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THE ROLE OF INTERNATIONAL COMPANIES IN THE ECONOMY

by

Bethuel Setai

Introducing the Para-Statals

South Africa, under the leadership of the Boer-dominated parties, chartered State Corporations, or Para-statals, in the 1920's with regulations that would conform not only to growth objectives but also to social policies of segregation, or apartheid. Briefly summarized, these objectives were as follows:[1]

1. To strengthen the ability of the government to control the pattern of economic development and to increase the presence of the Boers in industry relative to that of the English-speaking groups.

2. To strengthen the economy.

3. Most important, with the influence of the public sector to industry extended, it would be easier to enforce apartheid measures in enterprises in which the government was the major shareholder.

The following figures reported in the *Financial Mail*[2] reveal the extent of state capitalism in South Africa. Between 1960 and 1970, the public sector's fixed investment grew at an average annual rate of 13.3% against 11% in the private sector. Over the same period, while the private manufacturing capital outlays rose at about 4.5% annually, public sector manufacturing concerns, such as SASOL (the South African Coal, Oil, and Gas Corporation) and the ALUSAF (Aluminum Corporation), increased their capital spending about 9%; and the public sector share of total fixed investment rose from 41% in 1960 to about 46% in 1970.

There are six major Para-statals, each having a large number of subsidiaries in the country. These industries are linked in a very definite way to foreign companies and investment firms that are incorporated in Western Europe, the United States of America and Japan. Below we give a listing of these major corporations, their description and the countries on which they depend the most and, in some cases, the level of the dependence. The specific data on Para-statals are mainly from a study by

Ruth Weiss.[3] We discuss the Para-statals simultaneously in terms of the following categories: direct and indirect inve ment, technology transfer in the form of special licensing goods to be manufactured in South Africa and trade in relat goods with other countries. The major or strategic Para-st under whose headings we shall discuss the above categories

1. Armaments Development and Manufacturing Develo (ARSCOR)

2. Electricity Supply Commission (ESCOM)

3. Industrial Development Corporation (IDC)

4. Iron and Steel Corporation (ISCOR)

5. Nuclear Fuels and Uranium Corporation

6. The Southern Oil Exploration Corporation (SOEK

7. South African Coal, Oil and Gas Corporation (S.

There are other Para-statals that are very strategic, which will not discuss here because of their insignificant depend on foreign funds. Nevertheless, they are politically strat as preserves of poor white labor. One such Para-statal is South African Railways and Harbours (SAR & H), which is the largest, employing 229,000 people -- 11,073 white and 117,8 black.

1. The Armaments Development and Manufacturing Corporation (ARSCOR)

This corporation is charged with the responsibility making South Africa self-sufficient in armaments, and it is reported to be making rapid progress with the cooperation o Italy, West Germany and Canada. It has seven subsidiaries through which it manufactures armaments that the government considers sensitive, and in 1972 it received 70% of arms exp ditures, including amounts spent on private companies under contracts. This corporation manufactures more than one hund types of ammunition, including rifles, submachine guns, expl sives, cannons, armored vehicles, electric equipment and ai craft.[4]

The 70% of arms expenditures by ARSCOR is a substant amount when evaluated in actual figures. In 1973/74, ARSCO received 70% of total military expenditures of $658 million; 1974/75, the total military expenditures had increased to $9 million and in 1975/76 to $1,327 million. The military expe tures are more than 18% of the entire government budget and above 3.7% of GNP, and are estimated to be $28,000 per capita according to P.W. Botha, Minister of Defense.[5]

The role of Italy in South Africa's military build-up should not be underestimated. Italy is vital in the manufacture of light aircraft. According to Jennifer Davis, South Africa produces, under license from Italy, the MB-326M (Impala) trainer, a light-strike, jet-powered aircraft with a speed of 800 km/hr. Production was begun in 1967. The craft is 70% indigenous manufacture, and by 1973 South Africa had 200 of them. A second license obtained from Italy in 1973 will enable South Africa first to assemble and later to produce the light-strike, jet-powered MB-326K, with a speed of 890km/hr; production is reported to have begun in 1974.[6]

Similar licenses have also been obtained from France for the assembly and subsequent manufacture of the jet-powered Mirage F1 fighters, with initial plans for a run of 100, and the SA330 Puma utility helicopter, of which 20 had been produced by 1973.[7]

The United States Government is also said to play an important role in South Africa's arms build-up, both directly and indirectly through the North Atlantic Treaty Organization (NATO). United States interest in the area has been defined in terms of four categories: political, economic, scientific[8] and defense.[9]

With regard to defense, the United States under President Nixon adopted a position that is consistent with its global interests. These interests involve the ability to defend the Indian Ocean to allow for a stable flow of goods, especially oil, and to keep the South African economy stable, inasmuch as its supply of gold helps keep Western economies stable, leading to better control of inflation and increased employment and steady growth.

In order to achieve its objective of preserving the stability of South Africa, Option 2 of National Security Study Memorandum (NSSM) outlined in part the following operational examples.[10]

1. Enforce arms embargo against South Africa but with liberal treatment of equipment which could serve either military or civilian purposes.

2. Permit U.S. naval calls in South Africa with arrangements for nondiscrimination toward U.S. personnel in organized activity ashore; organize routine use of airfields.

3. Retain tracking stations in South Africa as long required.

4. Remove constraints on the Export-Import Bank (Ex Bank) facilities for South Africa; actively enco U.S. exports and facilitate U.S. investment cons tent with the Foreign Direct Investment Program.

