THE ATLANTIC NATIONS AND SOUTH AFRICA:
ECONOMIC CONSTRAINTS AND COMMUNITY
FRAC T U R E

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degree of Doctor of Philosophy
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For Christopher in memory of his Grandmother.
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## CONTENTS

<table>
<thead>
<tr>
<th>Declaration</th>
<th>ii</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contents</td>
<td>iii</td>
</tr>
<tr>
<td>Preface</td>
<td>vi</td>
</tr>
</tbody>
</table>

### PART ONE: THE ATLANTIC COMMUNITY: COHESION AND CONFLICT.

1. Community Building in the Atlantic Area: Some Theoretical Considerations
   1.1 Introduction ................................................... 1
   1.2 The Atlantic Community: Theory and Inter-state Community Building ................................................. 6
   1.3 Trans-Atlantic Forces for Integration .............................................................. 11
   1.4 The Atlantic System Under Attack .............................................................................. 20
   1.5 Is Atlantic Integration Inherently Divisive? ..................................................................... 26
   1.6 Hypothesis and Strategem ......................................................................................... 34

2. The Atlantic Community in the 1970s ....................................................... 37
   2.1 Prelude .................................................................................................................. 37
   2.2 The Dollar Crisis of 1971 ............................................................................ 44
       2.2.1 The Problem .......................................................................................... 44
       2.2.2 The Crisis ............................................................................................ 48
       2.2.3 The Corrective Action ..................................................................... 55
   2.3 The Year of Fracture, 1973 .......................................................................... 60
       2.3.1 A Year of Europe? ............................................................................. 60
       2.3.2 The Roots of the Yom Kippur War .................................................................. 63
       2.3.3 Managing the Yom Kippur War .................................................................. 68
       2.3.4 The Roots of the Oil Crisis ................................................................... 72
       2.3.5 Oil and Atlantic Fracture ............................................................ 77
   2.4 Crisis in Southern Africa, 1975/76 ................................................................... 81
       2.4.1 Background to the Problem .................................................................. 81
       2.4.2 Atlantic Interests and Angola................................................................. 87
       2.4.3 Angola and Atlantic Fracture .................................................................. 92
   2.5 Atlantic Fracture in the 1970s: An Assessment ......................................... 97
       2.5.1 The Monetary Issue .............................................................................. 97
       2.5.2 The 1973 Fracture .............................................................................. 104
       2.5.3 The Fracture Over Angola .................................................................. 112
5.4.2 The Trade Dimension .............................................. 321
5.4.3 An Assessment ..................................................... 324

5.5 British Economic Involvement in South Africa ......................... 326
5.5.1 The Investment Dimension ........................................ 326
5.5.2 The Trade Dimension ............................................... 332
5.5.3 An Assessment ......................................................... 341

5.6 West German Economic Involvement in South Africa .................. 353
5.6.1 The Investment Dimension ........................................ 353
5.6.2 The Trade Dimension ............................................... 358
5.6.3 An Assessment ......................................................... 363

5.7 Trade and Investment: Fissiparous Pressure Between Allies .......... 367

PART THREE: THE ATLANTIC COMMUNITY AND SOUTH AFRICA: FRACTURE AND FUSION.

6. The Atlantic Community and South Africa: The Case for Fusion Rather than Fracture ......................................................... 374
6.1 The Problem Revisited .................................................. 374
6.2 In Search of Common Atlantic Interests in South Africa .......... 380
6.3 South African Contingencies and the Atlantic Community .......... 388
6.4 Some Mechanisms of Atlantic Consultation ................................ 391

BIBLIOGRAPHY.

1. Monographs ................................................................................. 399
2. Journals ...................................................................................... 416
3. Primary Sources .......................................................................... 440
   a) Newspapers ............................................................................. 440
   b) Government Publications ...................................................... 442
   c) Other ....................................................................................... 445
Preface:

Like many inquiries into contemporary inter-state relations, this study was conceived of as a political one but came to concern itself increasingly with the economic dimension. In the course of writing, two new perspectives prompted the change in direction: first, an appreciation that the issues under scrutiny were only superficially political and, secondly, a belief that an obstacle to our understanding of the dynamic involved in the relationship described in the study, was the failure to view it as an economic problem. A primary task of the study, therefore, has been the attempt to bridge the gap between politics and economics with regard to the issues herein analysed.

Almost by definition, politics and economics appear, in their theoretical settings, to be uncomfortable bedfellows at the international level. This is a sad indictment against traditional International Relations scholarship which, with few exceptions, has for too long been concerned with an antiquated analysis of power politics without appreciating that economic forces underpin political relations. It may be that the failure to grasp consciously the intertwined ethos of politics and economics is what gives International Relations its somewhat hybrid character in the social sciences. The (often) clumsy analysis presented in this thesis is offered in an attempt to overcome this lacuna in our understanding of the link between economics and politics at the international level.

Like life, scholarship is a community effort and this study has benefitted from the contributions of many gifted and caring people. It has also been enriched through links with four institutions of international repute with whom I have had the honour of association.
In Britain:

I owe a deep debt of gratitude to my supervisor, Jack Spence. Over the years I have come to value his support and friendship as much as I have always valued his keen insight into relations, human and international. His colleagues in the Politics Department at the University of Leicester helped in many ways as did the University's administrative staff. Also in Leicester, Kath Bailey and her family were, as always, extremely kind and thoughtful.

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In South Africa:

The Council of the University of the Witwatersrand awarded me a grant which relieved me of my teaching responsibilities for three months to complete the manuscript. My colleagues and students at the same University showed an interest in my progress and were very understanding.

The South African Institute of International Affairs, Jan Smuts House, gave a travel grant which enabled me to spend time in Leicester during the early stages of the writing of the study. John Barratt, the SAIIA Director-General, and Deon Geldenhuis added insights which were invaluable. Jackie Kalley of the Jan Smuts House library assisted with the bibliography which eased some of the burden faced by all scholars, while Sonja Begg of the Institute's staff helped with the proof-reading.

Chris Morton and Maarten de Witt read the manuscript and gave advice.
Angela Rice had the onerous task of typing the manuscript in the face of many pressures. The Martin family of Bryanston, particularly Amanda, were very kind and encouraging.

Finally, Donald Bond Vale showed that he cared by bankrolling me at times, even though, I suspect, he secretly thought this would never come to pass.
PART ONE.

The Atlantic Community: Cohesion and Conflict.

'It is the nature of alliances and communities of nations to disguise genuine differences of opinion behind smokescreens of ambiguously worded motions and unimplemented guidelines. It is the nature of crises to blow away this verbiage, thus cruelly exposing the principals' inability to overcome their fundamental dissension when called upon to take part in acts of cooperation.....'

Louis Turner
CHAPTER 1: Community Building in the Atlantic Area: Some Theoretical Observations.

1.1 Introduction.

The case for supposing that the nations of the Atlantic Community (1) should be concerned with the incipient racial conflict in South Africa is strictly-speaking not an obvious one. The Atlantic nations are preoccupied with a series of security, economic and political problems in a region of the globe geographically remote from Southern Africa and the very nature of the various Atlantic 'undertakings' have occupied the Community since its inception and form, indeed, its entire raison d'etre.

There appear nonetheless three superficial reasons for presuming that the incipient racial conflict in South Africa is likely to impose itself on the Atlantic Community and, by extrapolation, will force a series of policy choices not only on individual members of that community, but on the Atlantic Community itself. These reasons are worth some preliminary consideration.

1. It is tempting to see the Atlantic Community as an 'alliance' but this is essentially misleading. In the formal sense it is not an alliance but rather a loosely grouped community of nations around a series of central commitments. It is true, however, that some formal alliance agreements do provide the 'building blocks' of the Community such as the NATO agreement and, more parochially, the series of documents which have formalised the European Economic Community. In addition, a far looser arrangement, the OECD commitment, overarches the Community, although here, of course, non-regional actors are involved. It is the very lack of formal commitment to a central set of codified treaties which inhibits a comfortable definition of the Atlantic Community. Instead we are left with a random number of states which, being geographically proximate and believing in a similar set of political, economic and ideological values, constitute a loose international community. The United States, Canada, France, West Germany, the Benelux countries, the United Kingdom, etc., should be identified as constituting the Atlantic Community.
The first arises from that truism of modern international life that global 'interdependency' (2) has meant that no country, or region can be immune from developments elsewhere. However banal this observation is, it is reinforced by growing evidence for, in Mally's words, it has:

...externalized domestic policies while internationalizing foreign policies, ... (it) ... has already produced manifold transnational linkages and has heightened popular awareness of mankind's common destiny on this planet. (3)

Because of this growing interdependence, the racial conflict in South Africa has become an international problem: one which, in the light of the rapidly changing events in the southern Africa region, looms increasingly larger for the comity of states.

The second reason, while less obvious, is perhaps more important from the perspective of the Atlantic Community and its roots are to be found in the period prior to the 1947 formation of the Atlantic Community. In recent diplomatic history, certain states, which are now members of the Atlantic Community, were bound through the colonization process to distant corners of the globe and this includes South Africa.

2. Studies on 'interdependency' have become a growth area in the discipline. Definitions abound and in the process they have extended confusion surrounding the concept. It is therefore as well to offer a definition which will suffice for the purposes of this study. Interdependence is:

"the existence of conditions in which the perceived needs of some individual groups in one state are satisfied by the sources or capabilities that exist in at least one other state. Thus patterns of transnational independence are a product of the interface between needs and capabilities across national boundaries..."


While political disentanglement from these colonial ties has formed a substantial chapter of the post-War II history, economic disassociation has not been easy and many former colonial powers have retained extensive economic links with their former colonies. Nowhere has this been more prevalent than in South and southern Africa.

The third reason is somewhat more elusive and is to be found both within the corpus of the Atlantic 'undertakings' and the spirit generated therefrom. It refers to a community ethos, part of what Haviland has called unity 'by state of mind'. (4) It relates to a series of overt and covert understandings within the ambit of the formal undertakings which form the foundations of the Atlantic Community. A former U.S. Foreign Service officer, Livingston T. Merchant in a description of the Community captures these understandings:

The Atlantic Community today (is) a growing awareness that the free nations of Europe and North America, developing first in the Mediterranean basin and later on both shores of the Atlantic and tracing their lineage back to Athens, possess a wider community of interest based on a common heritage. Today, that community of interest is reflected in international groupings concerned with various sectors of national life. There are significant overlaps and there are wide gaps, but there is a growing awareness in Great Britain, Western Europe and in the United States and Canada that old fashioned national sovereignty is not good enough in a world where free men are likely to remain imperiled for many years. In times of challenge and danger like-minded people cling together. (5)

Thus embedded in the Atlantic Community is an understanding between like-minded men; a commitment to a common core of political and economic values and, perhaps most important, a realisation of the necessity to stand together. It is these common themes of identity which have spawned


a community of interests in the Atlantic Community and has lead, over time, to considerable political and economic interpenetration of the states involved in the community-building process in the Atlantic area.

The third reason, therefore, is a combination of the first two for, as a result of growing interdependency, the Atlantic Community is entangled with the problem of South Africa through the immutable economic links which bind individual members of the Community to South Africa. In other words, the ties which bind one member of the Community, as a result of the level of interdependency, bind all the members of the Community.

The central concern of this study is essentially with this third area. It rests on the hypothesis that the incipient racial conflict in South Africa may prove to be a divisive factor in the Atlantic partnership, that the spirit of the Atlantic 'understandings' will be threatened by the South African issue and that the reasons for this are to be found in the criss-crossing pressures which were responsible for the birth of the Atlantic Community. Much of the early part of this study is therefore aimed at identifying and understanding the pressures which brought the Atlantic Community into existence.

Before examining the existing theoretical literature on community-building at the international level, some preliminary observations are worth making. Like alliances, international communities are the products of the specific political, economic and strategic environments in which they are formed. They arise from a moment in history and, because of this, are likely only to endure as long as the effects of their part-urient circumstances prevail. It is therefore not surprising that the passage of history is littered with the ruins of inter-state alliances and pacts all abandoned as the shifting sands of history have dislodged them. Moreover, of course, once the dismembering process takes place
a new epoch develops and the former members of the dismembered community are subjected to pressures for realignment and reassociation in the new environment. While the duration of inter-state communities cannot be confidently predicted, it is possible to suggest that communities which are the products of 'single factor' cohesion are destined for a shorter lifespan than those products of 'multiple factor' cohesion. Pfaltzgraff makes this point thus:

An alliance system created to meet, at a given moment in history, the security requirements of its members is soon beset with centrifugal tendencies; for the relationships among its members are unlikely to remain stable.... (6)

But what is meant by the terms 'single factor' cohesion and 'multiple factor' cohesion? Again like alliances, international communities rely for their formation and subsequent life on adhesion to a central 'core of values' or a 'common corps of ideals' which are arrived at by accepting the lowest common denominator among the potential partners and which form the baseline of the community's existence. This common denominator can be a single factor, e.g. defence against a common enemy or a combination of several: defence against a common enemy, a commitment to economic cooperation and, probably as a result, belief in a certain system of government. The common denominators thus form the factors for cohesion and, as Pfaltzgraff points out, concern for security alone may be inherently destabilising. If, however, the security considerations are buttressed by economic understandings a process of mutual reinforcing takes place and the dismembering of the community becomes a costly process.

More importantly, if multiple factor cohesion is the case, further areas of co-operation are likely to be included in the rubric of the community, which in turn ensures geometric growth from the initial areas of cohesion.

This common growth experience or 'community spirit' has its theoretical roots in the theory of Functionalism of David Mitrany. (7)

While such centripetal forces appear to have an inescapable logic in international life, they can be subject to serious reversals by unforeseen circumstances, or ill-judged timing of events in the life of a community. Disruptive forces can trigger off pressures which work centrifugally, seriously fracturing the 'community spirit' and having the potential to overturn, even those multiple factors which initiated the cohesion. In such circumstances, it is likely that the factors making for cohesion and the accompanying 'community spirit' will be in conflict with the perceived national interest of one, or a number, of the community's members. Almost all international communities experience such crises, though some are obviously more important than others. Invariably, if a community is able to survive a series of these, and if the cohesion factors remain intact, the community may emerge stronger and more determined to survive, persist and prosper.

1.2 The Atlantic Community: Theory and Inter-state Community-building.

The building of international communities is a painstaking endeavour, fraught with both domestic and internationally-generated pitfalls by those seeking to take part in the common enterprise. Because of the pitfalls involved in the process, theoretical interest in community-building has attracted the attention of many scholars and approaches to understanding and explaining the problems and the processes, abound - almost as many theories as theorists!

It is therefore not surprising that perhaps the most overworked line of theoretical reasoning in international relations has been the discourse on a triad of linked issues: inter-state community-building, integration between states and regionalism. Each, by focussing on different aspects of the process and different circumstances, has sought to:

... (explain) ... how and why states cease to be wholly sovereign, how and why they voluntarily mingle, merge and mix ... as to lose their factual attributes of sovereignty while acquiring new techniques for resolving conflict between themselves. ... (8)

A preliminary divide in approach to these issues coalesced around two schools of thought: Federalist and Functionalist. The former stressed the advantages of a union in which diversity would be preserved and which offered security against tyranny by the majority. The intellectual roots of the Federalist tradition date back to the ancient Greek Leagues through the Hanseatic League, the Swiss Federation, the Dutch Federal Republic of 1579 and the American federal system. It found perhaps its most cogent expression in the debate between Hamilton, Madison and Jay over the drafting of the American Constitution which appeared as the 'Federalist Papers'.

In contrast, the Functionalist school has sought to overturn the traditional notion of the state by supplanting the link between authority and a definite territory with a link between authority and a specific functional activity. Two intellectual traditions inspired the Functionalist thinkers: first, the Saint Simonian tradition which rests on an understanding that technical co-operation opens a path to peace; and, secondly, the Eighteenth Century doctrine of the national harmony of interests. In modern times, Functionalist thinking reached its apogee.

---

with the contribution of David Mitrany.

Most of the concern of the protagonists of these two schools has been directed to the process of inter-state building in Western Europe and writing on the topic has been voluminous. However, its impact on the practical level has been minimal. The reason for this inherent gap between theory and practice is not difficult to identify. Whereas the practitioner has been acutely conscious of the necessity to balance the commitment to the common endeavour against the perceived national interest of the individual state, the theoretician, in his eagerness to foster the 'ideal' of integration, has been unable to match (perhaps comprehend) the necessary caution of the practitioner. As a result, theory and practice have been all but divorced. This is not unique in theoretical approaches to inter-state community-building for, as Daniele Varé noted as long ago as the 1930s:

...Students of foreign affairs...are not saddled by responsibility for national policy...(and)...are lead by an optimistic desire for the betterment of mankind to forget, or ignore the realities....But official diplomacy must carry on in a world as it is, and not in the world as it should be....(9)

Arguably, it was the realisation that the theoretical designs of the Federalists and the Functionalists were unable to match the realities of politics which gave rise to the Neo-Functionalist method of investigation. One of its chief protagonists, Ernst Haas, expressly eschewed the normative dimension of approaches to an understanding of the process when he wrote:

(The book - "The Uniting of Europe" is...) not the evaluation of the virtues and drawbacks of a United Europe in terms of European, American, national, international, free-enterprise or welfare-state values. Nor is it an analysis of the advantages of federation over intergovernmental co-operation, economic over military unity. The aim is merely the dissection

p. 23.
of the actual 'integration process' in order to derive propositions about its nature. (10)

The Neo-Functionalist approach, which is most closely associated with the work of Haas, Leon Lindberg (11) and Amitai Etzioni (12) was profoundly influenced by the behaviourist onslaught on International Relations. Moreover, the Neo-Functionalist writers were extremely attuned to the Western European experience, but despite their expressed desire to bridge the gap between theory and practice, the approach faltered for the very reasons they had been at such pains to avoid. As Harrison was to point out:

The weak link...in the chain...as it is visualised in the neo-functionalist thesis, is that it is governments, and generally speaking the leaders of governments, who must, at least while unanimity procedures for community decision making obtain, make the moves along the path to unity. (13)

Judged in retrospect, it can be argued that theories on inter-state community-building have only managed to shed light on certain aspects of the process. This is the case for three reasons. First, the various hypotheses, although carefully articulated and cogently argued, failed to take sufficient account of the inevitable setbacks involved in the process. Secondly, the theories presented in one region were not exportable to other regions and, thirdly, insufficient account was taken of the immutable conflict between national interest and the common enterprise.


