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AFRICAN NATIONAL CONGRESS
(South Africa)

. Submission on the question

of

FOREIGN INVESTMENT IN SOUTH AFRICA

30th November 1977

The African National Congress (South Africa) welcomes the Swedish initiative in establishing this inquiry into the legislative and other means of preventing the export of capital to South Africa. We wish to take this opportunity to present the views of the oppressed majority of the South African population on the question of foreign investment in the apartheid economy, a matter that is now a focus of international attention.

The African National Congress has always recognised and accepted that the main burden and responsibility for the liberation struggle rests upon the South African people. We believe however that international action has a significant role to play, and that as the liberation movement of the South African people, we have a duty and the right to indicate what actions beyond our country's borders further the liberation struggle, and what methods may hamper it.

The Government and people of Sweden have taken a leading role in support of liberation throughout southern Africa and we of the ANC have been particularly appreciative of the understanding we have found for the needs of our struggle and of the political support and material assistance provided to us.

The escalation of the people's resistance inside South Africa and the increasingly repressive response from the regime has made action to stop continuing foreign support for the apartheid system more urgently necessary. Since June 1976, there has been a sustained uprising of the Black population. The regime has reacted with increasing brutality: massacres of children, workers

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and innocent bystanders; mass arrests and prolonged detention without charge or trial; torture and death in police custody; and an endless series of trials.

Most recently there has been a new onslaught on Black organisations and newspapers. These bannings, detentions and trials are but the latest manifestation of a continuing strategy which over decades has tried to eliminate the liberation movement by proscribing all organisations that have sought to give voice to the people's aspirations. The daily evidence of the extent and strength of the ANC underground, 17 years after our organisation was banned is an indication of the failure of Pretoria's strategy.

The significance of the latest series of bannings (covering student and youth movements; welfare organisations, charitable trusts and church groups; associations of writers, journalists and women; cultural and black consciousness organisations) lies in the confirmation provided that the Pretoria regime is not prepared to tolerate any meaningful form of opposition to apartheid no matter that it was committed to non-violent and peaceable action. Any lingering doubts about the possibility of change by persuasion and dialogue with Vorster must now be finally eliminated.

International support for the apartheid system - military, economic and political - is quite considerable. The erosion and withdrawal of this support can and will shorten our struggle and diminish the price paid for freedom in the suffering of our people. There is a contradiction between the professed and oft-stated

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condemnation of apartheid and the concrete links that are maintained with and sustain the apartheid system. At the very least the South African people expect, and ask, that these links be now severed.

The African National Congress has therefore renewed its call for the total isolation of the apartheid regime, and in particular to the ending of those connections which buttress and give strength to the apartheid system. A priority area for action is in preventing the further export of capital to South Africa. The apartheid economy is now more dependent than ever before upon the inflow of foreign capital. Increasingly, foreign investment is required to finance balance of payment deficits, to maintain capital growth programmes, and to service the growing foreign debt. Within the decade since 1966 the annual contribution of foreign ~~capital~~ (inflow) to the gross domestic fixed investment rose from 7.1% to over 25%; and in the same period direct and indirect foreign investment in South Africa more than doubled, and by the end of 1973 had reached over Rands 10,380 million.

II FOREIGN INVESTMENT STRENGTHENS THE APARTHEID SYSTEM

Foreign investment has always been vital for South Africa's economic growth: from the late 19th century in the mining industry, later in the manufacturing sector (especially so in the 1960s and 1970s), and now increasingly also in the military fields with growing local production under licence. The development of the modern South African economy over the past 100 years has depended on the inflow of foreign investment and foreign capital has gone

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to South Africa at an increasing rate. It is over this same period that racism and exploitation have been more deeply entrenched in South Africa:

In the economy: the dispossession of the African people from 87% of land area of the country; the reservation of the mineral and other resources to the white minority and the prevention of the growth of a significant black capital owning, managerial and professional class; the total control of the Black worker through influx control and the pass laws, the denial of freedom of movement, the right to seek work and obtain employment to organise and bargain for wages; the exclusion of Blacks from skilled jobs and economic advance accompanied by vast and growing wage differences between black and white workers.

Socially: race classification and the division of the country and every field of activity by race; the denial of a South African identity to the majority of the population; segregation in housing, schools hospitals, transport, etc. accompanied by discriminatory expenditure for blacks and whites resulting in unequal provision of facilities and frequently in none at all for Blacks.

Politically: the elimination of the pathetically small access to power Blacks had in 1909; the growth of the police state that ruthlessly represses all action by the black people to regain their rights; the

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denial of South African citizenship to the majority of the population and the forceful imposition of tribal and Bantustan structures upon them.