5. Conduct selected exchange programs with South Af in all categories, including military.

The extent to which these objectives were realized a analyzed by Edgar Lockwood. It would appear as though most them were realized, especially in the area of military suppl and provision of loans. In the period between 1967-1972, commercial aircraft consignments rose from $23,483,380 to $80,485,380, reflecting a "liberal treatment of equipment wh could serve either military or civilian purposes," by the U. Government. In addition, in the first three months of 1973, "non-military" helicopters accounted for $11 million out of million in aircraft sales.[11]

In the area of loans, studies show that constraints trade and investments have been liberalized. In 1970, the Export-Import Bank extended from five to ten years the term insurance available to finance exports to South Africa. Med term insurance issued in 1970 and 1971 was more than twice w had been written in the preious four years -- a four-fold ex sion. Ex-Im. however, has continued its policy of not making direct loans to finance direct purchase.[12]

According to available data, it seems as if trade an investment has been encouraged during the period under revie By 1973, U.S. investment in South Africa had risen from the level of 25.8% of all investments on the continent to 30.4%. Profits in South Africa had advanced from 17.8% of total U.S profits in Africa to 37.8% in 1973. The largest and most si ficant increase had been in smelting, mining and petroleum. equally significant was the increase of capital goods from 3 of all imports in 1960 to 45% in 1970.[13]

It is currently not clear whether Option 2 of NSSM w continue to guide U.S. policy in the area or whether these w change under President Carter. However, we can be hopeful t these will change considering that President Carter has comm ted himself to the preservation of human rights for all, including South Africa. This contention is strengthened by th fact that the President had been emphasizing the necessity o majority rule in the area, which hopefully will lead to an egalitarian society compared to the current racist one.

While the United States is known to be sensitive in its arms trading with South Africa, France is known to be less so, and she is working hard to improve South Africa's Air Force, missile systems, sea defenses and nuclear capabilities.

2. Electricity Supply Commission (ESCOM)

ESCOM provides 80% of the country's power and operates 20 major power stations. Demand for its services are increasing steadily, but the company has been able to keep the supply price low by working on alternative methods of supply, such as hydroelectric power compared to steam-generated power, which is relatively cheap. Costs per ton at the pithead are R1.30 against R4 in the U.S., with Britain and other European costs still higher.

In order to ensure the continuance of the low cost supply, the company will get 8% of its needs from the newly erected Cabora Bassa Dam in Mozambique. Additional supplies will also come from the Cunene River in Botswana and from Lesotho and, on a small scale, Swaziland.

ESCOM plans to increase its capacity more that sevenfold by year 2,000 and, as a result, has projected capital spending of R2,500 million in the 1970's, which would increase 1972 assets of R1,800 million to R4,300 million. ESCOM raises its money by issuing stocks or debentures at low interest rates both on the domestic and foreign markets. These loans amount to about 10% of total financing[14] and is not considered substantial compared to the dependence of other Para-statals.

3. Industrial Development Corporation (IDC)

Table 1

Total Authorization of IDC Funds Since 1940

Applications approved from 1940-73	1 Oct. 1940	30 June 1973
Metal, engineering and machinery works	R 453,000	R 316,967,005
Petroleum, products, chemical and related products	164,000	348,791,225
Transport and miscellany	73,000	193,578,103
Construction and property	122,000	196,591,637
Textile products and clothing	276,000	84,565,219

Financial institutions	45,000	44,500,44
Processing of stone, clay and earthenware	97,000	44,478,92
Processing of agricultural and pastoral products	53,000	22,695,45
Wood and wood-board	87,000	21,249,21
Printing and processing of paper	55,000	13,690,62
Preparation, treatment and preservation of food, drink etc.	71,000	13,529,43
Leather tanning and leather products	15,000	1,680,82
TOTAL:	R1,511,000	R1,202,318,12

Source: IDC Balance sheet for year ended 30 June 1973, in *Foreign Investment in South Africa -- The Economic Factor* by John Suckling et. al. Africa Publications Trust.

The Industrial Development Corporation (IDC) was esta blished in 1940 and all its shares were issued to the governm It was given the responsibility to lead and to pioneer develo ment in South Africa. It had to identify potential growth po seek funds, implement projects and in some cases manage enter prises. In other words, IDC had to insure government influen in all aspects of private business undertaking by becoming a shareholder.

Table 1 shows the diversity of IDC, and it clearly is a position of high influence within the South African industr configuration. However, the Table underestimates its under- taking. IDC participates in numerous other business enterpri by acting as a holding company. Its subsidiaries include shi ping interests (Safmarine), Phosphate Development Corporation (Pty) Ltd. (FOSKOR), ALUSAF (Pty), an aluminum manufacturing plant. Ruth Weiss points out that the IDC has looked for gap in the manufacturing sector which could be filled by a new co pany in which it would invest jointly with either local or fo eign interests, or both. The partners would contribute capit management and technical skills. The major component of part ship has come from abroad, and it has been provided mainly by the United Kingdom, Canada and other European countries.

IDC has gone through a tremendous growth period. At inception in 1940, it authorized R10m, which had grown to R35 by 1973. During the year 1972/73, issued capital was increas ed to R330,579,000 by the issue of 27,950,000 R1 shares and a capitalization of R8,422,000 from general reserve. Pretax profit for that year was R13.3m, which represented an increase of R1m over the previous year.