It is possible to claim that existing approaches to theorising about the integration process, even in Europe, have failed and, consequently, we are left with inadequate understanding of how, and why, states converge to form larger political units. The problems involved here are complicated in this specific thesis, for the community here under focus - the Atlantic Community - does not represent an international community in the accepted sense. It is in reality a cluster of loosely aligned states around a series of commitments and understandings, around one formal treaty, NATO, and having a community ethos. As Calleo points out:

...even our relatively limited Atlantic world, or "West", appears not so much a single unified system as perhaps three overlapping sets of systems. Not only is there a 'transatlantic' but also a European system. More fundamentally, each state itself is a 'national' system. (14)

One way of examining the Atlantic phenomenon is to regard the building process as a continuum, to detect the central themes involved in the development thereof in intuitive fashion, by stressing selected aspects of the centripetal forces at work and, thereby, to highlight some of the cardinal features of the end product. In using this highly intuitive methodology, the temptation to treat the building process in the Atlantic world as a universal one is avoided; rather the forces at work in the Atlantic experiment must be seen as unique. The treatment will also facilitate the identification and analysis of so-called 'high' and 'low' politics which are often in contest, which give rise to the clash between national interest and the community purpose and which invariably cause setbacks for the community effort.

The approach envisaged here has some loose parallel with that suggested by Stanley Hoffmann and the parallel is not incidental for Hoffmann is concerned with:

... the level of inter-state relations... (and the consideration of) this level from the viewpoint of theoretical analysis, of finding an essential difference between the relations among states (even peaceful and co-operative) that are not engaged in the process of integration toward 'political community' in the Haas' sense, and the relations among states that have joined (even partially) in such a process. (15)

We, on the other hand, are concerned in this study with the identification of the underlying mores, the multiple factors of cohesion, which underwrite the centripetal process towards a 'political community' in the Atlantic area and, in the second instance, with the process by which these mores are eroded to the point where they begin to undercut the building process, described best as the centrifugal process.

1.3 Trans-Atlantic Forces for Integration.

As suggested, the notion 'Atlantic Community' is a cumbersome one for it says something about a circumstance in international relations which may, or may not, exist and, as such, the notion is an uncomfortable one for the analyst. It may be that the concept exists only in the minds and speeches of those protagonists of the 'ideal' of an Atlantic Community and may, therefore, be only useful in the realm of political rhetoric. In this setting, the concept has little use for the analyst for it defies categorisation and emphasises only the gap between theory and practice.

There exists, nonetheless, a complex web of security, economic and, in a limited sense, political relations which span the Atlantic basin.

Viewed in these terms, the concept is useful for the analyst for it allows for recognition of these relations and enables propositions to be made about them.

Arguably, three levels of relations exist: first, the bilateral links between states in the area such as the self-styled 'special relationship' between the United Kingdom and the United States, or the relationship between France and Germany. Secondly, a complex series of bilateral and multilateral relations operating on the same level: the relationship between the United States and a multilateral grouping like the EC. Thirdly, a fully multilateral, trans-Atlantic relationship exemplified in, particularly, the North Atlantic Treaty Organization (NATO) and, to a lesser degree, the Organization for Economic Co-operation and Development (OECD).

However, this analysis presents a major difficulty: the concept of community assumes that a well-developed structural relationship exists, resting on some common institutions. In the case of the Atlantic Community, however, this exists only in the Atlantic Pact around which the North Atlantic Treaty Organization was constructed. (On another level it also exists in the European Community from which, ipso facto, the United States and Canada are excluded.) Thus, in the Atlantic Community, there are a series of institutions which each form a point of contact between the members thereof, each of which fulfills a specific and circumscribed function. So, NATO caters for the security requirements of the 15 states which are partners to the Atlantic Pact and has institutions designed to fulfill the requirements set out in its brief. Similarly, the EC is a special kind of economic-cum-political undertaking with institutions governing the relations between its Nine European members. Often not all the states fit into the same group of institutions, but are nonetheless thought of as Atlantic nations: thus Ireland is a member of the EC but not of NATO and Norway is a member of NATO but not of the EC.
It has however become the conventional wisdom to recognise that three intertwined post-War trans-Atlantic undertakings provided the genesis of the Atlantic Community: the Marshall Plan (1947), the North Atlantic Treaty Organization (NATO) (1949) and the Treaty of Rome (1957) which consummated the thrust towards integration in Western Europe. (16) Each event provided the opportunity for statement, or restatement, of the desire of the peoples of the Atlantic basin to live in harmony with each other, each - in a limiting sense - defined a certain structured relationship between the nations and the peoples involved, and each event reinforced the notion of an Atlantic Community.

It is noticeable and understandable that both in letter and spirit these three undertakings concerned themselves with essentially two issues: security and economic co-operation. By this process, the birth of the Atlantic Community sought to forge a unity of the Atlantic peoples given the fears of the time, and security and economic affairs provided the core values or the multiple cohesion factors of the association. In those particular circumstances, closer integration between the states was thought both economically desirable and politically feasible.

It is also true that the post-War might of the United States acted as the guarantor of this joint undertaking and that this guarantee proved to be simultaneously the point of greatest cohesion and the point of deepest conflict. Gilpin rightly claims that, in those times, the quest for an Atlantic partnership was commensurate with America's post-War vision of a new world order:

American plans for the postwar world were based on several important assumptions. In the first place, American leadership tended to see the origins of the Second World War as largely economic (nationalism)...

Second, it was assumed that the peace would be best promoted by the establishment of a system of multinational trade relations which guaranteed to all states equal access to the world's resources and markets. Third, the main obstacles to the achievement of such a universal system, America believed, were the nationalistic and discriminatory measures adopted in the 1930s by the various European countries - trade preferences, exchange controls, quantitative restrictions, competitive currency depreciations, etc... (17)

The path to a new world order rested thus on two fundamental principles: economic liberalism and political federalism. In its universal expression it found form in the security system of the United Nations, in the International Trade Organization and in the International Monetary Fund. It was however, only when Stalin (fearing that Roosevelt's grand design was a ploy to destroy the ideologies of an otherwise prostrate world) checked this global design, that the United States refocussed its attention on the Atlantic setting. (18)

The stress on the core values of security and economic co-operation has divided scholars of the history of the period, with some stressing the primacy of the security undertakings and others the economic aspects of the Atlantic programme. Thus, Herter, stresses the security aspects, by laying down four basic principles which should govern the Alliance:

The Community should present a common front against Communist aggression; while it should preserve all those elements of diversity which enrich free society, its members should nevertheless by, and in substantial agreement with, regard such principles as the dignity of man, the role of government as the servant of the people rather than their master, and the respect for an accepted body of law to regulate international disputes that might lead to tensions or war.... (19)


McGeorge Bundy, in similar vein, says of the Atlantic understandings:

Where and how the nuclear defences of NATO should be deployed and engaged are of course important questions, but they are questions wholly subordinate to the reality that the whole strength of the United States, including its nuclear strength is engaged for European freedom - which is only another way of saying the obvious, namely, that it is engaged for our own freedom. (20)

While undoubtedly, the security dimension provided a crucial element in striking the Atlantic bargain, recent evidence has suggested that it was subordinate to the economic calculations involved in the process. It was widely felt that the military strength of the United States was at the time sufficient to deter the Soviet Union (21) and more pointedly, as Mary Kaldor has recently recalled:

During the Congressional hearings about the creation of NATO, it was made clear that the military significance of NATO was minor: the military strength of the West was thought to reside in America's monopoly of atomic power and there were no proposals to augment conventional manpower in Europe. Acheson said that: 'Unity in Europe requires the continuing association and support of the United States. Without it, free Europe would split apart'. (22)

Although in a formal sense work on the Atlantic structures did not begin until 1947, the desire for some form of structured relationship dates back to August, 1941, when Churchill and Roosevelt set goals for post-War co-operation in the fields of security, economic co-operation and access to trade and raw materials for all nations in what became known as the Atlantic Charter. The broad undertakings of this Charter were later endorsed by the United Nations which, at that time, included European governments-in-exile, the Dominion states of the British


Commonwealth (including South Africa), the Soviet Union, China and the states of Latin America.

The intention to ensure co-operation in the field of economics was further articulated in the 1942 Lend-Lease Agreement, especially Article VII, which committed the United States and Britain to develop, on the understandings of the Atlantic Charter, through:

the expansion by appropriate international and domestic measures, of production, employment and the exchange and consumption of goods,...
the elimination of all forms of discriminatory treatment in international commerce...the reduction of tariffs and other trade barriers...etc. (23)

In their universal setting, these goals were further augmented by the Bretton Woods meeting, which, inter alia, established the International Monetary Fund (IMF) to deal with the monetary matters and the International Bank for Reconstruction and Development (IBRD) (World Bank) to finance reconstruction and development. The net impact of Bretton Woods was to establish the U.S. Dollar, loosely tied to gold, as the basis for a new monetary and financial order. These initial undertakings were later complemented by the series of undertakings under the General Agreement on Tariffs and Trade (GATT) which handled trade issues. While technically designed as institutions to operate under the auspices of the United Nations, the refusal of the Soviet Bloc to fully participate in them, meant that they too, came to assume a fundamentally trans-Atlantic focus.

However, even in this revised setting, the motor force of the system was destined to be the American economy with its unprecedented strength, and although we should heed Christian Herter's claim that the success of these institutions and the plans envisaged therein, that:

(t)he countries of the Atlantic Community provide(d) their principal strength both in resources and management... (and that)... (these institutions) have proved themselves of immense value in the postwar economic recovery and achievement of financial stability and growth, and in promoting cooperation. (24)

Yet in the final analysis it was the United States that provided the anchor, simply because the rest of those taking part in the enterprise were mainly too weak (and too short of Dollars) to integrate fully in the envisaged free market system. This realisation prompted a further switch in American policy: the necessity to ensure that, over time, the economies of Europe would become strong enough to participate in the process. This switch was the Marshall Plan and the U.S.-sponsored drive to assist in the reconstruction of Europe.

In this regard, Robert Gilpin has noted that:

The reconstruction of the Western European economy involved the solution of three problems. In the first place, Europe was desperately short of dollars required to meet the immediate needs and to replenish its capital stock. Secondly, the prewar European economies had been oriented toward colonial markets. Now the colonies were in revolt, and the United States strongly opposed the revival of a world economy based on a colonial preference system. Finally, the practices of economic nationalism and the colonial preference systems had fragmented the European economy. (25)

In these circumstances the Marshall Plan aimed at reconstructing the economies of Europe through the formation of the Organization for European Economic Cooperation (OEEC) a jointly managed, trans-Atlantic and fully-integrated organization. It exemplified, particularly after the Soviet Union, Poland and Czechoslovakia withdrew, the zenith of so-called 'Western' post-War Atlantic co-operation.


Thus, whilst the measures for security ran parallel to the economic aspects of co-operation, they were in reality subordinate. In March, 1947, came the Truman Doctrine which was "above all a pledge of military aid and an indication of America's political relationship with the old continent" (26), especially to Greece and Turkey. Thereafter, in quick succession followed the Brussels Pact, the Vandenburg Resolution (June 1948) which culminated in the North Atlantic Treaty Organization (1949) for a collective defence of the entire Atlantic area against perceived Soviet threat. A year later, in late 1950, the defence of the area under NATO was institutionalised by machinery for planning strategy and a unified command.

If the commitments to economic prosperity and security provided the cornerstones of the Atlantic Community, what can we make of the indisputable fact that the Atlantic Community is something more than the sum total of its institutions; what can be understood by Haviland's curious claim that the Atlantic partnership represents unity 'by a state of mind'? While it is tempting to offer the suggestion that, in the circumstances, the prostrate nations of Western Europe had no choice but to succumb to the aggressive wooing of the United States, this is too facile an explanation.

Far more helpful is Robert Bowie's suggestion that the elites involved in the process enjoyed:

(g)eneral consensus on the need to cooperate for economic progress and collective security..., that the general public was receptive to the leadership of...these men of vision and courage and...that the extensive collaboration achieved during this creative period required: common definitions of the tasks; consensus on the practical measures; compatible priorities in carrying them out...(Moreover) (w)hen

one takes account of the major changes in assumptions, the novelty of the problems, the adjustments in priorities, and the extent of cooperation needed, it is not easy to explain how a group of 15 or more states was able to meet these requirements in so short a time.... (27)

Through this process, therefore, the Atlantic ethos was established; to the core factors making for cohesion - the necessity for co-operation in economic and security matters - was added the new dimensions provided by the complementarity of the elites, by the inter-change of people and by the daunting challenges of the joint enterprise. Moreover, of course, the successes achieved further enhanced the unity of minds and no where was this success, particularly in the 1950s and 1960s, more demonstrable than in the field of economics. It was this achievement which prompted Pfaltzgraff to write:

The nations of the Western Europe have not only rebuilt their economies, but have attained a level of economic growth and a degree of integration unimaginable in the early post-War period. (28)

But it was not an achievement without a price, for as Raymond Aron preceptively wrote in 1977:

The world capitalist economy has known over the last quarter-century an exceptionally rapid growth of commercial exchange and capital movements. In effect, the economic sovereignty of European states has been infringed upon in many ways, in matters of credit, money, and industry. The margin of autonomy of each government is limited by the policy of its partners, by capital movements, by the strategy of so-called multinational firms. Insofar as the conjecture of the world market is greatly influenced by decisions taken in Washington, Europeans resent, not without some justification, their dependence on the world market. This dependence remained irritating even when, in the past (between 1950 and 1971), it entailed numerous advantages and favoured a more rapid economic progress in Europe than across the Atlantic. Today, it is a handicap in a competitive industrial market. (29)

1.4 The Atlantic System under Attack.

American designs for an international post-war structure which rested on the principles of economic liberalism and political federation had, because of Soviet recalcitrance, been scaled down to a more modest, European-focussed, effort. In the revised model, economic and security considerations formed the basis upon which, for all intents and purposes, the Atlantic system rested and to these, as the Community ethos developed, other co-operative energies were added. It was, however, not to be an uninterrupted process of incremental integration.

There is little doubt that, despite the evidence reflective of cooperation in the apparent determination of the Atlantic partners to jointly manage their economic problems in the immediate post-War era, there were continual clashes. This was especially so between Britain and the United States, the chief protagonists of the ideal of an open international economic system. There was, for example, a clash over the terms of the Bretton Woods Agreement and, two years later in 1946, a clash on conditions for an American loan to Britain. In both cases, Washington insisted on an automatic system of convertibility while London sought to promote a high degree of discretionary national control to protect the British economy.

These differences did not rupture the fabric of the embryonic international economic and security system for two fundamental reasons. First, the prostrate circumstances of Europe meant that the Europeans had little choice but to accept the conditions laid down by their senior partner. Secondly, and far more importantly, the lately-created economic system:

operated within the context of a rigid, bipolar international security system...(and that this) security context meant that economic issues that otherwise might have surfaced and created international tension tended to be submerged both by
the leader of the anti-Communist coalition, the
United States, and by the other members of the
coalition - whether they were formal members of
an alliance system, as in Western Europe, or simply
dependent on the United States for their security
in a world perceived to be highly insecure ...
these countries had an overriding desire to avoid
frictions that would upset the fundamental relation­
ship, which was critical for the national security
of each as they perceived it at the time. (30)

Each and every U.S. initiative in the field of international economic
policy in the 1950s and 1960s was virtually accepted without protest by
the Atlantic partners. These included: the Marshall Plan, support for
the establishment of the Common Market, the Kennedy Round (and earlier
trade negotiations) and even the creation of the Special Drawing Rights
plan in the IMF. The link between the security understandings and the
desire for economic co-operation was thus immutable. John Kennedy's
call to the U.S. Congress to support the Trade Expansion Act contains
a revealing insight into the closeness of the link:

As NATO was unprecedented in military history,
this measure is unprecedented in economic history.
But its passage will be long-remembered and its
benefits widely distributed among those who work
for freedom....At rare moments in the life of
this nation an opportunity comes along to fashion
out of the confusion of current events a clear and
bold action to show the world what it is that
we stand for. Such an opportunity is before us now.
This bill, by enabling us to strike a bargain with
the Common Market, will 'strike a blow' for freedom. (31)

The Atlantic game therefore was played at two levels - economic and
strategic with each reinforcing the other. It was furthermore a game
in which the rules, with few demurrings, were made almost exclusively by

30. C.F. Bergsten. The International Economy and World Politics in the
Post-Postwar Era, in W.L. Kohl, ed. Economic Foreign Policies of
pp. 1-2.

