic base. However, even without the German company's plans in the materials segment and its subsequent purchase, IDC, possibly in conjunction with a local partner, would have continued operating the plant, irrespective of any foreign shareholding. Fundamentally, Degussa benefited from disinvestment two-fold: By the cheap purchase price and by acquiring a running business exhibiting remarkable profitability.

Indeed, the profitability of the venture was extraordinary. Shortly before being acquired, the business had doubled its exports, including to the FLS and to the Far East.⁸⁵⁸ Profits were so high that even customers benefited. For less than three months after purchasing the business, the JV Board reduced prices by 15%.⁸⁵⁹ Notwithstanding that decision, profits in the second half of 1986 were 50% higher than that of the first half.⁸⁶⁰ The proposed dividend of R3.7m was greater than 300% of the paid-in share capital of R1.2m.⁸⁶¹ And the good times were only going to get better, for even the German business press expected sanctions to drive up South African domestic industrial production and thereby the procurement of Carbon Black.⁸⁶²

Contrary to other German business interests in SA, Algorax benefitted greatly from SA's FX woes. The weak rand not only boosted sales to the Far East but raised orders by the FLS. In 1986 alone, the JV increased its sales to Dunlop in Zambia from 250t to 720t – a 188% increase.⁸⁶³ Similarly, the withdrawal of American aid shipments to Zimbabwe in the same year and thereby the historic

⁸⁵⁷ 'History,' Orion Engineered Carbons, <https://www.orioncarbons.com/history>.

⁸⁵⁸ Wolf, Summary of Algorax 31.7.1986 Board meeting, 13.8.1986, 7 in EICA DL 22.4./257.

⁸⁵⁹ Loc. cit.

⁸⁶⁰ Loc. cit.

⁸⁶¹ Loc. cit.

⁸⁶² Blick durch die Wirtschaft, 11.8.1986. Cited in *ibid*, attachment 5.

⁸⁶³ Jacobs (DAG) to Wolf, Telefax, 15.8.1986, 5 in EICA DL 22.4./257.

provision of commodities below market prices, allowed Algorax to reclaim its position as the number one supplier of Carbon Black to the country.⁸⁶⁴ Neither would sanctions have any impact. Asian markets and their respective governments retained friendly relations with SA.⁸⁶⁵ In addition, Algorax continued to receive crude oil from the Gulf of Mexico, the primary raw material in Carbon Black production.⁸⁶⁶ The first year of Degussa's venture into a production business in SA, therefore, ended on a high note. Sales were up 12% and EBIT, even accounting for the fall in the rand, stood at DM16m.⁸⁶⁷

Considering such figures, putting up with onerous government-imposed security provisions could be stomached. As Carbon Black was a strategic product, the plant was surrounded by high, barbed wire fencing as well as four permanently manned watch towers.⁸⁶⁸ Moreover, the complex was deemed as falling under Botha's NKPA. Algorax, therefore, was required to stockpile between eight to thirteen months' worth of production, albeit financed by an interest-free government loan.⁸⁶⁹ A paramilitary-trained security force of sixteen 'Coloureds' with access to automatic weapons patrolled the grounds at a cost of R300.000 per year to the business.⁸⁷⁰ Additionally, private security contractors acted as a back-up force during periods of anticipated regional unrest.⁸⁷¹ Try as it might, the company could not wriggle its way out of these official requirements. The times, just as the profits, were simply abnormal.

Whereas militant unionism proved a challenge at other German industrial businesses in the country, at Algorax the unions never had a chance to gain a foothold as the company pre-emptively increased staff wages. For example, citing 'disturbed social conditions' and high inflation in the

⁸⁶⁴ Loc. cit.

⁸⁶⁵ Degussa noted the following three countries as not heeding the global call for sanctions: Sri Lanka (large tea exports to SA), Taiwan (very friendly relations), and South Korea (no foreign policy ambitions). See Kress (DAG), internal minutes of Stopford visit in Frankfurt 18/19.8.1986, 22.9.1986, 5, point b in EICA DL 22.4./257.

⁸⁶⁶ In full knowledge of US authorities, tankers would depart the Gulf making stops in Nigeria and Angola before ultimately arriving in SA. See interview von Ekesparre, loc. cit.

⁸⁶⁷ Wolf, Minutes of Algorax Board Meeting 20.11.86, 5.12.86 in EICA DL 22.4./257.

⁸⁶⁸ G. Kühner (DAG), Aggregate report for anorganic chemistry division, 18.12.1986, 2 in EICA DL 22.4./257.

⁸⁶⁹ Wolf, 13.8.1986, op. cit., 4.

⁸⁷⁰ Perhaps because they were cheaper and more prevalent than white labour but less likely to be ANC sympathizers than the employed black workers. Ibid, 4-5.

⁸⁷¹ MD Algorax, Memo to Board, January 1986, 23 in EICA DL 22.4./257.

country, the JV's leadership took the unusual step of unilaterally implementing a mid-year wage and salary increase of 6% in 1986.⁸⁷² Two months later, the Employee Representation Committee voted against joining a union.⁸⁷³ The measure not only worked, but it had also been affordable considering the profits and cheap given the cost of labour. When technical solutions to save personnel costs were considered, they were dismissed as simply not being worth it with a worker costing on average only R14.000 per annum.⁸⁷⁴

However, race relations were another matter entirely, and the only one that the company monitored with concern. The complete lack of education of non-white labour meant all managerial and senior positions had to be filled with white employees.⁸⁷⁵ The Xhosa workers were regarded as 'sluggish'.⁸⁷⁶ Algorax's management were not alone in this opinion. Within Cape industry Xhosas were considered 'highly politicised and difficult to manage', especially compared to Zulus and Tswanas.⁸⁷⁷ This politicisation evidenced by the fact that 71% of ANC volunteers came from the Eastern Cape.⁸⁷⁸ Duncan (1992) warned of the danger that race was used as 'convenient catchword for more complex explanations'.⁸⁷⁹ However, in this case, managerial opinion likely did rest on observed work ethic and political aspects. Nevertheless, such thinking promoted negative racial stereotypes. For example, Dr Wolf, the Frankfurt-based Board member, who as head of the inorganic chemistry division spearheaded Degussa's global carbon black strategy, of which Algorax was only one part of, noted that it did the Xhosa workers no favours, that their race also constituted the bulk of membership for the 'extreme left' and the ANC, an organisation Algorax's Board regarded as 'militant, communist, and "black racist"'.⁸⁸⁰ Yet, management kept such controversial views to itself.

⁸⁷² Jacobs, loc. cit.

⁸⁷³ Wolf, 13.8.1986, op. cit., 6.

⁸⁷⁴ Kühner, loc. cit.

⁸⁷⁵ Loc. cit.

⁸⁷⁶ Loc. cit.

⁸⁷⁷ David Duncan, "We are Motor Men": Management Culture and Consciousness in the South African Motor Industry, paper presented at African Studies Institute, UW, 11.5.1992, 15.

⁸⁷⁸ Sampson, op. cit., 101.

⁸⁷⁹ Duncan, loc. cit.

⁸⁸⁰ Wolf, 13.8.1986, op. cit., attachment 3 - VWD Tagesbericht 12.8.1986.

As was the case with RBSA, private musings at senior hierarchical levels on racial factors, did not translate in effect into operational management decisions on the shop floor – rather the opposite. Indeed, the sole debatable action Algorax’s leadership ever executed, was to deduct politically driven worker ‘stay-away’ days from the annual holiday allowance.⁸⁸¹ But this was in accordance with norms followed by most businesses. Concurrently, the institutionalised Sullivan principles stemming from the plant’s previous ownership were replaced by the voluntary EEC codex, partially due to their less onerous nature.⁸⁸² The reason behind management’s tiptoeing on labour issues was simple; it understood that the workers already had enough troubles, particularly with local and central government:

*(...) we cannot, at this stage, afford to lose credibility with the black section of the Port Elizabeth population...more non-whites applying for housing loans, housing situation in PE becomes more critical in their areas. Admin of loans made very difficult with ridiculous amounts of red tape involved and the confusion and inefficiency which exists in the various Departments handling Black, Coloured and Asian housing*⁸⁸³

Just as management had to deal with Pretoria’s security guidelines and interventionism on running the plant, workers had to navigate the cumbersome apartheid-era bureaucracy outside the plant. The industrial unrest sweeping the country, therefore, was a factor that neither side had an interest in bringing into the local environment. Instead, the JV simply built on its existing success by erecting a second plant.

At first glance, the start of construction of an automotive catalytic convertor plant by Algorax in PE in 1988 may appear to be a paradox, for South African fuel was leaded.⁸⁸⁴ Yet, South African government regulation resulted in economic viability where none seemed possible. Constructed at the behest of DB, the Algorax plant produced 55.000 convertors per annum.⁸⁸⁵ That output was sold in full to DB and exported to Germany for use in FRG car production. DB thereby obtained

⁸⁸¹ MD Algorax, op. cit., 21.

⁸⁸² Ibid, 22-23; it, however, maintained previously instituted social projects.

⁸⁸³ Loc. cit.

⁸⁸⁴ Lead renders the convertor inoperable.

⁸⁸⁵ Interview von Ekesparre, loc. cit.

a rebate on the onerous South African import duty for automotive components, which it required for its South African plants, tied to the volume of exported convertors.⁸⁸⁶ Whilst SA in time would move to unleaded fuel, thereby creating a local market, the plant's sizing established its credentials as serving Daimler's German operation. Whilst Degussa remained reticent on greater South African investment, it could not ignore an opportunity to strengthen its relationship to an existing client in Germany via Algorax.

However, the JV's success story, was only one-side of the coin, for the actual subsidiary, DSA, of which the Algorax venture was not part of, was mired in losses. The issues it faced were systemic to foreign subsidiaries during Botha's tenure and in line with those of the motor industry examined in section I, thereby underlining the outlier that Algorax represented.

5. DSA: problem subsidiary

Had it not been for Algorax, Degussa AG would have viewed SA solely through the prism of DSA. Therefore, at the group-level the market would have been loss-making rather than profitable. DSA is not only a textbook case of the unprofitability of running a foreign subsidiary in 1980s SA, but also a tale of politics intruding into virtually every aspect of day-to-day business. The underlying fault may have lain with Pretoria's politics, yet it was not always the case of the NP Government being the driver of management's increasing toils, as illustrated by this section.

Recession and an ongoing drop in the rand proved to be the first significant, politically driven challenge DSA had to face – one, insurmountable without a capital injection from Germany. Since FY 1983/84, DSA had been loss-making.⁸⁸⁷ Fundamentally, the business faced cut-throat price-competition in its market due to recession. The poor economic fundamentals were exacerbated by FX losses stemming from the continued drop in the rand versus the DM, a factor that could only be hedged against in part and at great cost. Degussa AG watched with trepidation as the rand/DM

⁸⁸⁶ Loc. cit.

⁸⁸⁷ Karl-Heinz Gerken (DAG central sales administration) and Dr Hans-Peter Baum (DAG), Board meeting paper 18.6.1985, 4.6.1985, 4 in EICA Degussa ZKA 03 0048.

rate trended increasingly near parity, having traded at 2.6 DM per rand only a few years earlier.⁸⁸⁸ With no direct DM/rand hedging available, the company had to hedge via the US\$, increasing hedging costs by 20%.⁸⁸⁹ This necessitated the in-house bank, Degussa Bank, being drafted in to assist in reissuing the import invoices for DSA from DAG in USD.⁸⁹⁰ As such, SA had now ceased to be a localised and contained problem for DAG.

With South African inflation at 18% and interest rates at 25%, the drop in the rand's value far exceeded that of economic reason, a phenomenon correctly attributed by management in Frankfurt on the political predicament.⁸⁹¹ Whilst management realised that given strong price competition in the market, it could not increase prices to offset FX losses, it did take several personnel measures. All non-essential expatriate staff were recalled driving down the wage bill. Still, this proved ineffective. R150.000 exchange rate losses in 1984 alone meant the subsidiary booked a total loss of R50.000 for the year, thereby continuing a track record of red ink.⁸⁹²

With no improvement in sight, and headquarters fearing the worst in case of an economic boycott taking place, Degussa's hand was forced by the South African banks. The weakening rand meant that any existing DM in DSA's balance sheet had to be remitted to Germany post-haste. This, however, resulted in a financing gap for the subsidiary - one that left it exposed to the predatory schemes of the South African banking system. Standard Bank of South Africa exemplified the new regime. It now began charging a 1% readiness commission on all lines of credit not firmly accepted, hitherto unprecedented in international banking.⁸⁹³ Financing from Degussa Bank, would have meant avoiding this fee but not without increasing the company's exposure to the South African economy. By requiring foreign subsidiaries to have local credit lines, however, the South African

⁸⁸⁸ Ibid, 3.

⁸⁸⁹ Plessow (Subsidiary mgmt. Africa, Asia, LatAm) to Herbert Hartmann (Board member DAG) et al., Report on SA visit 28-30.11.1984, 2.1.1985, 3 in EICA Degussa ZKA 03 0048.

⁸⁹⁰ Loc. cit.

⁸⁹¹ Baum to Plessow, Fehres (DAG), Rehmann (DAG), DSA Situation, 21.8.1985 in EICA Degussa ZKA 03 0048.

⁸⁹² Plessow, loc. cit.

⁸⁹³ In full knowledge that the economic situation meant foreign subsidiaries had to obtain local lines of credit (with the size of these lines mostly incapable of being determined due to the macroeconomic flux the country found itself in). See Keller (DAG) and Zech (DAG) to DAG Financial Committee, 18.9.1984 in EICA Degussa ZKA 03 0048.

Reserve Bank forced DAG to inject capital into DSA to minimise its dependence on these lines.⁸⁹⁴ DSA's share capital thereby increased 114% via this R400.000 capital injection to R750.000.⁸⁹⁵ Only two months later, the rand dropped 50% in value in weeks to achieve parity with the DM. This annihilated at a stroke half the value of Degussa AG's recent investment.⁸⁹⁶ Considering the rand had vied with the Swiss Franc in the 1960s for the title of strongest currency in the world, its fall from grace was just one major sign of an endemic socioeconomic problem resulting from SA's racial politics.⁸⁹⁷

The collapse in the rand had shown Degussa AG's interventions to be ineffective in cost-effectively stabilising DSA. However, they did provide the subsidiary to a certain degree with a financial breathing space. For when an intervention of a different kind arrived in form of a complaint letter to the Chairman by a South African client, its South African subsidiary succeeded in adding to a track record of ever-increasing, detrimental attention from more senior personnel as well as other divisions within DAG.

Frustrated at a lack of a response by DSA regarding a problem with a supplied component, the DB affiliated South African ADE, escalated the matter to Degussa AG's Chairman in Germany:

*[We] find this situation totally unacceptable and difficult to understand. We are coming to the belief that Degussa are only interested in obtaining contracts but are totally irresponsible when it comes to carrying them out particularly with respect to overcoming problems. The lack of response does not solve anything, only delays the inevitable. The ultimate consequence of ADE's total loss of confidence in Degussa as a supplier, is of major concern to us and should be to you. Our sentiments will be relayed via our D.B. division to DB Stuttgart for their comments.*⁸⁹⁸

A top-down initiated fact-finding mission immediately began on how the far-off minor South African loss-making subsidiary could have created such a situation. Pumping money into a struggling business was one thing but to be repaid with a performance that threatened DAG's

⁸⁹⁴ Gerken, Board, op. cit., 3.

⁸⁹⁵ Loc. cit.

⁸⁹⁶ Baum, loc. cit.

⁸⁹⁷ Alfred Isler, 'Die Goldhause wird kritisch,' *Finanz und Wirtschaft* (Switzerland), 12.3.1969. Copy in EICA PRE 01 0048.

⁸⁹⁸ T. E. Robinson, Chief Production Engineer, ADE to G. Becker (Chairman DAG), 6.2.1986 in EICA ZKA 03 0048.

historic close ties to DB in its home market was another matter entirely. A month later, the root cause had been identified. DSA and DAG had responded multiple times to the customer, but the responses had never arrived. Indeed, business had been charged as normal for sent Telexes but no one from the postal or telecommunications branch had seen fit to inform Degussa that the South African telex network was no longer functional.⁸⁹⁹ It appears investors that had chosen to stay in SA were endangering their German business without any pressure by the AAM; the service culture of South African state institutions sufficed.

Therefore, SA now began to metamorphose into a market necessitating greater understanding, involvement, and attention by management than that usually granted to a simple sales subsidiary. Oppenheimer speeches began circulating the corridors of Frankfurt.⁹⁰⁰ R1.000 was donated to Communications Corporation SA, a lobby organisation hoping to entice German and Swiss investors to increase their existing investments in the country.⁹⁰¹ Niels von Ekesparre, MD of DSA, joined the Senior Council of the Chamber to increase Degussa's ties to peers, the FRG and SA governments, and to receive advanced and first-hand notice of new developments.⁹⁰² VHS tapes on SA were played in Frankfurt headquarters to raise the country's profile amongst Degussa's global leaders.⁹⁰³ Yet, Degussa was bucking the trend of business sentiment, one of increasingly turning away from greater South African engagement, if not outright disinvestment.

That disinvestment was the unspoken word on German industry's lips can be evidenced by two examples. The first, was the belief that competitor BASF, which had a sizeable presence in the USA, the country that virtually termed the word disinvestment, was considering a withdrawal from SA. BASF had a presence as negligible as Degussa in SA, if not more so, for it operated not even a single production site. Fearing the disinvestment wave had spread to not only German industry

⁸⁹⁹ Dr Michaelsen (DAG Industrial Furnaces) to Gerken, 12.3.1986 in EICA Degussa ZKA 03 0048.

⁹⁰⁰ Joan Braune (De Beers), Letter attaching Oppenheimer 17.4.1985 speech to the SA Club London, 22.4.1985 in EICA ZKA 03 0048.

⁹⁰¹ Communications Corp SA to Niels von Ekesparre, 29.5.1986 in EICA ZKA 03 0048.

⁹⁰² Von Ekesparre to Hartmann and Gerken, 11.6.1986 in EICA ZKA 03 0048.

⁹⁰³ Wolf to distribution list, Screening of South Africa Today 17.3.1987, 24.2.1987 in EICA ZKA 03 0048.

but to the chemical sector specifically, von Ekesparre requested DAG to confirm the validity of the hearsay.⁹⁰⁴ Second, even clients had begun to question whether Degussa would not join the increasing number of foreign businesses that had turned their back on the country. Dekro Paints, a sizeable client of the company, offered to step in and take over the South African business should Frankfurt choose to disinvest.⁹⁰⁵ In such an environment, statements by the Buthelezi Chief, Gatsha Buthelezi, criticizing sanctions and disinvestment for not being in the interests of South Africans presented welcome relief.⁹⁰⁶ These were circulated by middle management up as well as down the hierarchy.⁹⁰⁷ The position by the Zulu leader that German companies were contributing to social justice was deemed ‘sehr interessant’ by Degussa’s leadership.⁹⁰⁸ The German executives thereby sought validation for their engagement by the sole black leader also acceptable as a negotiation partner to Pretoria but without sway over the non-Zulu black population. This illustrated the now characteristic ‘pick and choose’ approach that deliberately overlooked the systemic problem that had made market entry and business in SA so controversial in the first place: racial discrimination.

6. Outside attention

Such controversy, however, could not be avoided even if Degussa’s senior personnel felt it to be unwarranted. In the case of enquiries by US shareholders, the company epitomised the nigh-universal method of German business in dealing with political questions on SA: repeatedly ignore, consult with peers, refer to the BDI or existing publications and only respond if in the business interest. In other words, they were dictated to by the forces of economics. The 1987 questionnaire by Stanford University sent to Degussa and Bayer proved to be one such case.⁹⁰⁹ Despite Stanford

⁹⁰⁴ Von Ekesparre to Gerken, 29.1.1987 in EICA ZKA 03 0048.

⁹⁰⁵ Förster (DAG sales co-ordination), meeting report 10.6.1987 with Roy Meaker (Chairman Dekro Paints) and Terry Ashmore (MD Dekro Paints), 11.6.1987 in EICA ZKA 03 0048.

⁹⁰⁶ Interview in Albeldas op. cit., 184-192.

⁹⁰⁷ Wolf to Becker et al., Letter attached to 20.10.1987 FAZ article ‘Mugabe leiht Lokomotiven aus Südafrika’, 22.10.1987 in EICA ZKA 03 0048.

⁹⁰⁸ Loc. cit.

⁹⁰⁹ Donald Kennedy (President Stanford) to Konrad Henkel (Chairman DAG Supervisory Board), 23.12.87 in EICA ZKA 03 0048.

being a shareholder, Degussa first consulted with Bayer on its response before considering an answer.⁹¹⁰ Its contact at Bayer felt that Bayer management would falter and ultimately respond because of a joint project between Bayer and Stanford. Whereas Bayer believed the questionnaire to be a pre-emptive measure by Stanford management to be ready in the case of future questions by staff, students, and the wider public on companies within its share portfolio that had dealings with SA, Degussa held a differing opinion.⁹¹¹ It believed any information provided could be used to ‘partly or massively disrupt Degussa interests in SA’ - a valid point considering the vocal nature of the AAM.⁹¹²

Degussa applied the classical method of referring the matter to the BDI and the Chamber after its initial consultation with its peer. Both organisations advocated the company ignore the Stanford missive.⁹¹³ In the end, Degussa stuck to the tried and tested approach by sending a one-liner to Stanford that outlined its commitment to the codex, which the institution could request from the BMWi.⁹¹⁴ Similarly, the Board was instructed to stick to the one-liner in case of questions at the AGM. If Stanford followed up, then they could be placated with a report on the social status of Algorax employees.⁹¹⁵ Therein, however, lay another problem. For whether to mention Algorax, now or in the future, at all, proved a more pressing issue than the handling of the American inquiry. Given that the JV partner in Algorax was IDC, Degussa kept relatively quiet about the venture. In this matter, it was pre-empted by the Washington, DC-based Investor Responsibility Research Center that subsequently listed Algorax alongside Degussa in a publication on international investment in SA.⁹¹⁶ The institution had been fobbed-off with a similar one-liner describing

⁹¹⁰ Gerken to von Ekesparre, 3.11.1987 in EICA ZKA 03 0048.

⁹¹¹ Förster, Board decision paper 17.11.1987, 13.1.1987, 2 in EICA ZKA 03 0048.

⁹¹² Loc. cit.

⁹¹³ Loc. cit.

⁹¹⁴ Loc. cit.

⁹¹⁵ Ibid, 3.

⁹¹⁶ Förster to Hartmann et al., 24.3.1988 in EICA ZKA 03 0048; Lipton worked for this institution.

Degussa's South African engagement as 'rather small and limited' but had on their own volition discovered Degussa's stake in Algorax.⁹¹⁷ Its appearance on the list was not without consequences.

Despite the size of its South African engagement being revealed, Degussa opted to deflect attention that could tie the business to the German mother company. In its codex submissions it ceased naming DAG and only referred to the South African entities.⁹¹⁸ Nevertheless, following the Investor Responsibility publication, the company's name was now inextricably linked to SA. In 1988, the United Church of Christ informed Degussa that it would follow an appeal by South African Churches and therefore instruct its 1.7m members to boycott Degussa services and products.⁹¹⁹ Management was informed to expect similar letters in future, understandable given that consumer boycotts had been discovered by the AAM as another tool in their arsenal to pressurize business. Economically the impact was negligible; the company primarily sold its products to other businesses, and only these clients could influence its decision-making - not the AAM. Even had the AAM knowledge of and pressured Degussa's customers, this would ignore the fact that SA's mineral resources meant that the company had to engage at an existential level in some form or another with the country.

Whilst the AAM wished to force foreign businesses to make decisions based on morality rather than on commercial grounds, the presence of DSA helped in establishing racial equality, even if restricted to the micro-level. The subsidiary paid on average 233% above MLL and lobbied for black and white drivers to be placed in equal insurance categories.⁹²⁰ In addition, it agreed to a request by all black staff to take the day off work on the anniversary of the Soweto uprising.⁹²¹ In its dealings with labour, DSA operated on the basis of economics and pragmatism. When a black secretary in Johannesburg earned more than a white secretary in CT, this was due to a difference

⁹¹⁷ Schöngarth (DAG) and Förster to Alison L. Cooper (Investor Responsibility Research Center), 11.2.1988 in EICA ZKA 03 0048.

⁹¹⁸ Förster, loc. cit

⁹¹⁹ Loc. cit.

⁹²⁰ Von Ekesparre to Schöngarth, 8.10.1987, 1-2 in EICA ZKA 03 0048.

⁹²¹ Von Ekesparre to DAG, 17.6.1986 in EICA ZKA 03 0048.

in living costs between the cities and argued on such grounds.⁹²² Pay reflected economic reality irrespective of race. Furthermore, the subsidiary partially financed a house for a black employee in the township of Tembisa when it became too dangerous for him to continue living illegally in company accommodation in the whites-only suburb of Hillbrow.⁹²³ Finally, DSA successfully lobbied Head Office to permit it to provide two tax-deductible bursaries for two black students to study dentistry at MEDUNSA.⁹²⁴ This was in recognition that in a country with 3.200 dentists only 18 were black.⁹²⁵ Yet, DSA's generosity was not divorced from economic reason. For with an increasing number of black dentists, market penetration of Degussa's dental products in the black community would increase.⁹²⁶ However, wider social programmes, such as funding black entrepreneurship and participation in a training project by the Chamber, despite DSA's von Ekesparre being part of its management, were dismissed as going beyond the reasonable scope of business.⁹²⁷ Nevertheless, economic interest aligned with the promotion of non-white equality, validating the continued existence of a subsidiary on tangible moral grounds.

7. Commitment over investment

Despite a climate of sanctions, economic isolation and voluntary curtailment of further investment, Degussa continued to persevere in attempting to grow the subsidiary in a political framework that made it futile. When DSA opened a ceramics laboratory in Brakpan in 1988, it began its first steps towards profitability. It could thereby offer local technical support to customers instead of flying in experts from Germany. The previous process had been a significant impediment on profitability for a subsidiary that primarily earned its revenue from 3-5% commissions on exports of DAG

⁹²² Von Ekesparre to Schöngarth, 18.8.1988, 1 in EICA ZKA 03 0048.