Today IDC ranks as the fourth largest corporation in South Africa's manufacturing sector. When compared to other Para-statals, it ranks second to Iron and Steel Industry (ISCOR), with assets of R2,238 million compared to R690 of her own as indicated in Table 2.

Table 2

List of the Biggest Private Sector Manufacturing Companies:

Name	Total Assets (R million)	Main Field
S.A. Breweries	734	Beverages
Barlow Rand	706	Financial/ Industrial
Lonrho	534	Financial/ Industrial
Federale Volksbeleggings	455	Financial/ Industrial
African Explosives and Chemical Industries	407	Chemicals
Rembrandt Group	402	Tobacco
Anglo American Corporation	361	Financial/ Mining
Huletts Corporation	304	Sugar
Anglo Transvaal Industries	226	Financial/ Mining
O.K. Bazaars	210	Retailing

ISCOR, the giant public corporation in the metals field, has assets of R2,238 million, and the IDC -- R690 million.

Source: Economic Profile of South Africa. *Standard Bank Guide to Business in South Africa*, September 1976.

It is important to state that the IDC has reached its position of prominence in the economy through its strategy of seeking partners largely from foreign investors. It has in turn maintained control over established corporations through financial influence rendered by underwriting shares and debentures to the public. In other cases, IDC has made loans directly to a company by subscribing to its shares and debentures.

4. *The South African Iron and Steel Industrial Corporation (ISCOR)*

ISCOR was created in 1928, with all its shares goi to the government because the public could not buy any due low incomes caused by the Depression. According to Ruth W ISCOR's paid-up capital was R165.2m in June 1973, and it w broken up as follows: R1m R2 shares as prescribed under t Iron and Steel Act of 1928, and 81,880,364 B shares of R16 plus 219,636 7.5% cumulative preference shares of R2 total R439,000.

ISCOR accounts for 73% of South Africa's iron and steel output, and in 1974 it was announced that it would s R3,238 million over the period 1974/1984 on a modernizatio and expansion program. This expenditure will account for increase in steel production capacity of from 4 million to per annum in 1973 to 7 million in 1978 and 11.3 million in 1984.[15]

In order to finance the above project, the governm was expected to purchase 20 million B shares at R2 each du the 1975/76 financial year. In addition, it was expected take up 50 million such shares before March 1976. Thirty million shares amounting to R33 million were expected to c from the EUROBOND market.[16] In addition to the EUROBOND ma ISCOR has also benefited from the Eurodollar market. ISCO ability to get foreign loans can be credited to a consorti of banks of which the most important are as follows: Europ American Bank, which is jointly owned by the Midland Bank (United Kingdom), Deutsche Bank (West Germany), Amsterdam Rotterdam Bank (Holland), Societe Generale de Banque (Brus Societe Generale (France), and Credit Bankverein (Austria)

ISCOR's dependence on foreign loans is real, and t company's own managers admit it.[18] The proportion of this dependence should be very high, especially when we account the fact that ISCOR has no less than 20 subsidiaries. The important ISCOR subsidiaries, or companies in which it has substantial interest, are as follows:

1. Rhodesian Steel Sales Co. (Pty) Ltd. for ISCOR produ sales in Rhodesia.

2. Steel Sales Co. of Africa (Pty) Ltd.

3. Vantin (Pty) Ltd.

4. ISCOR Utility Stores (Pty) Ltd.

5. Industrial Minerals Mining Corporation.

6. Vanderbijlpark Estate Co.

7. ISCOR Estates (Pty) Ltd.

8. METPRO, which manufactures railway truck brake-shoes important to the Sishen-Saldanha Bay scheme.

9. Carbide Diamond Industries, which manufactures tungsten, carbide metals and tools.

10. Cape Town Iron and Steel Works (Pty) Ltd. (CISCO), which produces iron rods.

11. African Metals Corporation (AMCOR), specializing in pig iron and ferro-alloys.

12. International Pipe and Steel Investments SA (Pty) Ltd. (IPSA), held through Metkor Investments Limited.

13. ISCOR and METKOR are to acquire METPRO (Pty) Ltd.

14. MINSA (Pty) Ltd.

15. ISCOR Housing Utility Co.

16. Durban Navigation Collieries.

17. IMCOR Zinc (Pty) Ltd.

18. Ferrous Scrap Distributors (Pty) Ltd., for supplies of raw materials and scrap.

19. Heckett (SA) (Pty) Ltd., for scrap.

20. Air Products SA (Ltd.)

5. *The Nuclear Fuels Corporation (NUFCOR) And the Uranium Corporation*

This is a key industry which is currently working on South Africa's capability in nuclear fuels. With the expected help of the United States Atomic Energy Commission,[19] NUFCOR is working on a uranium enrichment process at Koeberg, a station at Duinefontein in the Cape, which would enable South Africa to have an operating nuclear plant by the 1980's.

Uranium is a by-product of gold extraction. Consequently, NUFCOR is working with the help from the Chamber of Mines

Research Organization. In addition, she is helped by the National Institute for Metallurgy and the South African Ato Energy Board. While South Africa does not have an internal market for uranium, she has standing orders for uranium pro cessed to the threshold of enrichment from Switzerland, Jap and West Germany.