In this process of entrenching racism and exploitation in South Africa, foreign investors were not neutral. On the contrary, foreign capital has been responsible and self confessedly so, for initiating many of the unique features of the South African economic system - and such as the compound system in the mining industry, the migratory labour systems, the introduction of colour bar legislation controlling access to skilled work, differentiation of wages on the basis of race and the refusal to recognise trade unions for black workers. Foreign investors and companies have thus played a leading role in laying the economic foundations of the apartheid system and in shaping its institutions. Over the years they have assisted in adapting segregation, apartheid, and separate development so as to allow for the maximum exploitation and profit.

III FOREIGN INVESTMENT SERVES, SERVICES AND STRENGTHENS RACISM AND APARTHEID:

1. Foreign investment accelerates the increase in the white standard of living

The standard of living of South African whites has been growing since the mid-1960s at a real rate that is faster than in almost any Western country. To the extent that whites have been able to rely on an inflow of foreign capital (averaging some R1000 million in recent years), they have not needed to postpone increases in

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consumption in order to boost the overall investment rate, and hence attain high economic growth. The rising white standard of living has strengthened white support for the Vorster regime and the Nationalist Party. In contrast the Blacks have drawn scant benefit and the absolute income gap between Blacks and whites has continued to increase each year.

2. Foreign investment increases the numbers of whites in South Africa and strengthens racism

Foreign investors encourage white immigration by employing their own nationals in their South African enterprises. The six major Swedish firms with relatively small South African investments, for example, employ 100 Swedish nationals in key management and professional posts. However, the major impact of foreign investment on white immigration has been indirect: to the extent that foreign investment has increased the economic growth rate it has enabled the economy to absorb some 35-50,000 white immigrants each year, for the jobs created by new investment and the opportunities for advancement have not accrued to the Black workers.

The encouragement of white immigration has been a deliberate policy pursued with particular fervour since 1960, for white immigrants are seen to add to white political and military strength. The South African Council of Churches has reported that the inflow of white immigrants facilitated by foreign investment has given support to racism and has "helped to maintain white supremacy". It comments: "The Labour Introduction Policy was not like any one introduced for a developing country where there is a selling of

labour, but it was also politically advantageous to the South African government in order to bolster the position of the white minority".

3. Foreign investment brings new technology to South Africa

The South African white population is too small in numbers; too over-stretched by its racist refusal to abolish the economic colour bar; too burdened by ever longer periods in the armed forces; and (in the past year) too sapped by the emigration of white professionals who fear the coming liberation struggle - to do any but a tiny part of the Research and Development needed to keep the manufacturing and military sectors of the economy expanding. Between 1971 and 1973, an average of R500 million per annum was spent on patents, copyrights, licences and management consultation fees. Technology is the one completely irreplaceable ~~item~~ which the South African racists obtain via foreign investment. Every piece of new technology has potential repressive and manipulative applications - from the computerised enforcement of the pass laws (the single biggest burden on black South Africans) to communications technology taking apartheid propaganda to Blacks. Foreign technology has increased the efficiency of the political police (the Special Branch and BOSS) in their surveillance of the peoples' organisations.

It has enabled the apartheid regime to build up a vast local armaments industry in anticipation of a possible arms embargo, with planes, missiles, ships and vehicles as well as weapons being produced in South Africa under licence. Foreign technology has made South Africa a nuclear power and given Vorster the capacity to threaten and intimidate the neighbouring countries. As the

intervention in Zimbabwe, the continued illegal occupation of Namibia, and the invasion of Angola testify the Pretoria regime is now a threat to peace and security. It is able to maintain this threat because of the availability of technology from abroad.

4. Foreign investment facilitates the purchase of arms

South Africa's balance of trade persistently runs a huge deficit. Only the increase in the price of gold some years ago which tripled South Africa's foreign exchange earnings therefrom in a single year from R800 million to R2,500 million p.a., and the largescale inflow of foreign investment have brought the balance of payments into surplus. The regime has been able to use this surplus to both stockpile essential commodities (notably oil) in case of world-wide sanctions being enforced against it; and even more importantly to embark upon the fastest and largest scale arms build-up on the African Continent. Today the apartheid regime spends over \$2,000 million on its "security forces" each year. The necessary massive military purchases from abroad have been made possible in part by the surplus foreign exchange that has been available due to the inflow of foreign capital.

