$TOP BANKING ON APARTHEID

2160 LAKE STREET, SAN FRANCISCO, CA 94121

This article appeared in the March 13, 1978 issue of *Christianity and Crisis*. The entire issue dealt with South Africa and is well worth reading. It contained the following articles: "Our Own South Africa Problem" (Editors), "An Appeal to the US" (Donald Woods), "The Struggle For Liberation" (Ben Mugubane), "The Theology of Apartheid" (Charles Villa-Vincencio), "Realism, South Africa and the US" (Thomas Karis), "Racism in South Africa Depends on US Dollars" (Tami Hultmen and Reed Kramer), "The Campaign Against Investments" (Timothy H. Smith and Prexy Nesbitt), and "The 'Hitler Exception'" (Robert McAfee Brown). It is available for $1.25 from C&C, SA, 537 W. 121 St., New York City 10027.

Racism in South Africa Depends on US Dollars

Tami Hultman and Reed Kramer

NEVER BEFORE JANUARY 11 of this year had an airplane flown directly from Nairobi, Kenya to Port Elizabeth, South Africa, but the passenger on board had no difficulty obtaining clearance. He was Henry Ford II, whose auto firm has a $250 million investment centered in Port Elizabeth, and when he left the country eight days later after announcing that Ford will continue its South African operations, the government-supporting newspaper *The Citizen* exclaimed in a banner headline across page one THANK YOU MR. FORD!

It was, as South Africa's international newsmagazine *To the Point* put it, "a vote of confidence in the country's political future." And with controversy over the role of US corporations climbing to new heights in 1978, Ford's gesture came at what *The Citizen* called "an opportune time."

Even while Ford visited, supporters of continued US investment watched anxiously as: The National Council of Churches announced the latest round of church-led shareholder campaigns aimed at companies involved in South Africa; the NAACP for the first time called for total withdrawal of American businesses from the white-ruled state and announced a program of action to achieve the goal; Senator Dick Clark, who chairs the Senate Foreign Relations Subcommittee on Africa, appealed for a major shift in US policy "to actively discourage American foreign investment in South Africa"; an Ad Hoc Monitoring Group in the House of Representatives geared up for a legislative effort designed to reduce American support; a national campaign to cut US financing of South Africa through the Export-Import bank was launched by the Washington Office on Africa (whose sponsors include the United Auto Workers, NCC, NAACP, the US Catholic Conference, Coalition for a New Foreign and Military Policy, American Friends Service Committee, Phelps Stokes Fund, Americans for Democratic Action and the American Committee on Africa); and a 44-member coalition of Protestant and Catholic agencies plus two universities filed resolutions with 23 corporations, asking them to cancel expansion plans, stop loans or to withdraw from South Africa altogether.

This growing protest movement is likely to have a tangible impact. Already, shareholder campaigns coupled with the rising level of unrest in South Africa have affected the long range planning of US companies.

For the American investor, South Africa is no longer—as *Fortune* saw it in 1972—"one of those rare and refreshing places where profits are great and

---

TAMI HULTMAN and REED KRAMER are on the staff of *Africa News*. In the early seventies they spent 15 months in South Africa studying the role of US companies and the conditions for their workers.

problems small," where annual earnings of 22 percent in the previous decade were more than double the worldwide average. For 1975 and 1976 profits from South African operations declined to 10.5 percent while the world average remained about the same. And rather than reinvesting 60 percent of their earnings as in the past, US firms are now choosing to bring home 65 percent. Total American investment there grew only 5.5 percent in 1976, down from an average of 24 percent in the preceding three years.

Of particular concern to the South African Government is the ripple effect of even small-scale American actions, a consequence of the dominant US role in the world economy. When British builder Neil Wates decided not to invest in South Africa in 1970, his strong moral stand had little economic impact, although blacks welcomed it as an encouraging sign. But last November when Polaroid announced that it would no longer supply its South African distributor with products to sell, *The Financial Mail* mourned that the Boston firm's "dramatic decision to quit South Africa bodes ill for overseas confidence in this country." This despite the fact that Polaroid had no direct investment or employees there.

Worldwide Effect

Public pressure and declining profitability are also affecting the investments of South Africa's other leading trading partners—Great Britain, France, Canada, West Germany and Japan. In recent months West Germany and Canada have limited government loan guarantees for exports to South Africa, and France has canceled arms sales contracts.

The European Economic Community, prodded by the Dutch, in September adopted a code of ethics for companies with South African ties. The code is already stronger than a similar manifesto initiated by black American cleric and General Motors board member Leon Sullivan six months earlier—which pledges firms that sign it to end discrimination but makes no mention of trade union rights—and EEC members, including Belgium, Denmark and Ireland, are pressing for stronger action in the future.

Critics argue, accurately enough, that there is more public relations than actual political clout to the measures. Sullivan manifesto signers, for example, have made little progress toward implementing their stated goals, and Canadian restrictions have proved much less far-reaching than originally expected.

Nevertheless, many investors have grown wary, and South Africa has had to rely heavily on foreign borrowing to meet its capital needs. Between 1974 and 1976 the country's indebtedness tripled, and foreign debts as a proportion of foreign investment rose from 15 percent to 32 percent. (A detailed analysis of "International Credit and South Africa" prepared by Library of Congress analyst William Raiford has been published by the Senate Foreign Relations Subcommittee on Africa in a report entitled *U.S. Corporate Interests in South Africa*, Jan. 1978.) Last year the situation worsened and the economy suffered an unprecedented net loss of $1.2 billion in foreign capital, a trend that will have serious consequences if it continues.

Without help from abroad over the past 30 years, South Africa would not be the economic and military giant of the African continent it is today, accounting for 30 percent of Africa's industrial production with only 5-6 percent of its land area and population. While the economy was expanding at 4.9 percent annually in real terms (adjusted for inflation) —making South Africa's postwar boom second only to Japan's—foreign investment increased 10 percent each year.

The net inflow of foreign funds during the same period was large enough to offset sizeable trade imbalances while also increasing vital foreign exchange reserves by $370 million. Or, to look at it another way, net capital inflow during the decade preceding 1977 was large enough to cover at least 80 percent of South Africa's escalating purchases of oil and military equipment.

US direct investment has grown even faster—from $105 million in 1947 to $1.7 billion today. More than 300 American firms employing 100,000 people account for an influential 17 percent of foreign capital and a much larger percentage of outside technology. Manufacturing concerns are heavily concentrated in the strategic oil, automotive, computer, electronic, rubber and heavy equipment sectors. Other ties include $2.2 billion in loans from American banks, a volume of trade that makes the US South Africa's number one supplier, and a variety of official links such as $200 million in US Export-Import Bank guarantees. American support for $480 million in

Profiting from Repression

From an address by President Julius Nyerere of Tanzania to the Paasikivi Society of Finland:

South African prosperity and continued economic growth is possible only because of her international trade and the continued foreign investment. Through such means as these South Africa involves the rest of the world in her oppression. Thus: High profits on South African investments are made possible only because, while the white workers are paid very highly, the black workers and the Coloured workers are grossly exploited—receiving a wage which cannot maintain a family in good health. And the price of South African goods on the world market is determined by the same factors—a system of cheap migrant labor, which is prevented from defending itself through trade union organization and unable to raise its skills because of job reservation and educational starvation.

Everyone who invests in South Africa is voluntarily involving himself in organized theft. Everyone who buys South African apples, or wine, or gold or any other goods, is benefiting from the brutality and exploitation suffered by the non-whites of South Africa under the present system.