6. The Southern Oil Exploration (SOEKER)

Established in 1965 and jointly owned by the state IDC, SOEKER is charged with the responsibility of searching oil. Some of its partners include Super Oil, Cities Servic Highland Incorporated and Tenneco Incorporated. Since most these firms are foreign, outside loans continue to play a crucial role in this industry.[20]

7. South African Coal, Oil and Gas Corporation (SASOL)

SASOL was established in 1950 with the objective to produce petroleum from coal. In its endeavor, SASOL has be fited from technological know-how from West Germany and the United States. Specifically, the construction of the plant based on West German Fischer-Tropseh process, which was lat combined with the U.S. Kellog technique to produce an origi new system. As by-products of these processes, large quant of synthetic gas are produced, and they play an important r in the industrial Vaal Triangle. Other by-products include nitrogenous fertilizer (which constitutes 50% of South Afri supplies) and ammonia sulfate.

The by-products of the SASOL plant have provided th basis for the South African petro-chemical industry. For e ple, a Synthetic Rubber Company was established, which uses butane and styrene from SASOL. African Explosives and Chem converts SASOL ammonia and methane to calcium cyanide for u mining. Plastics, such as polythylene, are also produced. use of plastics range from toys to the manufacture of elect cable insulators and from solvents to guttering for buildin

SASOL supplies about 8% of the country's petroleum 21% of South Africa's total energy needs.[22] SASOL's succes be credited to partnerships with Iran, France, Europe, Japa and the United States. This partnership has benefited Sout Africa in terms of loans, technical know-how and unrestrict markets.

It is clear from the above discussion that the Para-statals are at the heart of South Africa's economy. W have pointed out that their fixed investment between 1960 a 1970 exceeded that of private investment. The reason for t is that under the guidance of the Industrial Development Corporation, South Africa has devised the strategy of going into partnerships of one form or the other with foreign business undertakings that locate in the country. Since she strives to have controlling shares in each and every one of them, her share of the investment is larger. The main advantages for doing so, as we have mentioned, are: (a) to achieve economic growth, (b) to gain the confidence of the foreign investor in the South African economy, and most important (c) to insure that the Job Reservation Act is implemented. According to this Act, blacks are excluded from meaningful skilled jobs.

According to the last condition, it is clear that people who invest in the South African economy are indeed partners in apartheid either purposely or by association.

The Role of United States Corporations

In the above analysis, we have touched on some aspects of U.S. involvement in the South African economy, and we have also spent some time discussing her involvement in the South African military complex. In this section, we explore her involvement further by identifying and discussing the role of some of the strategic U.S. corporations doing business in South Africa.

While there are more than 300 U.S. firms in the area only 12 are most influential in terms of the impact of total involvement there. These firms are listed in Table 3 (p.) and according to the last column, provided by *Fortune* magazine, these firms are influential even in the United States, with General Motors ranking number one, thus making it the largest corporation in the world. According to Table 3, the auto industry seems to have a good share of South Africa's markets when evaluated in terms of investment alone. Of the total U.S. investments there, General Motors (GM) accounts for 14.1%, Mobil Oil 13.5%, Texaco 11.4% and Ford 11%. The three auto companies, including Chrysler, account for 30.1% of U.S. investments, indicating that these industries are vital in providing both civilian and military goods to the South African Government. Evidence shows that GM South Africa sales totalled 35,000 vehicles in 1971, and this was equal in dollar value to the sales of the 563rd U.S. firm listed by *Fortune* magazine among the largest 1,000 U.S. industrial corporations.[23] In South Africa, GM ranks 11th in assets and 41st in the number of employees among the leading 100 public companies listed on the Johannesburg Stock Exchange.[24]

GM South Africa works in close collaboration with the

South African government by taking part in her all-importan local content program. The local content program has three objectives: (1) to reduce South Africa's economic vulnerabi to outside economic pressures, (2) to improve import-substit programs and (3) to stimulate the growth of other economic sectors. The other companies listed in Table 3 are also in with the South African Government in similar ways.

Table 3

Name of Firm	U.S. Owner(s)	Approximate Investments (U.S. $m.)	Approxima Percent c U.S. Total
General Motors South Africa	GM	125	14.5
Mobil Oil Southern Africa, Mobil Refining Co. S.A.	Mobil	122.5	13.5
Caltex Oil S.A.	Texaco, Standard Oil of California	103	11.4
Ford South Africa	Ford	80-100	11.0 appro
Standard Telephone and Cable (and other Companies)	ITT	50-70	7.8 approx
South African General Electric	GE	55	6.1
Chrysler South Africa	Chrysler	45.0	5.0
Firestone South Africa	Firestone	25-30	3.0 approx
Goodyear Tire and Rubber Co, South Africa	Goodyear	15	1.7
Minnesota Mining and Manufacturing Co. South Africa	3M	12	1.3
IBM South Africa	IBM	8.4	1.0
Caterpillar (Africa) and Barlow Caterpillar	Caterpillar	6.4	0.7
TOTAL:		648-692	72-77

Source: Compiled from data in Corporate Information Center, National Council of Churches, *Church Investments Corporation and Southern Africa* (New York: Friendship Press, 1973); in *W Wealth and Black Poverty* by Barbara Rogers, Westport. Connec cut: Greenwood Press, 1976, p.126.