⁹²³ Ibid, 3; such illegal living would soon be tolerated, if not unofficially permitted, when Hillbrow was recognised as a grey (mixed) area.

⁹²⁴ Förster to Günter Wohlenberg (DAG Board), 13.7.1988 in EICA ZKA 03 0048.

⁹²⁵ Loc. cit., the NP Government funded 78% of the tuition costs, the remaining annual R7.000 shortfall proving impossible for black students to stem.

⁹²⁶ Förster, SA travel report 2-7.10.1988, 31.19.1988, 5 in EICA ZKA 03 0048.

⁹²⁷ Förster to von Ekesparre, 18.1.1988 in EICA ZKA 03 0048; Von Ekesparre, 18.8.1988, op. cit., 3.

products it passed on to local clients.⁹²⁸ Furthermore, it expanded its sales to other African countries and marketed South African catalytic convertor production to Far Eastern businesses. Yet, concurrently its PE offices had to be moved to a more secure complex following multiple bomb threats.⁹²⁹ On the one hand, Degussa rejected multiple approaches by the NP Government and private investors to create significant production sites in the country, especially for hydrogen peroxide for which the local market was simply too small.⁹³⁰ The company refused in order to maintain unity within German industry on a voluntary curtailment of new investment into SA.⁹³¹ Despite the proposed business cases being framed in contractual terms that made them attractive on economic grounds and thereby justifying investment, it was the aura of being the outlier of German business that forced the company to stay its hand. Yet, on the other hand, when approached by the South African Council for Scientific and Industrial Research ('CSIR'), officially an institution under the aegis of the Ministry of Science but conducting project-based research for a variety of government departments including the Ministry of Defence, the company did not hesitate in pursuing a deal.⁹³²

That the pick and choose method remained ingrained at Degussa was only exemplified by the CSIR case. CSIR desired sinter furnace and injection moulding technology from Degussa without specifying their intended usage.⁹³³ The company pre-empted a possible rejection of the business on political grounds via two methods. First, it would state that the technology could only be used for certain uses and would personally install and commence initial operation of any application of the technology. Should the first method fail, then Degussa was prepared to run the sale via its UK partner Royal Ordnance plc.⁹³⁴ Degussa's willingness *to export* to SA, contrasted with its hesitancy *to invest* in a production plant in the country. The favouring of exports from Germany to South

⁹²⁸ Interview von Ekesparre, loc. cit.

⁹²⁹ Von Ekesparre to Gerken, 26.5.1988 in EICA ZKA 03 0048; von Ekesparre to Gerken, 16.5.1988 in EICA Degussa ZKA 03 0048; Förster, SA travel report, op. cit., 3.

⁹³⁰ SA Market is 2k tons. Economic viability for a plant begins at 25-30k tons. See interview von Ekesparre, loc. cit.

⁹³¹ Förster, SA travel report, op. cit., 4.

⁹³² Raeder (DAG sales co-ordination) to Gerken, 1.6.1989 in EICA ZKA 03 0048.

⁹³³ Loc. cit.

⁹³⁴ Loc. cit.

African clients also meant the company came dangerously close to skirting the arms embargo. An internal review, for example, gave the export of circuit boards for use in the computers of an ARMSCOR subsidiary the all-clear. The reasoning had been that the circuit boards were not a product that could be misused, but more importantly SA was not suffering from regional conflict or unrest approaching that of a civil war.⁹³⁵ DAG thereby demonstrated both a laxity in a direct export of technology to the South African arms industry but also an optimistic view of South African unrest; one not shared by global insurance companies.⁹³⁶ By not investing in a production plant in SA the company left ‘money on the table’, yet it seemed to want to demonstrate its ongoing commitment to the country at least by way of exports from the FRG.

Such pursuit of business with the institutions of the South African Government occurred in a context where Degussa was increasingly being referred to by name as a large investor in SA, alongside the car industry and its chemical sector peers. A 1988 *DER SPIEGEL* article listed the company alongside other German businesses as unreceptive to Steinkühler’s 14 points initiative.⁹³⁷ Though the article was full of factual errors to be the first to press, it resulted in DSA’s von Ekesparre having to explain to Frankfurt how such a situation could have arisen.⁹³⁸ Yet, the AAM lobby, of which both much of the German media and churches were a part of, also hurt its own cause by its permanent slandering of business.

The credibility of the AAM in the eyes of German industry was not only undermined by its tone but also by its actions, illustrated in the final months of P.W. Botha’s presidency by a UWC delegation touring the FRG. Ostensibly in the country to meet with business and raise awareness, German business associations had already suspected that its true goal was to obtain ‘sympathy funds’ with no questions asked. Indeed, in one such meeting in the Frankfurt area, which included

⁹³⁵ Raeder, memo, 11.8.1989 in EICA ZKA 03 0048.

⁹³⁶ C.f. Hoechst case study.

⁹³⁷ See Bosch case study for details. Von Ekesparre to Gerken, 14.11.1988 in EICA ZKA 03 0048.

⁹³⁸ The lax journalistic standards at *DER SPIEGEL* appear to be systemic and persistent given the recent Relotius case. See Elisabeth Zerofsky, ‘The Deep Pathology At the Heart of A Scandal at Der Spiegel,’ *The New Yorker*, 30.1.2019.

prominent activists such as Beyers Naudé, the delegation did not beat about the bush and after formalities directly proceeded to request money.⁹³⁹ The audacity of the AAM was astounding and two-fold. First, the German Lutheran Church, which hosted the delegation, had closed its accounts with German banks that did business in SA but was now, in conjunction with the delegation, asking for money from precisely the same financial institutions it had given the cold shoulder to.⁹⁴⁰ Second, the AAM group requested a block grant with no accountability on how the funds were to be spent; an unacceptable discretion defying all norms.⁹⁴¹ Given that business had in the past been more than happy to fund schemes close to its heart, such as training programmes, this was a significant faux-pas. For Degussa, the call for alms by the delegation was dismissed on the grounds that such grants were the purview of DSA and only allocated in co-ordination with the Chamber.⁹⁴² In private, the company had its reservations, stemming not in the least from Archbishop Tutu being Chancellor of UWC, for this meant: ‘A co-operation will inevitably lead to conflict’.⁹⁴³ The empty-handed departure of the UWC delegation had been a self-inflicted albeit warranted wound. Business could not be ‘guilt-tripped’ into providing a blank cheque, even less so German industry: it could make up its own mind about the South African situation.

In contrast to the UWC/AAM delegation, the proposals by the privately organised and more coherent UF found a far more receptive audience at Degussa. The UF toured German Board rooms in November 1988 requesting on average over R100.000 a year from the companies it approached.⁹⁴⁴ The organisation was concurrently regarded both with suspicion and credibility. On the one hand, its Directorate was seen as being too close to Pretoria.⁹⁴⁵ On the other hand, it had come out in public against the Group Areas Act, and thereby against legislation institutionalising ‘core apartheid’.⁹⁴⁶ Companies such as AEG remained initially cautious and would let DB respond

⁹³⁹ Braun (DAG) to Gerken, Förster, and von Ekesparre, 16.2.1989 in EICA ZKA 03 0048.

⁹⁴⁰ Loc. cit.

⁹⁴¹ Loc. cit.

⁹⁴² Loc. cit.

⁹⁴³ Loc. cit.

⁹⁴⁴ Förster to Dr Mentz (DAG Board member) and Gerken, 11.11.1988, 1 in EICA ZKA 03 0048.

⁹⁴⁵ Förster, note on call with Söffge (Bayer AG), 14.11.1988 in EICA ZKA 03 0048.

⁹⁴⁶ Förster, note on call with Schürmann (Hoechst AG), 14.11.1988 in EICA ZKA 03 0048.

to the charity's request on its behalf.⁹⁴⁷ Bayer in turn provided funds to the organisation via its South African subsidiary to keep its funding secret.⁹⁴⁸ Degussa, yet again followed the established and conventional step-based process. It called its fellow German business peers, referred the request to the Chamber and the BDI and would wait and see if it could pool funding rather than being forced to go it alone.⁹⁴⁹ The company's actions thereby reinforce an argument of this thesis, namely that in the case of decisions outside the realm of business and tainted by South African politics, German industry was influenced by its peers rather than in any shape or form by the AAM. In the end, DSA funded a UF-run child minding project in Alexandra with R8.000 per annum for five years, proving that business could be convinced to fund social projects if they were tied to employment and based on a thought-out proposal.⁹⁵⁰ The UWC/AAM delegation could have achieved similar success had they talked to business in the language of business, a competency that the UF, despite the misgivings of German industry, demonstrated to better effect for the benefit of the average South African.

Conclusion

In 1990, Degussa upon being informed that its peers in German industry would provide travel funds to a BMWSA-initiated proposal for an ANC economic delegation to tour the FRG, threw its own R5.000 contribution into the pot.⁹⁵¹ The company simply continued a process of political alignment with other subsidiaries and their mother companies that had served it well in the prior Botha period of rule. On balance, its involvement in SA had little to show for it. Losses, capital injections, political fallout in the German press, a compromising impact on its existing European client relations, multiple bomb threats and the commitment of a disproportionate amount of senior management's time and attention. Indeed, the only beneficiaries appear to be DSA's staff, especially the non-white employees who found an advocate for equality in the subsidiary's management. As

⁹⁴⁷ Förster, note on call with Dr Meister (AEG), 14.11.1988 in EICA ZKA 03 0048.

⁹⁴⁸ Förster, call with Söffge, loc. cit.

⁹⁴⁹ Förster to Dr Mentz, op. cit., 2.

⁹⁵⁰ Von Ekesparre to Schöngarth, 5.9.1990, 2 in EICA ZKA 03 0048.

⁹⁵¹ Gerken to Förster, 15.11.1990 in EICA ZKA 03 0048.

for the profits from Algorax, these were attributed to the inorganic chemistry division, not the South African subsidiary. Nonetheless, Algorax had simply been the case of the right opportunity at the right time for the right buyer. An exception, however, that would never have presented itself without disinvestment caused by SA's racial policies and subsequent AAM pressure. Yet, those same policies kept Degussa from reaching for the bag of gold repeatedly offered to it by the NP Government and the private sector in the case of tangible fixed capital investment. Such an action, however, would result in Degussa deciding based on questionable economic rationale and defying its German peers. As this chapter has shown, that, for Degussa, was unfathomable. For fellow German chemical company, Henkel, the AAM proved even more burdensome, and it is scrutinized in the following, last chapter on the chemical industry.

- Chapter 7 -

Henkel South Africa: An obsolescence of facts

Introduction

The story of Henkel in SA during Botha's tenure at the top of the South African state hierarchy would have been unremarkable, were it not for two incidents. Both events flabbergasted Henkel's management by the continued audacity of their counterparties' lax attitude towards the truth and to engage in baseless slander. The first incident originated from the FRG. Two studies commissioned by the German churches in the first year of Botha's premiership resulted in significant negative press fallout in the FRG. The second case arose out of SA in the early 1980s due to the actions of the Chemical Workers Industrial Union ('CWIU') which disrupted the ability of the South African subsidiary's leadership to effectively manage the plant. Both examples highlight that the AAM movement in Germany as well as the labour movement in SA also regarded German business interests in the apartheid-Republic as a tool to further their own, often political, influence. An improvement in the lives of black workers appeared to play a limited, secondary role. For these organisations demonstrated via their conduct with respect to Henkel that they not only served a different audience but had other goals in mind.

This case study on Henkel may be the shortest and last within Section II but it is certainly not least. For it reiterates that even the briefest of examinations of managerial experiences and decision-making are sufficient to underpin two strands of the thesis. First, that investigating the ignored business side of the anti-apartheid debate reveals just as much about the AAM, the governments in the FRG and SA as it does about corporate management. Second, irrespective of present and future troubles, politically rather than economically driven disinvestment was never an option for the German corporate bloc.

1. 1949-1978: The early years

By the time *die Groot Krokodil* took office in 1978, Henkel South Africa ('HSA') had a thirty-year history in the country to draw on. Entering the South African market in 1949, one year after the

NP electoral win in 1948, Henkel established P3 Products in Durban to manufacture and sell industrial detergents.⁹⁵² It would go on to add other products to its line-up, changing the name of the business to Southern Chemical Manufacturers before a final rebrand as HSA.⁹⁵³ Its initial foray into the market was validated by the reports it received from its subsidiary in the 1960s. These highlighted the progress made in accommodation and social care for the 'Bantu' population, the complete backing of the white electorate of the NP (including by the children of Anglophone detractors), and the competency of state institutions and judiciary.⁹⁵⁴ The UN reports, in the eyes of Henkel's representative in SA, were distorted, for: 'The Republic of SA outclasses other African countries by far'.⁹⁵⁵

Thus, the view of senior management was that the vagaries of the South African native worker could be tolerated in the face of reasonable profits. For example, black workers with plots of land to plough would deliberately damage company property to force their dismissal when a request for leave was denied. They would then return after having tended their plot, bearing a chicken as a present for management and request reinstatement.⁹⁵⁶ Yet, the bigger story was that a mere fifteen years after market entry, HSA posted DM5.8m in revenue and DM1.3m in profits.⁹⁵⁷ Thus an overall margin of 22.4% illustrated that the 1960s represented the golden age of the South African economy and confirmed the economic viability of the business.

⁹⁵² Konrad F. Schweiker (MD HSA) to Dr Hans-Otto Wieschermann (Director Finance, Henkel AG), note attaching 30.1.1980 press release with Boonstra of Rembrandt Group, 6.2.1980, 2 in Konzernarchiv Henkel ('KH') D130.

⁹⁵³ Loc. cit.

⁹⁵⁴ H. Wohltat to Kobold (MD Persil GmbH), [Undated but from 1960s], 2-3 in KH Acc. 278 No. 30; Wohltat, letter on P3 court dispute, 5.9.1961 in KH Acc. 278 No. 30.

⁹⁵⁵ Wohltat to Kobold, op. cit., 3.

⁹⁵⁶ E. Dagnolo (Southern Chemical Manufacturers), Assorted notes on events, 1961 in KH Acc. 278 No. 30.

⁹⁵⁷ Dr Hartmann (co-MD Henkel International) to Henkel Board, Report on visit to HSA 22.2.-8.3.1966, 21.3.1966 in KH D130.

Photograph 7: Henkel 1970s advert⁹⁵⁸



However, initial confidence in the South African venture at the beginning of the 1970s was cured with a dose of realism by the end of the decade, resulting in Henkel's Düsseldorf headquarters having to provide an emergency loan to HSA. In 1971, Henkel acquired Kwikbrite Group, adding further manufacturing plants to its South African portfolio.⁹⁵⁹ Kwikbrite was the only operation in SA that Henkel AG & Co. KGaA ('HAG') owned outright - HSA itself was a 50% partnership with the South African Rembrandt Group.⁹⁶⁰ By 1975, Henkel's South African business could point to DM 60m in sales and 750 employees.⁹⁶¹ Yet only three years later HSA was in trouble. Facing a liquidity shortage and unable to take on further debt in SA after hitting a central bank-imposed debt ceiling, HAG was forced to step in.⁹⁶² The German parent company provided DM3.8m in short-term credit and guaranteed any existing debt by HSA up to DM12.2m. SA and HSA were now no longer a side topic for the executives back in Germany.

⁹⁵⁸ Taken by author from *Homelands: The Role of the Corporations* (Johannesburg: Chris van Rensburg Publications, [undated but between 1973-5].

⁹⁵⁹ Schweiker to Wieschermann, loc. cit.

⁹⁶⁰ Organisational chart of HAG, [Undated, likely late 1970/ early 1980s] in KH D130.

⁹⁶¹ Henkel KGaA (Öffentlichkeitsarbeit) to Manfred Schumacher (*Capital Business magazine*), Telex, 21.1.1975 in KH D130.

⁹⁶² Minutes of 27.6.1978 HAG Board meeting, 3.7.1978, 2-3 in KH Acc. 153 No. 63.

2. *The German problem*

Management in Düsseldorf concluded in 1980 that fighting deliberate falsehoods and subsequent erroneous reporting on its South African business was a waste of its time, a justified decision. For to engage in debate with evidence when the terms of battle are set by an opponent with no regard for facts, then there was nothing to be gained but everything to be lost from further publicity. If the decision-makers in the FRG government, in particular at the BMWi, were guided by objective information and not pronouncements by the AAM or left-wing media publications biased by ideology, then business had the leeway to enter into public discourse when it pleased. As this section illustrates, when SA became the topic *de jour*, it was more important for the AAM to gain attention, be first to press and dominate public opinion than to be accurate. The best counterstrategy for Henkel proved to be to remain silent after initial efforts to realign the discussion on an objective, factual basis failed to garner any traction within the German activist landscape.

Little did the Düsseldorf PR department know that shortly after providing HSA guidelines for managing the press in December 1978, it would be the German parent rather than the South African subsidiary caught in a maelstrom of media attention.⁹⁶³ Konrad Schweiker, MD of HSA, had been advised to avoid live interviews and provide all information solely in the form of a press release ‘as long as the question of divestment is unsolved’.⁹⁶⁴ An interview would only be accepted if responses could be provided in written form and HSA could with certainty control the published answer.⁹⁶⁵ Moreover, Düsseldorf sought the counsel of an outside PR agency given the delicacy of South African affairs in public discourse. The agency put it to Schweiker in blunt terms: ‘No interviews, no statements concerning the investments or divestments of Henkel in South Africa; no statements on future developments at least during the next six months’.⁹⁶⁶ Furthermore, the MD was instructed to report back on what Unilever and Colgate were employing as a PR strategy.

⁹⁶³ W. Harich (Detergents-International/ZR-MAG) and Fricauff (PR HAG) to Schweiker, 7.12.1978 in KH Acc. 271 No. 299.

⁹⁶⁴ *Ibid*, 1.

⁹⁶⁵ *Loc. cit.*

⁹⁶⁶ *Ibid*, 2.

Yet, apart from having to run all press releases via Düsseldorf, Schweiker was provided with a carrot in the form of a R2.000 bonus should his press releases be published by ‘important papers’.⁹⁶⁷ HAG’s caution and misgivings in dealing with the media were not without cause, for only a month later the company would have its hands full engaging in damage control of deliberately-propagated falsehoods.

The business-bashing agenda of German media was first illustrated to Henkel in the spring of 1979 by articles in *Stern* and *DER SPIEGEL*. *Stern* accused Henkel of paying black ‘charge hands’ R600 less per month than white ‘charge hands’, despite HSA having no black workers in that position.⁹⁶⁸ Similarly, *DER SPIEGEL* informed its readers that HSA was paying Indian drivers R2-3 more per week than its black drivers.⁹⁶⁹ HSA had not a single Indian driver on its payroll leading Schweiker to remark to Düsseldorf ‘the stated wage comparison is, therefore nonsense’.⁹⁷⁰ Indeed, the subsidiary was further accused of placing Indian trainees in higher wage categories than black foremen and that the cantina was only desegregated when senior management visited from Germany.⁹⁷¹ The German Trade Union Confederation paper *Welt der Arbeit* and the SPD party paper *Vorwärts!* proceeded to run similar articles.⁹⁷² Together with *DER SPIEGEL*, they made no attempt to verify their accuracy with the company prior to publication. The laxity of journalistic reporting shocked Henkel’s management: ‘(...) they did not find it necessary to adhere to and employ journalistic standards of due diligence to obtain a statement from ‘the accused’.⁹⁷³ Whilst Henkel’s management considered a response, the press articles were already creating waves inside the company, necessitating the creation of a supplementary internal damage control strategy.

⁹⁶⁷ Loc. cit.

⁹⁶⁸ Schweiker to Friauff, Response to Stern 2/1979 4.1.1979 article attaching Cecil Abrams memo dated 16.2.1979, 12.3.1979 in KH Acc. 271 No. 299.

⁹⁶⁹ Friauff to Harich, Baufeldt and Dr Kötz (Assistant to Harich), Schweiker telex re: *DER SPIEGEL* article, 21.3.1979, 1 in KH Acc. 271 No. 299.

⁹⁷⁰ Schweiker, telex to Henkel KGaA, 21.3.1979 in KH Acc. 271 No. 299.

⁹⁷¹ Friauff to Harich, loc. cit.

⁹⁷² Dr. Heribert Schmidt-Dorrenbach (Henkel AG executive management) and Friauff to Franz Dieter Fuchs (BR of Thompson Werke), 1.6.1979, 1 in KH Acc. 271 No. 299.

⁹⁷³ *Ibid*, 2.

Compared to the German press, Henkel's staff were sufficiently lenient to allow the company to respond to the accusations before taking their concerns further. Franz Dieter Fuchs, a member of the workers' council of one of Henkel's German subsidiaries, informed the editorial board of *Henkel Blick*, an internal company newspaper: 'I was taken slightly aback to know I was an employee of a conglomerate that apparently engages in such practices'.⁹⁷⁴ Nevertheless, Fuchs gave the company the opportunity to respond and requested his letter and the response to be published in *Henkel Blick*.⁹⁷⁵ He had thereby recognised an issue Henkel's management were previously not privy to – the impact of negative press, no matter its veracity, on employee sentiment. Indeed, a month later management pondered a suitable strategy to address the unqualified statements in the press digested by the company's employees. For these reports 'could undermine morale'.⁹⁷⁶

That Henkel decided to counteract the impact of the reports by a response in the internal *Henkel Blick* can be explained twofold.⁹⁷⁷ First, the publication directly targeted its employees; the audience management was most concerned about apart from the German government and its peers and clients. Second, it had serious doubts whether an external response would reach a wider audience. After all it could either take the slander by *DER SPIEGEL* without comment, or briefly put out an objective statement of facts, in full realisation that:

*The publication of the above sketched statement by the company may not convert a single proponent of the codex but it could be viewed positively by those regarding DER SPIEGEL with reservations.*⁹⁷⁸

The biased reporting only worsened the impact of the poor-quality source material. In this case, the articles were based on the discredited 'Dilemma' by the German Lutheran Church.⁹⁷⁹ Within the report, two sources on the supposed Henkel data had been identified. One was an inflammatory

⁹⁷⁴ Fuchs to Editorial board of *Henkel Blick*, Reference to article in *DER SPIEGEL* 12 19.3.1979, 19.4.1979 in KH Acc. 271 No. 299.

⁹⁷⁵ Loc. cit.

⁹⁷⁶ Friauff to Harich, 15.5.1979 in KH Acc. 271 No. 299.

⁹⁷⁷ Loc. cit.

⁹⁷⁸ Friauff to Harich, op. cit., 2.

⁹⁷⁹ C. f. Bosch case study.

publication by the South African Trade Union Advisory and Coordinating Council (“TUACC”), a body deliberately putting out controversial if not outright false statements in order to promote trade union recognition of its favoured unions.⁹⁸⁰ Indeed, the authors of a later study by the Catholic Church would admit that they - and they suspected - the authors behind the ‘Dilemma’ as well, had had no time to visit Henkel whilst on a research trip to SA.⁹⁸¹ The second source behind the initial Lutheran church report was the office of the SPD MP Brigitte Erler, a persona unknown to HSA.⁹⁸²

Whilst the activity of the German ecumenical establishment has been touched upon in earlier chapters, it is worth investigating deeper here. For one of this case study’s objectives is to point out hypocrisy in the detractors of business and to question whether their underlying motivations truly supported their professed interest in the plight of disenfranchised South Africans. In the case of the German Lutheran Church, its distaste of FRG business with subsidiaries in SA was not uniform. Yet, a mixture of WCC and SACC influence and their respective calls for protest coupled with the belief that acting was a method of self-legitimation to validate their status as true proponents of Christ resulted in the Lutheran national synod, for better or worse, becoming one of the primary actors within the German AAM by the 1970s; a status quo that also tacitly confirmed that the Church had utterly failed during WWII and ought to ‘do better now’. Even Kohl confidentially described the German clergy to Thatcher as being ‘very steamed up’ on SA.⁹⁸³ Whilst the SACC regarded foreign protest as the last option of non-violent resistance, the WCC called for disinvestment coupled with funding for the armed struggle. Both positions were rejected by the

⁹⁸⁰ Kötz, note attached to 21.6.1979 letter by Heinz Theo Risse (Katholischer Arbeitskreis) to Henkel AG Board, 26.6.1979 in KH Acc. 271 No. 299; CWIU was one of the TUACC unions. See Chemical Workers Industrial Union, *A History of the Chemical Workers Industrial Union 1974-1984* (South Africa: FOSATU Printing Unit, 1984), 4.

⁹⁸¹ KAEF to Henkel AG, 14.8.1979 in KH Acc. 271 No. 299.

⁹⁸² Schweiker, 21.3.1979, loc. cit.

⁹⁸³ Conversation record Kohl/Thatcher, 9.7.1988, 4 in TNA, PREM 19/3007 f239.

Lutheran Church; instead, it sought to exert pressure on companies to improve the position of labour.⁹⁸⁴ Such was the context that had resulted in the commissioning of the ‘Dilemma’.

In the case of Henkel, the true story of events highlights the lack of serious research conducted by its authors. For earlier in 1979 a Mr Sick at the German consulate in Durban contacted Cecil Abrams, Technical Director of HSA, informing him that a certain Ms. G. Albrecht, assistant to an SPD MP, was in the country and was interested in culture and the arts.⁹⁸⁵ Surprised at the request to host the woman in question, Abrams was told she was also interested in German subsidiaries.⁹⁸⁶ He referred her to Schweiker, the MD; instead she proceeded to ask him for a private discussion on the mentality of black workers in an industrial company. Subsequently, her report used in the ‘Dilemma’ attributed quotations to Abrams that were not just surprising because they were implied, taken out of context and unreflective of oral statements. They also described them as ‘live answers’ despite no notes or recordings being taken.⁹⁸⁷ In Henkel’s response to the ‘Dilemma’-report, one that could only be given post-facto, management rightly described the process as ‘not thoroughly researched’, and that the entire publication could ‘only be described as misleading’.⁹⁸⁸

That the ‘polemic nature of the statements’ contained within the study were not conducive to creating a suitable climate for debate, was a justifiable conclusion drawn by management.⁹⁸⁹ For every detail was twisted to present business in a bad light. For example, the subsidiaries were obliged to create pension plans for all employees. To execute this duty, pension contributions were automatically deducted from wages. Yet this was presented as ‘pension contributions are

⁹⁸⁴ Sebastian Tripp, ‘Wirtschaftliche Kampagnen kirchlicher Anti-Apartheid-Gruppen,’ in Hanns Lessing et al., ed. *Contested Relations* (Wiesbaden: Harrassowitz, 2015), 651-662, 662; Sebastian Justke and Sebastian Tripp, ‘Ökonomie und Ökumene. Westdeutsche und südafrikanische Kirchen und das Apartheid-System in den 1970er- und 1980er-Jahren,’ in *Zeithistorische Forschungen* 13, no. 2 (2016), 280-301.