Washington and a game in which, certainly initially, few of the other players sought to challenge the right of the United States to act as captain, team star and referee simultaneously. It would take a formidable challenger to disrupt the state of play and run the risk of upsetting the security of the moves and Charles de Gaulle was the man who did it.

The roots of French dissatisfaction with the Atlantic Community are to be found in a complex series of historical circumstances and probably as important in the national psyche and the doughty personality of de Gaulle. Its first manifestations were in the period 1955 to 1961 when France's determination to stand by her colonial commitments generated tension between:

France and the alliance, particularly France and the United States, (the) misunderstandings and disputes (were) of such importance that the term 'Atlantic Community' was pronounced by many Frenchmen with rather bitter irony. (32)

It assumed new dimensions in the 1960s when de Gaulle began openly to question the American nuclear undertaking to Europe and ultimately refused to sign the Nuclear Test Ban treaty and linked his refusal to do so to France's attitude towards NATO. (33) As early as September 1960, de Gaulle made clear his position on NATO as follows:

The Alliance was set up on the basis of integration, that is to say, of a system whereby the defence of each of the countries of Continental Europe - not counting Britain - does not have a national character; a system in which in fact, everything is under the command of the Americans and in which the Americans decide as to the use of the principal weapons - that is to say, atomic weapons. (34)

32. A. Grosser. France and Germany in the Atlantic Community, in Wilcox and Haviland, eds. op.cit. p. 39.


Yet, whilst de Gaulle's disaffection for the Atlantic Community, particularly America's role therein, manifested itself in his lingering suspicion that 'the United States would not sacrifice Washington or New York for Paris or Bonn', it rested also on deep-seated economic dissatisfactions. Kolodziej has argued that:

(f)or over a decade, from the inception of the Fifth Republic in 1958, Charles de Gaulle's France made telling points in the debate over bloc politics and American imperial proclivities. (But) the rhetorical brilliance and dramatic posturing of the French president obscured the fundamental dependence of France on its Atlantic and European allies, especially the United States, and, in economic affairs, Germany....The difficulties faced by Gaullist France in attempting to free itself from American military strategic influence can be understood better if its inability to end the dollar's dominance and to reform the international monetary system is analysed. (35)

Moreover:

The impact of American economic influence on France and Europe, while varied in its forms and modalities, including trade, investment, and research and development, was most immediately felt in the organization and operation of the international monetary system. In many ways, it encapsulated the American economic challenge to Europe. The framework of economic relations between the United States and the Europeans depended critically on the dollar. A revision of power relations between both sides of the Atlantic could hardly be imagined in the absence of a fundamental change in the dollar's international role. (36)

French reluctance to publically challenge the U.S. economic dominance of the Alliance prior to the late 1950s should, perhaps, in part be attributed to her close links with the Germans who were, the closest European economic ally of the United States and, in part, to the importance attached to ensuring the success of the EC which depended on American sponsorship.


36. Ibid. pp. 176-177.
It was to surface, however, in the mid 1960s in two actions which were directly linked to the field of security. The first was the 1963 decision to veto Britain's entry into the Common Market. Indubitably, this decision of de Gaulle's was motivated by certain intra-European economic considerations including the thorny question of the Common Agricultural Policy of the EC; but it was also motivated by a fear that the British would press for a liberal trade policy towards third countries, including the United States. Ultimately, however, it rested on Britain's decision to throw its nuclear weapon lot in with the United States at the Nassau meeting between Kennedy and Macmillan. This agreement was particularly irritating to de Gaulle after Macmillan had indicated that, following her disappointment over Skybolt, Britain would replace nuclear co-operation with Washington by co-operation with Paris. However, following Nassau, de Gaulle:

was angered by what appeared to him to be British duplicity. His belief that Britain would be an American Trojan horse within his Little Europe was strengthened. Not waiting for any consultation with the Five, he cast his unilateral veto. This veto settled the matter (of British entry into Europe), because Article 237 of the Treaty of Rome required the unanimous assent of all member states for the admission of a new member. (37)

The second, and far more dramatic, event was de Gaulle's 1966 decision to withdraw from the NATO undertakings, though remain a member of the Atlantic Alliance. This decision rested, in part on the fear that full integration of the Atlantic Alliance would consummate American control over the Community, that the U.S. nuclear guarantee was not in practice credible and that the goal of European unity - along the idea of a Union des Parties - was impossible unless Europe assumed a primary responsibility for its own defence.

Thus France's priority in Europe was to weaken American control over the Atlantic Alliance, but not to annul her alliance obligations. This was achieved in the French memorandum of March 10-11th, 1966, which announced her plans to withdraw French units from NATO, expel foreign troops on French soil and void the bilateral treaties with NATO partners relating to installations on French soil. (38)

This challenge to American hegemony in the Atlantic Community in the field of security was only the prelude to a less successful French challenge in the economic field. A sharp division on economic matters between the two states occurred in the period February, 1965 to May, 1968. Whereas previously compliant to Washington's hand on the international economic tiller, this period marked a phase when Washington and Paris:

announced and operationalised (economic) policies (which) tended to move in inverse relation to each other. As Gaullist rhetoric intensified the attack on the American dollar, so the effective force of French diplomatic pressures seemed to diminish. The opposite was true for the United States. Outwardly unperturbed by French verbal assaults, it quietly applied its economic and military leverage on France's partners, prodding them to a piecemeal amendment of the international monetary system that was more suited to the circumstances of a weakened dollar in the (immediate) postwar period. The American offensive

38. Kolodziej, op.cit. p. 129 says, that:

'the French justified their actions on previously articulated grounds: (1) the diminution of the Soviet threat; (2) the depreciation of the United States nuclear guarantee; (3) the unwillingness of the de Gaulle government to integrate France's nuclear forces into NATO; (4) the resurgence of a politically and economically strong Europe; (5) the reconstitution of France's sovereignty that had been impaired not only by the presence of foreign bases in French territory but also by dependence upon the United States for its defense; (6) the need to thaw East-West relations frozen by monolithic blocs under the control of the superpowers; and (7) the increasing influence of the Third World, especially China, in world politics which occasioned the re-evaluation of alliance ties.'
to bolster the dollar offset the French attack to weaken it as the foundation of the international monetary system. The analytic and oratorical skills of the French negotiators, backed only by France's modest economic and military means, offered no balance to the material weight of the United States. The American purse was, to quote Beaumarchias' Don Bazile, 'full of irresistible arguments'. (39)

Thus momentarily (as we shall come to see), the United States managed to keep the basis of their post-War designs for an Atlantic Community intact. Despite France's abandonment of the security dimension of the post-War system, it had been less successful in the economic field and there was, as yet, no reason to believe that erosion in the field of security would automatically generate an accompanying rupture of the economic dimension on which the Atlantic Community also rested.

1.5 Is Atlantic Integration Inherently Divisive?

This seemingly contradictory question is prompted by two of the central concerns of this study. First, particularly in the light of de Gaulle's attack on the Atlantic Community, we need to understand how, and why, fractures develop in the Atlantic Community. This question is a necessary prelude to asking if, particularly on the economic issue, the Atlantic Community's indirect links with South Africa will cause similar fractures. Secondly, because of the central role played in the Atlantic Community by economic and security questions, we need to establish if fractures over one issue will prove divisive in other areas: will fractures over economic issues generate fractures in the security area and set a centrifugal process in motion?

It is certainly simplistic to argue that only French chauvinism was responsible for de Gaulle's attack on the American hands on the

Atlantic tiller. There was, particularly, in the field of economics widespread European concern at what were seen as harmful American economic policies, specifically at the seeming inability of the United States to check their continued balance of payments haemorrhage. Their concerns became increasingly vociferous as the post-War recovery of European states gained momentum, and as the original Six European Community signatories moved towards the 1970s. Its roots were to be found in a rediscovery of the national interest of the West European states which, arguably, were becoming increasingly freed from the intrinsic link which, in the immediate post-War years, had equated them with both the national interest of the United States and, mutatis mutandis, the pooled interest of the Atlantic Community.

The notion of 'national interest' has confounded international scholars throughout modern history, notwithstanding the fact that the term is of fairly recent origin. (40)

For our purposes, however, only a few general observations are necessary. In the first instance, the concept is derived from the aggregation of a series of calculations which are concerned, at the extreme level, with the survival of the nation state and, at a lesser level, with the daily business of the state. This multi-dimensional nature means that the concept is directed both towards domestic considerations and the nation state's role in the international setting. Secondly, the concept clearly implies a need to order the priorities of the state's interests in a hierarchical structure. This structural dimension lends itself to a series of policy choices in pursuance of the national interest which can have wide-ranging implications both internationally and in the

domestic milieu. Obviously of primary importance in the hierarchical structure is the notion of national survival or self-preservation of the state. Without this, all subsidiary priorities are invalidated or simply cease to exist. Osgood defines this survival in terms of territorial integrity, political independence and the maintenance of fundamental governmental institutions. (41)

Thirdly, the concept of national interest, simply by its very nature, must mean, especially at a lower level in the hierarchical structure, different things to competing groups inside a state. As such, the national interest concept should be defined with great clarity, for as Wolfers has pointed out:

...(the concept), while appearing to offer guidance and a basis for broad consensus...may (permit)... everyone to label whatever policy he favours with an attractive and possibly deceptive name.... (42)

Thus the national interest should be seen as the result of a bargaining process in which the competing factions inside the nation state arrive at a series of national priorities, through a process of aggregation of calculations (or bargaining). (In this setting, it is not dissimilar to the process by which, as we have noted, the cohesive factors in alliance or international communities are arrived at.) These priorities relate to the state both in its domestic and international settings. Furthermore, because of the necessity that bargains should be struck throughout, the national interest of a state should be flexible for it is likely to change through time and space. It is the shifting nature of the state's national interest which provides, conceptually, the notion's ambiguities and attractions.


The process of determining a state's national interest is complicated by the intrusion, into the domestic political arena, of certain commitments which are fixed by the state's international obligations. Of course, the linkage between the international environment and the domestic political milieu is a well-worn one in International Relations theory and remains at the heart of the discipline. However, in the process of arriving at the national interest, a state is faced with a continual need to reassess its international undertakings in the light of altering circumstances. Equally, however, no state can calculate the national interest solely on the basis of its domestic calculations; nor, indeed, can it rely on international considerations as the only determining factor of national interest.

Both in its theoretical circumstances and its practical application, the definition of national interest is considerably complicated in the alliance or international community. In these situations:

(1) The ever greater interdependence of nations and the emergence of increasing numbers of supranational actors... (diminishes) reliance on the concept. Increasingly, decision-makers act on behalf of clusters of nations as well as their own. They identify their own interests as inextricably tied to the welfare of (for example) their region, their continent and their way of life. (43)

Arguably, from this interlacing of state and community, a new concept emerges which should be seen as 'community interest'. This interest, as implied in the notion, relates to a plethora of calculations which arise in respect of the state having, in part, surrendered some sovereignty as a result of the community obligation. Such community interests are themselves subjected to a series of continuing changes over both time and space and are affected by the course of contemporary developments within the greater international environment.

Seen in chronological terms, the single or multiple factor(s) for cohesion will, at the onset of the life of a community, be coincidental with the national interest of the participating states and may grow to include other accoutrements of the community as these may develop. Few, if any, international communities are born without this advantage and, indeed, without it few would survive for long periods. Moreover, it seems possible to suggest that an analysis of failed international communities would reveal that a disfunctional relationship between the individual national interest of the participating states and the community interest is the biggest single reason for the casualty rate.

Thus, quite clearly, the specific national interest of the Atlantic nations in the immediate post-War years neatly coincided with the Atlantic Community's, American-inspired, desire to place security and economic calculations as the structural pillars of the embryonic Community. Similarly, there was a shared assumption on the part of these states that the joint task of building an Atlantic Community was commensurate with their own respective national interests.

In the case of the Atlantic Community in the immediate post-War years the problem was, as we have noted, complicated by the fact that the United States possessed a clear superiority in both economic and military strength. Given the nature of the immediate Soviet threat and the dire necessity for economic reconstruction, the European partners in the Atlantic Community had, arguably, no alternative but to believe that their own respective national interests were coincidental both with U.S. national interest and simultaneously with the Community interest. Thus the security of Western Europe was the same as the security of the United States and the economic recovery of Europe one with the economic imperatives of the United States.

However, as circumstances changed both in Europe and in the broader international community, so too did the assessments which were made of
national interest on both sides of the Atlantic. In the field of security, as we have discussed, it prompted France's eventual withdrawal from the NATO undertakings: these arrangements were simply no longer seen to be in the French national interest. In the realm of economics, it was to be witnessed in France's abortive attack on the U.S. Dollar and in the growing chorus of European voices which were no longer content with the fashion in which Washington was managing its own economic affairs and, ipso facto, the economic affairs of the Atlantic world. However, unlike the French, no other Atlantic nation was, as yet, prepared to sacrifice the protection of America's security and economic shield and unilaterally withdraw from the Atlantic Community entanglements: their own respective national interests were thus still deemed to be commensurate with the American national interest and hence the Community interest.

In both the case of economics and security affairs, the lesson was apparent. Involvement in an international commitment inhibits a state's ability to exercise its sovereign independence to the fullest degree and therefore impinges on the capacity to unilaterally decide the national interest. The resulting conflict is considerably exacerbated in the face of changing events where domestic pressures may force a government to reassess the extent to which sovereignty has been pooled. In the face of such domestic pressure, individual governments, in the community process might be forced to withdraw from the level of their commitment to the international community of which they are members. This was clearly the case of France during the de Gaulle period. Such development is likely to cause a crisis in the community, with the community either under pressure to dissolve or to readjust to the new environment. That the security dimension of the Atlantic Community, as exemplified in NATO, did not dissolve after the French withdrawal is evidence of the continual degree of priority which was accorded the security aspects of the Atlantic Community.
In the field of economics, it was to remain intact until (as we shall see) the early 1970s.

A further observation is necessary in respect of the pooling of national interest. Because the areas of security and economic relations were thought to be in the Community interest, the participating states were prepared to allow specific (and originally American-dominated) institutions to preside over the entire corpus of the sovereignty pooled for restricted Community functions. Thus, in the field of economics, it was the Bretton Woods structure; in trade, the series of agreements reached under GATT; and in NATO the Command Structure. Moreover, as we have noted, Washington's strength made it dominant and, until the time of the French challenge, the entire Atlantic system rested for a decade on U.S. hegemony. In the mid-Sixties the challenge of France on the security issue meant that the equation that America's national interest was no longer commensurate with the national interest of the participating partners and, perhaps, of the community interest. In the Seventies an even more important divide was to develop in the field of economics.

The genesis and growth of these splits are to be found in the changing historical circumstances in which the Community moved. Whilst the multiple cohesive factors remain the foundations upon which the Community rests, they too were subjected to continual revision and updating in the light of changing circumstances. In this ideal situation, the common institutions should be able to account for the changing nature of the national interest of the participating states and damaging divisive pressures will be avoided. Arguably, the problem with the Atlantic Community lies in the fact that, from its inception, the Community was dominated by the strength and power of the United States with the result that the Community's institutions were dominated by that country. It follows that, in every sense, U.S. national interest was equated with community interest and that
this, in turn, was equated with the national interest of the partners to the Community. However, when, in the light of European economic recovery and political security, the U.S. attempted to continue to foist their own vision of the Community's future on its Atlantic partners, fracture developed. Understandably, because they were central pillars of the Atlantic bargain, these fractures occurred in the fields of economics and security.

Two further observations may be pertinent to these developments. First, the relatively quick erosion of American domination of the Atlantic Community may, ironically, have been expedited by the tremendous success of a creature designed to be part of their structure of economic control, i.e. the European Common Market. The success of the integration of Europe which began with the cautious integration of the European Coal and Steel Community, undoubtedly boosted the economic (and simultaneously, the political) confidence of the West European states. Moreover, their common association under the rubric of the Treaty of Rome, was free of direct American control and enabled them to negotiate, in some circumstances, as a bloc against the United States. In this sense, we can see the Common Market as a challenge to American hegemony in the Atlantic Community.

The second observation relates to the role of the United States as a superpower which, ipso facto, implies a particular kind of relationship to the Soviet Union. This also diminished its control over the Atlantic Community because, in the case of France, individual Atlantic nations would, in time, seek their own relationship with the Soviet Union, under the umbrella of the American nuclear guarantee, but outside of the parameters of the U.S.-Soviet relationship. The West Germans would also, as we shall see, come to seek a modus vivendi with the Soviets under Ostpolitik. Again, in this field, a difference of opinion on matters of security in the Atlantic Community was to develop.
What of the second question? Does fracturing in one area cause fracturing in others? It remains largely true that the security threat prevented the economic fractures between the allies from becoming public, certainly, with the exception of de Gaulle's France, in the period to the Seventies. However, undoubtedly as witnessed in the French case, there were differences of opinion inside Europe on both security and economic issues, although the American purse and arsenal remained 'full of irresistible arguments' until the early Seventies when America's purse showed signs of strain and when her military might was under pressure over Vietnam. It was then, as we shall also see, that American power came under its greatest threat in the Atlantic Community. The states of Europe, faced with the challenges of the Seventies, no longer saw their own respective national interests as being neatly coincidental with that of the United States and Washington's designs for a world order focussed primarily on an American-dominated Atlantic Community.