Political and Social Implications

These corporations are clearly partners with the South African Government in the black man's continued oppression. Not only does their presence make it necessary for the government to pass more stringent laws regulating the black man's labor supply, but their presence also causes dualism both on a regional basis and in the labor market. Regional dualism is based on the fact that industrialization, hence investments, are concentrated in the cities while the rural areas, in the case of South Africa the so-called "homelands," remain relatively poor and with low productivity. The dualistic model further assumes that developing countries such as South Africa use the most recent technology from developed countries, and that the factor requirements for that technology are rigidly determined.[25] This phenomena complicates the upward mobility of African workers in the job market and its best explained by the dual labor market theory.

The dual labor market theory hypothesizes that the labor market is segmented into two distinct parts: the primary and secondary markets. According to the theory, the best jobs are in the primary market and the worst ones are in the secondary market. In the primary market, the jobs are well paying, pleasant, steady and they lead to training and advancement. The secondary labor market has dead-end jobs that are low paying, unpleasant, arduous and impermanent, and those holding them receive no additional company training to allow for advancement.[26]

The strength of the dual labor theory is that it explains why there is no upward mobility of workers from the secondary labor market to the primary one. The lack of mobility, which keeps the labor market segmented, is due to a combination of demand and supply factors that keep a large part of the work force suppressed and unable to rise into the primary market.

In South Africa, the demand and supply factors are not operating as in a free market because the market has been rigged by the government with full cooperation from the big companies. The government has rigged the market by passing various legal restrictions regulating the supply and demand of African labor. These restrictions are aimed at keeping the labor market segmented along racial lines so that Africans remain forever in the secondary labor market while the whites stay in the primary labor market where the jobs are secure.

The U.S. corporations, and many others that locate in South Africa, complement the government efforts by exporting sophisticated technology to that country, most of which represent the most recent advances in its development, and since technology is placed in a skilled job area, it falls under t category of the primary job market where blacks are not allc to participate. The job market segmentation can be illustra by reviewing the wage structures of two representative firms namely, General Motors Company and Mobil Oil Corporation.

General Motors Corporation

Table 4 gives the hourly employment by work grade classifications and race. Column 1 gives the work grade on scale from 1 to 11, with 1 representing the poorest jobs, ar the jobs improving all the way up to 11. Columns 2 and 5 show that the Africans and the coloreds are concentrated in the lower grade jobs while the whites are in the higher grac However, columns 2 and 4 offer a striking contrast in that t Africans are concentrated in work grades 1-4 while the white are concentrated in grades 8-11. This clearly illustrates t dual labor market because whites are in high-grade jobs, or primary labor market, while blacks are in low-grade jobs, or secondary labor market. Over 90% of GM South Africa employe are in categories 1-4 and they are paid less than the minimu effective level of $140 per month which the South African Ir tute of Race Relations has suggested for Port Elizabeth wher the major company operations are based.

Table 4

Hourly Employment By Work Grade Classification
And Race At GM South Africa, October 1972

1 Work Grade	2 Total White	3 Coloured	4 African	5 Total for Coloured & African
1	-	146	196	342
2	3	233	98	331
3	2	326	110	436
4	32	486	99	585
5	5	267	24	291
6	35	107	5	112
7	50	46	4	50
8	139	176	5	178
9	268	55	10	65
10	446	-	-	-
11	92	-	-	-
Total:	1,702	1.839	551	2,390

Source: Estedes presentation, Chart 8, *Church Investments Corporations and Southern Africa*, New York: Friendship Press, 1973, p.79.

Mobil Oil Corporation

Mobil Oil Corporation shows a picture which is similar to that of General Motors South Africa. Table 5 (p.122) gives us Mobil's work force number and percent of workers in each employment category. Column 1 gives salary groups by type of position. The salary groups are rated on a scale of 1 to 13 with the unskilled jobs being on the lower scale and the skilled ones on the upper scale. Again, we see that throughout the three selected years, the Africans were concentrated in the low-skilled jobs. According to the same data, Africans are concentrated in unskilled jobs and insignificant numbers have advanced into semi-skilled and skilled posts. Even those who have been promoted into skilled categories have not gone into meaningful jobs. (The term "skilled job," when it applies to the Africans, means being employed to drive a car or a truck for the company.)

Table 6 (p.123) is also revealing because it shows that 93% of the African work force at Mobil is in the unskilled labor category. There are 0.9% Africans in supervisory and skilled-job categories, and none in managerial ones. The supervisory jobs usually refer to working as foremen. We also see that there are no whites in unskilled categories. The income inequality between white and black at Mobil is approximately 3:1.

In this section, we have reviewed the wage structure of two representative U.S. corporations that invest in South Africa by fostering regional dualism and dualism in the labor market. The cumulative effect of regional dualism, dualism in the labor market, and racism has accounted for large discrepancies between black and white wages in all areas of the economy. According to recent United Nations documents, these disparities are by industry as follows:[27] in mining, the white-black ratio is 20:1, the average for manufacturing, industry and public service is 6:1. Dr. Francis Wilson in his *Labor in the South African Gold Mines* stated that the cash wage of the black man in 1969 was the same as in 1911, while the real wage of his white counterpart had risen by 70%.