⁹⁸⁵ Cecil Abrams to Schweiker, 7.3.1979 in KH Acc. 271 No. 299; Erler lamented in her later book that her stint as an MP had been driven by ideology not objective reality. See Brigitte Erler, *Tödliche Hilfe. Bericht von meiner letzten Dienstreise in Sachen Entwicklungshilfe* (Freiburg: Dreisam, 1985).

⁹⁸⁶ Schweiker, Comments on documents by German evangelical churches, [February/March 1979], 3 in KH Acc. 271 No. 299.

⁹⁸⁷ Harich and Dr Bohmert (Henkel AG PR) to Dr Walter Sohn (Amt für Sozialethik und Sozialpolitik der Ev. Kirche im Rheinland), 2.4.1979, 2 in KH Acc. 271 No. 299.

⁹⁸⁸ Loc. cit.

⁹⁸⁹ Schweiker to Harich, 14.3.1979, 3 in KH Acc. 271 No. 299; Harich to Sohn, op. cit., 3.

mandatory and part of their wages are retained without seeking their approval'.⁹⁹⁰ Also, normal business processes, in the eyes of the AAM were regarded as exploitative, leading Schweiker to despair: 'Certain statements in this paragraph are malicious'.⁹⁹¹ Furthermore, the study was provided to the media for publication before its authors approached industry with the results, demonstrating the attention-seeking nature of the AAM.⁹⁹² Dominating headlines, setting the tone of the debate and tainting the public's opinion of FRG business was the *prima facie* goal of the study's commissioners and authors – not the honest assessment of the treatment of non-white labour in German subsidiaries. For Henkel's management this was 'missionary zeal with malevolent intentions'.⁹⁹³

As has been shown in prior chapters, German industry, in general, aligned to create a unified strategy to address political reporting against them for their engagement in SA. Henkel, however, pre-empted any possibility of joining such a unified front. By copying the BMWi into its replies to the Lutheran Church, the company directly addressed the principal external audience that mattered to it - the state.⁹⁹⁴ In a similar fashion, Henkel directly responded to Dr Walter Sohn, the clergyman with overall responsibility for the 'Dilemma', without consulting other German businesses.⁹⁹⁵ When Dr Wolfgang Böhme of the AEU invited Henkel to join a small commission together with representatives from BASF, Hoechst, DB, Linde and BMW to prepare a response, the company was forced to decline, citing it had already written to Sohn two months ago.⁹⁹⁶ Sohn, meanwhile, chided Henkel for accusing the Church of not employing due care in compiling its research. The Church report relied on a cross-section of sources that could not be named given the 'harsh measures' of the South African Government.⁹⁹⁷ Yet, as the above examples have shown, no significant research was undertaken within HSA and the wage differentials cited were a knowing

⁹⁹⁰ Ibid, 4.

⁹⁹¹ Loc. cit.

⁹⁹² Harich to Sohn, loc. cit.

⁹⁹³ Frieauff to Harich, Böhmer (HAG economics department), and Dr Kötzt, [Spring 1979] in KH Acc. 271 No. 299.

⁹⁹⁴ Harich to Sohn, op. cit., 1-3.

⁹⁹⁵ Loc. cit.

⁹⁹⁶ Frieauff and Kötzt to Böhme, 27.6.1979 in KH Acc. 271 No. 299.

⁹⁹⁷ Sohn to Henkel AG, 27.4.1979 in KH Acc. 271 No. 299.

falsification. The response by Sohn must be judged on what it was: an attempt to deflect from the fact that the Church had put out a report driven by sentiment and politics rather than facts. Such motives had already been identified by Schweiker in a letter to the Chamber:

*...one has the impression that their publication was intended to serve the political purpose of certain groups in the FRG, without caring about the real situation of black workers in SA and realistic programmes for improvement.*⁹⁹⁸

Had the Church approached the company in an honest fashion, then they would most probably have obtained at least some factual data they ought to have sought. For, in the case of the questions by the UN TNC Centre, Henkel was happy to provide information, albeit once amalgamated with that of other companies by the BDI. Nevertheless, the poor tone of the Centre, a stalwart institution within the global AAM, was judged as being in poor taste: 'We would welcome, as agreed to earlier, that the aggregate report mentions fundamental reservations towards the inquisitorial nature of the process'.⁹⁹⁹ When the subsequent UN publication stated that HSA discouraged union membership, Henkel reverted to type and complained to the UN directly, requesting appropriate correction of this 'absolutely incorrect' fact.¹⁰⁰⁰

Bashing of business as an acceptable method to garner public attention caught on quickly. The Catholic Church proceeded to enter the fray with its own report only a few months later, based in large parts on the 'Dilemma' by the Lutheran Church and the TUACC publication. Once again, shoring up credentials and influence with the German public and political establishment by entering the debate on socio-political matters proved to be the underlying motivation, not an objective, fact-based study of the conduct of German subsidiaries in SA. Whilst the report entitled *Bericht zum Sozialverhalten von Tochtergesellschaften deutscher Unternehmen in Südafrika* by the Catholic Church's 'KAEF' unit appeared to be more careful and balanced in its wording, it was compiled just as haphazardly.¹⁰⁰¹ As with the 'Dilemma', they too first published their report before inviting business

⁹⁹⁸ Schweiker to Schuffner (Chamber), 29.6.1979 in KH Acc. 271 No. 299.

⁹⁹⁹ Harich and Wecker (Henkel AG legal) to Dr Quambusch (BDI), 16.3.1979 in KH Acc. 271 No. 299.

¹⁰⁰⁰ Harich and Dr Kolvenbach (Henkel AG legal) to Klaus Sahlgren (UN TNC), 8.2.1980, 1-2 in KH Acc. 271 No. 299.

¹⁰⁰¹ Schweiker to Schuffner, loc. cit.

to comment. Schweiker was clearly fed up with the conduct by the German Churches: '(...) they try to build up suspicion and ill feeling amongst all parties concerned'.¹⁰⁰² Indeed, the MD of HSA had even invited the Catholic Church for a formal interview and tour of HSA's facilities – an offer not taken up.¹⁰⁰³ When the KAEF in turn invited Schweiker to provide information post-publication, he called it quits on dealing with the various Church offshoots any further: 'I consider the matter closed, [we report to Henkel and the government and] I am not prepared to report to any other organization'.¹⁰⁰⁴ Henkel, however, had not yet given up on salvaging some form of an amicable relationship with the KAEF.

Any doubts Henkel's management had that the KAEF report was solely the work of sloppy research were put to bed after engaging with the study's author. Internally, Düsseldorf viewed the KAEF text with disdain: 'As we could establish, this work was created in a most dubious fashion. It contains a series of mistakes, gaps and unqualified statements'.¹⁰⁰⁵ Indeed, whilst the Lutheran Church had at least attempted an interview, albeit in a clandestine fashion, the Catholic Church 'quotes however they want to'.¹⁰⁰⁶ Despite their misgivings, Düsseldorf not only sent Dr Reinhard Hermle, editor of the KAEF study and SPD party member, a list of corrections to be included in a second edition but also met him at a public event.¹⁰⁰⁷ In a telex to Schweiker, who sought advice whether to agree to Hermle's request for an interview, Düsseldorf warned him to be careful. Hermle was an 'idealist' and had to be talked to objectively citing facts wherever possible.¹⁰⁰⁸ Schweiker was to ensure his counterparty understood the information imparted and was given no opportunity to twist words. Above all else, the HSA MD was to stay calm despite all of Hermle's attempts to steer an interview towards 'ideological discussions' and the obtainment of 'credo proclamations' or other expected provocations.¹⁰⁰⁹ The interview would prove to be Henkel's final

¹⁰⁰² Loc. cit.

¹⁰⁰³ Schweiker to KAEF, 20.7.1979 in KH Acc. 271 No. 299.

¹⁰⁰⁴ Schweiker to Heinz Theo Risse, 11.9.1979 in KH Acc. 271 No. 299.

¹⁰⁰⁵ Kötz and Friauff to KAEF, 6.7.1979 in KH Acc. 271 No. 299.

¹⁰⁰⁶ Kötz, note, loc. cit.

¹⁰⁰⁷ Friauff and Wecker to Schweiker, 4.12.1979 in KH Acc. 271 No. 299.

¹⁰⁰⁸ Loc. cit.

¹⁰⁰⁹ Loc. cit.

attempt at re-establishing a factual baseline for debate on its South African affairs, a noble, yet, inevitably hopeless effort.

That the subsequent interview also presented an opportunity for the KAEF editorial team to regain trust and credibility with FRG business appears not to have entered into consideration by Hermle. Instead, the meeting with Schweiker, served to only confirm the latter's stance on the nature of such publications:

We feel that this type of reporting serves no purpose as the people involved are not willing to be objective and even if they intend to be objective will sacrifice their intentions if printing deadlines do not allow this. Their interest seems to be primarily political and we feel Henkel should not be drawn into what looks to be a lengthy and time-consuming debate with organizations who do not or do not wish to give any consideration to normal business management principles. (...) we will correct facts but not publish statements or counter-opinions.¹⁰¹⁰

The MD reiterated to HAG that all reporting outside of normal business practices, including towards fulfilment of the codex, was voluntary – Düsseldorf could decide what to report further, HSA would no longer entertain the ideological flights of fancy of the AAM.¹⁰¹¹ And with that, a line was drawn on any further in-depth engagement with the anti-apartheid lobby. A year spent righting false statements and disproving fabrications had only resulted in consternation and wasted effort. Effort that was, it was decided, better spent addressing actual pressing issues for the subsidiary, notably the conduct of the CWIU.

3. The South African problem

Whilst dealing with negative press and false reports by the media and church organisations had occupied management's time for a year, such considerations were a luxury. Resolving the confrontational attitude of the CWIU in SA, however, was a necessity. The CWIU, in line with other newly formed South African black trade unions, acted in a quasi-militant and uncooperative manner to stand out from the proliferation of new unions dotting the South African labour

¹⁰¹⁰ Schweiker and PJ Roussow (HSA) to Frieauff, 8.1.1980 in KH Acc. 271 No. 299.

¹⁰¹¹ Loc. cit.

environment. At Henkel's Durban plant, its members were veterans of the 1973 strikes and would not shy from asserting their demands with industrial action.¹⁰¹² Similarly, to the press and clergy in Germany, the union discredited itself with business leaders. Yet, it was ultimately able to press its demands successfully, for it had discovered a tool by which industry could be forced to listen – the consumer boycott. Nevertheless, its behaviour sheds light on what FRG subsidiaries had to endure and how black workers were once again used only as a means to an end for the detractors of business.

On the eve of the 1980s, HSA desired to establish a racially integrated employees' council, as existed in HAG, to represent black workers' concerns to management. However, CWIU regarded the move as impeding on its natural monopoly of the 'black voice'.¹⁰¹³ Yet, membership in an employees' council did not conflict with union membership. In 1978, SALB had recognised the underlying dilemma that was now affecting HSA. Whilst a German workers' council system operated more effectively in conjunction with union membership, black workers believed such an institution undermined their democratic rights to shape their own form of labour representation.¹⁰¹⁴ CWIU, therefore, put together pleading reports requesting HAG's workers' council to intervene on their behalf. For Schweiker, the saga of union, rather than labour woes was about to begin:

*In general, C.W.I.U thinks it serves their purpose to make a lot of noise. They seem to be in addition not very confident about themselves, otherwise they would not see a trap or evasive move in everything the company does. E.g. C Abrams went on leave but had to [be] recalled early as union saw this as "tactic" against them.... only god might know what is going on in their minds...they seem not (to) understand that there is more to a company than negotiating with a trade union. They are pestering us continuously. With all sorts of requests, where as we have to try amongst other things to run our company.*¹⁰¹⁵

¹⁰¹² FOSATU, 'Henkel South Africa,' 1979, 4 in UW AH1999 - C1.13.1.13.9; 'Durban's crucial labour movement,' *The Witness*, 18.3.2013, <https://www.fromthethornveld.co.za/14-the-durban-strikes-changing-the-face-of-industrial-action/>.

¹⁰¹³ Schweiker and Roussow to Harich, 6.9.1979 in KH Acc. 271 No. 299.

¹⁰¹⁴ *SALB* 4, no. 5 (1978), 7-9.

¹⁰¹⁵ Schweiker to Kötzt, 18.6.79, 1-3 in KH Acc. 271 No. 299.

The disruption caused by CWIU in this case must in part be attributed to suspicion imparted by SALB editorials. Similar to HSA, the journal had been established in Durban.¹⁰¹⁶ In it, commentary by radical academics encouraged labour to question virtually any action taken by management.¹⁰¹⁷ It is therefore unsurprising that such advice morphed into something close to paranoia on the shop floor, where even mid-level managers could not take a holiday without approval by a black labour union. The result was that rather than a co-operative mindset being fostered between management and labour, confrontation increasingly became ingrained as the guiding mantra.

For HSA, management in Düsseldorf had to make clear to the HAG workers' council ('BR') that they were not prepared to discuss their subsidiary's affairs with the German group-level labour council on an ongoing basis otherwise 'if you do not stop this now, I assure that you shall have a lot of work and trouble up your sleeves for the next few years'.¹⁰¹⁸ The union for its part appealed to the BR requesting its support, for it feared the company wished to use the employees' council to weaken the union.¹⁰¹⁹ This was far from the case, as HSA simply initiated the formation of labour representation as existed in other subsidiaries, their racial integration now enabled by the reforms triggered by the Wiehahn Commission.¹⁰²⁰

The newly established union, whilst still finding its feet, regarded management as an opponent rather than a stakeholder to work with to address labour issues, the latter exemplifying the classical German rapport; one that perhaps Schweiker expected to apply to the South African context.¹⁰²¹

Yet, the relationship between HSA and CWIU continued to deteriorate:

...we have to conclude that this union is terribly suspicious of any moves which the company takes, and frankly speaking, not equipped to cope with the situation adequately. In all decisions and moves of the company, they see a threat against their existence, with consequent inappropriate reactions, which are also partly reflected by the "reports" which they seem to send regularly to the Industriegewerkschaft Chemie in

¹⁰¹⁶ Johann Maree, ed., *The independent trade unions 1974–84: Ten years of the South African Labour Bulletin* (Johannesburg: Ravan, 1987).

¹⁰¹⁷ *SALB*, op. cit., 1-9.

¹⁰¹⁸ *Ibid*, 3; c.f. Bosch chapter.

¹⁰¹⁹ N. I. Dlamini (CWIU Secretary) to Gläsner (Henkel BR), 20.4.1979 in KH Acc. 271 No. 299.

¹⁰²⁰ See BMW chapter for more on Wiehahn

¹⁰²¹ CWIU blamed the escalation on management for 'failing to deal responsibly with the union'. See *A History*, op. cit., 14.

*Germany, respectively to the Betriebsrat of Henkel KGaA. Since we had the opportunity to see one of those "reports", we can firmly assess that their thinking is twisted, and they seem not to be very confident in themselves.*¹⁰²²

Disagreements with the CWIU built on a historic relationship marked by friction at HSA's Durban plant between management and African workers, one not mirrored in progressive peers such as Hoechst or within compatriots such as BMW. Indeed, rather than setting progressive standards, management appeared to be unreceptive to change not self-instituted; racial discrimination, too, continued to exert its trappings. Indeed, CWIU records reveal that management sought to fight the implementation of the codex with reference to South African law until overruled by Düsseldorf; only stopped hiring scab (non-union) labour following pressure within Germany by the *Industriegewerkschaft Chemie* on HAG; and in actual fact did only temporarily deracialize the cantina on the annual visit by a HAG representative.¹⁰²³ Clearly, HSA was embodying Janus in its statements to HAG when compared to the disharmonious fiefdom that constituted the reality of the Durban plant. The opinion of the Black labour force is perhaps best expressed by one former worker. Sacked for intoxication, he rebuffed CWIU's attempts to take up his cause for reinstatement, stating 'he had enough of Henkel'.¹⁰²⁴

Three years later, matters came to a head with accusations flying from both sides. The turning point had been a debate on wages, resulting in an illegal strike, large-scale dismissals and a subsequent boycott of Henkel products in SA.¹⁰²⁵ CWIU accused Henkel of not paying 50% above the MLL, ignoring that the greater Durban region operated on differing economics to those faced by other chemical companies in the CT metropolitan or PWV region.¹⁰²⁶ HSA paid between 20-25% above the wage rates paid by businesses in the Durban area.¹⁰²⁷ Were it to pay 50%, then Düsseldorf

¹⁰²² Schweiker to Harich, op. cit., 2.

¹⁰²³ CWIU, 'Progress Report on Campaign for Recognition at Henkel S.A.(Pty) Prospecton for period between 6.12.1978 and 4.4.1979,' 7 and CWIU, 'Report on dispute at Henkel South Africa (Durban plant),' 26.4.1982, 1 in UW AH1999 - C1.13.1.13.9; FOSATU, 'Henkel South Africa,' op.cit., 1.

¹⁰²⁴ CWIU, 'Progress', op.cit., 11.

¹⁰²⁵ A tactic successfully employed by CWIU against Colgate-Palmolive in 1981. See *A History*, op. cit., 13.

¹⁰²⁶ Schmidt-Dorrenbach, memo, 16. 3. 1982 in KH Acc. 271 No. 298.

¹⁰²⁷ Loc. cit.

noted, they might as well shut up shop in SA and thereby eliminate all employment.¹⁰²⁸ Moreover, the union demanded a 150% increase in wages, a request that ignored the economic reality of the business.¹⁰²⁹ When management would not compromise, one worker remarked: ‘They take us for children, they do not know how to negotiate, they only know how to tell us what they are not going to do’.¹⁰³⁰ Still, HAG, whilst in agreement with HSA that the union demands were ‘unrealistic’, urged the subsidiary to consider the ‘global image’ of Henkel in negotiations without compromising the ‘valid’ interests of HSA.¹⁰³¹

To add fuel to the fire, CWIU triggered an illegal strike by over 200 HSA employees and put out a pamphlet entitled ‘The Conduct of Henkel South Africa’ criticising the subsidiary at length.¹⁰³² A co-operative attitude was far from union leadership’s mind. They had found an issue, however debatable, to press and would use this as a rallying cry to garner attention and thereby membership and political influence, although such an approach neither served to help black workers nor address the socio-political failings within the country. Düsseldorf regarded the efforts exerted by CWIU as misguided for, by putting ‘pressure on companies that in their own way contribute to the development of the less privileged, did not replace the need for reasonable political policies’.¹⁰³³ In this regard, Henkel’s management found an unexpected ally - the *Deutscher Gewerkschaftsbund* (German Trade Union Confederation). Upon his return after a visit to SA, Heinz Oskar Vetter, president of the Confederation, convened a press conference expounding the fact that the expatriate German managers were receiving flak from all sides whilst doing all they could to foster racial integration: ‘(...) one cannot leave the German managers without support, they are people with good intentions’.¹⁰³⁴

¹⁰²⁸ Loc. cit.

¹⁰²⁹ Werner Baier (Henkel AG PR) to Broichhausen (*FAZ*), 14.4.1982 in KH Acc. 271 No. 298.

¹⁰³⁰ CWIU, Press release, 9.3.1982 in UW AH1999 - FOSATU 1939-1981 - C1.13.1.13.9.

¹⁰³¹ Koetz and Schmidt-Dorrenbach to Klews (HSA), 15.3.1982 in KH Acc. 271 No. 298.

¹⁰³² Baier to Broichhausen, loc. cit.

¹⁰³³ Loc. cit.

¹⁰³⁴ Baier to Henkel AG leadership, 14.4.1982, 2 in KH Acc. 271 No. 298.

That CWIU escalated matters to such an extent, only one month after beginning formal recognition proceedings with the company, illustrates the pent-up political frustration that existed in SA at the time.¹⁰³⁵ Whilst the union's long-term goal may have been to improve working conditions and attract sufficient membership to exert some form of influence on Pretoria, for now it was simply a disruptive organisation. The brunt of its actions were born by the expatriate managers of Henkel's South African subsidiary. In the pamphlet, cited above, CWIU described HSA's management as 'of all multi-nationals with which the CWIU had to deal with so far, Henkel has proved to be one of the most unscrupulous and unyielding'.¹⁰³⁶ Furthermore, the FOSATU-affiliated union went on to dismiss the codex as unsuitable to 'help them with their struggle'.¹⁰³⁷ As noted above, the CWIU had previously criticized HSA for delaying local codex implementation. Mentioning the codex now, whilst it did have valid failings, smacked of opportunism for it was sure to garner the attention of the German AAM, thereby illustrating yet again that this was a political ploy rather than an industrial relations dispute.

Despite Schweiker's repudiation of CWIU's claims, and the offers from multiple German organisations to facilitate arbitration, it was economic pressure that resulted in the previously stoic HSA buckling under pressure. In a sixteen-page statement, Henkel had attempted to refute the pamphlet's allegations, pointing out hypocrisy along the way:

*The maintenance of toilets, showers and change-rooms is a continuous struggle against theft of parts of these facilities, and against abuse. It is well known that such facilities are, in general, not used in a responsible way by the people concerned and it is interesting to note that the union themselves have similar problems as it was noticed by a member of Henkel's management on the occasion of a visit to their offices that their facilities were in an even more deplorable state.*¹⁰³⁸

The importance and endurance of sanitary facilities in the debate on the behaviour of South African subsidiaries cannot be underestimated. Indeed, on a visit by Steinkühler to BMW SA in 1988, six

¹⁰³⁵ Henkel AG to Quambusch and Otto Graf Lambsdorff (BMW BM), copy of EEC codex report, 15.2.1983, 2 in KH D130.

¹⁰³⁶ CWIU, *The Conduct of Henkel South Africa*, 25.3.1982.

¹⁰³⁷ Loc. cit.

¹⁰³⁸ Schweiker to Dr Schlemmer (Henkel AG HR), Repudiation, [Undated but very likely March/April 1982], 2 in KH Acc. 271 No. 298.

years after the events at Henkel, he was solely interested in the standard of the toilets; subsequently declaring himself satisfied with what he had seen.¹⁰³⁹ Toilets, it appeared, were a facet the AAM could rally around and could easily be explained to the German public.¹⁰⁴⁰

Meanwhile, HSA's MD had come to the correct conclusion that improving labour relations was the last thing on CWIU's mind:

I may comment that it is amazing to what lengths the CWIU went to distort the facts in order to put HSA's case in a bad light...I am however not very optimistic that all factual problems will be solved with such attitude, as the CWIU has opted for a strategy in line with the general union movement in SA to make as much noise as possible, in order to establish their "credentials" with their existing and potential members and beyond that with national and international organizations sympathetic with their cause, for whatever reason...(the) union issue has stretched managerial and other resources to their limits, continuation of CWIU present strategy of unreasonableness, maximum demands and lack of conciliation will severely curtail any real improvement of industrial relations within the company.¹⁰⁴¹

The previous organisations in making normal business difficult for FRG subsidiaries in SA, the German Lutheran and Catholic Churches, entered the debate surrounding Henkel once more by offering to act as mediators.¹⁰⁴² Their intentions might have been noble, but they had destroyed their credibility and any existing good-will with their prior conduct. Whilst HSA and HAG were preparing the rebuttal to the union accusations, CWIU had already begun to employ the next tactic - the consumer boycott.

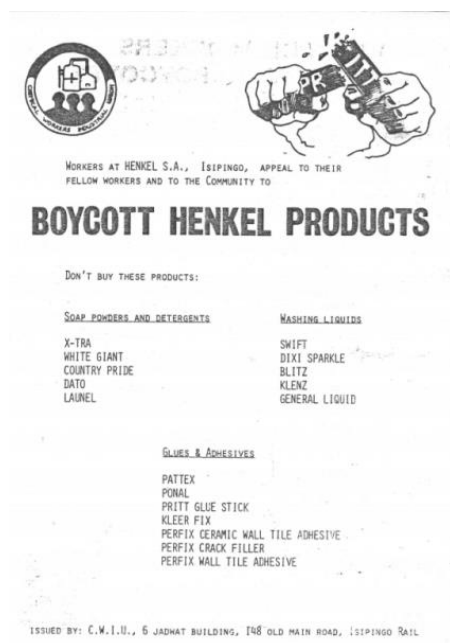
¹⁰³⁹ Hasselkus, interview, loc.cit.

¹⁰⁴⁰ Notwithstanding the Reservation of Separate Amenities Act of 1953 that prescribed separate sanitary facilities.

¹⁰⁴¹ Schweiker to Dr Schlemmer, Letter, [Undated, likely March/April 1982], 1-2 in KH Acc. 271 No. 298.

¹⁰⁴² Jürgen Schroer (Evangelische Kirche im Rheinland) to Schmidt-Dorrenbach, 3.6.1982 in KH Acc. 271 No. 298; Manfred Sollich (MISEREOR) to Dr. Herle (VCI), 14.6.1982 in KH Acc. 271 No. 298.

Poster 3: Henkel boycott¹⁰⁴³



By leveraging its membership within the umbrella organisation FOSATU, CWIU called not only for a nationwide boycott of Henkel products in SA but also those by Rembrandt tobacco, HSA's part-owner.¹⁰⁴⁴ The stakes had thereby been raised to not only affect the economic viability of the South African business but also draw in HSA's silent partner with negative consequences.¹⁰⁴⁵ Moreover, the boycott was supported by the International Chemical and Energy Federation, opening up the possibility of the boycott encompassing further markets Henkel operated in.¹⁰⁴⁶ As a result, in less than a month HSA caved in and agreed to rehire 230 workers it had previously fired as a result of the illegal strike earlier in the year.¹⁰⁴⁷ By threatening the lifeblood of HSA, CWIU had achieved its first victory against Henkel. Subsequently, the union was able to increase its membership by 20% and conclude the recognition agreement it had begun with the company.¹⁰⁴⁸

¹⁰⁴³ CWIU, 'Boycott Henkel Products,' March 1982 in KH Acc. 271 No. 298.