1.6 Hypothesis and Strategem.

The central hypothesis of this study arises from an important, although neglected, article by Jim Hoagland which appeared in the pages of the International Herald Tribune in May, 1977. Under the title, 'U.S. Africa Policy Straining Alliance', Hoagland argued:

conflicting interests and styles in southern Africa could tear the negotiating effort apart and leave deep scars on the US partnership with Britain and France.... (44)

The concern of this study is to refine Hoagland's assertion that, in the economic sphere, particularly, the interests of the Atlantic nations differ in South Africa. As a result, their national interests

in South Africa are not commensurate with each other and that therefore, fractures are likely to develop in the Atlantic Community over the incipient racial crisis in South Africa. The long discourse into the theoretical structure of the Atlantic Community in this chapter has been necessary to identify the forces at work in the Atlantic Community. As has been argued these are, essentially, economic and strategic.

The next task is to trace some of the fractures which developed in the Atlantic Community in the 1970s in order to test the assertions made in this Chapter and to understand the course and duration of this conflict. Moreover, we need to understand what mechanisms, if any, the Atlantic Community has to handle potential fractures. The second Chapter, therefore, is designed to test the initial hypothesis in the context of crises that have occurred in recent years.

The substance of the study is contained in Part Two which sets out to test the hypothesis in relation to South Africa. After an introductory historical chapter, the study sets out to examine in detail the economic links between select Atlantic nations and South Africa in two areas: the trade and investment links between three Atlantic nations and South Africa and the dependency of the Atlantic nations on South Africa's rich mineral base.

The nature and lines of the potential fracture are analysed in Part Three of the study, which includes some discussion of possible courses of action to be taken to avoid permanent and damaging divisions within the Atlantic Community. Some policy options are then proposed with relevance to the hypothesis presented.

There need be no apology for addressing policy options because, in the opinion of this author, the study of International Relations should be a policy-oriented exercise. A failure to exercise responsibility in this regard means that the scholar loses grip with the essential
attractiveness of the discipline, viz. its contemporary dynamic. Nowhere is this necessity - nay, urgency - for policy-oriented studies more applicable than to South Africa. The potentially apocalyptic proportions of the incipient racial conflict in South Africa have important ramifications (as this study attempts to demonstrate) for both the Atlantic Community and mankind as a whole. To engage in sterile academic discourse on the question represents a failure to recognise its importance and is simultaneously an acknowledgement on the part of the scholar that scholarship is impotent in the face of contemporary international developments. If a scholar neglects this he both weakens the purpose of scholarship and does a gross injustice to the discipline itself.
CHAPTER 2: The Atlantic Community in the 1970s

2.1 Prelude.

There can be little doubt that the renaissance of French nationalism under de Gaulle in the mid-1960s represented a genuine setback in Washington's design for a closely integrated Atlantic Community. However, despite the French challenge, cohesion in the areas of economics and security remained intact and the Atlantic Community was recognised as a force in international relations in these fields. Moreover, the security and economic dimensions reinforced each other and, as a result, the overall dynamic of the Community was centripetal.

It was, however, in the next decade that the Atlantic Community's capacity to sustain this centripetal momentum came under increasing pressure. An examination of this period (and the causes of fracture) is crucial for this study because it highlights the fragility of the Atlantic Community cohesion and raises, furthermore, serious questions about the capacity of democratically-based international communities to retain cohesion in the face of changing international circumstances. Equally, it draws attention to the ever-present conflict between the demands and requirements of what we have called community interest and the opposite pressures which arise from changing perceptions of national interest.

The roots of the intra-Atlantic tension of the 1970s are to be found in the immediate post-War years and in the American-dominated Atlantic structures which were established at that time; the specific sources of tension were, however, multifarious. Some were nurtured in the changing nature of the international environment which altered, as the French case demonstrates, perceptions of the importance and validity
of the Atlantic undertakings and these must, in a superficial manner, be attributed to the inability of the Atlantic Community and its institutions to adapt to a shifting international environment. Others, like the 1973 Oil Crisis, arose from developments beyond the control of the Community but which were to deeply affect the face of the world and the Atlantic scene. Still others, were the result of the continuing tension in the international environment and which have their roots in the vestiges of the bipolar division of the world between the Soviet Union and the United States. However, notwithstanding the differing origins of these stresses and strains, it was their cumulative effect which was important because it proved, throughout the Seventies, that latent rupture in the Atlantic Community was a feature of international life. Alarmingly, as the cumulative process developed, despite the efforts of both scholars and politicians to stress the inherent values and importance of the Atlantic Community and to argue that structural changes were necessary to ensure its survival, the Community - almost despite their efforts - appeared under continuous pressure to fracture further.

Before turning to a detailed examination of three Atlantic crises of the 1970s - the Dollar Crisis of 1971, the Yom Kippur War/Oil Crisis of 1973 and the Angolan Crisis of 1975/76 - it is necessary to pause and examine in general terms the political mood of the period.

The mid- and late-1960s witnessed a socio-political watershed on both sides of the Atlantic. If the trauma of the immediate post-War years spawned a search for security through, in part, the creation of the Atlantic Community, the security thus generated appeared towards the end of the 1960s, to have been replaced by a mood of anxiety. This mood appeared to call into question both the domestic and international values on the basis of which, for more than a decade, the Atlantic nations had prospered. The peoples of the Atlantic nations appeared to be engaged
in a painful reassessment of their domestic structures, which, in turn, placed serious strains on their perception of individual and collective international roles. When a series of traumatic international crises arose - some related to this introspection, others not - the entire edifice of the Atlantic structure appeared, albeit momentarily, threatened not so much by the Soviet Union and its allies, but rather the new doubts which were essentially locally generated.

In the United States, for example, the continuing Vietnam imbroglio had deeply divided the American people which culminated in the fall of the administration of Lyndon Johnson. (1) That war, and the domestic strains generated therefrom, appeared to threaten the very rationale of Washington's post-War foreign policy including the security commitment to Western Europe. Certainly on the surface, the American people appeared to be moving towards a rediscovered isolationism. Across the Atlantic in Europe, a wide-spread disaffection, particularly amongst the youth, seemed to challenge the very heart of democratic government and, indeed, the validity and importance of the U.S. strategic undertakings to Western Europe. (2) Acting together, both nascent American isolationism and the fears of young Europeans led to a belief that the Atlantic partnership might itself be reconsidered in the light of the changing domestic and international environment.


Following the French example, the quest to find a European-centred security relationship with the Soviet Union gained increasing volition in a series of bold diplomatic initiatives which culminated in the Ostpolitik of Chancellor Willy Brandt of West Germany. (3) Elsewhere, beyond the Atlantic basin, political and economic events were moving at an unforeseen pace. The Soviet Union appeared uncertain of its own course and to be undergoing a degree of internal trauma. The 1968 Soviet invasion of Czechoslovakia and its justification in terms of the Brezhnev Doctrine was seen by many as a desperate effort by the Soviets to reassert their grip on an increasingly dissatisfied Eastern Europe. Elsewhere, the newly-emancipated countries of the Third World, began to display an increasingly militant posture and threatened the very basis of the existing international order. (4) In the face of these events it was clear, even to the most casual observer, that the entire fabric of the post-War international system was in the process of being torn apart. The Atlantic Community, an important progeny of the post-War settlements, would not remain unaffected by these changes.

If this background sets the mood of the times, each of its single, strands is important from the perspective of this study. Both the core factors making for the cohesion of the Atlantic Community - the security


4. See, for example, A. Buchan. The End of the Postwar Era: A New Balance of World Power. London: Weidenfeld and Nicolson. pp. 53-60; and Robertson, op.cit. pp. 343-423.
considerations and the economic forces - were under continuous pressure. Co-operation in the security field was threatened by the apparent waiving U.S. commitment to Europe and the desire of West Europeans to seek separate security arrangements with Moscow. Economic co-operation was weakened by the apparent inability of the Atlantic partners individually to sustain the level of their economic development which had contributed so much to the Community ethos and success. Moreover, as we shall come to see, the endemic unsatisfactory position of the U.S. Dollar motivated certain of the Atlantic partners to pursue sauve qui peut paths with beggar-thy-neighbour actions in trade, investment and energy policies.

However, the linked nature of these problems, with one event initiating a crisis in another area, highlights an important paradox. The linkage of the events - almost a chain reaction - was partially a result of the increased interdependency which had developed in the Atlantic Community over the previous two decades. While the temptation to pursue unilateral policies - economic or security - was ever-present, the level of manoeuvrability was circumscribed by the level of interdependency. Dissident states in the Atlantic Community, with the exception of France, tended to hang back from taking drastic unilateral action for fear of undoing the entire edifice of community-building in the Atlantic area which had taken some twenty years to develop. As a result unilateral action was of limited scope and endurance and, although its possible effects were often predicted as being potentially traumatic to the Atlantic Community as a whole, at no stage did the Community appear to be under direct threat of total dismemberment. At each juncture, either the security or the economic commitment seemed to anchor the Community ethos.

Thus while unilateral actions appeared to threaten say, the economic structure, security understandings remained firm. And again, if the security issue appeared under threat say, in Senator Mansfield's efforts
to reduce American troop levels in Europe, the level of U.S. economic investment in Europe was on the increase. (5) The interlaced security and economic understandings in the Atlantic Community were thus apparently immutable.

Arguably, it was developments within Western Europe in the early-1970s which inhibited individual European states from undermining the basis of the Atlantic Community. The early 1970s witnessed an increasing momentum in the quest for a strong and expanded European (Economic) Community*. The original six members of the EC were joined by three new members and a new community impetus was developed in the parochial setting of the EC. The logic of this development was apparently unassailable: the end of the 1960s marked the termination of the original undertakings of the 1957 Treaty of Rome and the EC, it can be argued, needed a new challenge which would come with the accession of new members. For Britain, the only state in Western Europe which professed to have a 'special relationship' with the United States, the move into Europe was in accordance with the logic of her international and domestic predicament. The solution to her faltering economic performance, the uncertain influence of the Commonwealth and her continued desire to play an enhanced role in the world, could only come through the Common Market. Thus, while it was that the entire basis of the Atlantic Community appeared under threat, a limited number of states, within that Community, were seeking increased integration. But it was not a development watched with total enthusiasm in Washington.

* There are, of course, three separate treaties operative between the Nine. This means that, strictly speaking, we should refer to arrangements under the Treaty of Rome as the European Communities. However, it has become custom to speak of it as the European Community (EC). This abbreviation will be used throughout this study in preference to the now antiquated and erroneous EEC. It will, however, periodically be referred to as the Common Market.

5. The Mansfield case is an interesting one which demonstrates the closeness of the link between security and economics. It was precisely because of the high level of U.S. investment in Europe that high U.S. troop commitments were needed!
Two conflicting pressures were arguably generated by the limited community-building process in Europe. First, a fear, on the part of the United States, that an enlarged Common Market could disrupt U.S. economic control over the entire Atlantic area. There was also concern that the broader Atlantic economic understandings could be disrupted and, if these fears were vindicated, a trade war between the United States and the Common Market could result. Secondly, the accession of Britain, Ireland and Denmark to the Common Market placed the relations between the original Six under some strain. The resolution of the difficulties relating to the accession of these three states required diplomatic adroitness of a kind not witnessed in the earlier years of the Common Market.

Before turning to a discussion of the three crises listed earlier, it is important to stress the close relationship between, particularly, the Dollar Crisis of 1971 and the Yom Kippur War Crisis of 1973. While it is possible to analyse the relevant cause, and the course, of the crises separately, it should be stressed that they should be seen as part of a continuum. Over both time and space, these two crises impinged on each other and their sequential interaction led to wide-spread economic uncertainty inside the Atlantic Community which may well persist to the present time. Their concurrent impact on the domestic economic life of individual Atlantic nations is certainly the most important crisis which the Atlantic Community has faced (and arguably, still faces) in the post-War period. This being so, it is incorrect to divorce the two issues, but for the purposes of substantiating the theoretical points developed in the previous chapter, this is necessary.

While undoubtedly the Atlantic Community faced other important crises in the Seventies - the problems for example presented to the United States by the Ostpolitik of Chancellor Brandt and the negotiations on the North-South divide - the crisis over Angola in 1975/76 is of obvious interest
to this study. First, it was located in a geographical area close to South Africa and, indeed, directly involved South Africa. Secondly, it was a crisis which directly involved the Soviet Union and, thirdly, possibly because of these two reasons, it demonstrated above all else the inability of the Atlantic Community to co-ordinate its policy in an area distant from the recognised parameters of its Atlantic interests. Moreover, it was a crisis in which differing perceptions of its significance surfaced between the Atlantic partners. These reasons alone make it of particular interest to this study.

2.2 The Dollar Crisis of 1971.

2.2.1 The Problem.

The genesis of the Atlantic monetary crisis of 1971 is to be found in the Bretton Woods Agreement of 1944. While the U.S. Dollar was not fixed by that agreement as the 'standard' of the international monetary system, the arrangements reached at Bretton Woods required participating countries to declare a Dollar par value for their respective currencies. (6) Such par values were to remain fixed under Article IV of the Bretton Woods Agreement, except when the International Monetary Fund (IMF) could be persuaded that a fundamental disequilibrium required the adjustment of par rates. In normal circumstances, it was held that a country could finance any temporary deficits on its balance of payments from its own reserves or from medium-term credits which, in terms of Article V of the Agreement, could be borrowed from the IMF. This dual system was thought adequate, at the time, to permit a country time to correct any temporary deficits by implementing suitable corrective fiscal policies. It was believed, moreover, to be a far more secure way of policing balance of payments deficits

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than tampering with exchange rates and was seen as a way of avoiding the volatile monetary and trade situation which was thought to have been a contributory cause of World War II. (7)

The elevation of the U.S. Dollar to the status of exchange currency arose from the fact that, on the cessation of hostilities, the United States held more than 70 percent of the world's gold reserves. In these circumstances, it fell upon the United States to assume the obligation to buy and sell her domestic currency at a fixed price of $35 per ounce of gold. Other countries, within the arrangement, committed themselves to keeping their own currencies within narrow margins around par by holding their exchange rates against the Dollar within prescribed margins by trading local currencies against Dollars. It followed that, for purposes of day-to-day book-keeping, countries needed to keep working balances in Dollars and it also followed that foreign exchange reserves in the form of Dollars was a logical development.

Standing as it did at the centre of the system, the United States could not unilaterally fix the Dollar at any other rate. The rate on exchange of Dollars was fixed by other countries within the system. Thus as long as other countries intervened to support their own currencies, the United States had no reason to enter the market to support the Dollar. It was this particular mechanism which, arguably, was the cause of the 1971 Dollar Crisis. The inability of the United States to enter the market,

7. Gilpin notes that:

'...American leadership tended to see the origins of the Second World War as largely economic. The failure to revive the international economy after the First World War and the subsequent rise of trading blocs were regarded as the underlying causes of the conflict.'

for fear of rupturing the system, disqualifed it from managing its own exchange rate and diminished the capacity of Washington to sustain normal balance of payments discipline in order to retain both her domestic and international obligations.

When, for example, in 1958, the United States experienced a serious balance of payments deficit, it reacted in an accepted fiscal fashion. It tightened up severely in its domestic economic arena which resulted in the mild recession of 1960/61. Again in 1961, when reflationary measures were called for (in the early days of John Kennedy's administration), the United States Federal Reserve considering the balance of payments position, sought to limit the foreign content of public programmes, placed hurdles in the path of private capital outflows and gave incentives to U.S. exporters. This reflationary strategy was accompanied by wage/price guidelines which were supported by the considerable purchasing power of the Federal Government. (8)

These policies, despite the persistent deficit on the capital account, were not unsuccessful, for the business activity which began in 1961 continued almost unabated until the end of the 1960s. This era of business activity was unprecedented and was fostered by continued monetary and fiscal stimuli - including, for example, the income tax reduction of 1964. It was further bolstered by the massive increase in military expenditures especially for the war in Indo-China after 1965. These actions however, increased the

U.S. balance of payments deficit and this contributed directly to the Dollar Crisis in the early 1970s. The kernel of the problem was that, while the U.S. could determine the rate of expansion of their money supply, its government could not, because of its pivotal role in the Bretton Woods system, determine the percentage of this money supply which was being absorbed by financial and monetary institutions abroad. Thus it was, that in a rather insidious manner, growing Dollar deficits meant that other countries, taken as a whole, were beginning to experience Dollar surpluses.

The build-up of external Dollar balances facilitated most industrial countries to go ahead, as early as 1958, with a large-scale dismantling of exchange restrictions, not only on their Current Accounts (as had been envisaged in the Bretton Woods Agreement), but more importantly, on their respective Capital Accounts. The increasing degree of convertibility of foreign currencies allowed, in turn, foreign corporations and individuals to hold extensive Dollar balances. (It was out of this, that the growth of concepts like the Euro-dollar and Euro-bond reflected the obvious convenience of having a single currency to conduct international transactions, even those not directly involving the United States.)

The structural problem in the system was patently obvious. By exempting the United States from balance of payments discipline, other states in the system had no protection in the event of Washington pursuing an excessively inflationary or deflationary economic policy. The system presumed, moreover, that the U.S. would (or could) tailor its economic policies to balance price stability against full employment and thus retain domestic support for its economic policies.

In the circumstances, however, other states within the system, were faced with a Hobson's choice: either importing the U.S. rate of inflation or increasing the number of inconvertible U.S. Dollars held in their Reserves.
The exemption of balance of payments discipline for the U.S. also meant that the other states in the system were bound to accept whatever capital disbursements the U.S. might choose to make abroad and accumulate inconvertible Dollars or inflate, thus enabling the U.S. to buy them back again.