It is therefore instructive to realize that (we have used these figures earlier in a different context) while blacks constitute 82% of the population, their share of the national wealth is 23%. The whites, who are less than 20% of the population, take home 76% of the national wealth. Thus, 80% of

Table 5

Mobil's Work Force
Number and Percent of Workers in Each Employment Category 1972

*Salary Group/Type Position**	*Number of Africans, Asians, Coloreds* 1962	1968	1972	*White* 1972	*1972 Total** All Employees*	*1972 Percent (%) Total* Africans, Asians, Coloreds,	White
1. Unskilled laborers	687	387	365	None	365	100%	-%
1A.	342	267	271	None	271	100	-
2.	157	145	143	None	143	100	-
2A.	78	142	82	15	97	84.5	15.5
3. Semi-skilled	None	22	37	41	78	47.4	52.6
3A.	None	12	36	110	146	24.7	75.3
4.	None	None	42	114	156	26.9	73.1
5.	None	6	48	301	349	13.8	86.2
6. Skilled	None	6	16	279	295	5.4	94.6
7. Supervisory & Skilled	None	None	None	219	219	-	100
8. Supervisory & Artisan	None	1	5	132	137	3.6	96.4
9-12. Supervisory & Skilled	None	None	1	409	410	0.2[1]	99.8
13 & above. Managerial	None	None	None	186	186	-	100
Total Employees	1,264	989	1,046	1,806	2,852	36.7	63.3

Source: *Church Investments Corporations and Southern Africa*, New York: Friendship Press, 1973, p.124.
* Details of what position entails is reported by Mobil but generalized here.
[1]Mobil reports 1.2 percent.
** Computed by adding number of white workers to number of African, Asian and Colored workers when

necessary.

Table 6: Mobil's Work Force 1972: Skill Distribution By Racial Categories

Salary Title	*Salary Class.*	*% African*	*% Asian*	*% Coloured*	*% Total A,A,C*	*% White*
Unskilled	1, 1A	69	--	41	61	--
	2, 2A	24	--	17	22	0.8
Semi-skilled	3, 3A	5	5	14	7	8
	4, 5	1	86	22	9	23
Supervisory and Skilled	6-12	0.9	9	5	2	58
Mangerial	13-15	--	--	--	--	10

Note: Totals may not equal because of rounding.
Source: *Church Investments Corporations and Southern Africa*, New York: Friendship Press, 1973, p.126.

Table 7: "Homelands": Area, Distribution of Land and Population Density

"Homeland"	*Blocks of Land*	*Area in Square Miles*	*Population Density*	
			De facto	*De jure*
Transkei	2	14,178	122	212
Ciskei	19	3,547	148	261
Kwa Zulu	29	12,141	173	332
Lebowa	3	8,549	127	236
Venda	3	2,333	113	153
Gazankulu	4	2,576	104	252
Bophutha Tswana	19	14,494	61	114
Basotho Qwagwa	1	177	136	1,085
Swazi	2	818	144	562
		58,813		

Source: *A Survey of Race Relations*, 1972, Johannesburg, South African Institute of Race Relations, 1973; in *Racism and Apartheid in Southern Africa -- South Africa and Namibia*, Paris: The UNESCO Press, 1974.

the African population lives below the poverty datum line.

Summary

Despite the well-meaning pronouncements by prominer American citizens that these multinational corporations ca used to bring about social change, it does not seem that t is likely. Unlike southern United States where such an ap was used successfully, we are faced with a completely diff situation in South Africa. In the U.S., the corporations could effect a meaningful change because the mood of the c was ready for change and everybody interested in change an acting to achieve it was ultimately protected by the Const tion. In South Africa, not only are we dealing with die-h self-righteous white racists who cherish oppression, but w also dealing with a government that has embedded racism wi its economic fabric and protected it in its Constitution a social outlook. Thus, the mere act of asking for social c in itself violates the Constitution.

It is impossible for corporations that locate in S Africa to follow unilateral policies of their own because must enter into partnership with any of the Para-statals t we have already identified. Any foreign investor is requi to sell some of his shares to one of the government corpor or its subsidiaries before he can start his business opera These shares are not sold in the market, but under definit partnership agreements.

Partners must agree to obey certain conditions ran from profit sharing to resource use, with the primary obje of regulating African labor. Any violation of these regul especially by foreign companies, could be tantamount to co violation, which could lead to tremendous financial losses the foreign investor. It is not easily discernible how th companies can violate their contract agreement and get awa with it without the risk of being expropriated or national

The alternative to more investments in South Afric total withdrawal by these companies. The latter position the most logical, and it has been advocated by freedom mov ments and supported, among others, by prominent individual African countries, some individual Western countries and s by the Third World Countries.

People who argue in favor of continued investments South Africa do so on the basis that these investments pro jobs for Africans and that withdrawal would lead to mass unemployment. While withdrawal might lead to some sacrifi on the part of some Africans, these will be very few because the majority, or 80%, already live below the poverty datum line, and their standard of living deteriorates yearly as more sophisticated and capital intensive technology is imported. This type of technology compounds unemployment among Africans and, clearly, withdrawal cannot make the situation of blacks any worse.

It seems clear that the people who will suffer the most are whites because they are the direct beneficiaries of these investments which tend to favor the primary labor market in which only whites are allowed to participate. Consequently, the argument that favors increased investments favors the continued priveleged position of whites. On the other hand, it is likely that withdrawal would lead to the collapse of the dual labor market and other white privileges, and these developments might lead to the evolution of an acceptable egalitarian society.