¹⁰⁴⁴ 'Schwarze Arbeiter trotzen dem "Weißen Riesen",' *Gewerkschaftspost IG Chemie Papier Keramik* no. 6, 1982. Copy in KH Acc. 271 No. 298; 'Congress warns Rembrandt,' *FOSATU Worker News*, April 1982, 4. Copy in KH.

¹⁰⁴⁵ CWIU, 'Report', loc.cit.

¹⁰⁴⁶ *A History*, op. cit., 15.

¹⁰⁴⁷ *Gewerkschaftspost*, loc. cit.; CWIU, 'Report', loc.cit.

¹⁰⁴⁸ *A History*, op. cit., 12, 15.

It could then leverage its existing membership base across several smaller companies, including HSA, as a platform to enter larger plants and, under the FOSATU banner, the ‘political struggle’.

Conclusion

Concurrent with CWIU’s rise, HSA’s troubles increased. The subsidiary expected a loss of R14.8m in 1984 to be followed by another loss of R4.8m in 1985.¹⁰⁴⁹ By 1986 it hoped once more to show a slight profit. Yet, despite the subsidiary’s best laid plans to enter and remain in the black, it never experienced a level of profitability to allow it to even pay a modest dividend to HAG.¹⁰⁵⁰ Instead, via a number of restructurings and disposals it reduced its employee figures in SA by 54% and exited the Durban site to concentrate its activities in the PWV-region.¹⁰⁵¹ Indeed, the perennial loss-making consumer detergents business was disposed of, the local trademarks being sold to a competitor and the production plant mothballed.¹⁰⁵² In comparison, its similarly Durban-based competitor, Unilever, was so profitable, that it forsook disinvestment to maintain high dividend remittances from SA, whilst concurrently trying to fly under the radar of the global AAM.¹⁰⁵³ Vis-à-vis BMW AG which considered a shrinkage strategy but did not implement it, Henkel did so.

Nonetheless, the topic of disinvestment was never raised. The reasons were twofold. On the one hand, Rembrandt was a stable and solid partner, providing Düsseldorf with a measure of security in remaining in SA.¹⁰⁵⁴ On the other hand, the subsidiary continued to supply a variety of chemicals to local subsidiaries of international corporations. Disinvestment, as such, would have had repercussions on Henkel’s international standing within the business community as a reliable supplier.

Notwithstanding the righteousness of management’s beliefs, the early years of Botha’s tenure had not proven to be a period the subsidiary had escaped unscathed. For all intents and purposes,

¹⁰⁴⁹ Board Meeting minutes 18, 7.5.1985, point 5 in KH 153 77.

¹⁰⁵⁰ Wieschermann, interview with author 10.1.2020.

¹⁰⁵¹ Loc. cit.

¹⁰⁵² Peter Klews (MD HSA) in e-mail to author, 12.1.2020.

¹⁰⁵³ Jones, *Unilever*, op. cit., 182.

¹⁰⁵⁴ Dohr, interview with author 9.1.2020.

Henkel failed to influence public opinion in its home country of Germany, consciously withdrawing from further engagement with ideologically driven counterparties. Similarly, it had 'lost' in SA by having to reverse a management decision to fire illegal strikers and replace its proposed workers' council by recognising the CWIU. Whilst management may have been naïve in applying German standards to SA, the outcome was inevitable. One medium-sized company would not be able to shape the debate or affect the tides of history. For HSA, the period might have been remarkable and insightful, but it certainly had been far from worthwhile, whether in profits or as an appropriate use of management's time at home and abroad.

Apart from illustrating core thesis arguments of disinvestment not being an option for German business and that abnormal profit was not on the agenda by operating a business in SA, this final chapter within 'The Chemists' comes full circle by reiterating the actual perception of the AAM by business – a key objective of this thesis. Whilst the AAM may have perhaps held the moral high ground, its conduct and behaviour demonstrated questionable ethics. It thereby alienated the corporate sector in the 1980s - precisely when it sought to maximise its influence on managerial decision-making. In the end, their actions only exacerbated German industry's inherent reluctance to enter the realm of politics. Political non-involvement, however, does not preclude progressive corporate action. That foreign business could affect enduring positive change amongst SA's disadvantaged by ignoring the AAM's calls for disinvestment, is exemplified by the following final section on the Siemens conglomerate.

Section III (The Conglomerate)

- Chapter 7 -

Siemens in South Africa: The Old Guard

Introduction

*Mr. Minister, ladies and gentlemen, we are in South Africa, we have a position there like Siemens has in Germany. We are set and determined to stay, not only to maintain, but to expand our position...I hope your visit has convinced you that Siemens is at your and at your country's disposal.*¹⁰⁵⁵

Of all the major German industrial companies, Siemens had the longest presence in SA. In the mid-19th century, it had laid telegraph lines between CT and Simon's Town for the British Cape Colony but also provided Paul Kruger, President of the Transvaal Republic, with a telephone.¹⁰⁵⁶

The sincerity of Peter von Siemens in the above speech excerpt for the attendant guest of honour, F.W. de Klerk, the Minister of Post, Telegraphs and Telecommunication, therefore, could not be in doubt. Indeed, as a descendant of the company's founder and as Chairman of the Supervisory Board of Siemens AG, von Siemens, had merely concurred with an earlier proclamation by Dr Bernhard Plettner, the CEO, that come rain or shine, the company was committed to SA.¹⁰⁵⁷

The history of Siemens in SA is dichotomous. The company tolerated no outside interference on political grounds in Germany from what senior managers regarded as a morally bankrupt AAM, thereby exhibiting exceptional conservatism as well as distrust of actors outside the realms of business and government. Concurrently, in SA Siemens was remarkably progressive in the operation of its subsidiary, earning rare praise in German newspapers. For the chemical companies analysed in the previous section, SA was always a niche market attracting disproportionate management attention. Within the Siemens conglomerate the subsidiary's treatment was similar, however, the reasoning differed. Simply put, the South African socio-political framework and the global as well as German AAM left the company completely unfazed. Despite the South African business being of significant size, it merited no special attention. With a firm commitment to the

¹⁰⁵⁵ Dr Peter von Siemens (Chairman of the Siemens AG Supervisory Board), speech at Hotel Bayerischer Hof, 15.10.1978, 4 in Siemens AG Archive ('SAA') 4 Li 786.

¹⁰⁵⁶ 'Highlights in Southern Africa,' 1 in SAA 68 Li 194.

¹⁰⁵⁷ von Siemens, op. cit., 3.

country, no qualms existed on the need for management to justify a presence to outside parties and the subsidiary was provided with a high degree of independence. This is reflected in the relatively little amount of existing archival material in relation to crisis-management. The state of the record collection, therefore, is to be expected. After all, on the eve of the 1980s, Siemens executives took pains to confirm that their company 'was not for turning'.

This case study explores the above premise that outside conservatism and internal progressiveness was a hallmark in the management of Siemens's South African business. It supports the overarching thesis argument in three ways. First it shows the reticence of German industry to get drawn into politics. Second it reveals that the maintenance of a concord amongst FRG corporates, in treating outside politically motivated interference, trumped standalone action. Finally, and most importantly, it questions which historic stakeholder truly displayed inherent moral righteousness and a long-term commitment to improving SA. Siemens's decision to ignore the transitory AAM benefited the disadvantaged races, demonstrating results even after majority rule.

The chapter is divided into two main sections. Part one analyses the company's treatment by the German press in the 1970s and its publicly and privately expressed viewpoints with respect to SA. Hereby the bulk of source material stems from the records in the Siemens Historical Institute. The second part on the 1980s, in contrast, draws on records by Siemens stored in the corporate archives of other companies, highlighting the high degree of collaboration on South African matters. It is supplemented by oral testimony of a former Executive Director of Siemens in SA. The conclusion subsequently takes a stand on whether it was economics, its lengthy history in the country, or a particular set of beliefs amongst its management that undermined any thought of disinvestment.

PART A

The 1970s: Riding the tiger

1. *One conglomerate, many political perspectives*

‘It is our task to equally protect and promote the white minority’¹⁰⁵⁸

By the centenary of Siemens’s first order from the South African market, the Republic could no longer be imagined without Siemens, so close were the ties to the Afrikaner business community and the state. This entrenchment rested on two pillars. Firstly, the company’s historic and ongoing provision of various pieces of electronic, signalling and telecommunications equipment to the South African government and its parastatals. Secondly, the make-up of its local subsidiary’s ownership in reflecting the rise of Afrikaner-owned and managed corporations. Indeed, Siemens AG held only a controlling stake in the subsidiary.¹⁰⁵⁹ The remainder was owned by IDC, *Sanlam* and *Federale Volksbelegging* – the latter two perhaps the most well-known corporations tied to the promotion of Afrikaner interests, i.e. *volkskapitalisme*. Even when *Sanlam* disposed of its stake by the 1980s, it was simply replaced by General Mining Union (‘Gencor’), another Afrikaner-controlled corporation.¹⁰⁶⁰ The fact that 49% of Siemens Limited, the South African subsidiary, was owned by three conservative companies close to Pretoria indicates a willing acceptance by Siemens AG of South African reality at the time, namely the Afrikaner domination of political and, increasingly, economic power.

¹⁰⁵⁸ Attributed to an unnamed German business representative in Niggel (Siemens AG Press division – business press), note on Bad Boll meeting with EKD and companies 17-18.5.1973, 22.5.1973, 5 in SAA 8126.

¹⁰⁵⁹ Seidman, *Outposts*, op. cit., 170.

¹⁰⁶⁰ Embassy Pretoria to AA, BMWi, cable, 29.10.1985 in BArch B 136/23445.

Photograph 8: Dr Gerd Tacke (CEO Siemens AG) with Vorster, 1968¹⁰⁶¹



Yet, the significance of the South African subsidiary, which by the 1970s was the 5th largest within Siemens AG, is not reflected in the existing historiography.¹⁰⁶² Apart from an examination of Siemens in fin de siècle-SA as well as a macro-level chronology on the company's website and an outdated company publication, no review of the company's engagement with the apartheid-Republic post-1970 exists.¹⁰⁶³ This is a notable shortcoming, since the business was regarded by Siemens's own CEO as 'the most difficult and headstrong but also the most successful overseas enterprise of the Group'.¹⁰⁶⁴ Indeed, Volkswagen was the only German enterprise that came close to employing as many thousands as Siemens did in SA.¹⁰⁶⁵

Whilst the car manufacturer and Siemens shared similar direct access to South African Ministers and entertained them both in the FRG and in the Republic, the company went a step further and bordered on pushing the NP party line in Germany. The 1970s saw a continuation of historically mutual visits by NP Government officials and Siemens executives to each other. The pilgrimages by the Germans to Vorster in SA were repaid by sojourns of Diederichs and Muller as well as the

¹⁰⁶¹ Pretoria, February 1968 in SAA 8126.

¹⁰⁶² Seidmann, op. cit., 167.

¹⁰⁶³ Dr Ewald Blocher, 'Departure to South Africa,' Siemens AG.

<https://new.siemens.com/global/en/company/about/history/news/departure-to-south-africa.html>; Dr Franz Hebestreit, 'Gold Rush in South Africa,' Siemens AG.

<https://new.siemens.com/global/en/company/about/history/news/gold-rush-in-south-africa.html>; 'Our history in South Africa,' Siemens AG. <https://new.siemens.com/global/en/company/about/history/countries-and-regions/south-africa.html>; J. Wegner, *Geschichte des Hauses Siemens im Ausland. Teil C, Siemens-Gesellschaften in Übersee. Band 1, Südafrika* (Erlangen: Siemens AG, 1970).

¹⁰⁶⁴ Bernhard Plettner, cited in 'Siemens investiert in Südafrika,' *Blick durch die Wirtschaft*, 22.2.1972.

¹⁰⁶⁵ Verheugen, op. cit., 91.

leadership of Afrikaner-led partner companies, including IDC and *Federale* to Germany.¹⁰⁶⁶ Even the Chancellor of the University of Pretoria and the Vice-Governor of the South African Reserve Bank could be encountered in the hallways of the company's German offices.¹⁰⁶⁷ A close relationship, exemplified by Diederichs: 'Siemens on their part deserve high praise for the way in which they have identified themselves for very many years with the pioneering spirit of South Africa'.¹⁰⁶⁸ Indeed, it had been the orders by the South African Post Office that had perhaps been most pivotal in laying the groundwork for the company's growth in SA. This growth had resulted in Siemens employ 6600 staff, operate eight sites, and source 80% of materials locally.¹⁰⁶⁹ A fly-by-night operation this was certainly not.

The company's statements and actions during this decade with respect to SA's racial policies could be described as fundamentally conservative, anticipatory neutral or morally progressive. This categorisation depended on which oral or written statement was currently at hand and from which part of the conglomerate they were issued. Peter von Siemens espoused the conservative line, approximating the NP position:

*A black majority can only be discussed in terms of race. As a political factor it is, given the current state of affairs, not present. The wish to transfer South African executive power to a black majority is, given the conditions, solely of an abstract-ideological nature and would, hypothetically considered until the very end, lead to the break-up of the country into small, ungovernable Bantustans with subsequent tribal conflict resulting in the extensive impoverishment of the black population*¹⁰⁷⁰

Whilst von Siemens was correct in implying that no black majority government lay in wait to grasp the reins of power, both the ANC and PAC had drawn appeal irrespective of 'tribal' affiliation. Furthermore, the Bantustan policy of the NP went against the prevailing trend of South African history to unify disparate states. Once the Union of SA with its institutions had been established, it is inconceivable that any political faction would wish to revert to only exercising regional power

¹⁰⁶⁶ Diederichs was Minister of Finance, S.L. Muller of Economy; ZVA, *Monatsbericht*, February, March, and December 1972 issues, in SAA 68 Li 194.

¹⁰⁶⁷ ZVA, *Monatsbericht*, August 1970 in SAA 68 Li 194.

¹⁰⁶⁸ Wegner, op. cit., introductory quotation.

¹⁰⁶⁹ von Siemens, loc. cit.

¹⁰⁷⁰ Peter von Siemens, 'Industrielle Aktivitäten in Südafrika,' Speech at Rotary Club Munich-Mitte, 17.2.1978, 1-2 in SAA 4 Li 786.

rather than claiming complete control of the country. Whilst regional support bases existed, any hypothetical fight would not have been between the 'Bantustans' but between the black political factions for control over the Union Buildings.

Meanwhile, the middle management layer of Siemens AG, especially central administrative and policy development functions, promoted the liberal theory of economic salvation as a partial cure for the apartheid malady. For them, the South African economy was in transition and it was the responsibility of business to create 'sound working conditions for all races.'¹⁰⁷¹ Indeed, the shortage of skilled white labour and the 'poor quality' of white immigrants to SA had been noted in a travel report by Siemens's PR department and circulated to other German corporates.¹⁰⁷² It argued only business could weaken apartheid's grip on the country and thereby improve the lot of the non-white population:

*The opponents in the FRG may not accept it lying down but it seems that a softening of apartheid, a better level of education of the coloured and black population as well as a harmonisation in the matter of wages can only be achieved via the needs and demands of the economy – especially in terms of replacing white labour with qualified coloured and black personnel. Already certain companies are approaching legal limits.*¹⁰⁷³

The liberal argument had firmly taken hold within the rank and file of Siemens and despite political setbacks, including the fallout from the tragic killing of teenage protestors at Soweto in 1976.¹⁰⁷⁴ The decade's economic data revealed the underlying realities. Between 1970 and 1979, the non-white share of national income had doubled to 30%.¹⁰⁷⁵ This racial group had also moved into increasingly senior positions. The lower pay brackets within industry had been increased at a greater rate than those towards the top. From 1970 to 1978, the economy had averaged 3.2% annual growth, furthering the integrationist trend.¹⁰⁷⁶ Whilst apartheid persisted, it was now not the

¹⁰⁷¹ Heyer (MD Siemens South Africa) in 'Siemens investiert in Südafrika,' loc. cit.

¹⁰⁷² B. Niggel, H. Albert and H. Haslauer to executives at Siemens, AEG, Hochtief and others, Travel report 18.6.-1.7.1972, 27.7.1972, 3 in SAA 8126.

¹⁰⁷³ Ibid, 4.

¹⁰⁷⁴ Hermann Giliomee, *The Last Afrikaner Leaders: A Supreme Test of Power* (Cape Town: Tafelberg, 2012), 108-109.

¹⁰⁷⁵ Sorg (Siemens AG -Wirtschaftspolitik und -verbände/Economic policies and business associations), *Wirtschaftspolitische Nachrichten No. 3/7930*, 1.1979 in SAA 49 Lr 262.

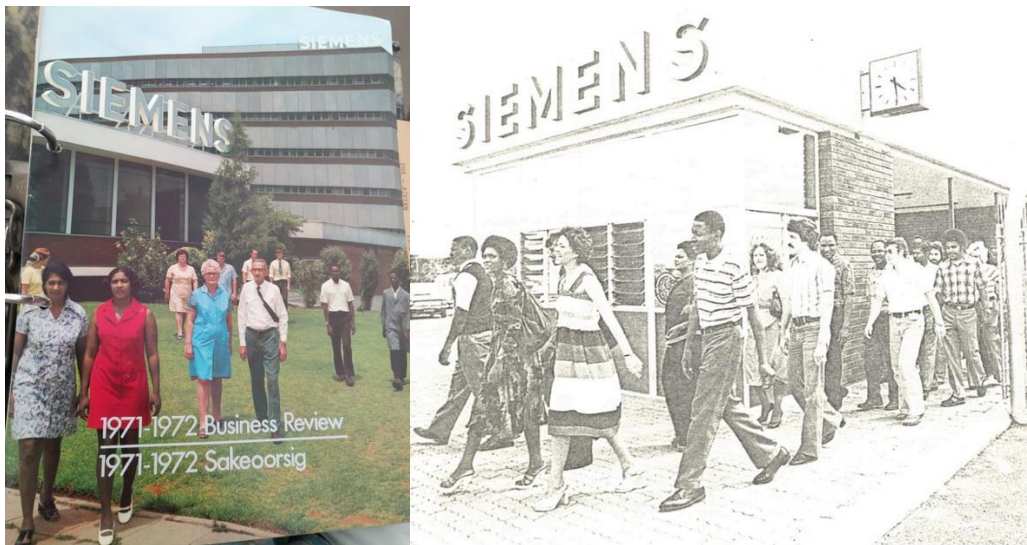
¹⁰⁷⁶ Loc. cit.

elimination of racial discrimination in the workplace that would have a halo effect but the emergence of a black middle class:

The hope seems justified that in SA gradually large parts of the black population can be integrated into a consumption-orientated middle class. Thereby the Black-White conflict would lose some of its explosive power and would prepare the ground for a socio-political easing of tension through evolutionary development.¹⁰⁷⁷

Photograph 9: Cover page of Siemens (Pty) Limited Business Review report 1971-2¹⁰⁷⁸

Scan 2: Cover page of the personnel development report of Siemens Limited 1976/7¹⁰⁷⁹



Such an anticipatory neutral stance on the demise of apartheid via economic growth established progressive realities on the subsidiary's shop floor; an effort commended by the German press. Interviews of Siemens workers across racial lines by a German national paper led to the discovery that the employees were full of praise for management: 'Here they've gone so far as the government allows'.¹⁰⁸⁰ Indeed, some of the company's actions were already going beyond what was permissible. It employed black workers from Soweto, i.e. those without 'Section Tens', in white areas and instituted the apprenticeship training of black and coloured staff whilst this was still outlawed.¹⁰⁸¹

¹⁰⁷⁷ Loc. cit.

¹⁰⁷⁸ Copy in SAA 68 Li 194.

¹⁰⁷⁹ Copy in RB, 1 022 567. Notice the improved optics of the cover photo after Wentges became MD with the races no longer standing apart.

¹⁰⁸⁰ Peter Seidlitz, 'Rassentrennwand in der Montagehalle,' *Süddeutsche Zeitung*, 4.4.1975.

¹⁰⁸¹ On Section Tens, see Harrison, op. cit., 235-237; Trotskie in e-mail to author, 30.1.2020; indeed, the efforts Siemens's local management made to illegally hire Coloured staff and ensure their welfare was not forgotten by its former employees – even more than thirty years later. See Roy Volkwyn, 'The circumstances that led me to meeting Lyn in 1978,' *Olivialynvolkwyntribute*, 19.3.2012, <https://olivialynvolkwyntribute.wordpress.com/2012/03/19/the-circumstances-that-led-to-me-meeting-lyn-in-1978/>.

Furthermore, Siemens was paying 20% above the going wage rate and 76% above the minimum subsistence level.¹⁰⁸² Even the Chairman of Siemens AG workers' council, Ferdinand Turek noted that the company had been doing everything in its power to eliminate racial discrimination, even creating one of the first integrated workers' councils in SA.¹⁰⁸³ It went on to establish a further first in SA by providing medical aid to all staff irrespective of race.¹⁰⁸⁴ With reference to its initiatives, local management was clear on how to tackle the call for disinvestment: 'We couldn't abandon the country. We are needed here'.¹⁰⁸⁵ Yet it was the underlying commercial viability, including government contracts, that enabled forerunning social welfare policies which earned Siemens international praise.

2. Company responses to opposition on policies and politics

Its progressive policies, however, earned Siemens the ire of two very different groupings. The first to decry Siemens's handling of labour relations were its large South African peers and clients: AAC and Barlow Rand. Wilfried Wentges, MD of Siemens Limited from 1973-1982, was verbally chastened by AAC's leadership for bringing Siemens's social policies to SA and thereby causing upheaval to the domestic status quo in industrial relations.¹⁰⁸⁶ Yet, Siemens Limited was merely following the company's global policy as well as acting on trends that were already underway in the South African motor industry. Moreover, in their personal capacity, the local subsidiary's management were committed to fair and equal employment practices, anything less would have been indefensible.¹⁰⁸⁷ The second voice of opposition came from the white labour unions, particularly the Electrical Workers Association and the Boilermakers' Society.¹⁰⁸⁸ Their protest against the elimination of race-based privileges reflected a prevailing trend within white trade unionism. Arrie Paulus, the most infamous white trade unionist, perhaps best expressed such

¹⁰⁸² Seidlitz, loc. cit.

¹⁰⁸³ Siemens Mitteilungen (internal newsletter of Siemens AG), March/April 1978 H. 3-4, 24-25 in SAA 68 Li 194.

¹⁰⁸⁴ Trotskie, op. cit., 21.1.2020.

¹⁰⁸⁵ Unnamed Siemens Limited Manager, cited in 'Überlebenstraining,' *Capital* 12/1976.

¹⁰⁸⁶ Trotskie, op. cit., 4.2.2020.

¹⁰⁸⁷ Loc. cit.

¹⁰⁸⁸ Trotskie, op. cit., 30.1.2020.

sentiment in his election poster as a KP candidate. Indeed, he would describe the Wiehahn-derived reforms as the ‘greatest treachery against the white employees of South Africa since 1922’.¹⁰⁸⁹

Video still 4: KP election poster, 1989¹⁰⁹⁰



Siemens, therefore, despite its public position, was remarkably progressive within the South African context. Indeed, it benchmarked its pay and social benefits for non-white workers against those offered by American corporations to ensure it remained at the forefront in terms of remuneration and welfare.¹⁰⁹¹ In essence, the evidence suggests the conservative-minded statements by its leadership in Germany reflected a disdain of biased FRG reporting which they regarded as ideologically driven agitation towards SA, rather than reflecting how Siemens operated its subsidiary. Whilst multinationals were expected to abstain from interventionism in a host country, in SA active confrontation with the government’s policies was encouraged by the AAM on moral grounds. In practice, FRG subsidiaries such as Siemens formed a ‘socially progressive avant-garde’ despite their shying of publicity.¹⁰⁹² Yet, concurrently management resented that codices on corporate behaviour were solely imposed for SA rather than being left up to the discretion of

¹⁰⁸⁹ Cited in Alex Lichtenstein, “‘We feel that our strength is on the factory floor’”: Dualism, shop-floor power, and labor law reform in late apartheid South Africa,” *Labor History* 60, no. 6 (2019), 606-625, 608.

¹⁰⁹⁰ Taken by author from unpublished 1989 AP Archive B-roll footage; c.f. with the lyrics of 1978 SA punk rock song at Shifty Media Official Channel, ‘CORPORAL PUNISHMENT - Brain Damage,’ YouTube video, 2:18, 1.9.2015 <https://www.youtube.com/watch?v=LkC-0Y3olPc>.

¹⁰⁹¹ Dennis Clackworthy (Siemens Limited HR) to Büscher (Exec. Director responsible for manufacturing facilities at Siemens Limited), 4.8.1972 in SAA 8126.

¹⁰⁹² Hans Konradin Herdt in *Süddeutscher Rundfunk*, cited in ZI-Hausmitteilungen No.10, June 1980, 1 in SAA 60 Li 700.

individual businesses: ‘...is one therefore to understand that labour relations and working conditions in the remaining 149 countries in the world appear sufficiently acceptable?’¹⁰⁹³ In Germany, the moralising and political interference by the churches and media illustrated to Siemens not the ethical dilemma of a South African presence but rather the reactionary nature of the opposition.

Photograph 10: Siemens 1970s advert¹⁰⁹⁴



The German AAM particularly drew the ire of Siemens management on two issues. One, the fostering of the idea that ‘Whites’ had no place in Africa and they as a minority deserved no protection on the same footing as that advocated for the disenfranchised non-white population.

¹⁰⁹³ Informationen Argumente No. 3 (1978), 2.3.1978 in SAA 68 Li 194; Annual Report Siemens Limited 1976/77, 1. Copy in RB, 1 022 567.

¹⁰⁹⁴ *Homelands*, loc.cit.