There was (as there had been throughout the period) an implicit underwriting of U.S. investment in Europe itself and when this was complicated by the war in Indo-China, the crisis was brought to a head. As Andrew Shonfield notes:

For the French it was a matter for political indignation that Western Europe and Japan were paying for unwanted and costly American expenditures, whether on the war in Vietnam or on large-scale investment by US corporations abroad, by accepting unwanted Dollar cheques on American resources, which they had no intention of cashing. Others were less indignant, but equally firm that there should be no increase in international liquidity...until (the Americans) had stopped running a deficit on their balance of payments. (9)

The problem, in other words, was that the international monetary system's anchor, the U.S. Dollar, was under increasing international pressure. Its convertibility into gold had, de facto, been suspended with the introduction of the two-tier system in 1968. However, despite these early adjustments to the system, the U.S. Federal Reserve was still playing a supra-national role by exerting influence on monetary matters throughout the international system without being particularly responsive to the domestic needs in other countries.

2.2.2 The Crisis.

If the conflict inherent in the system was obvious, the crisis itself was a long time in coming. It finally surfaced in the winter of 1970/71

through a cumulation of economic and political factors. The expanding Dollar overhang—graphically described by one journalist as the 'Euro-dollar slop'—made it increasingly difficult for the U.S. to manage its domestic economy either by promoting growth or restraining inflation, without avoiding increases in its deficit.

The problem had in fact manifested itself early in 1969 when the first Nixon administration, faced with an inflationary spiral, tried to squeeze the banking system. In the face of this squeeze, major U.S. banks simply drew on the Euro-dollar pool by increasing their respective liabilities in their foreign branches. (10) In the period December, 1968, through to September, 1969, these doubled. In June, 1969, the U.S. Federal Reserve placed reserve requirements on Euro-dollar borrowings above a certain ceiling and, for all intents and purposes, the problem was temporarily abated as the move to Euro-dollars was reduced.

However in the Autumn of 1970, the Nixon administration altered the course of its economic management. Faced with an oncoming election, Nixon sought to abandon his efforts to check inflation and pressed rather for a cut in unemployment. To this end, he slashed domestic interest rates which increased the exodus of Euro-dollars and deepened the balance of payments deficit and, simultaneously, increased the overhang of foreign Dollar holdings vis-a-vis the United States gold stock. The impact of this action was profound in Europe: in Germany, for example, foreign exchange Dollar reserves increased to $13-billion which was higher than the figure held before the revaluation of the D.Mark a year earlier.

To sustain their domestic economic priorities and to stem the flow of Dollars abroad, Nixon contrived to mobilize a dual rate system, known as

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Paul W. McCracken, the U.S. Under Secretary of the Treasury for Monetary Affairs announced that there were 'heartening signs that the worst may be over' and that overall, the U.S. balance of payments would get better, not worse, with an expanding domestic economy. (12)

It was, ironically, in Europe that differences over strategy emerged. The German indication that they might float the D.Mark which was the path of least embarrassment to the United States, but it was to cause a problem inside the EC over the parity of prices under the Common Agricultural Policy (CAP). It would also considerably complicate European plans to establish a close monetary union. (Under an agreement taken in February, 1971, and due to become operational in June, a first phase envisaged a reduction in the margins between European currencies by increased central bank intervention.)

The European Community was thus deeply divided on the correct course to follow, with the French bitterly opposed to a concerted float of the main European currencies. This opposition to the float has been described by Susan Strange as resting on 'international ideological grounds' (i.e.... it was up to the Americans to sort out their deficit, not the Europeans to bolster the Dollar exchange standard system from which, so the French claimed, the Americans mostly benefitted.) (13) The other European option, rigorously opposed by the British as being hurtful to the City of London, was to resort to an individual and collective effort to stem the Euro-dollar market. This strategy, it later became apparent, had been half-heartedly attempted by an agreement reached in Basle in April in which it had been agreed to reduce the credit-creating character of the Euro-dollar through reinvesting them in European Dollar holdings.

12. Quoted in Meier, op.cit. pp. 142-143.
However, any regulation would require some fiscal restraint by the Germans through tighter controls on Euro-dollar borrowings, the imposition of tighter reserve requirements on banks and the imposition of discriminatory exchange controls. German economic policy-makers were themselves divided on the best course of action. It was Karl Shiller, Bonn's Finance Minister, who proposed a temporary D.Mark revaluation (through a float) to force German industrialists to resist inflationary wage demands who won the day. Quite clearly, Shiller's fiscal concerns proved stronger than his concern for issues of European unity. In order to minimise conflict on the issue in the EC, a Finance Minister's meeting was held early in May, but this ended in a predictable deadlock.

Days later, Bonn announced its intention to float the D.Mark whilst forbidding interest payments on foreign-owned bank deposits and foreign purchases of German Commercial Bills. In this fashion, Germany unilaterally set aside EC rules and reversed Common Market policy agreements: the division on a course of action in the EC was thus apparent. It became clearer when a Dutch float followed the German one, whilst the Belgians stood by an earlier decision to operate a two-tier system which separated commercial and financial dealings. Elsewhere in Western Europe, the French, the Italians and the British stood firm, whilst the Swiss and the Austrians revalued their currencies by 7 and 5 percent respectively. Tension in the Common Market was heightened when the French Finance Minister, Giscard d'Estaing, declared that the German float would be short-lived, only to be contradicted by a German spokesman who made it clear that it might be indefinite.

The divisions, over the issue, within the Atlantic Community were becoming increasingly prevalent. As early as March, the Europeans had pressed Washington to convert Dollars into gold. The French, in order to repay an IMF loan had asked for a conversion of $282-million; whilst
the Swiss, Dutch and Belgians had asked for the conversion of lesser amounts. Such demands, and the reluctance of the Americans to comply with them, had demonstrated the fragility of Special Drawing Rights (S.D.R.s) (14) as a Dollar substitute which had originally been intended to shield the United States from resuming all-round responsibility for convertibility into gold.

It was this demand for gold which transformed an essentially 'European' monetary problem into one which was unmistakably American. On May 14th, figures released by the Federal Reserve showed that gold stocks, in the face of unprecedented demands, had fallen to just above $10-billion which was lower than at any time since 1936. Concomitantly, in the first weeks of April, it became clear that foreign Dollar holdings had burgeoned by $2.3-billion to $18.5-billion. Complicating the picture for the United States, was that her balance of payments deficit had reached over $20-billion. The U.S. trade account showed an escalating deficit over a six month period and the tell-tale signs of failing export competitiveness, rising unemployment (running at five million) and high interest rates exacerbated an already dismal picture.

In Washington, as in Europe, there were divisions on what the best course of action was. Federal Reserve Chairman, Arthur Burns, favoured fiscal measures by means of an incomes policy and capital controls whilst

14. Special Drawing Rights (S.D.R.s) were the international currency system created by the International Monetary Fund after the U.S. Federal Reserve suspended de facto the conversion of Dollars for gold. It was to provide a new type of money - sometimes described as 'paper gold' - and together with gold and Dollars, serve as an international monetary reserve. The first allocation of S.D.R.s by the IMF took place on January 1, 1970. See Cohen, op. cit. pp. 100, 210-215, 249-250, passim. A description of the International Reserve structure after the introduction of the S.D.R.s is to be found in L.G. Reynolds. Macroeconomics: Analysis and Policy. Homewood, Ill.: Irwin, 1973. pp. 271-272.
Finance Secretary, John Connally, tended to place the blame for the situation at the feet of America's Atlantic partners.

At the end of May at a conference organised in Munich by the American Bankers Association, Connally told the Europeans that they would have to pay a bigger share of the U.S. defence expenditure in Europe, take more American imports and that they would have to cooperate more willingly in monetary matters. A failure to do so, Connally hinted, would result in unilateral American action to force their hands. The threat was, however, premature for, in August the U.S. borrowed almost all of its $600-million reserves from the IMF in an effort to steady the situation, but the crisis was not over. In fact, it was only beginning.

Across the Pacific, in Japan, the true extent of the U.S. economic problem surfaced in a chronic U.S. trade deficit with Japan. About two-thirds of the overall U.S. deficit and some 10 percent of its trading deficit in the first half of 1971 was with Tokyo. In the six-month period, May to August, Japanese Dollar reserves rose by $3-billion, notwithstanding the fact that Tokyo's controls against capital inflows were more effective than those in Europe and with it came increased Japanese pressure on the United States. This Japanese nexus was critical for the crisis because it prevented the United States from re-establishing complete control over the Atlantic economic system.

By mid-summer, the European monetary markets, notwithstanding their own diverse strategies, began to display increasing uncertainty. The Bundesbank, for example, in an effort to disperse the Dollars it collected in the May flurry, found that it had to revalue the D.Mark. The uncertain state of the exchange markets even made the French concede that the D.Mark would never be able to return to its old parity. The next move was to be the responsibility of the Federal Reserve and the full extent of the crisis
was now realised. It was not, as the Americans had maintained for so long, a European crisis, but an American one.

2.2.3 The Corrective Action.

For Richard Nixon, seeking a second term in office, the domestic considerations of the crisis were the most compelling and, as a result, the international ramifications were arguably only a secondary calculation. Unwilling (and, indeed, unable) to lose further gold and unable to correct the existing balance of payments situation - either by reducing capital outflow or reducing military expenditure (the Vietnam War had entered its penultimate phase) - and requiring continued public faith in his leadership, Nixon used a double edged sword: U.S. economic power and her military might.

On August 15th, 1971, Nixon announced a major monetary-cum-fiscal package known as the New Economic Policy which had important domestic and foreign aspects to it. Nixon described the actions as 'the most comprehensive new economic policy to be undertaken in this nation in four decades' (15) and attempted to reassure his Atlantic partners with the following passage:

To our friends abroad, including the many responsible members of the international banking community who are dedicated to stability and the flow of trade, I give this assurance: The United States has always been, and will continue to be, a forward-looking and trustworthy trading partner. In full co-operation with the International Monetary Fund and those who trade with us, we will press for the necessary reforms to set up an urgently needed new international monetary system. Stability and equal treatment is in everybody's best interest. I am (however) determined that the American dollar must never again be a hostage in the hands of international speculators. (16)

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16. Ibid. p. 165.
Domestically, the August package introduced a ninety-day freeze on rents, wages and prices (although not on dividends) and introduced a Cost of Living Council to back up the total domestic effort. In addition, a tax cut of $6.2-billion was announced and Federal spending was cut by $4.6-billion which would bring a 5 percent cut in Federal employment. The domestic measures also involved a 10 percent reduction in foreign aid and further investment incentives, through tax credits, to encourage domestic investment.

The foreign measures introduced in the August 15th package were possibly more devastating than the domestic measures and, as a result, had important implications for America's Atlantic partners. First, an import surcharge was introduced on all dutiable imports not covered by quotas. This would have the effect of adding some $2-billion to the cost of American imports and affect the value of 50 percent of them. Secondly, on the monetary side, the United States suspended the gold convertibility of the Dollar, making de jure a situation which had been de facto since 1968. The strength of the announcement meant that under no circumstances would the U.S. Treasury convert Dollar holdings for gold. Moreover, it was announced that the Federal Reserve would not alter the official price of the metal and would, henceforth, suspend the swap network through which Dollars could be exchanged with other central banks for foreign currencies. In addition, a limitation was also imposed on the exchange of American holdings of S.D.R.s for other assets.

The net effect of the suspension of Dollar/gold convertibility was to oblige other countries to either increase their Dollar holdings or to sell them for whatever they would fetch on the open market. This meant the effective revaluation of their currencies vis-a-vis the Dollar. (A middle path which would have meant market intervention by trading a lower rate of revaluation for increased Dollar holdings was, for obvious reasons, unattractive to European Finance Ministers.)
The New Economic Policy had delivered a double blow to the trading and monetary partners of the United States. First, it forced them to revalue their currencies against the Dollar, which they, at least initially, were reluctant to do. Secondly, it unilaterally tinkered with U.S. trade policy towards both Europe and Japan. Both actions were contrary to the spirit of the post-War economic agreements. However, the problem was not confined to these two issues but, as we shall come to see, had further deep-seated ramifications for the Atlantic Community.

The foreign exchange markets both in Europe and Japan took the Nixon announcement relatively calmly; movements against the Dollar were not significant, although the Japanese were obliged to take $4-billion in a fortnight, notwithstanding a 6 percent upward float of the Yen against the Dollar. However, while the markets remained somnolent over Nixon's action, it was clear that some structural adjustment, particularly over the vexed question of a Dollar devaluation, would have to be made to the system.

Early in September, the IMF Group of Ten deputies met with no positive results, although the meeting was marked by Britain, for the first time, aligning itself against the United States on the issue that there would have to be an increase in the price of gold. As Susan Strange points out:

> For the first time in a major monetary negotiation, the United States could not count on the almost unquestioning public support (for what it was worth) of the British. (17)

Meanwhile, in the EC itself, the division between Bonn and Paris which had failed to be bridged a month earlier remained and the EC was still divided.

In mid-September, the Group of Ten met again in London and Connally confirmed the full extent of the U.S. requirements. In an uncompromising fashion, he demanded that positive measures should be taken to bring a

17. Strange, op.cit. p. 205.
turn-around in the existing U.S. deficit of $13-billion. To achieve this:

Connally was intent on using the import surcharge as a bargaining weapon. He told the finance ministers that they were making too big an issue about the surcharge. He denied that the surcharge was a political action, aimed at garnering votes in the next presidential election. But he refused to specify any timetable for removing the surcharge... (but) emphasised (d) that the surcharge was introduced 'as a temporary measure'. (18)

For Connally, the universal solution was the most appropriate and he stressed:

We had a problem and we're sharing it with the world - just like we shared our prosperity. That's what friends are for. (19)

The Nine agreed to realign the parities of their currencies thus allowing an effective devaluation of the dollar - on condition that the surcharge should be dropped and that, secondly, the existing monetary system should be modified and the role of the Dollar, particularly its reserve role, should be changed. On the first condition, Connally refused to compromise until such time as an effective devaluation of the Dollar had been achieved. As for the second condition, the IMF had already begun to promote the extensive use of S.D.R.s as a reserve currency.

In the main, however, major currencies floated against the Dollar (allowing the market mechanism to determine their values) and this soon achieved an effective devaluation of the Dollar. Of course, the dominant position of the United States in world trade meant that for other countries very little could be achieved by opposing the all-round currency alignment.

Some compromise was reached when Secretary Connally agreed that the turn-about figure in the U.S. deficit could be reduced from $13-billion to $7-billion. Moreover, the differences between the French and Germans were patched up at a meeting between Chancellor Brandt and President Pompidou.

with the two leaders agreeing that efforts towards a closer monetary union in the Common Market should be renewed and that, to this end, European central banks should try to co-ordinate their efforts by intervening in the markets to defend new parities and limit EC exchange rates within narrow bands.

Then at a meeting at the Smithsonian Institute in Washington in December, the IMF agreed to a package which, albeit temporarily, shored up the crippled international monetary system. While the details of the Smithsonian Agreement are not important for our purposes, one general point should be made. In terms of the Smithsonian Agreement a realignment of major currencies was achieved in two ways: the United States agreed to an increase in the official price of gold by $3 to $38 per ounce. In addition, some countries, notably Britain and France retained their existing gold parities with the result that their currencies were revalued against the Dollar. Other countries, like Germany and Japan revalued upwards: 13.6 and 16.9 percent respectively. At the end of the day, the Dollar had been devalued by an effective 8 percent. However, the Smithsonian Agreement had not tackled the heart of the monetary problem as Meier's recording of the reaction of the main partners so graphically demonstrates:

President Nixon hailed the agreement as 'the most significant monetary achievement in the history of the world'. Walter Scheel, the German Foreign Minister, said in a radio statement that 'we have, especially with our European neighbours, a new currency relationship that will also bring relief for our economy.' But in Japan, Foreign Minister Fukuda said that the upward change in the yen's parity was 'the greatest economic shock' Japan had suffered since the end of World War II, and the opposition parties were quick to criticize Premier Sato. (20)

2.3 The Year of Fracture, 1973.

2.3.1 A Year of Europe?

If the fissures which appeared in the Atlantic Community over the
1971 Dollar Crisis were patched over by the Smithsonian truce, 1973 was
the year in which this new-styled intra-Atlantic management of differ-
ences was put to its severest test.

Two areas of conflict were to operate and both had their roots in
the enduring Middle East conflict. First, in response to the Arab-
Israeli War of that year, the United States was at serious odds with
her Atlantic partners both in their respective perceptions of that
war and in their respective responses to the conflict. This should
therefore be seen as a conflict over security. The second was an
economic conflict which revealed deep differences between the Atlantic
partners over responses to, and handling of, the Oil Crisis which was
in part a result of that War. Both these conflicts (and their inter-
relationship) are important for this study, for both demonstrate the
fragility of economic and security cohesion in the Atlantic Community in
the face of centrifugal pressures generated by individual national interest.

It was ironical that in a year during which the United States had
committed itself to refurbishing the Atlantic Community, a year in which
a new Atlantic Charter would 'create for the Atlantic nations a new
relationship' (21) that such deep acrimony in the Atlantic Community
should develop. By the year's end however the Community was deeply divided
on a wide variety of issues from trade to security.

In early 1974, the New York Times in an editorial said of the
Atlantic Community's progress the previous year:

What the United States had envisioned as the Year

21. G. Ball. Diplomacy for a Crowded World: An American Foreign
of Europe, a period of imaginative updating, a refurbishing of the NATO alliance, capped with a new Atlantic Charter, has become instead a year in which Washington's relationship with its European partners has struck an all-time low. (22)

Our task is to explain how this acrimonious relationship developed and to understand its effects on both the economic and security cohesive areas of the Atlantic Community.