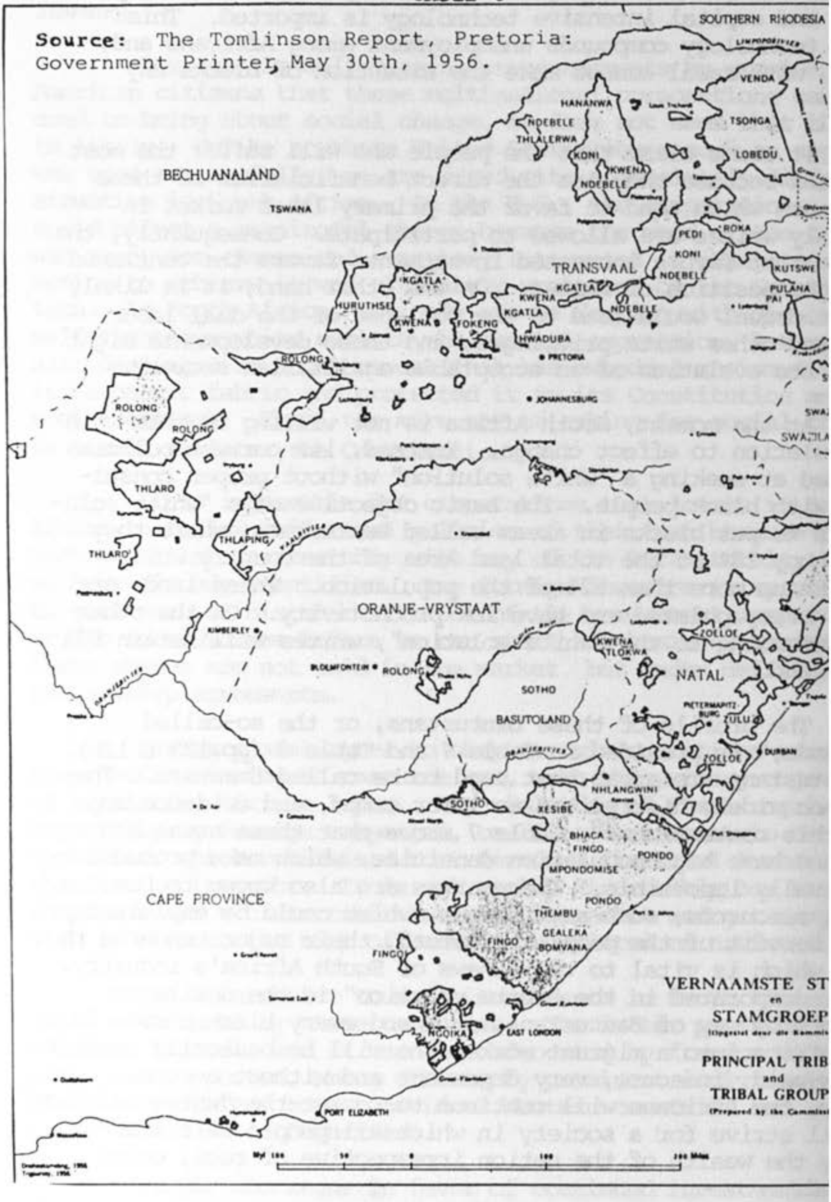
At the moment, South Africa is not willing to work with its population to effect change. Instead, its current policies are aimed at seeking a "white solution" without proper consultation with black people. The basic objective of a "white solution" is to put blacks in areas called Bantustans, where they will occupy 13% of the total land area of the country while they make up more than 82% of the population. These lands are barren, overpopulated and have low productivity. On the other hand, according to the "white solution", whites will retain 87% of the land.

The profile of these Bantustans, or the so-called "homelands," is provided in Table 7 and Table 8 (pp.123 & 126). The Bantustans are areas that used to be called *Reserves*. They have been widely discredited as labor camps, and evidence supports this contention.[29] Table 7 shows that these areas are small and have high population densities, which make productivity virtually impossible. These areas are also known to have no natural resources, such as minerals, which could be exploited to the benefit of the people. Instead, their major resource is labor, which is vital to the sinews of South Africa's industry. Thus, incorporated in the "white solution" is the desire to transform by way of Bantustans, each and every black person in South Africa into a migrant worker who will be basically unskilled, low-paid, insecure, very dependent and without a vote. Clearly, the Africans will continue to resist the "white solution" and will strive for a society in which all people will share equally the wealth of the nation irrespective of race, color or creed.

This article is Chapter 10 of the recently revised book, *The Political Economy of South Africa - The Making of Poverty* published by University Press of America in Washington, D.C.

TABLE 8

Source: The Tomlinson Report, Pretoria: Government Printer, May 30th, 1956.



Footnotes

1. Suckling, John, et. al. "Foreign Investment in South Africa." Study Project Papers Nos. 5 to 9. *The Economic Factor*. Study Project on External Investment in South Africa and Namibia (S.W. Africa). Africa Publications Trust, 1975, p.58.

2. *Financial Mail*, Johannesburg, June 2, 1972; in *The Economic Factor*, p.67.

3. Weiss, Ruth. *The Role of Para-Statals in South Africa's Politico-Economic System*. Study Project Paper No. 7, London, 1975; in *The Economic Factor*, p.61.

4. *Financial Mail*, Johannesburg, December 8, 1972; in *The Economic Factor*, p.67.

5. Davis, Jennifer. "The U.S. Role in South Africa's Military Build-up." A reprint from *Southern Africa Magazine*, New York: The Africa Fund, 305 East 46th Street, p.2.

6. *Ibid.*, p. 3.

7. *Ibid.*

8. For an analysis of the first three interests, see Edgar Lockwood, "National Security Study Memorandum 39 (NSSM 39) and The Future of United States Policy Toward South Africa." New York: The African Fund, 305 East 46th Street, p.8. Reprinted from *Issue: A Quarterly Journal of Africanist Opinion*. Vol. IV, No. 3, Fall, 1974.

