THE ROLE OF INTERNATIONAL COMPANIES IN THE ECONOMY OF SOUTH AFRICA*

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South Africa, under the leadership of the Boer-dominated parties, chartered state corporations or parastatals in the 1920s 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 economy.
2. 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 group.
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 Mail² 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 private manufacturing capital outlays rose at about 4½% annually, public sector manufacturing concerns, such as SASOL (the South African Coal, Oil, and Gas Corporation) and 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 parastatals, 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

* This article is a condensed version of 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.
Europe, the United States, and Japan. The major or strategic parastatals are:

1. Armaments Development and Manufacturing Development (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 (SOEKER)
7. South African Coal, Oil, and Gas Corporation (SASOL)

There are other parastatals that are very strategic, which we will not discuss here because of their insignificant dependence on foreign funds. Nevertheless, they are politically strategic as preserves of poor white labor. One such parastatal is the South African Railways and Harbours (SAR & H), which is the largest, employing 229,000 people—11,073 white and 117,889 black.

THE ARMAMENTS DEVELOPMENT AND MANUFACTURING CORPORATION (ARSCOR)

This corporation is charged with the responsibility of making South Africa self-sufficient in armaments, and is reported to be making rapid progress with the cooperation of 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 expenditures, including amounts spent on private companies under subcontracts. This corporation manufactures more than 100 kinds of ammunition, including rifles, submachine guns, explosives, cannons, armored vehicles, electric equipment, and aircraft.

The 70% of arms expenditures by ARSCOR is a substantial amount when evaluated in actual figures. In 1973-74, ARSCOR received 70% of total military expenditures of $658 million; in 1974-75, the total military expenditures had increased to $980 million and in 1975-76 to $1,327 million. The military expenditures are more than 18% of the entire government budget and well above 3.7% of GNP, and are estimated to be $28,000 per capita according to P. W. Botha, Minister of Defense.

The role of Italy in South Africa's military build up should not be underestimated. Italy is vital in the manufacture of light aircraft. Accord-