An initial word of background by way of explanation is in order. In early April, 1973, U.S. Secretary of State, Henry Kissinger, in a major policy statement designated 1973 as 'The Year of Europe'. The response throughout the Atlantic Community to the suggestion was favourable. It was felt that a major overhaul of the Atlantic system (and its structures) was long overdue. In view of the termination of the hostilities in Vietnam, it was felt that the United States and its European partners could forge a new understanding in the Atlantic Community to which, over the previous decade, little real attention had been directed. From the West European perspective, the Kissinger stance was also welcomed since, with the accession of three more countries to the Treaty of Rome, it was thought that the Common Market itself could be strengthened by a renewed American endorsement. James Reston of the New York Times compared Kissinger's call to the 1947 Harvard speech of General Marshall which inaugurated the Marshall Plan. (23)

Perhaps, with the knowledge of hindsight, it is possible to argue that the overall design for a 'Year of Europe' was the victim of the domestic political circumstances in Washington associated with the Watergate Affair. But no matter how compelling the link is between domestic


policy and the successful conduct of foreign policy, neither Watergate nor the hamstrung presidency of Richard Nixon were exclusively to blame for the collapse of Kissinger's design for 1973.

Far more important were the duo of crises forced on the Atlantic Community over the events in the Middle East: the Yom Kippur War and the Oil Crisis. In addition, one should bear in mind that, however tempting it is to locate the roots of international conflict in the immediate, conflict can (and very often is) induced by differences in perception of problems held by states. The twin Atlantic conflicts of 1973, arguably arose from differences in perception on issues between the Atlantic partners.

A key to understanding Kissinger's perception of the different roles to be played by the United States and the West Europeans is offered in the same April speech which launched the abortive 'Year of Europe'. For Kissinger, Europe's international responsibilities in both security and economic matters were parochial, whilst those of the United States were global. He put it thus:

In its economic relations, the European Community has increasingly stressed its regional personality; the United States, at the same time, must act as part of, and be responsible for a wider international trade and monetary system.... (24)

And again, on the security level:

The United States has global interests and responsibilities. Our European allies...(on the other hand)... have regional interests. (25)

This is a perspective which saw Western Europe as essentially an adjunct to the United States in both the economic and security areas and which, if not directly causing intra-Atlantic conflicts of 1973, certainly


25. Ibid.
expedited them. From Kissinger's point of view, the perspective was as legitimate as it was relevant. From the moment of his energetic entrance into Washington's foreign policy-making machine, the United States had painstakingly forged a series of linkages with the Soviet Union under the overall rubric of detente. By 1973, it certainly appeared that a modicum of superpower understanding had been reached and the resulting interface between the superpowers augured well for the entire international community. The SALT accords and the exchange of technology and expertise between Washington and Moscow were but the outward manifestations of this new era.

For the Europeans, the detente canon, which endorsed the successes of Willy Brandt's earlier Ostpolitik, came to involve them in a complex series of European-centred negotiations with the Soviet Union and the Warsaw Pact countries through the Mutual Balanced Force Reduction (MBFR) talks and the embryonic Conference on Security and Co-operation in Europe (CSCE). However, despite this localised role of the Europeans, there was little doubt that Kissinger relied on European support (even acquiescence) in his negotiations with the Soviets. It is against this background of growing rapprochement between the United States and the Soviet Union that the fissures which appeared in the Atlantic Community in 1973 should be viewed.

2.3.2 The Roots of the Yom Kippur War.

Although adjacent to the Atlantic area, the Middle East cannot really be seen as a sub-system of the Atlantic security area. However, on previous occasions, particularly in 1956 and in 1967, Atlantic nations were directly involved in the conflict between Arab and Jew in the Middle East. The war of 1973 should be seen as part of a continuum of those earlier conflicts, the roots of which are to be found in the immediate post-War years.
While the decision in 1947 to establish a separate state for the Jewish people was, in part, motivated by the outcry which followed the atrocities committed by Nazi Germany against people of Jewish origin, the move was sanctioned by the United States who, in the face of a growing Jewish domestic lobby and the prevailing international mood, saw the new state as a means of exerting influence in the area. However, the establishment of the state of Israel spawned another international problem, namely the fate of the Palestinian people. The conflict between the state of Israel and the Palestinian people, with their Arab allies, has been a recurring one in post-War diplomatic history, although our concern is essentially with the 1973 War.

The first years of the 1970s were marked, in the Middle East, by a regional bipolarity which rested on a tacit alliance between the United States and Israel on the one hand and, on the other, a more formalised alliance between the Soviet Union and Egypt. This polarity was somewhat complicated by the fact that the two superpowers, given the overall spirit of detente, appeared to be in the process of pushing their Middle East allies to a modest regional accommodation whilst at the same time ensuring that they retained the necessary instruments of war.

The build-up began after the death of Abdul Gammar Nasser, the Egyptian President in 1970 and his succession by Anwar el-Sadat in the Autumn of that year. Within the Arab world, a new series of alignments appeared to be taking place which had the effect of widening the locus of the Middle Eastern conflict to directly include other states. An Arab federation between Egypt, Syria, Libya and the Sudan had been proposed and, although the federation was not consummated, it was indicative of the extent in which the Arab world appeared to be in a state of flux. It was on this unsettled atmosphere that the underrated diplomatic and political skills of the new Egyptian leader were put to the test.
Sadat's new government faced a maze of domestic problems, perhaps the most important of which was that, in a country where domestic morale was already low (as a result of the setbacks of the 1967 War), it lacked a secure political base. In the Middle East region, however, things looked more promising and Sadat set about consolidating his domestic power base by directing Egypt's attention to foreign affairs. He improved Egypt's links with the two Middle Eastern monarchies, Jordan and Saudi Arabia and to improve his image as a peacemaker, engineered a reconciliation between Syria and Jordan.

It was, however, from outside the immediate region that Sadat faced more serious problems and these emanated from the ambivalent attitude of the Soviet Union. In late 1971 and early 1972, Sadat set out to impress upon the Soviets the urgency of Cairo's regional and domestic case. The Soviets, however, appeared uncertain of Sadat's domestic political future and, because of this, appeared to treat Egypt as only a marginal ally. They appeared indifferent to Egypt's dire domestic economic situation and were indifferent to Sadat's pleas for increased arms supplies to match those which the United States had recently provided Israel.

If Moscow's indifference to Cairo made Sadat exasperated with the Soviets, it was the feelings that they, in collusion with the United States, had betrayed him, which finally prompted him to act against them. While this sense of betrayal was perhaps misjudged, it was increasingly clear that Brezhnev had agreed with the Americans to restrain the Egyptians. In July, 1972, on his return from Moscow, Sadat took the courageous step of expelling some 20,000 Soviet advisors from Egypt. (26)

In retrospect, Sadat's action made the 1973 War almost a necessity. Faced with self-imposed estrangement from the Soviets, confronted by the Israelis who appeared unwilling (perhaps unable) to yield on the crucial question of land occupied after the 1967 conflagration and, perhaps more importantly, sensing that the international community were preoccupied with problems elsewhere, Sadat's path to war was a logical one. In addition, it was made easier by a domestic constituency which was willing to wage war to regain national pride.

In the fifteen months between the expulsion of the Soviets and the onset of the War, Sadat engaged in what Coral Bell has called, 'ambiguous signalling... (which resulted)... in successful strategic surprise'. (27) In 1970, shortly after assuming the presidency, Sadat indicated that 1971 would be a 'year of decision' in relations with Israel but, preoccupied with intra-Arab negotiations and domestic questions, the year brought no major conflict between Arab and Jew. The following year, most certainly preoccupied with the Soviet issue, Sadat showed remarkable restraint towards Israel.

This restraint was even more noteworthy because the Israelis, in defiance both of U.N. Security Council Resolutions and international law, had consolidated their hold on the so-called occupied territories by building settlements on the disputed land. Despite Sadat's frequent threats, he appeared to be unable to translate his anti-Israeli rhetoric into action and, on the basis of this calculation, both the Americans and the Israelis appeared (and, indeed, were) sanguine about the likelihood of another Middle East war in the immediate future. This attitude persisted well into 1973, notwithstanding Sadat's exhortation to his troops, in

December, 1972, to be ready for war 'in six months'. The exhortation appeared to be part of an Egyptian policy of 'willing to wound but afraid to strike' and it was this seeming inability to realise the Egyptian war effort which may have provided the basis for the Israeli and American optimism. From the Egyptian perspective it certainly provided 'a successful camouflage...of...the actual seriousness of Sadat's intentions as they...(were to)...develop in 1973'. (28)

Whether or not one can trace a deliberate policy of deception in Sadat's approach to the Israeli issue over a period of almost three years is a matter of conjecture, but it is important to note that both superpowers and Israel were doubtful about the prospects of Sadat's ability to launch an attack on Israel. More alarmingly, this somnolence appeared to persist in the face of an awareness of Egyptian contingency plans; certainly it appears that U.S. intelligence sources knew that the Egyptians intended to strike sometime during the year. In addition, an increased supply of Soviet arms to Egypt in February, 1973, appeared not to concern even the Israelis unduly. (29)

Perhaps the most interesting aspect of Sadat's ploy was that it appeared also to catch Moscow unawares. It may be that the Soviets calculated Sadat's intentions along the same lines as did the United States and Israel and although, as has since become clear, Moscow was informed that the date for an Egyptian attack had been set at September, 22nd, they did not react in a fashion which indicated that they had taken the Egyptians at all seriously. Only as late as October 3rd, did the Soviets withdraw their dependents and, in view of the lack of overall preparedness...
on the part of the international community, one has to agree with Coral Bell that:

(t)he unfulfilled threats of the previous two years had left...(throughout the international community)...a pervasive impression of military irresolution (on the part of Egypt), and that this operated as a conscious or unconscious ruse de guerre for the Egyptians, concealing their intentions.... (30)

On October 6th, 1973, on the eve of the most holy day in the Jewish religious calendar, Yom Kippur, Egyptian forces launched an offensive against Israel. They crossed the Suez Canal and struck at Israeli positions in the Sinai Desert; the Yom Kippur War had begun.

For the first week of the War, it appeared that the Egyptians had the upper hand, although these early successes were nullified when the Egyptians ventured beyond the limits of their own air cover. The course of the War on the ground was matched by an intensification of superpower interaction to achieve, first co-operation, thereafter diplomatic advantage and finally, to 'manage' the conflict in terms of their overall bilateral understandings under the detente canon. Our attention needs, therefore, to be diverted from the course of the War on the ground, to these efforts because they came to impinge on the relations between the Atlantic partners, particularly when they were coupled with the Oil Crisis.

2.3.3 Managing the Yom Kippur War.

Superpower involvement in the Yom Kippur War took the form of both conflict and co-operation and these operated at carefully delineated times. Initially, the United States attempted to halt Soviet deliveries of arms and equipment to Egypt by issuing threats that the continuation thereof threatened the future of detente. At a second level, it seems as if Washington promised the Soviets that, if they assisted in putting a brake

30. Bell, "The October Middle East War etc.", op. cit. p. 534.
on Cairo, Moscow would be given a major role in the formulation of any future peace for the region. Certainly, in the early stages, the Soviets appeared not keen to decrease their arms supplies to Egypt despite U.S. threats. A partial explanation for this lies in the fact that Soviet policy-makers were themselves probably divided on the War as, indeed, they had been divided on the Middle East question for some time. Thus, the reluctance to fall in with America's requests might have been a product of indecision in the Kremlin itself.

The division in the Kremlin was probably along fairly predictable 'hawk'/'dove' lines. The latter group argued the desirability of Moscow honouring both the letter and the spirit of detente and they would almost certainly have advised the acceptance of the series of American-sponsored ceasefires during the early stages of the War. For this group, the Middle East War was only peripheral to current Soviet foreign policy which had as its lynchpin the understandings with the United States through detente. The 'hawks' were understandably less convinced of the importance of detente and sought to press Soviet interests in the area as far as possible; by stretching the United States and getting closer to Cairo. As Safran has demonstrated, as the fighting on the ground increasingly favoured the Egyptians (particularly during the first week of the War), the 'hawks' probably gained the ear of the Politburo. (31)

For the United States the War threatened the entire architecture of detente. Moreover, certainly on the surface, Washington appeared to be faced with a slugging-type conflict wherein the eventual outcome might hinge on the extent to which the belligerents could be supplied with arms

and equipment. In addition, in the face of the early Egyptian successes, America's substantial pro-Israeli lobby began to pressurise the Nixon administration to act. Nixon was thus compelled to launch a drastic re-supply operation to Israel in order to match the corresponding Soviet supplies to Egypt. Of even greater concern was the fact that the Soviets began to supply adjacent states with arms. Thus there was:

for a moment the horrifying prospect of a prolonged war sustained by the superpowers - becoming ever more violent, sucking in more belligerents, extending to ever wider areas, and involving ever more destructive weapons. (32)

More alarmingly, from the U.S. perspective was that:

...Israel, because of its relative size, could withstand this process much less than its opponents... (and)...there loomed the possibility that it might, in a moment of despair, spring the nuclear 'last resort' weapon it (was thought) to possess. (33)

If the first phase of the war was marked by Egyptian successes, the second phase, which commenced after roughly nine days, witnessed a change in the fortunes of the Israelis. An Israeli counter-attack penetrated the Egyptian front, cutting off the Egyptian III Corps in the Sinai. In the north, an attack by Syrian forces supported by Jordanian, Iraqi, Saudi and Moroccan troops, was held and pushed back on the Golan Heights. Faced with this volte face, the Soviets waivered, changed their tactics and sought closer co-operation with Washington in the 'management' of the conflict.

Moscow and Washington agreed to sponsor both a series of ceasefire proposals and a joint Security Council Resolution which was roughly modelled on the 1967 Resolution 242. These agreements marked, possibly, the apogee of superpower attempts at 'managing' the conflict. It was, however, as events showed, a highly unstable relationship for just as it

32. Ibid. p. 225
33. Ibid.
appeared that some common ground had been reached, particularly on the issue of a ceasefire, the co-operation suffered a serious setback which momentarily threatened not only security in Western Europe, but global security as well.

Following immediately upon the phase of greatest co-operation, a sequence of events took place which culminated in a worldwide alert of American forces in response to alleged preparations by the Soviets that they would unilaterally intervene in the conflict. The exact pattern of developments is unclear, but Safran does offer a plausible interpretation. (34)

First, it emerged that during the initial negotiations between the superpowers, the U.S. assured the Soviets that they were not seeking a total victory for Israel or a total humiliation of the Arabs (as in 1967). A more desirable outcome would be a 'no-win' situation which would maximise the chances for immediate peace in the region. As the tide turned against the Arabs, the Soviets invited Kissinger to Moscow where Secretary Brezhnev confirmed that this too was a desirable goal for the Soviets. In return for this confirmation, Kissinger sought, and obtained, a Soviet (and, by implication, an Egyptian) agreement on a basis for ceasefire negotiations.

Kissinger returned to Washington via Tel Aviv and whilst en route, the Soviets learnt that the Israeli forces had completely encircled the Egyptian III Corps in the Sinai, thereby cutting it off. Moscow then feared that the collapse of this front would result in another crushing defeat for the Egyptians. It was this which, secondly, prompted them to believe that Kissinger had deceived them and wished for an Israeli victory or, alternatively, that the United States was unable to bring Israel to heel. In the face of these altered circumstances, the Soviets

34. Ibid. pp. 226-227.
wishing to prevent a total collapse of Egypt, waited for an opportunity to involve themselves directly in the defence of Egypt. This opening came with Sadat's call, in the face of his own swiftly eroding circumstances, on both the United States and the Soviet Union to intervene directly to ensure a ceasefire.

Moscow then immediately issued a strongly worded note to Washington that she intended sending troops, to enforce a ceasefire, in response to Sadat's request. Washington, in turn, was fearful that the Soviets had engineered the Egyptian call under the pretext of introducing large-scale Soviet involvement in the region. Their own response to this perception was to issue a 'Defcon Three' or 'Red Alert' which placed all U.S. troops around the world, including U.S. strategic nuclear forces, on standby. This moment represents the nadir in the relations between the two superpowers over the issue. Twenty-four hours later the alert was cancelled and, the same day, Secretary Brezhnev made a reconciliatory speech.

For all intents and purposes a major superpower confrontation had been averted, although the ramifications of the U.S. action was felt by all the partners of the Atlantic Community and - as we shall see, serious Atlantic fracture had developed.

2.3.4 The Roots of the Oil Crisis.

The Atlantic fracture which developed over the 'Defcon Three' alert was however only the prelude to far deeper Atlantic fractures which were to develop over the ensuing Oil Crisis. While the War was sparked off by the unsatisfactory political and strategic circumstances in the Middle East, the Oil Crisis was wholly economic in nature. For the Atlantic Community, already reeling under economic fracture - caused by the monetary issue - the impact of the Oil Crisis was both immediate and profound. Western economies were subject to a siege not previously thought possible
and, as one observer so astutely pointed out, 'it was the first time
since Vasco da Gama that the economies of the advanced industrial states
were brought to the brink of collapse by the actions of the Third World'. (35)
It is to the issue of oil and the economic fracture it generated for the
Atlantic Community, that we should now turn our attention.