For the Left, the former functioned in SA as an unacceptable colonial reminder.¹⁰⁹⁵ And secondly, the vocal nature of the anti-apartheid lobby in the FRG served to disguise the historic moral failings of its constituents. The churches had led the opposition due to their own guilty conscience stemming from lacklustre opposition to Jewish persecution during the Third Reich.¹⁰⁹⁶ Whilst the ‘silent majority’ regarded South African racism as a far less pressing matter deserving of positioning by business and society compared to other issues; under the ecumenical banner, left-wing radicals using the guise of Christian indignation had discovered a new home and pastime.¹⁰⁹⁷ Even P.W. Botha knew of the German AAM’s origins, remarking: ‘There is an attitude in certain quarters in Germany about what the Nazis did and now they are looking for other people to accuse’.¹⁰⁹⁸

Within the German socio-political landscape, a neutral, fact-derived position was no longer tenable, making any response by business increasingly challenging. In an internal memo, the Siemens AG business press department informed the global executive strata that German intellectuals proved especially reactionary precisely because racial discrimination was taking place in a supposedly Western country – SA.¹⁰⁹⁹ Whilst business reporters remained objective, the political reporters and the ideologically-driven editorial boards of major German papers were, it argued, a lost cause in the battle to return to some form of rationality. The moderate stalwarts had long given up fighting the infiltration of the ‘New Left’ in public institutions, universities, and the media. The caution expressed by the PR department was warranted. For even in German academic debate on SA, the scientific, specialist press such as *Afrika-heute* and publications by the *Vereinigung Deutscher Wissenschaftler* (especially that of their Developing Countries Study Group) had morphed into radical mouth pieces.¹¹⁰⁰ The situation had become so extreme and removed from reality that even church

¹⁰⁹⁵ Hans Dichgans (MD BDI), *Südafrika 1975*, 3. Copy in SAA 68 Li 194.

¹⁰⁹⁶ Niggel, Memo ‘Die Agitation gegen Südafrika in der BR’, 8.8.1972, 1 in SAA 8126; see also Klaus Wiegrefe, ‘Pakt zwischen Himmel und Hölle,’ *SPIEGEL SPECIAL* Geschichte 1/2008, 29.1.2008, 84-87 and Jochen Bölsche, ‘Hakenkreuz am Altar,’ *SPIEGEL SPECIAL* Geschichte 1/2008, 29.1.2008, 88-91.

¹⁰⁹⁷ Loc. cit.

¹⁰⁹⁸ ‘Gesprek’, op. cit., 9.

¹⁰⁹⁹ Loc. cit.

¹¹⁰⁰ Ibid, 3.

leaders were considering cutting funds to certain university church groups.¹¹⁰¹ By disrupting AGMs, the critics could keep the ‘agitation boiling’.¹¹⁰² This was the socio-political framework in which Siemens AG operated in and one that demanded justification for any engagement with the apartheid-state.

The company’s response was negligible, for its decision-making could never be influenced by outside actors, let alone by, what was perceived by management, as a partly hysterical minority that time and circumstance had given the opportunity to dominate public debate in the FRG. Indeed, Siemens’s senior management had been characterised historically as being concerned ‘with good business, not with where their business lay, and largely ignored political repercussions’.¹¹⁰³ Whilst the company did consider peripheral measures Pretoria could take to boost its standing in Germany, including less restrictive visa practices for political journalists and the taking in of the exiled Ugandan Asian population, the executives kept their thoughts private.¹¹⁰⁴ Apart from continuing to monitor the gestations of the AAM, part of day-to-day business for the press department, the company’s sole foray into the debate was to send letters of gratitude to those journalists it regarded as still upholding some form of objectivity in their reporting, particularly towards the South African white minority.¹¹⁰⁵ A chosen few also received invitations to tour Siemens’s South African factories.¹¹⁰⁶ Yet, part of the reason for shying publicity was the fear that if Siemens did manage to convince its opponents of its progressiveness, then the company might receive flak from the South African side.¹¹⁰⁷

The Geisler case, however, revealed that when push came to shove, German business would consider entering the political arena, albeit only after aligning with its corporate peers. It also

¹¹⁰¹ Ibid, 4.

¹¹⁰² Loc. cit.

¹¹⁰³ Middlemas, op.cit., 56.

¹¹⁰⁴ Ibid, 1,6.

¹¹⁰⁵ Niggel to Siemens Directors, Note on TV programme ‘Wohin geht Südafrika’ by Klaus Stephan broadcast 21.8.1970 at 20:15 on ARD, 28.8.1970 in SAA 8126; Wilfried Wentges (MD Siemens (Pty)/Limited) to Herchenroeder (*Handelsblatt*), thank you letter for article in 22.11.1973 copy of the paper, 4.12.1973 in SAA 8126.

¹¹⁰⁶ Dr Alexander Großmann (Direktor Siemens AG) to Dr Hans Heigert (*SZ*), 1973 in SAA 8126.

¹¹⁰⁷ Günter Gosmann (Director Siemens AG Regional Strategies), note referencing transcript of *Monitor* broadcast 25.6.1973, 3.7.1973, 2 in SAA 8126.

highlighted how far the apartheid discussion in Germany was driven by those on a moral crusade whereby objectivity had become a secondary concern. Nonetheless, a minority of academics still unwittingly eschewed the stance that Siemens's management held in private:

*Support of revolutionary endeavours in SA as desired by left-wing groups and church associations cannot be in the interests of the non-white population. It is also not in the interests of the foreign policy of the FRG.*¹¹⁰⁸

*The promotion of a halt to new investment by the WCC is a naïve, hasty, futile, and doomed attempt; the WCC thereby did not increase its credibility.*¹¹⁰⁹

Unfortunately, such warnings were ignored, for the debate was driven and set by crusaders such as Dr Wolff Geisler. Geisler, a part-time medical doctor, full-time political activist, SPD party member, Green Party member and Green Party delegate to the CPSU held over 200 presentations across the FRG criticizing German business for operating in SA.¹¹¹⁰ Whilst Siemens's PR department attended one such early presentation, describing it as a 'train wreck from which even the audience could not turn away in morbid fascination', fourteen years later Geisler was still active.¹¹¹¹ He now openly derided the management of German corporates as 'oath-breaking criminals', including at one such event in Erlangen, a city where Siemens was the largest employer.¹¹¹² What truly shocked management was that the attendant mayor, Ursula Rechtenbacher, did not even let out a squeak as Geisler proceeded to slander the company that provided the livelihood and tax base for much of the region.¹¹¹³ In hindsight, given that the mayor was an SPD party member, her lack of action to defend business is not all that surprising. In fact, the mayor's office even received a packet of ANC pamphlets that called for an economic boycott for distribution. For the first and only time, Siemens considered a pivotal public response. The AAM had literally reached home turf.

¹¹⁰⁸ Professor Gustav Stein, report on 1973 SA Rand Show visit, 29.5.1973 in SAA 8126.

¹¹⁰⁹ Professor Ansprenger (FU Berlin) cited in Hubert Haslauer (Hochtief) to Grossmann, Minutes of 22-24.4.1974 seminar 'Investitionen in Südafrika' of the Evangelische Akademie Loccum, 7.5.1974 in SAA 8126.

¹¹¹⁰ Wolff Geisler, 'Vita,' Wolff Geisler. <https://wolff-geisler.de/vita/>.

¹¹¹¹ Niggel, Report on 4.6.1973 'Siemens und der Krieg im südlichen Afrika' presentation by Geisler, 30.5.1973 in SAA 8126.

¹¹¹² 'Die Firma Siemens wurde nicht ausgespart,' *Erlanger Nachrichten*, 19.5.1987. Copy in SAA 21672.

¹¹¹³ Achim Meilenbrock (Siemens AG ZWR) to Clemens (Siemens AG ZFR), 18.5.1987 in SAA 21672.

A response, however, never came to fruition. It was precisely the arguments put forth by this thesis that stayed the industrial giant's hand. A proposal to sue Geisler was slapped down, even though valid grounds for such action existed. For, were Siemens to sue, other companies might be unwittingly drawn into such a case. Furthermore, legal action would provide Geisler with not only the publicity he craved but also that which Siemens abhorred. The consequence would be that the 'criminals' comment would take on a secondary role, whilst Siemens's business with SA would be subject to 'journalistic exploitation'.¹¹¹⁴ Wary of being drawn into what could turn into political mudslinging and of upsetting FRG corporate harmony, Siemens stood down.¹¹¹⁵ It could afford to. The company's reputation was such that even the damage by Geisler's slander could be taken on the chin. Any action to the contrary would have not been to its benefit, there was nothing to be gained but further headaches.

As the 1970s ended, the company's name would pop up as part of an alleged nuclear conspiracy between Bonn and Pretoria.¹¹¹⁶ However, the actual importance lay in the practices of Siemens Limited. These were far more significant in shedding light on the company's conduct. It was one of the few businesses, alongside VW and Bosch, which was prepared to answer the Loderer questionnaire.¹¹¹⁷ Indeed, over the past decade it had been visited by more than thirty different German parliamentarians.¹¹¹⁸ When Botha's tenure began, Siemens discovered that its brand of conservative thought and progressive practice, as shown in this first part, would hold it in good stead.

¹¹¹⁴ Grimmer to Meilenbrock, 27.5.1987 in SAA 21672.

¹¹¹⁵ Siemens's consideration of its peers extended also to other cases of outside political interference. E.g. it distributed copies of its response to the UN TNC Centre. See Gösmann to Henkel AG, telex, March 1979 in Konzernarchiv Henkel Acc. 271 No. 299.

¹¹¹⁶ See appendix XV.

¹¹¹⁷ Neumann (BKA), memo, 31.5.1979 in BArch B 136/12597.

¹¹¹⁸ Wilfried E. Wentges (MD Siemens Limited) cited in Wilhelm, *op. cit.*, 71.

PART B

The 1980s: Consistency

3. *A progressive commitment reaffirmed*

*...a company totally committed to and permanently rooted in South Africa.*¹¹¹⁹

The onset of the 1980s saw little change to the methods employed by Siemens's management in the handling of public interest in its South African operation. An enduring distaste for outside, politicised interference into its business affairs, especially when objective reporting could not be guaranteed, remained the hallmark of management behaviour. Two examples from 1981 underline this unwritten rule. First, apart from DB, only Siemens objected at a BDI/DIHT meeting against publishing the individual codex reports.¹¹²⁰ Fearing regulatory consequences, misuse of data and no control over politicisation of foreign economic activity, the Siemens representatives maintained adherence to the rule of non-obligation with respect to publication. Second, when Dr Sohn of 'das Dilemma'-fame, requested an 'objective' discussion with representatives of the company after publication of the 'Dilemma', management could hardly contain their displeasure:

*The utter bias of your report is hardly auspicious, nor conducive to have a retrospective, objective discussion. The report has been published and is therefore politically effectual. We are not prepared to give it a belated air of legitimacy.*¹¹²¹

Siemens was particularly aggrieved that Sohn had not taken any steps to reach out to management before interviewing two workers with thirty-nine different questions. Furthermore, in the subsidiary's estimation the workers interviewed were most likely unskilled contract labourers not operating at any of its main production sites.¹¹²² These individuals, therefore, could least of all comment on its racial and industrial relations. Whilst the subsidiary itself had minimal touchpoints with the German clergy, a relationship handled by Siemens AG, local management came to regard

¹¹¹⁹ Siemens advertisement in *Multinationals Survey*, op. cit., VI.

¹¹²⁰ REA to F2 and F40, 6.3.1981 in RB, 1 022 568.

¹¹²¹ Peter Jürgen Lüders, HR Manager (Siemens AG) to Dr Walter Sohn (Protestant Church in the Rhineland), 15.6.1981. Copy in RB, 1 022 568.

¹¹²² Trotskie, op. cit., 6.2.2020.

the inquiry and conduct of the former, on the back of its passivity during the Third Reich, as hypocritical.¹¹²³ In contrast, a far more appreciative tone could be found coming from Pretoria.

The familiarity Siemens Limited enjoyed with the NP Government had three roots. The government, especially branches involved in infrastructural development of the country, had long been established customers of Siemens.¹¹²⁴ Furthermore, Siemens not only had a lengthy track-record in SA but was also firmly committed to staying as well as continuing its sizeable investment. Finally, the role of the individual must not be underestimated. Wentges, always a champion of SA, had during his tenure entrenched Siemens Limited as fixture of the South African corporate landscape as well as a bridge to the outside world. Indeed, this affinity for SA is perhaps best exemplified by his death. Following a fatal accident in the Bavarian Alps, he was buried in SA with six NP Cabinet Ministers in attendance.¹¹²⁵

These good relations with Pretoria allowed for the subsidiary's Directors to also voice their concerns. Particularly in the late 1980s, this channel was used to stress the need for an evolutionary process of reform complemented with intensified dialogue with the ANC. Whilst the government's clandestine dialogue with the banned political party through the Minister of Justice, Kobie Coetzee, was not public knowledge – it was an effort the business sector, especially the Afrikaans-speaking executives, including those of Siemens Limited, were well aware of.¹¹²⁶ In its lobbying of the government, the greatest concern for the subsidiary's leadership, however, was the economy. For, just as the bulk of the middle management and functional layer of Siemens AG, it believed in the liberal theory.

By the early 1980s, Siemens Limited was convinced only economic growth and thereby increased employment of non-white labour could alleviate and begin to reverse the impact of apartheid as

¹¹²³ Loc. cit.

¹¹²⁴ Key government clients included the Post Office, ESCOM, Telkom, municipalities, and the Health Department.

¹¹²⁵ Trotskie, op. cit., 30.1.2020.

¹¹²⁶ Trotskie, op. cit., 24.1.2020.

well as the failure of the Homelands policy.¹¹²⁷ Yet, such a theorem would depend on sustained above-average growth in mining and manufacturing – the two largest sectors for future-proof employment of unskilled and semi-skilled labour. With the 1980s witnessing the economy entering multiple periods of recession, the reform process stalling and the Homelands collapsing, the subsidiary's propagation of the Oppenheimer theorem, as did the appeals by multiple South African business federations, fell on deaf ears. In contrast, one group that displayed newfound interest in the position of Siemens was the ANC.

The interaction between Siemens and the ANC illustrates the fundamental nature of both parties. On one hand was Siemens, the giant that could not be swayed by political pressure. On the other hand, the ANC, willing to do whatever it thought necessary to achieve its goals of ending the apartheid-state. In 1983, the ANC requested a meeting with Siemens to which the company agreed. After a four-hour meeting in Berlin, attended by senior leadership of both Siemens AG and Siemens Limited, and ANC representatives, including grandees dispatched from Paris and communist East Berlin, no agreement was reached.¹¹²⁸ The topic of discussion had been the company's role as a main contractor on the Cabora Bassa project in Mozambique.¹¹²⁹ Over time Siemens had taken on additional contractual work that had become available as the Swedish ASEA and British English Electric withdrew from the project. The latter two companies had succumbed to pressure from their respective left-wing governments to reconsider involvement in a project regarded as 'extending white rule'.¹¹³⁰ At the meeting, the ANC threatened Siemens with consequences were the company not to withdraw. For its part, German business clarified that its operation in multiple countries across the globe did not equate to acceptance of the host government's politics. Upon parting ways, Siemens Limited began receiving calls from Botswana

¹¹²⁷ Trotskie, op. cit., 04.2.2020.

¹¹²⁸ Trotskie, op. cit., 21.1.2020.

¹¹²⁹ Georg Schreyögg and Horst Steinmann, 'Moral issues in business: The case of Cabora Bassa,' *Scandinavian Journal of Management Studies* 2, no. 3–4 (May 1986), 213-229.

¹¹³⁰ Rainer Tetzlaff, 'Transnationale Unternehmen, der Staat und der Bürger – Zwerge gegen Giganten: Hat es Zweck, gegen „Multis“ zu protestieren?,' in *Siemens, vom Dritten Reich zur Dritten Welt*, ed. Entwicklungspolitische Korrespondenz (Hamburg: EPK-Drucksache 2, 1983), 107-119, 112. Copy in SAA 38/8.

informing its management that bombs had been planted throughout its offices.¹¹³¹ Whilst ANC historiography covers the civilian bombing campaign by MK, little mention is made of the organisation's use of bomb *threats* against foreign civilian and business targets. Indeed, Siemens was not the only FRG business to be targeted.¹¹³²

It could be argued that the ANC's focus on foreign business to further macro-level political goals undermined the actual contribution Siemens Limited was making towards alleviating the trappings of NP-rule. Having the backing of Siemens AG allowed the subsidiary to stand firm in the face of the ANC's threats. Concurrently, it obtained mother company buy-in to establish a social fund. The fund provided financial assistance to more than a thousand employees to become homeowners by aiding in house construction.¹¹³³ Furthermore, the subsidiary's management opened itself up to domestic criticism when Trotskie, co-MD of the subsidiary, together with AAC's Godsell provided character references for two senior trade union leaders following their arrest after an altercation with the police in the mid-1980s.¹¹³⁴ This working knowledge of union leadership had been established following an illegal mass strike in 1985 that would see nearly 20% of its South African workforce lay down tools.¹¹³⁵

4. Relations to peers: Divided by politics, united by labour relations

The strike originated from the South African Post Office's decision to begin a US\$6.25bn modernisation programme of telecommunication exchanges.¹¹³⁶ Siemens, alongside CIT Alcatel, was one of the chosen suppliers of digital exchange equipment. This change, however, meant that the manufacturing process, which included up to 70% of local content, had to be fundamentally altered.¹¹³⁷ The new exchanges required less than 50% of the man-hours in assembly than the prior

¹¹³¹ Trotskie, loc.cit.

¹¹³² C.f. Degussa chapter.

¹¹³³ Trotskie, loc.cit.

¹¹³⁴ Jay Naidoo (GenSec COSATU) and Moses Mayekiso (GenSec MAWU/NUMSA). See Trotskie, op. cit., 10.2.2020.

¹¹³⁵ 'Siemens Fires 1,200 Black Workers after Strike,' *AP*, 17.7.1985, <https://apnews.com/71ebb738f2a9a9d4b70ee7f796483721>.

¹¹³⁶ U.S. Department of Commerce, 'Communications Equipment South Africa,' *Country Market Survey*, April 1982, 2.

¹¹³⁷ Loc. cit.

electro-mechanical predecessors.¹¹³⁸ Over one thousand staff had to be made redundant, with retrenchment proposals presented to the respective unions, EWU and NUMSA, failing to find acceptance. Upon the breakdown in negotiations, a general strike was called.¹¹³⁹ At a plant near Pretoria, the issuance of redundancy letters resulted in havoc at the local factory. A shop steward together with several NUMSA members began damaging equipment and attacking female coloured staff. With the women fearing for their safety, they hid under tables and in the toilets.¹¹⁴⁰ Eventually brought to bear by executive leadership together with security staff, NUMSA would nevertheless unsuccessfully sue the subsidiary following the dismissal of the criminal group. Whilst the black labour unions may have been in their infancy and exhibiting signs of denied political expressionism, occurrences, such as the above, of interracial violence and mob mentality are rarely mentioned in contemporary tales of South African union ascendancy. The subsidiary's leadership, however, was aware that the times, marked by politics as they were, required a flexible managerial approach:

Siemens is totally committed to S.A. The new constitutional dispensation provides a political voice to Coloureds and Indians and leads to polarisation within the Black population. Emerging labour unions are maturing. They are bound to use their muscle to fulfil their promises of enhancing the quality of life of their members. They may even show a tendency to mix economics with politics. In such a situation, management cannot continue to simply insist on legitimate rights and its exclusive responsibility to run the Company. A sober approach is needed to find optimal solutions¹¹⁴¹

The progressive approach within the company contrasted with the perceived conservatism of the subsidiary externally, thereby continuing a precedent established in the 1970s. Much to the displeasure of Zieler, MD of Siemens Limited, the Chamber in 1985 took two actions with political connotations. First, it published a private appeal made to P.W. Botha, du Plessis and the Minister of Trade and Industry Dawie du Villiers.¹¹⁴² In the letter, ostensibly drafted by the progressive MD of the Chamber, Kahle, the socioeconomic malaise was attributed to the stalled political reform

¹¹³⁸ Trotskie, op. cit., 29.1.2020.

¹¹³⁹ Trotskie, op. cit., 17.02.2020.

¹¹⁴⁰ Trotskie, op. cit., 29.1.2020.

¹¹⁴¹ Werner Zieler (MD Siemens Limited) cited in *Business Day*, June 1985.

¹¹⁴² Embassy Pretoria to AA, BMWi, other embassies, cable, 7.10.1985 in BArch B 136/23445.

process. Not only did it call for an end to discrimination and black political participation, but it was also the first time the Chamber had dared to venture beyond its commercial remit, thereby causing much discord amongst its members. Secondly, former Chairman of the Broederbond and NP Minister for Education, Gerrit Viljoen, declined at short notice the invitation to be the guest speaker at the Chamber's annual banquet. The consequence was the unprecedented invitation of the opposition PFP's leader, Dr van Zyl Slabbert, rather than, as was tradition, an NP politician.¹¹⁴³ For Zieler, the invitation of van Zyl Slabbert was the final straw following the Chamber's public statement. Given the subsidiary's client base and shareholding structure, the break from tradition in statement and speech, led Zieler to pull out of any representative attendance by himself and other executives of Siemens Limited at the banquet.¹¹⁴⁴ Whilst the FRG Embassy might have recorded Zieler as being successful in ensuring an abstention of the subsidiary's management, co-Director Trotskie, who had great respect for van Zyl Slabbert after becoming acquainted at the University of Stellenbosch, did attend.¹¹⁴⁵ Yet, even the German Ambassador noted that the Chamber's members considered its Directorate was gaining too much of a political profile, an aspect proscribed by the Chamber's statutes.¹¹⁴⁶

The reluctance to get involved in overt political issues was not a trait restricted to individuals. Rather it was a characteristic of Siemens regarding South African matters. The company's peers within German industry, the FRG Embassy, and the German press recorded that Siemens Limited's leadership, in this case exemplified by MD Reinhard Sanne, Zieler's successor post-1985, would be the last to let public concern in Germany result in increased political engagement by the subsidiary.¹¹⁴⁷ Indeed, even Hans-Gerd Neglein, member of the Siemens AG Board reminded the BDI in 1987 that business had to stick to its competencies. The Third World problems of SA could

¹¹⁴³ Carl Lahusen (FRG Ambassador to Pretoria) to AA, BMWi, cable, 29.10.1985 in BArch B 136/23445.

¹¹⁴⁴ Loc. cit.

¹¹⁴⁵ Trotskie, op. cit., 31.1.2020.

¹¹⁴⁶ Lahusen, loc. cit.

¹¹⁴⁷ Hasselkus, interview, loc. cit.; Ziefer, interview, loc. cit.; 'Teufel im Detail Die Initiative des IG-Metall-Chefs,' *DER SPIEGEL*, 7.11.1988, 142,144.

only be solved with public money and foreign technical assistance.¹¹⁴⁸ Citing studies that demonstrated the counter-productive effect of sanctions, Neglein urged the BDI to lobby the German Government to prepare ‘massive, targeted aid’ rather than fixating on the role of business.¹¹⁴⁹ Whilst Siemens managers may have been seeking to avoid being drawn into the political arena, it nevertheless intruded into day-to-day matters, especially industrial relations.

In 1989, when South African labour unions insisted on the company continuing to pay workers after being convicted of political crimes, Siemens shared its ire with its fellow German business peers. The unions were growing in strength and flexing their muscles to such an extent that the subsidiary’s leadership believed they were attempting to gain a say in all business affairs and a right to strike on any matter, thereby giving up the established Industrial Court system.¹¹⁵⁰ Furthermore, whilst the IGM had kicked-off the implementation of the ‘14-points’, management feared they were now losing control over the entire process as the South African unions became increasingly assertive.¹¹⁵¹ As a consequence, Siemens abandoned its tradition of forging its own path irrespective of what its German peers were doing. It thereby reverted to a type that was a hallmark of FRG business in handling politicised issues stemming from their South African subsidiaries – it sought a joint approach. Together with DB, Bosch, and BMW, Siemens agreed to a unified front should union demands escalate.¹¹⁵² Three months later Botha’s presidency unexpectedly ended and with it the political and socioeconomic status quo.

Conclusion

Throughout the 1970s and 1980s, disinvestment neither arose as topic for the Board of Siemens Limited nor for the leadership of Siemens AG. Indeed, by the close of the 1980s, Sanne proudly remarked that after 125 years in SA, Siemens had recently doubled the value of its assets in the

¹¹⁴⁸ Hans-Gerd Neglein (Board member Siemens AG) to Dr. Mann (BDI), 6.5.1987. Copy in RB, 1 022 359.

¹¹⁴⁹ Loc. cit.

¹¹⁵⁰ RBSA to F3, 29.5.1989, 1 in RB, 1 022 360.

¹¹⁵¹ Ibid, 2.

¹¹⁵² Ibid, 1.

country.¹¹⁵³ The only hint of disinvestment had been when the company surmised, given an uncertain future, a South African charity that it was considering setting up, might become the *de jure* owner of the local operation.¹¹⁵⁴ Nonetheless, both the German and South African union movement never pressed the company to consider a withdrawal from SA.¹¹⁵⁵ The company itself believed it could affect positive change by remaining. Yet, its history, relationships, and profitability also ensured that Siemens had valid business reasons for continuing to operate in the Republic. Apart from the exiled ANC and left-wing elements in FRG society, no pressure was ever exerted for Siemens to reconsider its presence. Moreover, as the above chapter has shown, such pressure did not factor into how Siemens ran its business. Both its peers as well as its South African stakeholders favoured continued engagement with SA. Whilst valid commercial reasons supplemented this perspective, on the whole SA was simply another country where Siemens operated in that had questionable politics.

Yet, such perceived ambivalence should not distract from the progressive policies of the subsidiary's management. Two of its non-white trainees would go on to become Executive Directors and Board members of Siemens Limited. Furthermore, one of the company's black trainees became Head of the South African Post Office whilst the daughter of one of its workers benefited from the company's financial assistance to qualify as a lawyer and joined the South African judiciary.¹¹⁵⁶ Finally, five of its former staff became MPs post-1994.¹¹⁵⁷ The wider impact of Siemens not disinvesting, therefore, is felt outside the commercial sphere up to the present day. The company may have had little tolerance for outside advice on how it was to run its business, but the disinvestment decision never tabled, saw enduring positive results to an extent that not even its critics could have fathomed.

¹¹⁵³ Cited in *South Scan*, 1987.

¹¹⁵⁴ Memo concerning a 24.11.1986 BMZ/BDI meeting in RB, 1 022 359.

¹¹⁵⁵ Trotskie e-mail, op. cit., 31.1.2020.

¹¹⁵⁶ Trotskie e-mail, op. cit., 15.2.2020.

¹¹⁵⁷ Trotskie e-mail, op. cit., 17.2.2020.