9. Our review will not be exhaustive. For detailed studies of this problem, see Ronald E. Walters, "Apartheid and the Atom: The United States and South Africa's Military Potential," in *Africa Today*. Vol. 23, No. 3, July-September 1976. Denver: University of Denver; and Michael T. Schieber, "Apartheid Under Pressure: South Africa's Military Strength in a Changing Political Context," in *Africa Today*. Vol. 23, No. 1, pp.27-45.

10. This is a partial listing. For detailed analysis, see the original script quoted: "National Security Study Memorandum 39 and the Future of United States Policy Toward Southern Africa" by Edgar Lockwood. New York: The Africa Fund.

11. "Implementation of the U.S. Arms Embargo." Hearings of the Subcommittee on Africa, House Committee on Foreign

Affairs, 93rd Congress, 1st Session, March, April 1973, pp.145-159; in Lockwood, *op. cit.*, p.3.

12. Total Ex-Im exposure in South Africa as of December 31, 1971, was $81 million. See U.S. Business Involvement i Southern Africa, Hearings of the Subcommittee on Africa House Committee on Foreign Affairs, 92nd Congress, 1st Session, Part 1, May, June, July 1971, pp.463, 468; in Lockwood, *op. cit.*, p.4.

13. Hearings of Subcommittee on Africa, Part 2, September 2 November 12, December 6 and 7, 1971, p.213; in Lockwood *op. cit.*, p.4.

14. Weiss, *op. cit.*, p.73.

15. Major Capital Projects. *Standard Bank Guide to Busines in South Africa*. April 1976, p.6.

16. *Ibid.*

17. Weiss, *op. cit*, p.83.

18. *Ibid.*, p.84.

19. *The Financial Times*, London, November 29, 1974; in Weis *op. cit.*, p.85.

20. *Ibid.*, p.86.

21. *Ibid.*, p.90.

22. *Ibid.*, p.91.

23. Seidman, Ann and Neva. "United States Multinationals i South Africa," in *Journal of Southern African Affairs - An Interdisciplinary Research Quarterly*. Vol. 1, Speci Issue/October 1976, p. 148. College Park: Southern Afr Research Association and Afro-American Studies, Univers of Maryland.

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25. Edwards, O. Edgar. Ed. *Employment in Developing Nation* Report on Ford Foundation Study. New York: Columbia Un sity Press, 1974, p.94.

26. Perlman, Richard. *The Economics of Poverty*. New York:

McGraw-Hill Book Company, 1976, p.143.

27. Sprack, John. "Trade Union Solidarity with the Struggle Against Apartheid in South Africa." *Uniter Nations*, SEM/7, 6/76. Cuba: Havana, 1976.

28. Davis, Jennifer. "Prosperity for Whites Only: Paradox of Economic Growth in South Africa." New York: The African Fund. Reprinted from *Event* magazine of the Lutheran Church.

29. For a recent analysis of the areas, see Barbara Rogers, *Divide and Rule -- South Africa's Bantustans*. London: International Defense and Aid Fund, 1976.

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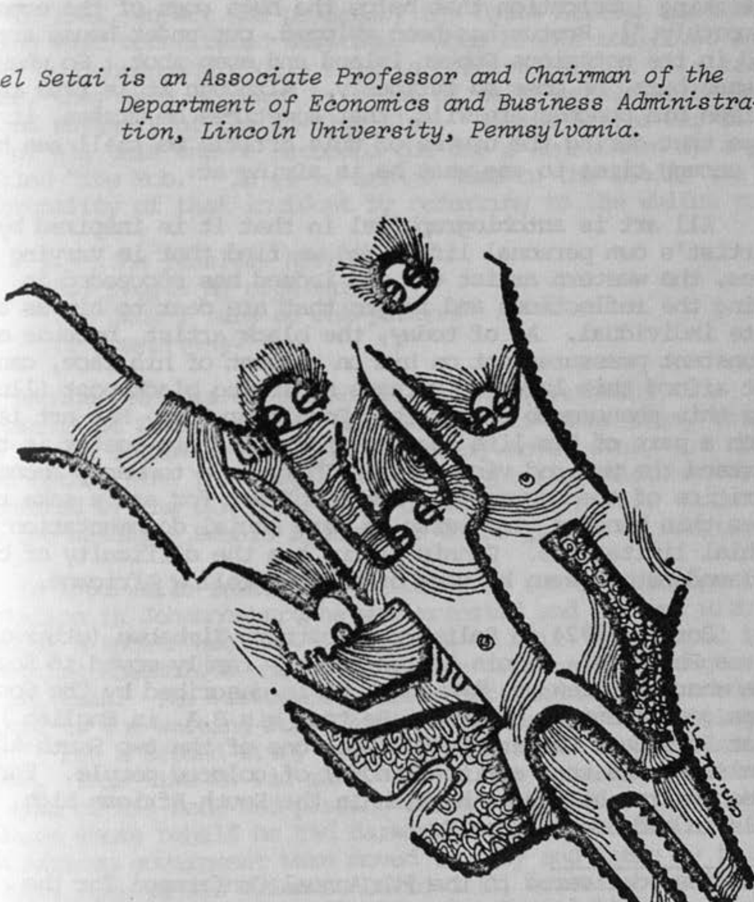

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