There are some indications that Western nations had, for almost a
decade, been concerned about the possibilities of a crisis over their
access to oil, but the eventual form of the crisis took a far different
route from that which their prognoses had suggested.

All the Atlantic partners relied, to a greater or lesser degree, on
the oil-producing states of the Gulf to supply their energy needs.
However, the degree of this dependency differed, particularly that between
the United States and Western Europe. Moreover, oil was their most
important source of energy because, as a result of its hitherto low price,
it had become a low-cost input into the economies of the industrialised
nations and little effort had been made to seek substitutes.

During the Middle East War of 1967, the Gulf oil-exporting states,
under pressure from President Nasser, had attempted (almost half-heartedly)
to use the oil weapon against the industrialised world. In a sense, they
lacked real conviction about the efficacy of oil as a diplomatic weapon
and the resolutions adopted in support of Nasser's call were not strictly
enforced and were cancelled as soon as possible. These circumstances
were almost completely reversed in 1973 when the oil-producing states not
only introduced the oil weapon to coincide with the Yom Kippur War, but
established institutionalised monitoring of the impact thereof to ensure
that their efforts were maximised in every possible way.

35. Quoted in G. Barraclough. "The Haves and the Have Nots". The New
If the implementation of the oil strategy was a direct result of the Yom Kippur hostilities, the notion that oil could be used as a political weapon in any future Middle East conflict, had been gestating for some time. At the beginning of the 1970s, as a result of agreements reached at Teheran and Tripoli, the oil-exporting nations served notice on the consumer countries that they could no longer count on oil prices remaining at their traditionally low levels. In addition, both Libya and Kuwait threatened the security of oil supplies by indicating that they were willing to cut back oil production. Both these factors, security of supply and price, were to play a crucial role throughout the duration of the 1973/74 Oil Crisis. At both the Teheran and Tripoli meetings, the exporting nations expressed their dissatisfaction at the existing state of the international monetary system, particularly the crippled value of the Dollar. In 1972, through the Organisation of Petroleum Exporting Countries (OPEC), they sought to ensure that consumer countries, devaluing their currencies, should continually revise their purchasing contracts so that they, the producers, should not be disadvantaged by devaluations.

The issues of price and security of supply were also highlighted in a new approach to revenue-raising from oil on the part of the producers. Until the early 1970s, producer-countries were content to use fiscal means to raise revenue on oil through taxation at the wellhead. However, a new approach to this issue was introduced by which oil producing countries ensured part-ownership of the extraction process by acquiring stakes in the oil companies themselves. These actions were modest when compared to the 1973 use of oil as a political weapon. The early moves came at

a time when oil consumption had reached unprecedented levels in the industrialised world and from the onset of the 1970s, the price of crude oil had begun to nudge up slowly. These early efforts almost certainly increased the belief amongst the oil-producers that the commodity could be used as an effective political weapon.

Almost coincidently with the beginning of hostilities in the Yom Kippur War, the Arab oil-producing states hiked up the price of crude by 70 percent and, simultaneously announced a series of systematic boycotts on consumer countries. In addition, they announced their intention to cut oil supplies by 5 percent per month until Israel withdrew from the 'occupied' territory and the international community acceded to the 'legitimate' demands of the Palestinian people. In addition to these multilateral actions, individual producer states began bilateral action against individual consumers: e.g. the Saudis cut deliveries to the United States and the Netherlands by 10 percent under the pretext that those countries were particularly 'sympathetic' to the Israeli cause. Elsewhere, the Iraqi government nationalised certain foreign oil companies and the Libyan government indicated that they might totally expropriate their oil fields.

While certainly conscious of the possibility that some pressure, through oil, might be exerted on them, the severity of the 1973 pressure caught the major consumer countries off-guard, causing both political and economic hardships throughout the international community to a degree not previously experienced in the post-War period. The Atlantic Community, with its heavy industrial base, was critically affected by the measures.

Throughout the crisis, the Atlantic Community governments attempted to deal with the problem in two ways: first, individual countries sought to satisfy their own immediate needs and, secondly, they sought to develop, as far as possible, a united approach to the problem. Inside the EC, for example, the Commission attempted to encourage the development of a contingency plan with oil-sharing as a central plank of the policy. This scheme
was largely unsuccessful and recurring fractures developed as individual EC members competed with each other for secure sources of supply. Individual EC states urged the imperative of securing strong bilateral links with individual producers, in defiance of others who sought to promote the idea of a common EC approach to the crisis. From the EC perspective, the problem was considerably complicated by the fact that the Arab approach differed from one country to the next. Countries like Britain and France, were seen as 'friendly' towards the Arab cause and other states, like West Germany and the Netherlands, as 'sympathetic' to Israel. In these circumstances, it became increasingly difficult to find common ground.

Faced with a drastic cut in their sources of oil, the Dutch (in particular) hoped that other Common Market countries would contribute to the alleviation of their problem through the development of an allocation system, but such hopes bore little fruit in the early weeks of the crisis. Instead the EC directed attention at trying to solve the cause rather than treating the symptoms of it. On November 6th, the EC Foreign Ministers adopted a resolution which, amongst other things, called upon Israel to give up the occupied territory. (37) This gesture was partially successful because thirteen days later, the Arabs responded by announcing that the member states of the Common Market, with the exception of the Dutch, would not be subject to the 5 percent cut in supplies. Thus for the Dutch the central concern remained unaffected by the EC gesture to the Arabs.

The problem in the Common Market remained one of devising, without rupturing Arab promises of delivery of crude to individual EC states,

an effective reallocation system. On the one side, the British and the French who were in a strong position, resisted the introduction of such a scheme, whilst other countries, in a weaker position, were keen to see the introduction of such a scheme as soon as possible. (In effect, the individual cases of the French and the British differed somewhat. Faced with a crippling strike of coal miners, the British government was keen to minimize the extent of the prevailing domestic hardship by not being too closely associated with the disadvantaged EC partners. Arguably, therefore, a special case can be made for the particularist approach of Whitehall.)

These differences in approach surfaced at the December 1973, meeting of European Heads of State in Copenhagen. On the one hand, the Danes, the Dutch and the Germans urged the development of an oil sharing policy, whilst on the other, the British and the French pressed for the development of either secret bilateral or multilateral negotiations with the Arab states which they thought would be more effective in the long run. There were however, two points of agreement at the Copenhagen meeting: first, that the European Commission should begin working on proposals aimed at securing an orderly Common Market energy policy and, secondly, the EC Heads of State informed the Arab states that they were prepared to go no further against Israel than the collective undertaking made at the November 6th meeting.

2.3.5 Oil and Atlantic Fracture.

While undoubtedly these intra-EC conflicts represented a setback for the joint purpose of the Common Market, fracturing over the oil issue was far more serious for the broader Atlantic Community. Initially, the United States was not seriously affected by the cutbacks in oil because her dependency on Gulf oil was less significant than her Atlantic partners.
However, as the crisis deepened, Washington came under increasing pressure to develop a response to the action by the oil-producers. A serious hurdle however, was that Washington's response to the Arab states was considerably circumscribed by her overall quest to find a settlement to the Yom Kippur War itself.

In mid-December in a speech to the Pilgrim's Society in London, Kissinger proposed that the United States, the EC, Canada and Japan should unite in a joint effort to tackle the world energy problem. As it emerged from Kissinger's speech, this effort would involve a wide-ranging action programme which would, inter alia, aim at conserving energy in industrialised nations, encourage the development of new sources of energy, develop incentives to producers to increase supplies and coordinate an international research programme.

Furthermore, Kissinger indicated that producer countries would be invited to join this international effort. Particularly with respect to this latter idea, Kissinger's invitation was similar to an earlier French proposal for a European-Arab conference on the energy crisis which had been favourably received by the Arab states. The French however, notwithstanding the similarity of the U.S. stand, were highly suspicious of Washington's motives and attempted to persuade their Common Market colleagues of the inadvisability of accepting Kissinger's proposals at face value. Two reasons may account for this French suspicion: first, a genuine fear that the U.S. proposal might appear increasingly like a consumer cartel to the oil-producers. Secondly, the French Foreign Minister, Michel Jobert, was afraid that the United States was attempting to reassert its hegemony over Western Europe.

In early January, notwithstanding the reservations of the Europeans, President Nixon repeated the Kissinger proposals and called for an energy conference to be held in Washington in February. There was, however,
some confusion over the exact brief of the Washington conference, although it emerged that it would be an exploratory meeting (attended by the foreign ministers of Japan, Canada, Britain, West Germany, Italy, Holland and France) to be followed by further conferences of consumer states and which would lead, ultimately, to a conference of consumers and producers. While the French response to the idea of an American-sponsored series of conferences was negative, the reaction of her Common Market partners was mixed.

The previous month, at the EC Council's Copenhagen meeting, the Common Market had endorsed the importance of the French proposed Arab-EC negotiations on oil. Indeed, it appeared that such plans had reached a fairly advanced stage during secret talks between Arab and Common Market foreign ministers. In terms of the envisaged understandings, the EC would enjoy considerable security of supply in return for EC technical assistance. Moreover, it became clear that the Nine planned to convene an Arab-European conference on oil early in 1974.

From Washington's perspectives, these European schemes were unacceptable because they appeared to operate against three crucial American interests. First, a possible deal between the EC and the Gulf states ran counter to the spirit of the Atlantic partnership. Secondly, and of more immediate concern, such a deal might be the prelude to EC/U.S. competition over scarce supplies of oil which would, through demand-pull price rises, drive the price steadily upwards. Thirdly, any deal based on unilateral European action, could possibly thwart Kissinger's Middle East initiative by creating the impression that his Atlantic partners were not united behind his efforts.

Accepting the invitation to the conference, the Nine resolved to speak with one voice in Washington, but they seriously drifted apart as those deliberations proceeded. This fracture between the Nine spilt over into a fracture between the Atlantic partners and confirmed the well-believed
suspicion that the entire Atlantic Community was seriously divided in its approach to the energy crisis.

It is true that under the influence of the German delegation, eight EC members, excluding France, were drawn closer to the American position and they agreed to a joint communiqué with the United States in defiance both of their Copenhagen understandings and their French colleagues. The communiqué called for the conservation of oil, it set out an elaborate system of allocation of joint supplies in the event of emergencies, called for the intensification of efforts to locate further resources of oil and the acceleration of research into energy questions through international cooperation. With regard to the particular problems which the Oil Crisis provoked for the international economy, the communiqué stressed that new financial mechanisms might be needed to deal with competing devaluations, but that every effort should be made to maintain existing exchange levels.

Perhaps the most controversial aspect of the communiqué was the agreement on the creation of a group of senior officials to direct and coordinate these efforts. It was the formation of this group which the French found most unpalatable, for they feared that the oil-producers would certainly see this as a consumer cartel, notwithstanding the fact that it was stressed that this group should begin work on a conference between consumer and producer states. The outcome of the Washington Conference represented a setback not only for the Atlantic Community but for the EC itself. Moreover, notwithstanding the obvious splits which had developed, it was discouraging because, as Turner has pointed out, '...(considering) that the conference was about oil and energy, the communiqué was disappointing (38)

In terms of the Atlantic Community, the joint undertakings to retain their cohesion in the face of the energy crisis suffered a serious setback when, in the aftermath of the understandings reached in Washington, the Nine resurrected the idea of an EC-Arab conference thereby overturning the Washington communique and returning the situation to the status quo ante, i.e. a return to the French position. (39)

Quite clearly this duplicity reflected the vulnerability of the EC over the issue of access to oil, as compared to the less vulnerable position of the United States. Further strains were added to the Atlantic Community's already fractured base when Kissinger furiously responded to this decision by the Nine as Washington had not been consulted on the revised posture. Kissinger is reported to have said:

If the present trend in Europe continues, that will raise the question of (U.S.) troops in Europe...I don't understand why we couldn't get together in a unified position. Why is it so hard to get together and mention the word 'partnership'...

We thought it (the new Atlantic Charter) would be like the Marshall Plan and that the process would end up by July, 1973. The last thing we expected was that they would start nitpicking. (40)

2.4 Crisis in Southern Africa, 1975/76.

2.4.1 Background to the Problem.

Despite muted attempts to demonstrate concern with the nascent problems of decolonisation in southern Africa, the Angolan conflict of 1975/76 was the first southern African conflict of any consequence which the Atlantic nations faced in the Seventies. From that perspective alone it is of interest however, as the Angolan crisis developed, the Atlantic nations appeared


divided as to what course, if any, the Community should take. For example, various attempts to get the EC to withhold recognition of the MPLA government of Dr. Agostino Neto in January, 1976, until a common position had been developed was thwarted when the French unilaterally recognised the new government in Luanda. More complex, however, was the precarious position which the United States found herself in over the crisis. As will be demonstrated, Washington was indirectly at loggerheads with the Soviet Union in Angola and, in so doing, she was sucked into the simmering racial problems of the entire southern African sub-continent.

While Angolan conflict was not itself as important (or as dramatic) as either of the conflicts we have considered thus far, it serves to demonstrate the inherent problems of fracture which the Atlantic Community faces over southern African issues and, as such, serves to highlight the Community's inability to handle conflicts, even those outside the Atlantic area, in a unified fashion.

Two sets of circumstances made the Angolan crisis of particular concern for the Atlantic nations: indirect historical involvement with the decolonising power, Portugal, and secondly, differing perspectives between the United States (in its role as the superpower) and those of the West Europeans with more limited concerns and responsibilities.

In a very real sense, the Atlantic Community was a (largely unwilling) partner in Portuguese colonisation as a result of Lisbon's membership of NATO and, for the purposes of background, we shall trace how this developed.

Portugal's association with the Atlantic nations stems both from her geographical location on the Atlantic seaboard and from historical circumstances. British links with Portugal, for example, stem back to 1373 when, on Corpus Christi Day, the first British-Portuguese pact was signed. (41)

In more recent times, however, Lisbon was drawn closer to the Atlantic nations by the events of the Second World War. In those years, notwithstanding Lisbon's neutrality, the British and American governments, in an effort to protect Allied shipping in the North Atlantic, sought use of the Azores archipelago from the Portuguese government. In return for its use, the government of Dr Antonio Salazar sought an Allied promise of protection in the event of German recrimination. In October, 1943, British troops were despatched to the Azores and, from the onset of 1944, air activity from these islands considerably cut Allied losses in the North Atlantic. With the cessation of hostilities, the Portuguese, by virtue of an invitation from the British, joined NATO.

While at the time the move was widely welcomed throughout the Organization, it soon became clear that Lisbon's African policy was an embarrassment to her NATO partners. Although her membership was enthusiastically supported by Britain, France and the United States, other NATO partners, like Norway and Denmark, soon found themselves opposing Portugal in the United Nations and elsewhere over her African policy. This in turn generated increasing unease on the part of some of her sponsors in the Atlantic Community.

However Portugal filled an essential structural role in NATO as a result of her strategically important location on the eastern seaboard of the Atlantic. Portuguese forces did not fall under NATO's European Command, Supreme Allied Command Europe (SACEUR), but under the Atlantic Command, Supreme Allied Command Atlantic (SACLANT), which was based in Norfolk, Virginia. She was however, linked to the European sector by the location of a subordinate command of SACLANT on her soil. In this fashion, Portugal acted as a liaison between the European and American structures of NATO.

In addition, early in the 1970s, notwithstanding her precarious
standing in the Atlantic Community as a result of her African policy, the United States drew Lisbon closer in a renewed agreement by which the island of Tecceira in the Azores was retained as an American base in return for U.S. aid and arms. In addition, the French, through a similar arms-based deal, had located a tracking station on the island of Flores also in the Azores.

Portuguese colonial involvement in southern Africa dated back to the 16th Century when Portuguese traders, anxious to find a route to the rich Indies, first rounded the Cape of Good Hope. In the late 19th and early 20th Centuries, the Portuguese attempted to consolidate their hold over their two southern African colonies of Angola and Mozambique. This process of consolidation intensified after the Second World War, notwithstanding the political and economic thrust towards decolonisation elsewhere in Africa. In addition, throughout the post-War period, the Portuguese were uncompromising in their colonial aims until the collapse of the Portuguese dictatorship in April, 1974. The policy with regard to these provinces rested on an understanding that, irrespective of their geographical location, they formed an integral part of metropolitan Portugal.

However, with the onset of the decolonisation process elsewhere in Africa, Portugal was, within the short space of a decade, fighting a series of wars on many fronts in her African colonies. Notwithstanding her own precarious economic circumstances (she was, per capita, the poorest state in Africa), there appeared little hope that the Portuguese government would reformulate her African policy. Indeed, it may be argued, that her determination to persist with her African policy was prompted by her desire to retain the considerable contribution which these colonies made to the exchequer in Lisbon.