CONCLUSION

*This will lead to suffering among blacks.*¹¹⁵⁸

Between 1985 and P.W. Botha's exit from the presidency in 1989, over 550 foreign companies closed or sold their South African subsidiaries.¹¹⁵⁹ Whilst 56% of American companies and 19% of British firms left, the largest foreign investor, German business, had only seen a negative flux of 4%.¹¹⁶⁰ The scale of the departures resulted in mass job losses and the roll-back of social welfare programmes by the new South African owners of former subsidiaries. These exhibited a resistance both to union activity and political reform. The hasty exit from a politically troublesome market was thereby counter-productive. It enabled the exact opportunities for other corporations to engage in activities the departees wished to distance themselves of by leaving, including applying non-equitable treatment to labour and realising abnormal profits from the apartheid economy. By 1989, disinvestment was already an economic and social disaster, particularly for African labour; as predicted by German business decades earlier.¹¹⁶¹ Indeed, even Chris Dlamini, vice-president of COSATU and member of the South African Communist Party, urged foreign businesses not to engage in knee-jerk reactions to public opinion in their home countries by disinvesting and thereby harming black workers.¹¹⁶² In the Eastern Cape, unemployment caused by disinvestment was already leading to increased township violence, thereby undermining concerted grass-roots apartheid opposition.¹¹⁶³ That disinvestment had resulted in enduring impoverishment amongst the black population, even years after majority rule, was confirmed by Thurow (2000).¹¹⁶⁴

¹¹⁵⁸ P.W. Botha on disinvestment. See 'Transcript of Interview with P.W. Botha on the conversation with Willy Brandt', April 1986, 6 in UFS PV 203 - P12/71/1.

¹¹⁵⁹ Report by ICC in *Handelsblatt*, 6.9.1989.

¹¹⁶⁰ UN, *Final Panel Report of UN Hearings on Transnational Corporations in SA*, 12 in BDI to RB, 12.10.1989 in RB, 1 022 360.

¹¹⁶¹ On disinvestment, the AAM, media, and academics had overtly espoused the voice of the radical black minority despite 77.9% of the black population being against it (even after a decade under Botha). See survey in *The Independent*, 29.3.1989.

¹¹⁶² Lansing, op. cit., 568.

¹¹⁶³ Loc. cit.

¹¹⁶⁴ Roger Thurow, 'Ten Years After: South Africans Who Fought for Sanctions Now Scrap for Investors --- but they Find Luring Back Capital is a Lot Harder than was Chasing it Out --- Kodak's Painful Illustration,' *WSJ*, 11.2.2000, A1.

As this thesis has shown, the decision-making of the automotive sector, as analysed in Section I, revealed heterogenous motives behind their non-conformist rejection of disinvestment. Bosch maintained a local subsidiary, despite its unprofitability, to preserve client relationships in other markets. Similarly, the maintenance of a corporate accord meant that whilst information was shared with peers, it shied outside publicity on its progressive policies to keep German business united on South African issues. Despite its minor commercial significance within the Group, executive leadership, notably the CEO Merkle, exemplified characteristics of German business culture. Well versed on South African political matters by drawing on a range of sources, he defined (albeit internally) the company's political position and with it its attitude to the AAM. Ensuring a principle of non-discrimination upon market entry, its practical application was slowed due to local cultural attitudes, surprising head office. In the late 1980s, however, optics in Germany became increasingly important. This resulted in Stuttgart overruling the subsidiary's counsel to keep South African problems contained.

Compared to Bosch, VW did not refrain from political statements in public – both in SA and in Germany. The necessity of these pronouncements driven solely by Botha's tenure which had resulted in VWoSA being continuously loss-making and rudderless. Its lauded progressiveness in treating with unrecognized black unions prior to Wiehahn, came back to haunt it when the balance of power in industrial relations swung firmly towards labour. Operations, whilst not racialised, were far from normalised. Local challenges in Uitenhage exacerbated those stemming from national politics. Despite the political astuteness of the subsidiary's South African MD, the business was taken off-guard by developments. Frustrated at the lack of pace of reform and its impact on the commercial viability of the business, the company lost faith in the NP's leadership and abandoned its policy of political neutrality. Concurrently, it set out a new strategy to court black customers. Designed to bring new economic impulses to a troubled VWoSA disproportionately taking up senior management's time, VW expressed its commitment to SA in terms of morality. Whilst this

assertion is debatable in its veracity, undisputed, however, is that the sole beneficiaries of VW's presence during the Botha period were its black workers and their local communities.

In contrast to Bosch and VW, BMW was roaring in SA. High white private sector incomes and governmental procurement provided a market position not mirrored elsewhere. Underlying profitability allowed for appeasement of unions as well as generous social welfare provisions. Expansion of local production facilities in the early 1980s went against the countervailing trend of scaling back investment. Positive metrics allowed for flexibility in exploring topics beyond business. Its management not only debated the political responsibilities of MNCs but was also a frequent and welcome visitor at Botha's office – going so far as to act as an intermediary between Kohl and the State President. However, increasing government intervention, taxation, and regulation as well the economic shock post-Rubicon called into question the commercial viability of continued South African engagement. The dire situation epitomized by BMW being the only German business to have a Board-level meeting considering disinvestment. That the knife-edge decision went in favour of remaining, was due to neither political sympathy for white minority rule nor sound economics. Solely the personal intervention by Chairman von Kuenheim kept BMW from shutting up shop. Privately in the know that du Plessis and de Klerk would engage in extensive reform should they succeed Botha, discussions with the State President now merely focused on lifting onerous restrictions on private enterprise. Disdainful of German AAM pressure, management, nevertheless, unsuccessfully tried to launch joint social initiatives. Their failure ultimately revealing that German business could not unite proactively - only in crisis.

Disparity amongst peers was even more pronounced for the chemical companies, as investigated in Section II. With SA's *cordon sanitaire* of formerly white minority ruled states to the north collapsing into economic irrelevancy, HOSAF's objective of being the springboard subsidiary into Black Africa was never achieved. However, by the 1970s its local operation already set precedents for MNCs in SA when it advocated an employer's responsibility was to use the workplace to foment change in South African racialised thinking. Anonymity guided it, both in disclosures in Germany

on its South African operations, and in inputting on political affairs. The enabler for this situation was the successful local containment of SA-derived challenges. With engagement not creating waves in Germany, it is unsurprising that Hoechst never considered disinvestment, especially when even senior Board members had limited knowledge of the subsidiary.

For Degussa, South African engagement was far less peaceful despite pronounced risk assessments prior to market entry. Unprofitability was compounded by negative fallout in Germany from the AAM, media, as well as disgruntled South African clients. Solace and direction only to be found in orientating decision-making on peer behaviour, even if that meant rejecting profitable investment proposals put forward to it by South African parastatals. Emphatic to the plight of workers facing racial discrimination and apartheid bureaucracy, management successfully lobbied for change in established South African commercial practices. Economic viability, in a twist of fate, only arose when the US AAM forced disinvestment on and thereby the takeover by Degussa of Algorax. Whilst never attributed to the South African entity, Algorax's profitability, combined with income from pass-through sales by global functional business units, allowed for the continued tolerance of DSA's existence by head office.

Tolerance, in turn, was in short supply at Henkel. The tactics and actions by the German AAM and the South African CWIU not only alienated the sympathies of local management, but they also pulled in different directions regarding the intensity of a subsidiary presence. Initial engagement with the AAM backfired when management realised the counterparty solely sought confrontation, not discussion. As a result, Henkel in Germany returned to the anonymous unity of the corporate bloc. In SA, Rembrandt as a silent partner provided some measure of confidence in overcoming further domestic challenges. Yet commercially the business was precarious. Unable to disinvest due to the fear of repercussions from the international clients it served locally, HSA could only rationalize production and thereby its presence.

The companies of the first two Sections justified their continued presence in SA on multiple grounds, ranging from indirect profitability to optimism for a post-Botha future. For Siemens, examined in Section III a commitment was never in doubt. The conglomerate would never be swayed by political factors, least of all when it could reflect on a storied and profitable history in the country. Neither the unethical conduct by the German AAM nor ultimatums tied to bomb threats by the ANC affected managerial thinking. With local, including black trade union, stakeholders in favour of continued company investment, Siemens's presence benefitted the country both before and after majority rule. Morality and profitability in apartheid-SA were therefore not mutually exclusive.

The orthodox view has been that foreign, including German, business provided 'normalisation', i.e. symbolic support for apartheid, by continuing to operate in SA. However, this dissertation has shown that the history is more complex. Apartheid was a morally degrading institutionalised system of racial discrimination that endured for too long, undermining both SA's potential and its reputation. The thesis has shown that on apartheid, four assertions can be made for German business. First, racial discrimination, including as related to pay and job reservation, was abolished as far as possible within company grounds by the 1980s, often going beyond what was permitted by South African law. Moreover, the level of scrutiny, both from head office, external stakeholders, and employees, was such that it was impossible to adhere to any form of racial policies and escape notice. Indeed, the case of *Norddeutsche Affinerie* proves this case in point. Hereby, non-compliance with the voluntary codex by *Transvaal Alloys*, a South African company in which a German business only held a minority stake, was not only widely publicised but subject to parliamentary debate in the FRG.¹¹⁶⁵ However, this conclusion should not discount historic racial discrimination prior to the 1980s, any enduring maintenance of discriminatory policies within smaller German SMEs nor the fact that the only large German business continuously accused by the AAM of questionable conduct, DB, keeps its South African records under lock and key – such silence thereby doing little

¹¹⁶⁵ Wenzel, op. cit., 166-167.

to dispel enduring suspicion. Nonetheless, the thesis serves to initiate critical reflection on multiple decades worth of rarely questioned anti-business scholarship on the ‘South African issue’.

The second assertion on apartheid is that on the whole German corporates, whilst condemning apartheid did not engage in outright public criticism of the NP. Whilst this stance was based on the apolitical nature of commerce, and the principle of not offending the host country’s government, it is only part of the picture. Management, as shown in the chapter on BMW, understood that the NP was not only constituted of different factions vying for influence on setting policy, but it also represented the only credible vehicle for political transformation. One can accuse German business of doing too little, too late but this ignores the fact that this criticism could only arise because, unlike American competitors, they remained engaged with the South African issue by remaining.

Third, German business leaders had a far greater understanding of South African stakeholder dynamics than they are given credit for. This know-how was not only based on their prior history in the country but also their willingness to read and internally debate a wide range of sources, including by those critiquing business, such as the AAM, academia, the clergy, or German and South African labour movements. Indeed, such data gathering, for example evidenced by an analysis of the political ideologies of South African unions, was conducted right up until the end of the Botha period and shared amongst German corporates.¹¹⁶⁶ It thereby provided the platform for these businesses to continue to make decisions within the framework of German business culture, rather than engaging in *ad hoc* responses, such as those exhibited by American companies. Furthermore, this evidence and hypotheses driven decision-making process, allowed for management to subsequently feel a degree a comfort and justify continued South African engagement, despite concerted opposition.

¹¹⁶⁶ See appendix XVI.

Finally, and most importantly, this thesis illustrates that by remaining in SA, these companies were able to counter-act apartheid-derived disadvantages, both economic and social, for the non-white population. Their measures took the form of social welfare and educational programmes ranging from housing provision to overseas training. The extent of these projects differing amongst companies based on their profitability and size. Tension with black labour, when it did occur, was the result of a confrontational Afrikaner middle management layer or a spill over effect from the political arena executed by militant unionism. Variations in facility provision, pay and staffing were due to cultural differences or operational circumstance rather than institutionalised racism. Whilst German industry was a staunch proponent of the liberal theory in overcoming apartheid, their efforts were regionally contained:

*We are not willing to allow ourselves to become the benchmark for those proponents who via the politics of impoverishment, desire to execute their feckless strategy of revolution. We cannot destroy the only force that can break up apartheid: the growing economic power of the black and coloured population.*¹¹⁶⁷

Economic success, however, was the needle in a haystack for most German subsidiaries. This puts out to pasture the AAM argument of abnormal apartheid-induced profits being the reason for industry's aversion of disinvestment. In fact, South African political policies were the originator of the financial difficulties the subsidiaries faced. Initial reticent confrontation with political aspects increased precisely due to economic circumstance, as well as due to outside enquiry and regulation/legislation. The examined companies increasingly had a dedicated team or executive tasked with overseeing South African matters and external scrutiny. Nevertheless, they were often caught by surprise by political and economic developments, both outside and inside SA. This resulted in post-facto reactions; where possible aligned to other FRG companies and their local subsidiaries, rather than proactive endeavours, especially outside the sphere of social benefit provision.

¹¹⁶⁷ Edzard Reuter, CEO DB, Report on DB AGM in *FAZ*, 29.6.1989.

One constant, however, was the desire to co-ordinate with compatriot businesses wherever possible – at times out of solidarity, at other times to preserve anonymity. Differences in behaviour and actions amongst companies only occurred when three conditions were present – when profitability allowed, when size meant visibility, and when local management was not headed by a German ex-patriate executive. Even when executing on individual decisions outside the collective, German business adhered to a set of guidelines: Disinvestment was a decision to be made on commercial, not political grounds and that operational matters remained the preserve of management – not the AAM or the unions, irrespective of whether they were South African or German.

Whilst the abolition of apartheid was a mutual goal, majority rule was not. Evolutionary change resulting in power sharing was the preferred way forward for business. Whilst some part of this rationale goes back to preserving a semblance of stability and protection of the white minority on the part of white managers, it was also driven by the behaviour of the ANC at meetings with German business. Indeed, at a 1988 meeting orchestrated by German Lutheran Church NGOs and hosted by the BDI, Oliver Tambo and the ANC representative in Bonn, Tony Seedat, did not convince the attendant businessmen, which ranged from BMW to BASF representatives, that SA would be in good hands under their stewardship. In hindsight, the meeting minutes stating that belief in the ‘ANC to create a peaceful, stable and economically dynamic SA after revolution was an illusion’ have proved accurate in part.¹¹⁶⁸ SA might be stable, but it is far from ‘economically dynamic’. And as for peaceful, post-1994 it has become the ninth most dangerous country globally with a warzone-surpassing murder rate.¹¹⁶⁹

The failure by the ANC to dispel the view amongst German corporates of it being a radical organisation, exacerbated existing managerial fears of majority rule resulting in SA’s abandonment

¹¹⁶⁸ BDI, notes on the 16.6.1988 meeting with the ANC, 23.6.1988 in RB 1 022 360.

¹¹⁶⁹ ‘Murder Rate by Country,’ World Atlas, 9.1.2020, <https://www.worldatlas.com/articles/murder-rates-by-country.html>.

of capitalism and ties to the West. Whilst the chapters on Bosch and Siemens have shown that management at times used terminology that is closely associated with P.W. Botha, such as ‘minority protection’, others, such as VW, had seen black rule as inevitable. At heart, German business was not opposed to a black government but rather to what it, in their eyes, represented: a radical government. Their desire for evolutionary change reflected this worry, as opposed to any thoughts of extending racialised government. Capitalism not colour was their main concern.

Insights on the Botha era

US President Reagan warned P.W. Botha in 1985 of Abraham Lincoln’s adage that ‘a house divided against itself cannot stand’.¹¹⁷⁰ Yet division would be the hallmark of the State President’s time in office as well as the experience of the German business community. As Botha sought to co-opt new parties into his reform process, he destabilized historic support bases. Concurrently, new fault lines and actors also appeared within the German corporate environment. Friction, previously driven by race, was now to be found amongst these new stakeholders. New divisions came to light, such as between employed and unemployed black workers; union and scab labour; subsidiary and mother company; German MNCs and other foreign corporations, South African businesses, the Chamber, and the NP; and finally, even amongst the traditionally unified compatriot MNCs themselves. Whilst Botha lamented that he had ‘18 million vice-presidents in South Africa, telling me how to do my job’, the external input on German business’s conduct and commitment to SA too grew throughout his tenure.¹¹⁷¹ Although, this thesis confirms much of the historiographical narrative on Botha’s policies, it also expands on the international aspect of the local reform programme and its intrinsic link to foreign business.

The historiographical debate on Botha as defined by Price (1991) concerns itself primarily of whether he was pursuing a ‘conscious strategy’ or ‘muddling through’.¹¹⁷² Whilst I agree with Price

¹¹⁷⁰ Ronald Reagan to P.W. Botha, 6.9.1985, 1 in JSTOR Primary Sources.

¹¹⁷¹ Meeting minutes, SA Cabinet and SWA Cabinet, 21.5.1986, 24 in JSTOR Primary Sources.

¹¹⁷² Robert M. Price, *The Apartheid State in Crisis* (Oxford: OUP, 1991), 99.

that a reform strategy without a blueprint existed as initiated by Botha's 1979 12-point plan, following Rubicon I lean towards Pottinger's (1988) position of Botha being orientated on 'exigency not principle'.¹¹⁷³ This thesis illustrated that German corporates shared many of his concerns and initially played an integral part in the execution of the reform programme. However, when the backfiring of Botha's policies impacted their business, it created unwelcome problems at an inopportune time, given the foreign and local pressures they were under, and ultimately led to irreversible loss of support for the State President, if not the NP as a whole – just when the Government needed the foreign private sector the most.

Four common characteristics can be ascribed to Botha and German MNCs. Both had to overcome an intrinsic local conservative culture, were deeply suspicious of the ANC, regarded 'Western interlocutors' with reservations, and sought to foster stable familial and community links as economic buildings blocs.¹¹⁷⁴ As the largest foreign employers, the actions taken by German business in terms of worker housing, education and training, as well as investments as part of decentralisation efforts were not insignificant in helping the State President to 'privatize the problem'.¹¹⁷⁵ They also served the secondary sector's needs of a residentially 'stable and educated' type of worker, who would ultimately also become a future respective consumer.¹¹⁷⁶ Furthermore, both sought to win a battle for hearts and minds in favour of free market capitalism as opposed to a socialist future espoused by the black trade union movement and the ANC.¹¹⁷⁷ Whilst Botha hoped to thereby co-opt a new black middle-class to shore up a system of white legislative and executive dominance, for German MNCs the motivation was to influence prospective economic policy under an inevitable black government. The Afrikaner hoped thereby to subsume differences

¹¹⁷³ Deon Geldenhuys, *Some foreign policy implications of South Africa's "Total National Strategy" with particular reference to the "12-point plan"* (Braamfontein: The South African Institute for International Affairs, 1981); Brian Pottinger *The Imperial Presidency: P.W. Botha, the first 10 years* (Johannesburg: Southern, 1988), 233.

¹¹⁷⁴ Pottinger, op. cit., 77, 117, 372; Price, op. cit., 50.

¹¹⁷⁵ Pottinger, op. cit., 177.

¹¹⁷⁶ Ibid, 167.

¹¹⁷⁷ Ibid, 181-2, 317.

on race via class, whereas the Germans regarded economic ideology as being the determining factor on the make-up of post-apartheid SA.

Finally, the NP Government and German corporates expected economic growth to be the cure for many of their ailments. The former to fund investment into black housing and education, the security forces, and to reduce black unemployment thereby undercutting the spread and influence of radical thought.¹¹⁷⁸ The latter based on the liberal argument that growth would eliminate apartheid and thereby German domestic pressure on their South African presence. Integrative employment practices in the secondary and tertiary sectors and the subsequent recognition and legalisation thereof via Wiehahn, however, belied that Botha would allow politics to become subservient to economics. For that, as correctly recognised by Price, would require an inherent willingness by the white minority government to relinquish power and with it the abandonment of the NP's adherence to the century-old concept of SA being a *Witmansland*.¹¹⁷⁹

Botha's initial steps were welcome to a business community oft operating at the limits or in the case of labour relations, beyond apartheid legislation. The lifting of restrictions on non-white enterprise, such as the opening of CBDs to black entrepreneurs, found favour with German subsidiaries that could finally implement long-planned measures, e.g. the hiring of black dealers by RBSA and BMWSA.¹¹⁸⁰ The state's counter-response to sanctions and disinvestment created viable investment cases when these had become increasingly scarce. Inward industrialisation measures, including the fostering of domestic production of newly classified 'strategic products', directly impacted the economic viability of the German chemical subsidiaries. A facet noticeable in the case of HOSAF's stake in Safripol and Degussa's purchase of Algorax, the latter becoming part of 'Pretoria's strategic planning'.¹¹⁸¹ However, political isolation and governmental restrictions, particularly via taxation and foreign currency management, reduced export possibilities at a time

¹¹⁷⁸ Housing investment had been a Rieckert recommendation. See Price, op. cit., 112.

¹¹⁷⁹ Price, op. cit., 11; Afrikaans: white man's country.

¹¹⁸⁰ Pottinger, op. cit., 231-232.

¹¹⁸¹ Oliver Tambo, 'Strategic Options For International Companies: The South African Crisis,' *The Black Scholar* 18, no. 6 (1987), 8-13, 11.

when the domestic market was in crisis. The change in fortune illustrated by BMW's senior management having to come cap in hand to Botha in the hope of redress from regulation - regulation that was not merely growth-stifling but shrinking existing markets.

Considerations on necessary economic growth had also been the motive behind Botha's policy of non-interference into the sphere of industrial relations.¹¹⁸² Initial positivity by German MNCs that the status quo of black unions was finally legislatively legalized, turned into frustration when they were left to handle ongoing and often militant union caprice virtually alone. The black unions thereby achieved not only more rights but also in a shorter period than comparable labour organisations in the US and EEC.¹¹⁸³ As the 'ANC's battering ram', as termed by Giliomee, the unions provided a vehicle for political mass mobilisation.¹¹⁸⁴ For the German MNCs, used to a consensus driven co-operative workers' council system, however, they proved an enduring source of friction, and at times - violence.

Neither were German MNCs exempt from the worst excesses of the apartheid-state during Botha's times. Indeed, as this thesis has shown, they were impacted by virtually all the major events contributing to their eventual disillusionment with Botha's governance of SA. The 'bureaucratic drag' of apartheid that marked workers' private lives impeded managerial flexibility (c.f. DSA).¹¹⁸⁵ The NKPA and the fear of ANC sabotage encumbered Degussa and Hoechst with unwelcome security infrastructure and additional costs. Botha's resettlement policies directly impacted Bosch's workers in Oukasie resulting in repercussions back in Germany. The last thing struggling VWoSA needed was to have tensions in the Eastern Cape pushed beyond boiling point. Yet, that is exactly what happened when security forces perpetrated the Langa massacre down the road from its Uitenhage plant. Whilst stay-aways were manageable, Botha's disconnect from the interlinkage between political and economic reality was not. The post-Rubicon fall in the rand may have had a

¹¹⁸² Price, op. cit., 46.

¹¹⁸³ Pottinger, op. cit., 88.

¹¹⁸⁴ Hermann Giliomee, 'The DA, PW Botha and the "awful rise of virtue signalling",' Politicsweb, 9.11.2015, <https://www.politicsweb.co.za/news-and-analysis/pw-botha-taking-the-monster-out-of-the-box>.

¹¹⁸⁵ Pottinger, op. cit., 242.

minor benefit by trapping capital and thereby driving sales of BMWWSA's products, for German corporates, however, it was the economic nail in the coffin regarding the South African business. Yet the NP Government misread their continued commitment to SA in its crisis years, as a commitment to Pretoria. A misreading that resulted in German MNCs being roped in on measures to extract outstanding township rent payments via worker wage slips.¹¹⁸⁶ Such a policy struck at the guiding principle of political non-involvement that characterised German business. Their disenchantment was complete. When Pretoria's diplomats stated they had a 'hard time selling SA abroad', they were right.¹¹⁸⁷ As the chapter on VW illustrated, they could not even sell themselves any longer to the decades-old constituency of German business, aptly summarising Botha's tenure.

New observations on apartheid history

In addition to the Botha era, this thesis contributes to our understanding of apartheid history. Particularly regarding disinvestment, the AAM, the ANC, the private sector, and the labour unions it increases scholastic understanding. Pottinger, at the time, noted disinvestment truly was a 'silly, naïve yet damaging exercise' propagated by a vocal minority that desired to monopolise the black voice whilst assured of meal ticket, i.e. the ANC, AAM and Tutu.¹¹⁸⁸ Across the political party spectrum, from PFP to Inkatha, as well as from black small enterprise to foreign white-owned corporations, South African stakeholders were united in favour of continued economic engagement.¹¹⁸⁹ 'They have told themselves they know enough about the needs of black people. They are experts on the situation and nobody, including a victim of apartheid himself, can tell them anything', the Secretary-General of Inkatha, Oscar Dhomo, lamented on the AAM.¹¹⁹⁰ Even FOSATU and COSATU with the millions of workers they represented sought Africanisation of investment assets by workers rather than disinvestment.¹¹⁹¹ The thesis has also shown that whilst

¹¹⁸⁶ Price, op. cit., 254.

¹¹⁸⁷ Pottinger, op. cit., 407.

¹¹⁸⁸ Ibid, 362; Tambo, op. cit., 12.

¹¹⁸⁹ Firing Line with William F. Buckley Jr, 'A Firing Line Special: Sanctions and Apartheid,' YouTube video, 59:40, 30.6.2017, <https://www.youtube.com/watch?v=QzpN9SCR8L4>;

¹¹⁹⁰ Loc. cit.

¹¹⁹¹ Alec Erwin, Extract from a talk at the University of Natal, 8.5.1985 in UW AH1999 - C3.3.

trade unions and churches presented the only legal method of black political expressionism in SA, in Germany these organisations similarly constituted the vanguard of the AAM. The swift formation and dissipation of the German AAM, meant it, and thereby apartheid opposition, also served as a vehicle for ‘personal political agendas which had less and less to do with the realities of evolving South African circumstances’.¹¹⁹² Not to mention the AAM’s hypocritical behaviour of slating business in public whilst privately requesting discretionary funds. By including the business perspective, a re-evaluation of the AAM is due. Given the re-emergence of racial friction within the contemporary *Zeitgeist*, such research could not be more apt.¹¹⁹³ It would be a pity, however, if this resulted in another unblemished history of ‘moral activism’. As both Shakespeare and Malcolm X cautioned, being loud, does not equate to being right.¹¹⁹⁴

On the ANC, the thesis has revealed that its dichotomous tactics of ‘the struggle’ consisting of civil and militant action, undermined its trustworthiness in the eyes of management. This was especially so when it sought to shore up its credentials in the West as a government-in-waiting and win the support of foreign business.¹¹⁹⁵ Heavy-handed ultimatums presented after prior consultation with Soviet advisers to be followed up with threats of violence were not going to win German business to its cause, let alone provide the basis for ongoing discussions. That a sounder approach had the possibility of gaining corporate attention is certain. For the preceding case studies have shown that the business sector was not a monolithic bloc. An avoidance of politics did not mean political ignorance. A range of political positions existed not only amongst the companies but also within them, notwithstanding the business organisations, particularly the Chamber and its increasing political activism. By continuing to dismiss the private sector as a single entity, to be analysed solely by a by-line or, at best, a few paragraphs, apartheid histories significantly undermine their own

¹¹⁹² Pottinger, op. cit., 295.