5. Foreign investment gives foreign governments a vested interest in the status quo, and creates a pro-apartheid lobby

The regime sees foreign investment not only as a means of strengthening the economy but also as a means of establishing an inter-dependence between the Western and apartheid economies - so that any change in South Africa will appear to have adverse effects upon the economies of investor countries. In this way investing countries acquire a stake in the continuance of the apartheid system.

Not surprisingly, nor coincidentally, the investing firms are in the forefront of the pro-apartheid lobby in Western countries. They co-operate with the apartheid department of information, the South Africa Foundation and other propaganda agencies in lavish advertising and propaganda campaigns, designed to project apartheid as actually beneficial for the Black population and South Africa as the bastion of freedom in the African continent. The firms also act as a pressure group, lobbying against any action to isolate South Africa to exert pressures on the Vorster regime or to support the liberation struggle.

In these ways, the investing firms act directly and consciously against the interests of the South African people.

6. Foreign investment increases the self-confidence of the regime

Foreign investment is seen as an expression of confidence in the survival of the apartheid system. In this and in the many ways in which it operates to strengthen apartheid institutions, foreign investment encourages the regime to resist any significant change in the distribution of power.

IV The methods through which foreign investment supports the apartheid system are of course ignored by the protagonists of the current propaganda campaign against international disinvestment in South Africa. The arguments put forward in favour of continuing links with apartheid are specious and easily rebutted.

1. It is impossible to end foreign investment in South Africa

This argument put forward particularly through economists concentrates on the practical difficulties in actually disengaging from the apartheid economy. The African National Congress does

not underestimate the practical difficulties, nor do we refuse to acknowledge the problems likely to be caused in certain domestic economies by a severance of links with apartheid. In our view, however, these need to be seen against the unplanned disruption that must inevitably come in the course of a prolonged armed struggle in South Africa.

The main obstacle to disengagement today is not the practical one, but rather lies in the lack of will to withdraw - in the short-sighted view that concerns itself only with the comparatively high rate of return from investment in apartheid. The appointment of this Commission of Inquiry demonstrates that where the will exists, steps can be taken leading to total disengagement.

The time is long overdue for governments and companies to reassess where their long term interests really lie. There can be no dispute about the extent to which foreign investment buttresses the South African economy and enables the repressive regime to maintain its brutal and ruthless hold upon the majority of the population. Can it really be in the interests of companies to continue to invest in apartheid, and of governments to allow the growing interlinkage between their own and the apartheid economy?

Apartheid is recognised as a crime against humanity. The International Convention on the Suppression and Punishment of the Crime of Apartheid is now in force, with a growing number of countries ratifying it. Those who continue to participate in the apartheid system are guilty of aiding and abetting the Vorster regime and of complicity in the perpetration of the crime of apartheid.

2. Foreign investment can improve the conditions of black workers and foster peaceful changes in the system

This argument is specious. The aspirations of the majority of the South African people are not encompassed merely in better wages or working conditions. This is not to say that we do not want better wages and improved conditions. Workers will and do strive for these, but their struggle is not governed by whether the employers are foreign or local. However, the improvement of working conditions can never be accepted as substitutes for liberation. Slavery was and can never be made acceptable by providing good food and comfortable slave quarters.

As we have already shown, foreign investors have played a leading role in creating and establishing the apartheid institutions and structures within the economy, and have continued to strengthen racism in our country. There is nothing in their record of action inside South Africa (as distinct from rhetoric) which supports the proposition that they are now about to make a 180° turn and begin to undo the racist and exploitative system they have helped establish.

Foreign companies have invested in South Africa because it has been profitable to do so. Their investment has been particularly profitable because of the migratory labour system, influx control, the pass laws, non recognition of trade unions, and the repressive police system which has been repeatedly used to intimidate and attack workers. No protest has come from foreign companies about these, nor have they done anything even within the limited scope legally possible to assist their workers in these fields.

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In present conditions, the laws and attitude of the regime are such, that even if foreign companies wished to effect radical changes they would be unable to do so to any significant extent, even in the limited field of employment. Outside of this, the companies do not have the power to alter the major dimensions of racism and the apartheid system.

They cannot democratise the political system. They cannot stop the police from harassing, torturing, murdering, and shooting our people. They cannot end the pass laws, residential segregation, Bantu Education. They cannot re-distribute 87% of the land abrogated by whites to the black population. Even within their own factories, there is only a limited degree to which they can take measures to which either their white employees or the regime object.

Liberation entails the transfer of power to the majority of the population on the basis of one person one vote; land for all; national control over the commanding heights of the economy; and an end to exploitation.

The South African people know that these aspirations will never be fulfilled by foreign investors, but will have to be fought for. That is why they have embarked upon an armed struggle for power.