¹¹⁹³ ‘The new ideology of race,’ *The Economist*, 9.7.2020.

¹¹⁹⁴ William Shakespeare, *Henry V*, Act IV, Scene IV, OpenSourceShakespeare, https://www.opensourceshakespeare.org/views/plays/play_view.php?WorkID=henry5&Act=4&Scope=act; Malcolm X, “Racial separation” (11.10.1963), Black Past, 22.1.2013, <https://www.blackpast.org/african-american-history/1963-malcolm-x-racial-separation/>.

¹¹⁹⁵ Pottinger, op. cit., 396.

explanatory power. Instead, the leverage of economic actors on government continues to be overstated, but as this thesis underlined it was always limited, if not non-existent. Indeed, the perceived impact is often far greater than the actual impact, a misreading not restricted to apartheid history.¹¹⁹⁶ In SA, P.W. Botha's lack of receptiveness to corporate counsel extended to his Cabinet, as confirmed by Pik Botha's outburst at the dinner with German managers.

Finally, this research has underscored that apartheid history is also a history of interracial violence. In particular, the attacks and intimidation propagated by black labour unions, as shown in the above chapters, was more pernicious than previously thought. Inclusions of their targeted, unpredictable, interracial, gender-based violence such as the rampage at Siemens remain conspicuously absent in the histories. The death threats to union members to not break stay-aways, to engage in political action and clashes with scab labour are tactics reminiscent of the methods employed by the 'township Comrades'.¹¹⁹⁷

Lessons for business researchers and practitioners

Contemporary business literature and corporate leadership stand to gain from insights into how managers navigated an entire decade's worth of exceptionally challenging local, national, and international issues and pressures on their business with limited tools at their disposal whilst still keeping the lights on. Whether in terms of crisis-management strategies, the setting of internal and external communication policies, balancing the needs of different stakeholders, overcoming restrictive labour laws, addressing severe skills shortages in the workforce, arriving at decisions based on extensive research as well as hard evidence, characteristic of German business culture, and sticking to these even when they are deemed publicly unfavourable, and finally in the contribution companies can make to tackling historic inequality amongst population groups, especially when choosing to operate for commercial reasons in politically questionable countries, this thesis contains lessons applicable in the modern day well beyond SA. Those companies that

¹¹⁹⁶ Wilkins, op. cit., 24.

¹¹⁹⁷ Ibid, 351.

fared relatively better during the period under analysis laid the foundations for their success often prior to entering SA proper and in the subsequent set-up of their subsidiary. Academic and non-academic output on internationalisation strategies profits from the concerns raised by this dissertation, which amongst others highlight how size can impede flexibility, location both locally and internationally can backfire, and that subsidiary leadership must be more than mere commercial managers, instead they need to be able to deal with unexpected situations and parties and be required to input on matters far from business and mired in politics.

Specifically, on MNCs, this thesis reveals multiple insights that question established business history narratives. For example, the success of a subsidiary did not depend on it having local management, as proposed by Jones on his case study of South African Unilever.¹¹⁹⁸ Indeed, the most effective local MD evaluated in this thesis, BMW's von Koerber, was a fish out of water. Yet, he quickly grasped the nature of underlying domestic currents in SA and formed unrivalled inside networks with SA's most powerful political and economic personalities. Neither did German MNCs engage in 'geopolitical jockeying' to delegitimize rival MNCs or capitalize on political opportunities, a characteristic observed by Lubinski and Wadhvani (2020) outside SA.¹¹⁹⁹ In fact, additional investment in SA was primarily an output of trapped local capital rather than proactive goal-orientated displacement of exiting Anglophone MNCs. Degussa's rejection of Sentrachem's investment proposal illustrates that German business was consciously attempting to decouple from further involvement with the NP and Afrikaner-dominated SOEs. Aroused out of political dormancy, German MNCs desired a return to the status quo of keeping business matters divorced from politics rather than formulating an active political strategy to leverage political and economic opportunities presented by competitor disengagement with the pariah state.

¹¹⁹⁸ Jones, *Unilever*, op. cit., 184.

¹¹⁹⁹ Christina Lubinski and R. Daniel Wadhvani, 'Geopolitical jockeying: Economic nationalism and multinational strategy in historical perspective,' *Strategic Management Journal* 41, no. 3 (2020), 400-421.

Perhaps most importantly for present-day business, this thesis provides food for thought on whether a trade-off between morality, social welfare and economics must be made and even when this is not the case that it is still possible to enduringly lose the battle for public perception, irrespective of underlying realities.

Given the country's post-war development, South African business history output has been regarded as an idiosyncratic off-shoot within business history research. This is a disservice. Whilst apartheid may have been a distinct political case, businesses operating under apartheid, however, reflected broader underlying dynamics. Not only did the challenges they encounter mirror those of contemporary enterprise, but their decision-making encompassed a far wider range of stakeholders than is the norm and one they are given scant credit for. South African business history, therefore, rather than being a tangent only of interest to apartheid and economic history scholars, has perhaps the most insights to impart for the study of business history. It deserves a return to the mainstream of business history research and underscores the wider value of emerging market business history as put forward by Austin et al. (2017).¹²⁰⁰

Future research

Whether spurring on growth of political risk insurance, providing traction for a nascent Chinese motor industry, or facilitating global, bilateral union relationships, this thesis has also pointed out that an examination of foreign business in the last decades of NP rule can reveal a trove of secrets and interlinkages of interdisciplinary interest. Many of the features in today's globalised world are indirect consequences stemming from MNCs having to navigate the challenges of operating within apartheid-SA, something so far overlooked within academia. Furthermore, research on South African corporate responses to market entry by and the targeted lobbying of foreign MNCs during apartheid by local monoliths such as AAC remains *tabula rasa*. Future business and historical

¹²⁰⁰ Gareth Austin et al. 'The Alternative Business History: Business in Emerging Markets,' *Business History Review* 91, no. 3 (2017), 537-569; c.f. the return of South African history within African history via an overarching narrative of population growth as expressed by John Iliffe, *Africans: The History of a Continent* (Cambridge: CUP, 2007), 273-287.

scholarship would benefit from beginning an analysis via the stakeholder, namely previously sidelined commerce, rather than continuously revisiting ground already well-covered by existing literature on apartheid.¹²⁰¹ Furthermore, post-colonial 20th century foreign business also faced challenges in other African markets, which to this day remain understudied, e.g. the impact of Nigerianisation ownership policies of the 1970s. For this scholar, however, a certain time and geography continue to exert a strong pull. After all, as one former Ambassador put it to me: 'In the 1980s there were only three interesting postings: Israel, Chile and South Africa'.¹²⁰²

¹²⁰¹ Valid reasons present themselves for many seminal texts being over thirty-year-old apartheid-era publications. See Dubow, 'Apartheid', op. cit., 343-349.

¹²⁰² Immo Stabreit (FRG Ambassador to Pretoria 1987-1992) in interview with author, 6.2.2020.

Appendix I

SA: National Supplies Procurement Act 1970 incl. its 1975 and 1982 Amendments¹²⁰³

In short, this Act with its subsequent Amendments allowed the respective Government Minister to seize supplies and means of production if deemed vital to national security.

SA: National Key Points Act 1980¹²⁰⁴

Under the NKPA, private businesses, when identified as being sites of strategic importance to the economy could be on the receiving end of a government request asking them to ensure the implementation of on-site security infrastructure.

US: 1977 Sullivan principles¹²⁰⁵

1. Non-segregation of the races in all eating, comfort, and work facilities.
2. Equal and fair employment practices for all employees.
3. Equal pay for all employees doing equal or comparable work for the same period of time.
4. Initiation of and development of training programmes that will prepare, in substantial numbers, black and other non-white workers for supervisory, administrative, clerical, and technical jobs.
5. Increasing the number of black and other non-white employees in management and supervisory positions.
6. Improving the quality of employees' lives outside the work environment in such areas as housing, transportation, school, recreation, and health facilities.
7. Working to eliminate laws and customs that impede social, economic, and political justice. (*added in 1984*)

US: Anti-Apartheid Act Amendments bill of 1989

The bill foresaw foreign firms that profited from US sanctions against SA receiving a ban on importing their goods into the US as well as a ban from American public tenders.

¹²⁰³ 'Legislation and Business Regulation,' Department: Trade and Industry, Republic of South Africa, http://www.dti.gov.za/business_regulation/legislation.jsp.

¹²⁰⁴ 'National Key Points Act,' Staatskoerant van die Republiek van Suid-Afrika, https://www.gov.za/sites/default/files/gcis_document/201503/act-102-1980.pdf.

¹²⁰⁵ 'The Sullivan Principles,' Boston University, <https://www.bu.edu/trustees/boardoftrustees/committees/acsri/principles/>.

Appendix II

1977 EEC Code of Conduct on the Behaviour of European corporations in South Africa¹²⁰⁶

- 1) Internal company relations -- All employees without regard to race should be allowed to choose an organization to represent them in collective bargaining, following internationally accepted principles; all employees should be able to form or affiliate themselves with a trade union.
- 2) Migrant workers -- The companies should contribute as much as possible to freedom of workers' movement and temper the effects of the existing system (whereby black workers are segregated in 'temporary' ghettos and considered residents of tribal 'homelands').
- 3) Wages -- A non-discriminatory policy should improve poor working and employment conditions and should offer salaries not less than 50 per cent above the minimum wage.
- 4) Wage structure and promotion -- Positions should be open to all workers without distinction; a vocational training programme policy should be created to achieve non-discrimination.
- 5) Additional benefits -- Companies should extend their non-discriminatory policies to extend to workers' housing, transportation, education and social services.
- 6) Desegregation at the workplace -- All segregation practices should be eliminated in canteens, sport activities and in company clubs.
- 7) Reporting -- Companies should report annually on these provisions to their national government which should review progress made.

The code was a voluntary measure expected to be applied to those subsidiaries wherein EEC companies held the majority shareholding.

Key revisions made in 1985

Added to 1) Businesses were encouraged to support the still developing black trade unions and recognize them. Business was to negotiate based on internationally accepted social standards with black labour unions and inform its workforce at regular intervals that treating with unions was part of company policy.

Added to 2) Employers have a social responsibility towards ensuring migrant workers have the possibility of living with their families.

In addition, employers were meant to explore all means to support black entrepreneurship, e.g. via choosing black suppliers and service providers or by supplying start-up loans. Furthermore, the social welfare aspect was expanded upon to cover education and training as well as community

¹²⁰⁶ 'Code of conduct adopted for EC companies in South Africa,' *European Community Information Service* no. 24/1977, 23.9.1977, 1-2.

initiatives. Finally, methodologies and processes were standardised across all EEC member states.¹²⁰⁷

¹²⁰⁷ Craig Smith, 'The impact of the EEC code of conduct on the behaviour of European Corporations in South Africa' (paper presented at the International Conference on South Africa in Transition, New York, 29 September – 2 October 1987), 7. <https://dspace.lib.cranfield.ac.uk/handle/1826/482>.

Appendix III

Questions posed by Eugen Loderer to business¹²⁰⁸

I

- 1) To what extent is the codex compatible with the OECD code on MNC behaviour and can their concurrent application result in conflicting objectives?
- 2) Has there been any intervention by South African authorities against German subsidiaries due the application of the codex?
- 3) Has recent South African legislation or administrative measures facilitated or impeded the application of the codex?
- 4) Does the reporting, especially for medium-sized companies, create difficulties in the day-to-day operation of the business?
- 5) What possibilities exist for the German parent companies to exert influence on their subsidiaries to ensure reporting on application of the codex?

II

- 6) What steps has business taken to support the registration of recognised black representation?
- 7) Has there been an adjustment of wages in German subsidiaries over the past couple of years?
- 8) Have training and career development opportunities been created for black employees?
- 9) To what extent have social benefits been introduced to mitigate social disadvantages?
- 10) Has racial discrimination been eliminated at the workplace? Which obstacles exist against the institutionalising of this policy?

III

- 11) Do traditions, habits, and behaviours of social life, even if they are of a religious or ethnic nature, impede the realisation of the codex?
- 12) Were there any reactions, whether positive or negative, amongst employees upon the introduction of the codex?

IV

- 13) What is the impact of codex application on competitiveness and would this mean a change in German engagement in SA?
- 14) What is the impact of the clauses on wage & wage structure on the employment of 'Blacks'?
- 15) Can codex conformance negatively impact the willingness to invest by business?
- 16) Would the investment climate for SA be improved upon if instead of the codex equivalent local legislation was passed?

V

- 1) Given your experiences so far, is a change in the codex necessary?

¹²⁰⁸ Questions translated from German by author. Taken from Eugen Loderer to RB, 31.7.1978 in RB, 1 021 047.

Minimum Standards for Labour Relations and Labour Conflicts for South African Subsidiaries of German companies.

Joint Demands of the Industriegewerkschaft Metall of the Federal Republic of Germany and the South African Council of the International Metalworkers Federation (IMF).

The subsidiaries of German companies in South Africa are now urged to conclude agreements with the South African trade unions associated with the IMF, in which the following rights are guaranteed for employees and unions, and the following conduct by the subsidiaries is secured. The German parent companies are urged to ensure, using their rights as shareholders, that their South African subsidiaries behave accordingly.

The following minimum standards for labour relation and labour conflicts should apply:

I. Apartheid

1. Renouncement of the exploitation of advantages provided by the apartheid laws, in particular in relation to the homelands.

II. Security and Emergency Laws

2. Renouncement of the exploitation of advantages of and the use of the security and emergency laws, i.e. in

particular the continued payment of wages and the continuation of the employment relationship of employees who have been detained and sentenced under security laws, and in contravention of the principles of the Rule of Law.

III. Labour Relations

3. Readiness to negotiate at the company level with the representative trade union regarding all internal company affairs.
4. Right of access to company premises.
5. Provision of facilities for meetings and voting on company premises without interference by management.
6. Guarantee of shop steward rights, including the provision of the necessary facilities and a release from work.
7. Right of the unions to represent their members in disciplinary and grievance proceedings.
8. Recognition of the right to strike, that is renouncement of the possibility of dismissal on account of participation in a trade union strike.
9. Right of peaceful picketing on company premises.
10. Renouncement of the use

of the undemocratic means of the Industrial Council system for illegalizing strikes and willingness to no longer rely on this system.

11. Agreement to refer any labour dispute adjudicable before any South African court to a mutually acceptable arbitrator.
12. Obligation not to jeopardize the right of employees to reside in hostels and other company accommodation, except in the case of fair termination of the employment relationship.

IV. Prevention of Avoidance

13. Obligation to guarantee the maintenance of these standards also in the case of companies which are dependent on German subsidiaries and in the case of franchisees.

V. Duty to report

14. Obligation to report annually as to the compliance with these principles in each company to the relevant South African trade union as well as to the German parent company's central works council or central works council of affiliated companies.

¹²⁰⁹ South African-German Chamber of Commerce and Industry, *REPORT* no. 2, 1988, 27.

Appendix V

German Business Trust

The 'German Business Trust' project began with the best of intentions and failed to launch because intentions did not equate to commitments. Designed to train employable non-white labour in a purpose-built teaching complex, the 1986 initiative was pushed by the Chamber, the BDI and the DIHT. Ostensibly this was to counteract the call for sanctions, the lack of social welfare projects conducted by German industry compared to American and British companies, and to shore up support amongst the non-radicalised black population for capitalism and thereby MNCs remaining in SA.¹²¹⁰ It garnered funding support from the automobile and industrial businesses and the German government. Pressured to invest because of its clients' participation, Bosch nevertheless only pledged DM200.000 as opposed to the DM millions pledged by its peers citing its limited revenues in SA.¹²¹¹ The chemical industry expressed solidarity, albeit amongst themselves. BASF, Bayer Hoechst, and Henkel declined to be involved fearing political attention, preferring instead to further develop their own social welfare schemes.¹²¹² With few companies involved in a project, which was bound to be in the limelight, RB's management began having second thoughts.¹²¹³ When the explicit funding commitment by the FRG Chancellery was delayed multiple times due to coalition politics without any hope of resolution, all remaining faith in the project died.¹²¹⁴ The plan had always been mired by questions on curriculum design and tax deductibility. Dithering by the government and a lack of industry-wide funding meant its failure to launch was inevitable. One year after the project was first tabled, Bosch withdrew its support.¹²¹⁵ German business had been unable to unite outside a crisis. Pro-active measures not only failed to obtain necessary funding pledges but also the support of a broad coalition of companies and sectors.

¹²¹⁰ BDI to RB, 28.4.1987 Meeting minutes, 5.5.1987, 1-2 in RB, 1 022 359.

¹²¹¹ Dr Karl Gutbrod (post-1987 Board Member responsible for legal and tax affairs) and Borchers, Decision paper for 25.6.1987 Board meeting in RB, 1 017 159.

¹²¹² Loc. cit.

¹²¹³ Note by Gutbrod on a memo by Borchers to Gutbrod, Manger, Hugo, 29.9.1987 in RB, 1 017 159.

¹²¹⁴ BDI 24.9.1987 Meeting minutes in RB, 1 022 359.

¹²¹⁵ Bierich to Mann, 22.10.1987 in RB, 1 022 259.

Appendix VI

Oukasie resettlement

The case of Oukasie saw RB go significantly against the recommendations of RBSA for the first time. Part of Botha's attempts to increase NP Government credibility amongst the non-white population as well as mitigate historic policy deficiencies was increased investment in housing. One such consequence was that Bosch, its employees, the German AAM, NUMSA, and the government suddenly became mired in the issue of Oukasie, an informal settlement on the edge of Brits.¹²¹⁶ A new alternative settlement of a higher standard was purpose-built 20km away. Nevertheless, local resistance to resettlement formed. Moreover, the German Lutheran Church willingly assisted those residents that pressurized those inhabitants that had agreed to relocate.¹²¹⁷ Two of RBSA's workers, one a former NUMSA shop steward, were arrested for engaging in 'illegal political activities'. Initially believing such action was due to ANC support, RBSA was surprised that no solidarity was expressed by its workforce.¹²¹⁸ It turned out the two individuals were the ringleaders of the agitators threatening those who opted for resettlement. The subsidiary explicitly advised RB in Stuttgart not to expend any significant efforts in lobbying the FRG Foreign Ministry to bring about their release, for this was neither a case of police caprice nor of anti-union measures.¹²¹⁹ But it was too late. Rau had already informed the IGM. The follow-up personal appeal by Steinkühler to Bierich resulted in the legal department instructing RBSA to negotiate with SA authorities.¹²²⁰ Whilst the individuals were ultimately released without senior leadership intervening, the entire episode saw Bosch countermanding internal advice due to the IGM. Also, it underlined that outside factory gates, German business had no oversized influence on the apartheid-government, even at a municipal level. Furthermore, in an environment marked by bureaucratic discretion and political fluidity, ascertaining circumstances and motives behind events were oft the first step down the rabbit hole.

¹²¹⁶ On Oukasie, see Alan Morris, 'The South African state and the Oukasie removal,' *Transformation* 8 (1989), 24-46.

¹²¹⁷ RB Legal to RB Leadership, 24.3.1988 in RB, 1 022 360.

¹²¹⁸ Loc. cit.

¹²¹⁹ Loc. cit.

¹²²⁰ RB Legal to RB Leadership, 11.5.1988 in RB, 1 022 360.

Finally, local events could not only be driven in part by international stakeholders, but they had also reverberating consequences in Germany. In this case, a German Church had supported ‘agitators’ who upon their arrest found an ally in the IGM which then pressurized Bosch to obtain their release - and the AAM crusaded on the belief that business was part of the problem (!)

Appendix VII

1989 UAMAWUSA demands to RBSA

1989 also saw the to-date zenith of union assertiveness. For the onset of de Klerk's presidency marked a watershed that saw businesses' problems become increasingly localised, especially regarding labour relations. Wage negotiations resulted in union demands beyond any rhyme or reason. At RBSA, this is revealed by a list of demands (filled with spelling errors), compiled by its union counterpart at its Johannesburg site, UAMAWUSA. The demands included calls for a 30 per cent increase in wages, a bonus of 40 per cent of annual income, a long service award of R10.000, womens' day to become a paid holiday, interest free housing loans, 20 days paid educational leave, 20 day paid compassionate leave, 10 days paid parental leave and 25 days paid holiday.¹²²¹ NUMSA meanwhile pressed for all of RBSA's sites to ban temporary workers, adjust wages every quarter, provide an attendance allowance, increase overtime allowance up to 200 per cent, fund education, housing and transport as well as bring in full-time witch doctors.¹²²² According to many analysts, this seeking and maintaining of union privileges has further morphed post-1994 into a toxic level of union militancy that blights SA and holds not only the ANC but also the country back from achieving meaningful reform and thereby its inherent potential.¹²²³

¹²²¹ Attachment to RBSA to Bensinger, 14.6.1989, 1-2 in RB, 1 022 358.

¹²²² Minutes of RBSA Directors' meeting, 24.8.1989, 2 in RB 1 022 360.

¹²²³ Buttonwood, 'Why it is hard for foreign investors to be bullish on South Africa,' *The Economist*, 12.12.2019.

Appendix VIII

Overview of the two planning scenarios used in-house by VW going into the 1980s¹²²⁴

Scenario 1

- Apartheid stays despite worldwide condemnation
- South Africa cannot ensure complete autarchy as too integrated into global markets
- Pretoria will pledge strategic resources as collateral
- The government will do all it can to maintain the country's growth potential, demand therefore not expected to fall
- SA to become a 'rock' in the face of Africanisation with socialist tendencies of its neighbours

Scenario 2

- Boers lose their dominance of power, either by coming to their senses (in doubt by many managers) or from new boycott measures or new militant clashes
- War ensues, temporary suspension of economic growth
- Systems and government regarded as short-term, investment is long-term
- In the end, the economy and projects will endure just it did in the case of Cabora Bassa (a dam project in Mozambique)
- In the case of *Scenario 2* occurring, black purchasing power will rise, even in the Homelands. This will be due to the promotion of equality rather than systemic change
- Nevertheless, markets in neighbouring states will open up
- By 1985 some form of power sharing to come in some acceptable fashion
- Total economic embargo will not be effective due to Boer 'laager' mentality
- Selective boycott measures and pressure from Homelands (black general strike) will not be able to be resisted indefinitely, plus apartheid costs billions and the Boers can count
- In VW's economic interest and traditional obligation of social responsibility to support *Scenario 2* but it will be an arduous journey

¹²²⁴ Wilhelm, op. cit., 70-77.

Appendix IX

Overview of the Wiehahn commission's proposals

The 1979 Wiehahn commission's recommendations to the South African Labour Relations Act and the Industrial Council system included recognising black trade unions albeit only upon registration, advocating abolition of job reservation, fostering apprentice training, instituting a Manpower Commission and setting up an Industrial Court to deal with industrial relations disputes. The government's adoption of many of the reform proposals allowed black labour unions to be firmly established and ultimately become increasingly politicized. Many of Wiehahn's proposed reforms reflected the unofficial status quo. As union membership was only open to black workers enjoying permanent residency and employment, the Commission discriminated against the bulk of the black workforce – migrant labour. In 1981 Pretoria changed tack and allowed migrant labour to apply for union membership. Nevertheless, the damage had been done. The recommendations and subsequent reforms were outed for what they were – a method of discretionary control of black labour via the obligation to register, and division of the black workforce.¹²²⁵

¹²²⁵ See Schmidt, op. cit., 201; FOSATU, 'Statement on The Wiehahn Commission Report and its Implications issued by FOSATU after its central committee meeting on the 18 and 19 May 1979,' *SALB* 5, no. 6 (March 1980), 12-16.

Appendix X

Impact of rand decline at BMW SA

The South African non-executive directors were offered a salivating package, namely R3000 p.a. or R1000 p.a. with a 7 series car including all maintenance expenses thrown in.¹²²⁶ In response to an enquiry by Wiehahn, he was informed that he could take a coupe model instead as his grace-and-favour vehicle but would have to make do with only the R1000 a year salary. The company, though, would provide him with a new car every 30,000 km and he was instructed to inform them three months in advance of the need of a replacement. This was to ensure a model could be shipped from Germany, rather than the Professor making do with a South African built model.¹²²⁷ Following a review by Price Waterhouse, non-executive Board member compensation was raised to R5000 p.a. or R3000 p.a. plus the 7 series for 1982.¹²²⁸ A suggestion by the auditor that von Kuenheim as Chairman should be given a R15 000 salary for his heavy involvement in the affairs of BMW SA was dismissed as unnecessary by the BMW AG CEO.¹²²⁹ This forfeiture meant that the subsidiary would not have to submit its draft letter to the South African Exchange Control Authorities. Given that only R4000 could be annually remitted, a proposed remuneration of R15.000 necessitated an application for exemption. There is a certain nonchalance in the above anecdote with Pretoria's legislative reaction to the fall in the rand primarily only impacting executive pay at BMW, whereas other MNCs were already in dire straits. The key driver behind BMW's weathering of the downturn in the foreign exchange rate was the company's underlying profitability and its local content component of 67 per cent.¹²³⁰

¹²²⁶ Von Kuenheim, loc.cit.

¹²²⁷ German BMWs were of better quality. See Von Koerber to Wiehahn, 21.1.1981 in BMW UA 1987/1.

¹²²⁸ D F Balfour (BMW SA Finance Director) to von Koerber, 30.10.1981 in BMW UA 1987/1.

¹²²⁹ Von Kuenheim to von Koerber, 1.12.1981 in BMW UA 1987/1.

¹²³⁰ Wilhelm, op. cit., 75.

Appendix XI

Wiehahn lecture to BMW Group, 1981

1. BMWSA was commended for its 'liberal' integration policy towards non-white workers.¹²³¹
2. Pretoria's acceptance of 90 per cent of the Riekert and Wiehahn Commissions' recommendations was described as 'drastic' within the South African context.¹²³²
3. SA was characterized as being at a stage of evolutionary change that naturally results in certain problems but that these in no way warranted international attention.¹²³³
4. Other countries were regarded as having created labour equality by lowering standards to accommodate non-white employees. For reasons of maintaining productivity and the standards set by qualifications, SA could not afford this compromise. Irreparable damage would be done to the image and economy of the country. Black workers were regarded as not being in support of such measures because they had 'reached a relatively high work and life quality'. They instead desired equal chances under existing training schemes.¹²³⁴
5. BMWSA, despite its 'progressive' policies was told to expect trouble given black South Africans lacked access to any other political outlet. These would remain birthing troubles if the company maintained good employee relations as well as dialogue with its employees' council.¹²³⁵

¹²³¹ Nicholas Everhardus Wiehahn, 'Arbeitsbeziehungen und Arbeitsmarkt in Südafrika in den 80er Jahren,' in *Erfahrungen Perspektiven Horizonten Vortragsreihe für Obere Führungskräfte des BMW Konzerns* 7, 28.4.1981, 1 in BMW UA UU 1142/10.

¹²³² Ibid, 5; the Riekert Commission examined matters of labour/influx control and residency. See W.J. Vose, 'Wiehahn and Riekert Revisited: A Review of Prevailing Black Labour Conditions in South Africa,' *International Labour Review* 124, no. 4 (August 1985), 451.

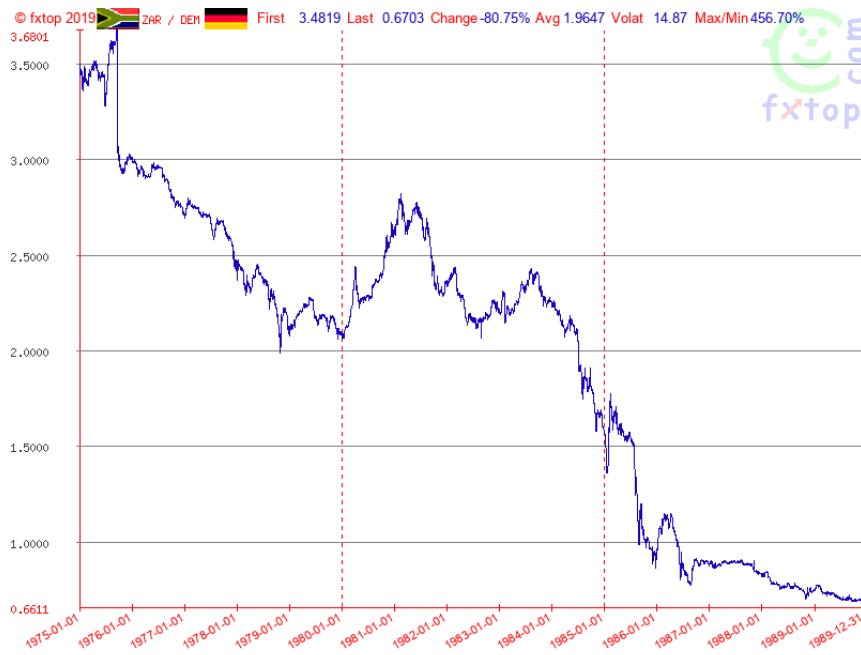
¹²³³ Wiehahn, op. cit., 6.

¹²³⁴ Ibid, 8.

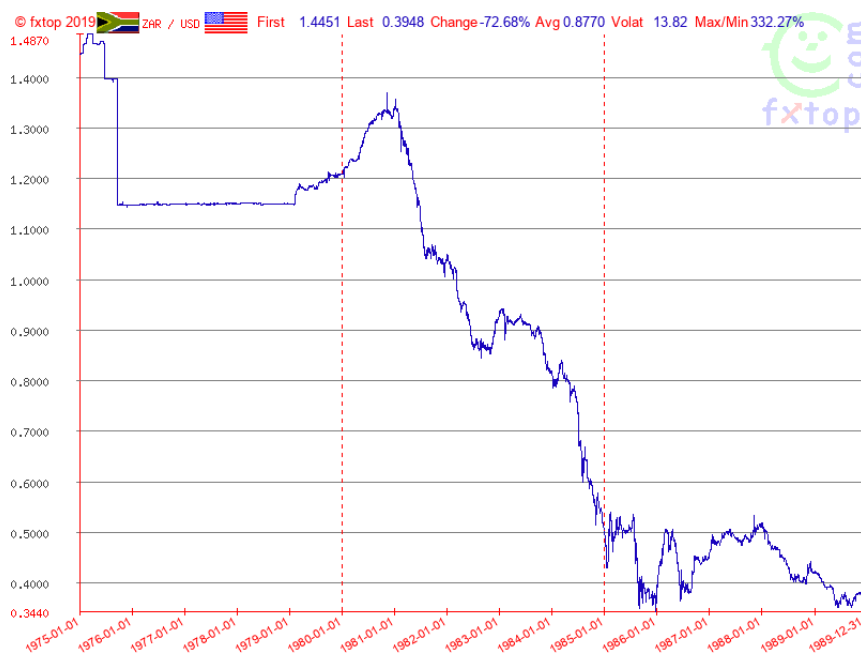
¹²³⁵ Loc. cit.

Appendix XII

ZAR vs DM, 1975-1989¹²³⁶



ZAR vs USD, 1975-1989¹²³⁷



¹²³⁶ Fxtop.com.

¹²³⁷ Loc. cit.

Appendix XIII

1985 BMW AG scenarios on future SA

Scenario one, labelled 'dictatorship', forecast the use of the government's security infrastructure and military might to maintain its grip on power, resulting in high stagnant economic development of 2.4 per cent annual GDP growth.¹²³⁸ Though the company would maintain its market share in the premium car space, the overall market would decline. Scenario two, the reform scenario, theorized a maximum GDP growth rate of 3.5 per cent and BMW to maintain its share of sixty per cent of the company car segment.¹²³⁹ The final scenario concerned a SA impacted by anarchy and revolution. It was an outcome where the vehicle market was predicted to decline by 3.7 per cent p.a. and customers switching to cheaper, smaller cars.¹²⁴⁰ In this final scenario, the company expected to sell only 4.800 cars by 1991.¹²⁴¹ By comparison it had sold 15.900 vehicles in 1984.¹²⁴² That the strategists still expected to sell luxury cars in a SA that had descended into anarchy may seem overly optimistic as well as ruthless. However, it is important to remember that the scenarios represented a planning exercise as performed by any business. Each scenario was judged on its likelihood and a balanced decision made on how to prepare the company's organisation, production, and sales activities for the medium to long-term.

¹²³⁸ Szenarienrelevante Umfeldler und Reaktionsmuster, op. cit., Appendix two.

¹²³⁹ Büchelhofer and Aurich, op. cit., 9; Szenarienrelevante Umfeldler und Reaktionsmuster, op. cit., Appendix three.

¹²⁴⁰ Szenarienrelevante Umfeldler und Reaktionsmuster, op. cit., Appendix four.

¹²⁴¹ Büchelhofer and Aurich, op. cit., 11.

¹²⁴² Ibid, 6.

Appendix XIV

Project Bosi

If Kodak was the photography company of the 1980s, then Project Bosi was the ‘Kodak moment’ snapshot of foreign business in 1980s SA. On the one hand, was a company scrambling to get out due to politics in its home country. On the other hand, was a business scurrying to regain profitability despite the politics of its host nation. One American, one German with two very contradictory outcomes thereby illustrating two very different cultures of management, even when both were in the same line of business.

Concurrently to the Munich Board meeting of BMW AG deciding the fate of the South African business in 1985, the subsidiary in question was busy weighing up a confidential proposal to profit from the market exit of a competitor that had succumbed to pressure from the disinvestment lobby. John P. McCormack, Vice-President at GM with responsibility for the South African and Latin American markets, was, by the mid-1980s, under instruction from Detroit to explore exit opportunities from the Cape.¹²⁴³ GM, despite pioneering the Sullivan principles that set standards on corporate behaviour and policy for South African operations, was facing demands at home to disinvest. GM, as the largest U.S. investor in SA, was not only under constant public scrutiny it represented a prime corporate target for the American AAM. Coupled with a track record of losses in recent years, disinvestment now became defensible on economic grounds. Just as BMW’s German strategists had theorized a withdrawal either meant suffering a considerable one-time loss or finding a local partner to sell-to; GM too faced a similar predicament. Preferring the latter option, McCormack met BMWSA’s Marketing Director Doolan for exploratory talks in October 1985.

Tête-à-tête the managers could talk the same language, that of business and economic rationale. The theme of the meeting, however, was how to conduct normal business activity, the pursuit of

¹²⁴³ Alan Cowell, G.M. Sale: American Heads Unit, Alan Cowell, Special to *NYT*, 4.11.1986, section D, 4.

profits, in a climate where morality and politics set the tone. At the talk, the American clarified that he sought to offload GM's operations in SA to BMW, which at a later stage could find a local partner to increase sales volumes.¹²⁴⁴ Since GM majority-owned the German car manufacturer Opel and held an equity stake in Japanese Isuzu, it drew on parts, including engines being shipped from abroad to be integrated into its South African value chain. These relationships would carry over to any successor company. McCormack emphasised that the company wished to keep a foothold in the South African market to return in better times. It also wanted the impact of any transition to be minimal on its workforce as well as dealers and suppliers. Spare parts and maintenance expertise would continue to be provided from Detroit to reduce the possibility of the image of its products being damaged in the country. Given that the company was preparing to exit the market, which would tarnish its reputation with South African consumers, it is odd for the U.S. business to believe this aversion would not extend to its product range. This, however, was not total disinvestment. It was merely a charade to placate the anti-apartheid lobby. For in the discussion with BMW SA, the better times the VP was referring to were those where profitability could be achieved – not the days after apartheid.

Of course, GM was adamant that the outside world should regard the transfer as disinvestment. After the meeting Doolan recorded: 'However, due to extreme political pressure in his home country [the USA], he feels the best bet for his company would be to enter into a partnership, or joint venture agreement, but not to have any equity'.¹²⁴⁵ Such an arrangement was typical of numerous examples of American disinvestment. Nominal control and responsibility were sold to a local firm, often via a management buy-out, but the former parent retained exposure to the market via a multitude of supply contracts or other business agreements.

¹²⁴⁴ Vic Doolan, Project Bosi, 4.10.1985, 1 in BMW UA 1994/1.

¹²⁴⁵ Loc. cit.

For BMWSA, GM's initial proposal would mean huge inefficiencies if they had to maintain the American firm's workforce, dealer network and production sites.¹²⁴⁶ GM was in the mass market; BMW in the premium, government, and corporate segment. Although, BMWSA would benefit from revenues from hitherto new customer groups, it was not in a position of size and organisational structure to take over all of GM's South African business. Serving the mass market meant competing via price-sensitive volumes whereas the existing portfolio served a relatively price inelastic consumer and business segment.¹²⁴⁷ It also feared that to take on the entire set-up, necessitated constant support from Detroit, unlikely to be guaranteed without a retaining equity stake by GM. Instead, BMWSA confidentially prepared a counterproposal.

In BMWSA's alternative plan, it would take on board only the choice cuts within the loss-making American subsidiary. Production of GM's Opel Kadett would be moved to BMWSA's plant at Rosslyn to optimise plant capacity usage and the Kadett's market share target of 9 per cent would be adjusted to 6 per cent. Apart from production efficiencies, BMW planned to move the Kadett, a mass market vehicle, up the price range to differentiate the vehicle from Japanese competitors, especially Honda which had a domestic plant in East London. This strategy necessitated a more conservative market share target as previously envisaged by GM. The Isuzu product line, primarily pick-up trucks, would also be carved out of GM, with production being contracted out to VW or British Leyland, with VW being the preferred partner. *Bakkie* volumes were determined as being sufficient to sustain 240 to 250 dealers; their sales would also support rural BMW dealerships.¹²⁴⁸ By taking on Isuzu, the BMWSA plan would also result in the company gaining additional taxation benefits from local Isuzu production, in addition to economies of scale as well as increased purchasing power in supplier negotiations. Whether Pretoria would grant the concession that BMW could combine its existing local content share with that of Opel and Isuzu to arrive at a total, more

¹²⁴⁶ Doolan, op. cit., 2.

¹²⁴⁷ 46 per cent of BMWs in SA were company owned (1985). By 1989, 90 per cent of BMWs were used for business purposes. See BMW South Africa, op. cit., 17 and The BMW Story, op. cit., 47.

¹²⁴⁸ Doolan, op. cit., 5.

favourable, percentage remained in doubt. GM's heavy truck franchise was to be sold off. The speed at which BMW SA came up with the alternative proposal is striking, illustrating not only their favourable disposition to the proposed arrangement but the need for immediate options to justify continued South African engagement.

In Doolan's eyes, the alternative plan was a win-win. They would not have to take over the entire GM 'elephant' and GM would 'have no equity and this will eliminate all political pressure in the USA'.¹²⁴⁹ In addition, GM would continue to benefit from the supply of Opel and Isuzu components for assembly in SA. Any adverse impact from GM's public disinvestment on the Opel and Isuzu range would be minimised by the 'tremendous goodwill BMW will be able to generate'.¹²⁵⁰ As a South African executive, Doolan also knew that once the new model ranges had reached sufficient profitability, it would be easy to invite a local corporation as a partner. Old Mutual, Liberty Life, Anton Rupert's Rembrandt and Tony Bloom's Premier were noted by the businessman as possible future associates.¹²⁵¹ Versus the other German automakers, BMW believed it had the best potential for synergies with GM's model range and operations. The plan foresaw a near doubling of BMW SA's existing market share to 12% by 1986 if GM's Opel sales were added.¹²⁵² Critical to success would be in convincing the Americans not only to go with the alternative BMW SA case for its disinvestment but also in the Germans being the sole partner. This would then give the Bavarian company firm control of whom to contract for Isuzu production. Before a response, including the alternative could be discussed with GM, the initial proposal by the Detroit automaker had to be presented to the Board of Directors in Germany.

The present MD of BMW SA, Walter Hasselkus was an old hand at the carmaker having hit the ground running in his prior post heading up UK operations. As such, he was conscious that

¹²⁴⁹ Ibid, 3.

¹²⁵⁰ Loc. cit.

¹²⁵¹ Bloom notably left SA only three years later. He had drawn significant flak after secretly meeting with ANC leaders in 1985. By 1988 he saw no business opportunities remaining in SA and emigrated to London. See O'Meara, op. cit., 361 and Charles Moore, 'South African Journal,' *The Spectator*, 27.2.1988, 24.

¹²⁵² Doolan, op. cit., 5.

profitability was imperative in the cut-throat automotive sector. With his superiors about to make an imminent decision on the future direction, if not existence of the South African subsidiary based on the findings of the independent working group at headquarters, he was busy preparing his own list of drastic measures to keep the business viable. Apart from the usual themes of cost cutting, investment freezes and capacity optimisation, his scheme included near abandonment of the luxury segment to DB and a stop on the introduction of new models for four years.¹²⁵³ The GM initiative, therefore, was an unexpected lifeline. Perhaps mindful that taking on even part of GM's operations would lead to a loss of management focus from profitability in its core BMW operations and a reliance on the vagaries of Detroit, the MD was wary of the opportunity: 'Eine schlechte Idee mit dem Elefanten ins Bett zu gehen' (It's a bad idea to sleep with an elephant).¹²⁵⁴ He thereby followed an oft-repeated mantra by the Chairman: 'Der Adler fliegt in größer Höhe am liebsten allein' (The eagle flies at greatest height alone).¹²⁵⁵ And with that Project Bosi was banished to the archives. Fourteen months later GM officially left SA having sold its subsidiary to a group led by a former American MD of the South African business. Within a year of his return to SA, the American died of a heart attack.¹²⁵⁶ The unionised workforce, meanwhile, described GM's conduct and its disinvestment decision as worse than NP-initiated apartheid:

*We are sick and tired of American and British companies coming to this country saying they want to help the poor black person, but all they do is climb on our backs and ride us worse than the Afrikaner people in this country.*¹²⁵⁷

Project Bosi had been an opportunity that had gone just as quickly as it had come. Management's competency in preparing a counterproposal hinted at the difficulties the subsidiary was facing at

¹²⁵³ Hasselkus, Walter, Untitled paper on future SA strategy prepared for 16.10.1985 Board meeting of BMW AG, 15.10.1985.

¹²⁵⁴ Hasselkus, interview, loc. cit.

¹²⁵⁵ Loc. cit.

¹²⁵⁶ Bob Price returned from retirement in Detroit solely to take over GM's former subsidiary. See 'Bob Price, Former General Motors Manager in South Africa, Dead,' Associated Press, 13.10.1987. <https://apnews.com/bdbe549a05e9be528cdb62f31f375030>.

¹²⁵⁷ Fred Sauls (Gen. Sec. NAAWU), cited in Glenn Adler, What's Good for General Motors?: Black Workers' Response to Disinvestment, October-November 1986, *Journal of Southern African Studies* 15, no. 3 (1989), 415-439, 434.

the time but also revealed an innate ability to adjust to fundamental economic and political changes quickly and pragmatically.

Appendix XV

Siemens and the ‘nuclear conspiracy’

Whilst the introduction clarified that exploration of alleged nuclear co-operation are not in scope, for this thesis analyses disinvestment, it is worth briefly noting here regarding Siemens.¹²⁵⁸ KWU, a Siemens JV with AEG, was in economic difficulties in the 1970s and keen on an order from SA for its nuclear reactor technology to revive its fortunes.¹²⁵⁹ However, Pretoria decided on a competitor option resulting in KWU solely supplying parts for an experimental plant (Valindaba).¹²⁶⁰ It justified the part export based on civilian usage, backed up by the BMWi which indicated no total economic embargo against SA existed forbidding such a technology transfer.¹²⁶¹ Indeed, Siemens would write direct to the Chancellery including articles in foreign media, such as in the *New Nigerian*, and blame the GDR for promoting anti-FRG business campaigns via newspapers it funded.¹²⁶² In consequence, the then Chancellor Helmut Schmidt twice unwittingly denied AAM and GDR accusations of Siemens being involved in nuclear co-operation whilst touring Nigeria as a guest of President Obasanjo.¹²⁶³ However, not only was the order for KWU so large that 13% of German export credit guarantees were solely for the Siemens JV, but the local subsidiary also supplied communications technology, which at the time was not subject to sanctions, for a military project, *Project Advokaat*.¹²⁶⁴

¹²⁵⁸ Recently, re-explored in Dennis Romberg *Atomgeschäfte: Die Nuklearexportpolitik der Bundesrepublik Deutschland 1970-1979* (Paderborn: Ferdinand Schöningh, 2020), 227-287.

¹²⁵⁹ Raimo Väyrynen, ‘South Africa: A coming nuclear power?’, *Instant Research on Peace and Violence* 7, no. 1 (1977), 34-47, 40.

¹²⁶⁰ Dr Johannes Koppe, ‘Janusköpfige Atomforschung,’ in *Top Spione im Westen*, Klaus Eichner and Gotthold Schramm, eds. (Berlin: Das neue Berlin, 2016), 160-177, 175; Dan Smith *South Africa’s Nuclear Capability* (London: World Campaign Against Military and Nuclear Collaboration with South Africa in cooperation with UN Centre Against Apartheid, 1980), 16.

¹²⁶¹ Otto Graf Lambsdorff (BMW BM) to Helmut Schmidt (BK), 8.8.1978 in BArch, B136/12597.

¹²⁶² Gerhard Helke (Siemens) to Peter Kiewitt (AA Diplomat attached to the Chancellery), 9.8.1978 in BArch, B136/12597.

¹²⁶³ AAM, press release, 6.7.1978 in BArch, B136/12597.

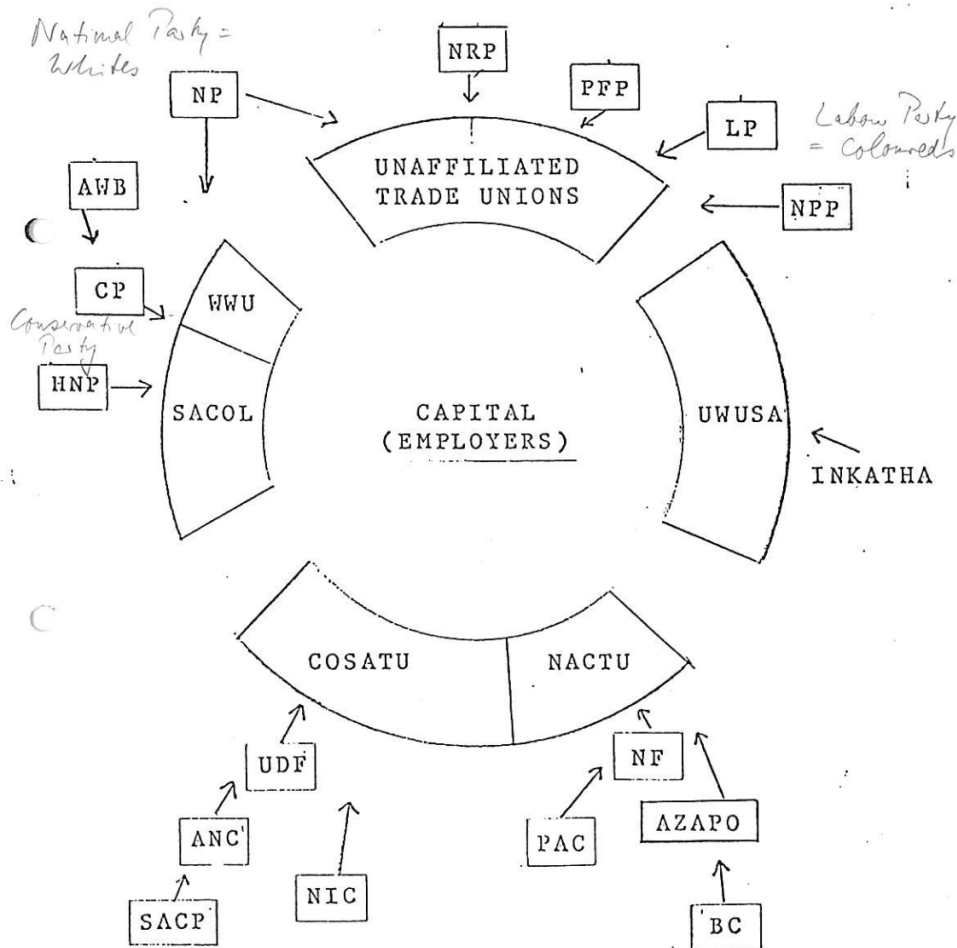
¹²⁶⁴ Morgenrath and Wellmer, op. cit., 49; Väyrynen, op. cit., 41; Roy Mason (UK Sec. State for Defence) in *Hansard* 901, column 376, 28.11.1975.

Appendix XVI

Excerpts from a 1988 briefing pack on the South African labour movement

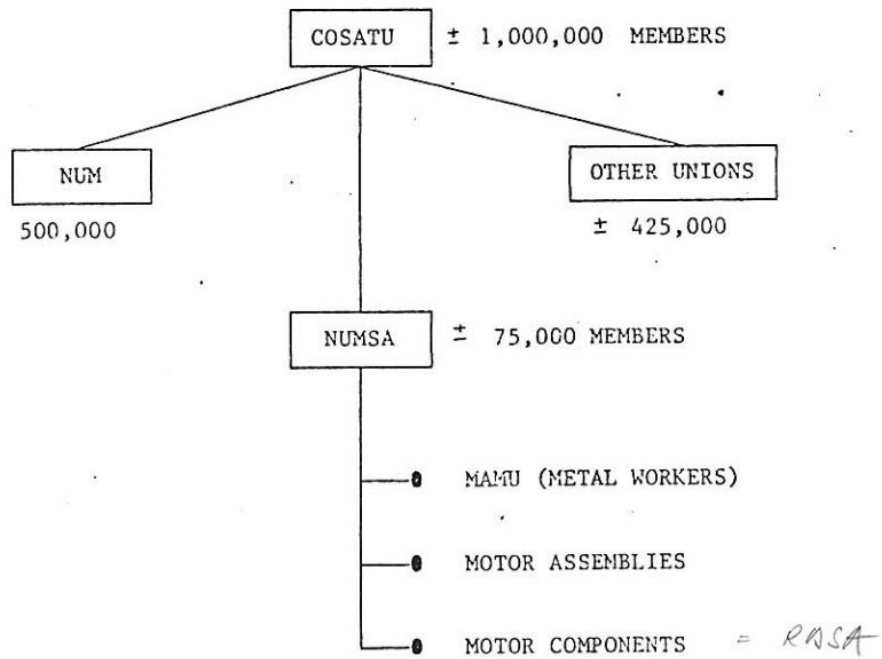
These extracts are part of a collated information pack put together by and shared within German business. The following excerpts are part of the Bosch version, and include pencil annotations by RB managers in Germany, indicating that not only did head office continuously keep abreast of South African developments, but sought to understand their historical context and any potential impact thereof on their local subsidiary. Whilst in this case, the labour unions are presented, similar briefings existed for other stakeholders – whether German, South African, or transnational (e.g. ILO, UN, IMF).

THE VALUES LAAGER EMPLOYERS IN THE WIDER SOCIETY:



TRADE UNION STRUCTURE

1. COSATU
2. NACTU
3. SACOL
4. EX TUCSA
5. BAWU
6. UNAFFIL REGISTERED
7. UNAFFIL UNREGISTERED



COMMENTS

1. DUBE IS PRESIDENT OF NUMSA.
2. MAYIKESO IS GENERAL SECRETARY - CURRENTLY IN DETENTION DUE TO INVOLVEMENT IN PEOPLE'S COURTS (NECKLACE) IN ALEXANDRA.

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 - UU 675-10; UU 694-10; UU 698-10; UU 1142/10
- **Hoechst GmbH, Firmenarchiv (HGF)**
 - H0085463
 - H0177177; H0177184; H0177186; H0177187; H0177189; H0177195; H0177201
- **Konzernarchiv Evonik Industries AG Hanau, Bestand Degussa (EICA)**
 - AC 02 337
 - BOD 01 0422
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