3. Increasing foreign investment will help solve the unemployment problem of Black workers

The degree of unemployment in South Africa is rising rapidly and causing untold suffering to our people. However, to argue that further foreign investment will solve this problem is fallacious.

- i) The major cause of unemployment in South Africa is not the absence of enough foreign investments. Indeed, foreign capital has been pouring in at the rate of up to R1,000 million per annum since the mid-1960s; yet black unemployment has risen pari passu. The reasons are clear: foreign investment in South Africa tends to be in manufacturing industry and based on highly capital intensive techniques which therefore have little positive impact on the level of employment of the less skilled Black workers. The reasons for black unemployment lie elsewhere. South Africa is sharing in the world-wide recession, but in a form aggravated by apartheid policies and the people's resistance. The existence of a pool of unemployed Africans is a necessary ingredient of the apartheid policy which is implemented in such manner as to ensure the availability of cheap labour on demand. Deliberate landlessness, absence of technical education and adequate training facilities, colour bar in jobs, the import of unskilled workers from neighbouring countries and skilled workers from Europe are but facets of this design. The implementation of the policy of separate development has entailed large scale non-productive expenditure in forced removals and resettlement, the provision of separate facilities, the duplication or rather the quadruplication of bureaucratic machinery for each racial group and further still for each Bantustan. The continuing resistance by the people

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has necessitated ever growing expenditure on police, and military services, thus adding to the proportion of unproductive expenditure being undertaken annually.

ii) To see foreign investment as a solution to unemployment is not only incorrect, but has grave political implications. In effect, it is to say to the workers of South Africa: "Foreign firms are necessary to your survival. Therefore do nothing which may upset such firms. Do not go on strike, do not demand higher wages; do not press ahead with the liberation struggle since the refusal of the Regime to concede the just demands of the people will create (and is inevitably creating) a situation of confrontation and crisis that will frighten off foreign investors." In short, those who call for the solution of black unemployment by encouraging foreign investment are opposing the liberation struggle in the subtle guise of espousing the peoples' interests. But the people of South Africa no longer want fractions of the white man's bread; we want liberation.

iii) There is only one basic solution to unemployment and that is the transfer of power to the people of South Africa as a whole and the exercise by them of control over the land, mines and factories of our country, and the building of a new economy where expansion is planned on the basis of the peoples' needs and exploitation is eliminated.

4. Foreign investment can play a positive role in the Bantustans

To see foreign investment in the Bantustans as in some way different from investments in South Africa is to recognise the Bantustans and give credipility to apartheid. The so called

Bantustans are an integral part of South Africa and part of the heritage of all South Africans, not of any particular ethnic group.

To invest in the Bantustans with a view to strengthening them is to give support to the policy aimed at dividing our people and country, by stressing and aggravating differences. Those who invest in Bantustans are assisting in this design and taking part in the fragmentation of our country.

V THE LIBERATION MOVEMENT'S VIEW ON FOREIGN INVESTMENT:

It should be noted that the call for the international isolation of South Africa has come initially from the people of South Africa. No organisation, save those that accept apartheid and work within the system, has supported continued foreign investment in the apartheid economy.

The African National Congress here expresses the overwhelming mass of the oppressed people in asking:

1. For an immediate ban on all further foreign investment in South Africa to be imposed by each government including Sweden, without waiting for agreement on simultaneous international action.
2. For the withdrawal of all existing investment in South Africa. This should not be a symbolic gesture, with the reality of foreign investment continuing by selling to a South African owned company and allowing it to use under licence the processes and products involved.

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We have all observed the various mechanisms devised by companies to evade their responsibilities. For example, in post-UDI Zimbabwe, parent companies have claimed that their subsidiaries are autonomous and could not be controlled by headquarters and the overall Board of Directors. Another ploy was used by the Swedish Electrolux Group, which in 1976 sold its South African company to its own United Kingdom subsidiary.

Such devices are transparent attempts to suggest that companies are sincere in their efforts to disengage from the apartheid economy. Clearly, measures designed to bring about the withdrawal of investment in South Africa, must be so devised as to block such stratagems, and ensure that the disengagement is real and meaningful.

3. For the denial of all modern technology to the South African economy

No new licences should be granted to companies operating in South Africa, and existing licences, patents and related agreements should be revoked.

These three positions do not - obviously - constitute the sum total of the ANC's views on international pressures on the South African regime. We believe, however, that implementation of these measures in regard to foreign investment would make a significant contribution towards erradicating racism in South Africa and furthering the liberation of our country.