For the Atlantic Community, the Portuguese nexus was, for the best part of the post-War era, a troublesome one: a founder member of NATO was coming
under increasing international disapprobation and, despite muted efforts on the part of certain NATO partners to persuade the Portuguese to alter her colonial policy, there was little that the NATO partners could do short of pushing Lisbon out of the Alliance and exposing the Atlantic seaboard. (42)

The NATO partners were further embarrassed when arms, intended for Portugal's role in NATO found their way to assist in the retention of the colonies. But not all the voices in the Atlantic Community were hostile to Lisbon. Sir Alec Douglas Home, the British Foreign Secretary, for example, urged African states - which had long protested against Portugal's African policy - to 'trust (in) the methods of negotiation, patience and persistence in seeking a compromise with the Portuguese.' (43)

There is little doubt that Lisbon used her position in NATO to retain her hold on the African colonies, particularly during the 1960s. In that decade, despite the escalation of three wars of national liberation in Africa and the increasing international hostility generated by her obdurate determination to hold onto her African possessions, two successive Portuguese governments under both Salazar and Caetano, defied the international community. Ironically, however, notwithstanding the use of the NATO 'lever', the Portuguese were being increasingly isolated from the international community and were, through this process, thrust closer towards the minority-rulled regimes in southern Africa, Rhodesia and South Africa. This situation was dramatically demonstrated by Ronald Chilcote when commenting on the 1961 insurrection in Angola:

Dr Salazar has reiterated the firm stand of a dedicated ruler determined to overcome the Angola crisis at the risk of the downfall of his own regime as well as of his colonial empire. In what might have been moments of


reconciliation to appease world-wide condemnation of his efforts to crush the revolt in Angola, Dr Salazar attacked both the United Nations and the United States. He accused the U.N., which by the overwhelming majority vote of its members has sought to investigate the Angolan crisis (of 1961), of mob rule; and the U.S. of aligning itself with the Soviet Union to condemn Portuguese rule in Africa, (as) a policy designed to win U.N. votes in the Cold War, but which has served Communist subversion in Africa. Portugal, who has used her ties with the North Atlantic Treaty Organization as a leverage to rule overseas possessions, today stands alone as the Western allies muster together the strength to face a mounting Berlin crisis. Her only enthusiastic support come from 'apartheid' South Africa and Spain's General Franco... (44)

This hands-off strategy was pursued for more than a decade and a half as the NSSM 39 (45) options outlined by the Nixon administration in 1969 so graphically demonstrated. Even the United States was convinced of the determination of Lisbon to retain her African colonies and predicated, as we shall see, her entire southern African policy on this belief. It was however a situation which was to be dramatically overturned by the successful coup in Lisbon which toppled the Portuguese dictatorship in April, 1974.

The record of the Angolan liberation effort has been most ably recorded (46) and is of little central importance to this study. Our task is to turn to three questions which posed dilemmas for the Atlantic


Community: (i) the nature of the Atlantic interests in southern Africa at the time of the 1975/76 Angolan War; (ii) the overall perceptions held by the Atlantic nations of Angola and the War and; (iii) the policies which were adopted.

2.4.2 Atlantic Interests and Angola

The West European states had few direct channels to the three main parties involved in the struggle for power in Angola. Moreover, the three movements in the struggle, the People's Movement for the Liberation of Angola (MPLA), the National Front for the Liberation of Angola (FNLA) and the Union for the Total Independence of Angola (Unita), having been refused arms from the West for their cause, had sought these from the Soviet Union and the People's Republic of China. The Europeans further distanced themselves from these movements by refusing to support African calls that they should boycott Portugal in protest against her African policy.

Despite this African alienation, the Europeans did have interests in the region. For the French, the Republic of Zaire was an integral part of their 'special relationship' with the Francophone states of Africa and Zaire bordered on Angola. The British retained interests both in the southern African hinterland and in the south. Here, the inability to bring a successful conclusion to the Rhodesian impasse gave them both political and legal responsibilities in the region. A less particular interest faced the Bonn government which retained, also as a result of early colonisation, an interest in Namibia/South West Africa to the immediate south of Angola. All these Atlantic states had, therefore, an interest in ensuring that whatever government came to power in Luanda it should be both stable and, if possible, pro-Western.

Alone amongst the Europeans, the Scandinavians, without direct
historical links to the region, had developed cordial ties with the three competitors for power in Angola. As a result of these ties, throughout the duration of the 1975/76 crisis, the Scandinavian position is less prone to serious doubt and remained consistent, notwithstanding the changing fortunes of the various competing factions for power in Angola.

The position of the United States with regard to Angola was the least enviable of the Atlantic nations. Washington had previously given little or no assistance to the three movements and, apart from muted attempts to push the Portuguese into toning down their African policy, had, as we have noted, strengthened her bilateral ties with Portugal. Successive U.S. administrations stressed the importance of Portugal's role in NATO and urged that 'a more sympathetic attitude' towards Portugal's African policy could produce a remarkable change in Portugal's views on the world. Quite clearly, the U.S. view of Angola was not based on the merits of the African case, but rather the role which Lisbon fulfilled in NATO itself. There can be no doubt that Portugal's use of the NATO 'lever' in her African effort was most successful particularly with Washington and that, encouraged by these diplomatic successes, she was even more determined to pursue her African war effort. (47) The wisdom of the American posture on Portugal seemed well vindicated when, during the Yom Kippur War, Lisbon had allowed the U.S. to use the Azores in their effort to resupply Israel with arms and equipment. No other NATO partner was prepared to grant this facility to the Americans.

The freedom of the United States to act in the Angolan crisis was further complicated by the fact that U.S. business interests had been increasingly encouraged by the Lisbon government to invest in the

considerable economic potential of Angola and, through this economic involvement, the U.S. was seen as a willing partner in the Portuguese war effort in Angola. In 1966, for example, the Gulf Oil Corporation, began drilling for oil in the Cabinda enclave and by 1972 these riches were 'pumping over $60-million into the Portuguese-American treasury'. (48) With the rise in the price of oil in 1973, these revenues soared to $400-million. In addition, other U.S. interests, anxious to benefit from promising geological reports from Angola, poured long-term capital into projects to exploit diamonds, oil and phosphates.

While this evidence certainly indicates that the U.S. had firmly resolved to support the Portuguese involvement in Angola, other evidence suggests that the United States had, from the early 1960s, given covert assistance to at least one of the factions fighting in Angola, namely the FNLA faction under Holden Roberto. Such support does not however, detract from the indisputable fact that the central thrust of the United States policy was to support the Portuguese political effort in the territory and that the underlying raison d'etre was based on an evaluation of Portugal's role in NATO. It was furthered by the encouraging assessment of key U.S. policy advisors on the situation in Angola itself. Marcum points out:

(The Nixon Administration) was persuaded by the counsel of such procolonial advisers such as the former ambassador to Lisbon and member of the President's Foreign Intelligence Advisory Board, George Anderson. Rather than an 'over-emphasis' on 'political progress' for people who were not 'ready', Anderson said, the United States ought to help Portugal end the guerrilla warfare that drained resources away from the development of Angola and other African territories.... (49)

Moreover, the complexity of the overall U.S. perception of the

48. Ibid. p. 237.
49. Ibid. pp. 237-238.
situation in the country was exacerbated when:

Concomitantly Lisbon's public relations activities in the United States focussed increasingly upon investment and trade opportunities in its African territories, and the giant business firm, Companhia Uniao Fabril (CUF), commissioned the Hudson Institute to carry out and disseminate a study of development prospects in Angola.... (50)

With the knowledge of hindsight, when viewing the record of the United States in Angola and speculating on future U.S. policy towards the other problems of southern Africa, one must take seriously Marcum's concluding thoughts over the U.S. role in Angola. He writes:

The failure to generate and implement a comprehensive, consistent and principled public policy to govern or guide the totality of the American involvement was at the very least as shortsighted as it was expedient. Glaring inconsistencies between statement and action, between public and private intrusion, raised questions about both the credibility and consequences of American policy similar to those raised by America's tragic misadventure in Vietnam. (51)

While America's posture towards the war of national liberation in Angola rested on an assessment of Lisbon's role in NATO, there was little evidence, certainly well into the 1970s, to suggest that the posture was based on a false assumption over the stability of the government in Portugal itself. But, as we now know, the Caetano regime was under severe domestic pressure which culminated in the coup of April, 1974. While the root causes of these domestic pressures were not difficult to detect, only the most confident observers were prepared to predict that the Caetano government was on the point of collapse prior to the event itself. Certainly the tell-tale social signs were present: widespread economic dislocation and crippling inflation were fuelled by the wars in Africa, there was massive emigration to the rest of Europe of

50. Ibid. p. 237.
51. Ibid. p. 240.
Portuguese people (including many draft-dodgers) and widespread demoralisation and disaffection in the hitherto powerful military establishment almost entirely due to the wars in Africa. Moreover, especially in the period immediately prior to the coup, there was an increasing spiral of anti-Caetano terrorism and sabotage.

In these circumstances, it was not surprising that it was the military which spearheaded a coup which was quick and bloodless. From that moment forth, the Atlantic nations were embarrassed by the extent of their close ties with the old regime and the underlying assumption of Washington's (and, indirectly, the Atlantic Community's) pro-Lisbon African policy was wrecked. While immediate attention was focussed on Portugal's future in NATO, it was patently clear that the event was to have far more dramatic implications for the entire southern African sub-continent.

The new Portuguese government of General Antonio Spinola announced that it would end the wars in Africa and sanction the move towards self-determination for the peoples in all three of the African possessions: Mozambique, Guinea-Bissau and Angola. In the case of the former two, however, single national movements had emerged and the path to decolonisation was a smooth one, in Angola however three movements had operated and the path to independence was far more problematic.

From the time of the coup until the end of 1975, the Portuguese moved ahead swiftly with their plans to transfer power in Angola. Throughout the same period, the three competing factions set about organising themselves politically and building up their sources of external support. The FNLA faction under the leadership of Holden Roberto which drew their support from the Bakongo people in the northern provinces, received arms and instructors from the Chinese. With their close links with neighbouring Zaire, the FNLA forces consolidated their power in the north of the country. The MPLA group under the leadership of Dr Agostino Neto, comprising diverse groupings
throughout the country, with particularly strong support around the
capital of Luanda, began to receive increased Soviet support in the
Autumn of 1974. (This was in fact the resumption of Soviet assistance
which had been temporarily halted in 1973 after a series of schisms
within the movement's leadership). The other faction, the Unita movement
under the leadership of Dr Jonas Savimbi, which was largely deprived of
foreign patronage, began to consolidate a power base in the south-central
region of the country.

At the beginning of 1975, with the help of various African leaders,
the Lisbon government sought to bring these factions together in an
attempt to form a movement based on national unity, but deep ethnic
and other differences made any reconciliation impossible. It was clear,
even to the most myopic observer, that the failure to establish a unified
movement would mean large-scale civil war in Angola after the scheduled
Portuguese withdrawal from the country on November 11th, 1975. It was
this prospect which faced Atlantic policy-makers in the Winter of 1975/76.

2.4.3 Angola and Atlantic Fractures.

While the West Europeans with relatively less at stake than the
Americans, could afford to remain somewhat aloof from the conflict -
albeit momentarily - the Ford administration was faced with a series of
unenviable choices over the crisis, particularly after the Soviets resumed
their active support of the Neto faction. In January, 1975, the U.S.
government turned their attention to the Angolan issue almost for the
first time since the Lisbon coup and, in February, the National Security
Council authorised a covert U.S. grant of $300 000 to the Roberto faction. (52)
No funds were however given at that stage to the Savimbi faction and Marcum

52. Ibid. p. 257.
has suggested that this was prompted by the U.S. administration's 'irrepressible habit of thinking in terms of 'our team' and 'theirs' ...which (had) enticed the administration into choosing (only) one side.' (53) However, in the Spring, this policy was revised and the administration sanctioned a similar grant to the Unita faction. (54) By this stage, it had become increasingly clear that the FNLA and Unita factions were being drawn increasingly together.

Meanwhile the Soviets had considerably stepped up their support for the MPLA faction by delivering larger and larger shipments of arms and equipment. In response to this, despite divisions in the State Department, (55) the U.S. increased their aid to the FNLA and Unita factions by $10-million. In this escalating fashion, the superpowers were drawn increasingly onto opposing sides of the Angolan conflict.

It is important to note that at no point prior to the Autumn of 1975 was there any serious attempt on the part of the superpowers to 'manage' the nascent crisis in Angola. Indeed, Kissinger noted that it was only 'at the eleventh hour in October that the United States made any 'overtures' to the Soviet Union with regard to Angola.' (56) This marks an important point of departure for it contrasts markedly with the efforts to 'manage' the Yom Kippur conflict under the overall understandings of detente.

It seems possible to argue that, in the absence of any efforts to 'manage' the crisis by the superpowers, the covert supply of arms to the two sides in Angola may have slowly escalated until saturation point, had it not been for the introduction of outside troops into the conflict. In October, 1975, South African troops entered Angola from South West Africa/Namibia under the pretext of protecting South Africa's interest in the hydro-electric schemes in southern Angola. Later the same month, Cuban troops and advisers entered Angola and fought with the MPLA forces.

From this point on, a mix of civil war and interstate war raged in Angola for the next three months. On the one side, the Cuban forces fought with the ultimately victorious MPLA faction whilst, on the other, FNLA and Unita forces assisted by South Africa fought with, initially, covert support from the United States. This line-up might well have continued even longer had it not been that the Ford administration came under increased pressure at home to reveal the true extent of their involvement in the war. Finally, a brake was put on the U.S. administrations effort by the overwhelming opposition of both Houses of Congress. When this happened and U.S. support dried up, the FNLA/Unita effort faltered and South African assistance was withdrawn. To all intents and purposes, a serious regional and latent superpower confrontation had been avoided.

Judged from the U.S. perspective, the Angolan crisis should be seen as a setback for Kissinger's global designs. First, there seems little doubt that, despite Kissinger's hopes that both sides would refrain from confrontation because of the understandings reached under detente, the Soviets had pressed home their advantage in Angola. For Kissinger, detente centred primarily on global considerations while, so it appears, the Soviets had a more parochial understanding of the nature of the exercise - perhaps even interpreting it only as relevant to Europe.
Whether by accident or design the United States found itself on the same side as South Africa which was unpalatable in many domestic quarters in the United States and, most certainly, throughout the rest of Africa. Moreover, the United States and, of course, the Cuban/Soviet partnership had violated one of the cardinal rules of African inter-state diplomacy and of the OAU, namely, the illegality of outside intervention in African affairs. It was certainly because of the implications of the South African connection with the United States that, relatively-speaking, the Soviets and Cubans were condemned less than the United States.

Quite patently the European states were, as a result of their Atlantic links, seen to be indirectly involved in the interface between the superpowers in Angola. However, as in the case of U.S. involvement in the Yom Kippur War, Washington had kept her Atlantic partners uninformed on the true nature of her involvement in the crisis, thus endorsing the observation that, in certain circumstances, conflicting roles were played by the United States as, on the one hand, a superpower and, on the other, a member of the Atlantic Community.

It may be that West European interests in Angola were more parochial and that their involvement in the war was less certain than that of the United States. However, we need to take note of R.W. Johnson's fascinating, though undocumented, account of these events, which tells of extensive French backing for certain of the Angolan liberation factions, most notably the FNLA. (57) Certainly, French interests in Zaire and elsewhere in Francophone Africa may have been threatened by a possible destabilisation of the region as a result of Angola. Johnson also points out that the French had extensive interests in the oil-rich enclave of

Cabinda and that this prompted them to give support to a minor national movement in the enclave, the Front for the Liberation of the Enclave of Cabinda (FLEC). How much, however, one should read into Johnson's account of a carefully orchestrated (although ultimately unsuccessful) French strategy over Angola is however a matter for conjecture.

Certainly throughout the duration of the conflict, the French appeared most reluctant of all the EC states to contribute to the co-ordination of a joint Common Market foreign policy posture on the Angolan issue. In December 1975, acting on a proposal from the British, the EC attempted to issue a low-key statement on the crisis, but this move was however thwarted by French vacillation. This evidence adds credence to Johnson's view that Paris had a special interest in the events. (It also underscores a central argument of this study that not only can the Atlantic Community be divided by crises, but that, on a more confined level, the EC can also be divided.) These European divisions were further exacerbated when, on February 15th, 1976, the French defied the eight other members of the EC by unilaterally recognising the MPLA government in Luanda. Only 48 hours later did the eight other EC members extend the same recognition.

This French unilateral approach was a telling blow for Common Market efforts to develop joint approaches to foreign policy issues which had been a long-standing EC goal. In so doing, the French demonstrated the difficulties involved in trying to pool separate national interests in the common interest - a central problem, as we have noted, in international community-building.

Whilst it was clear that in principle the EC was united in the question of recognition, the timing of the joint-statement was thought crucial. Bonn wanted to delay recognition for two reasons: first, she was expecting a visit by the foreign minister of Zaire, a country which had opposed the MPLA claim to power in Angola and, secondly, she was swayed by a telegram
from the State Department which urged delay in according the MPLA govern-
ment formal recognition. (58) The Belgian government was expecting a
visit by the foreign minister of Zambia, a government which was equally
ill-disposed to the MPLA faction. However, France appeared either ill-
formed or unsympathetic to these issues and thereby was responsible for
fracture in the EC over the issue.

It is important to note that, throughout the gestation and development
of the Angolan crisis, the Atlantic Community was deeply divided. These
differences arose from differing perceptions of national interest (e.g. the
U.S. desire to match Soviet involvement) and differences of style (e.g. the
French recognition of the Neto government prior to the EC move). Thus,
even outside the parameters of its Atlantic setting, the potential for
fracture in the Atlantic Community appears real and continuing.

2.5 Atlantic Fractures in the 1970s: An Assessment.

2.5.1 The Monetary Issue.

A central premise upon which this study rests and which is developed
in Chapter One holds that issues of security and economy are the central
pillars upon which the Atlantic Community rests and that the overall
direction of these is centripetal. In discussing the build-up to the
Dollar Crisis of 1971, we noted that the structures developed at the
end of the War had institutionalised economic and security issues through,
firstly, the development of the Bretton Woods System and, in a revised
instance, the NATO arrangements.

With reference to the 1971 crisis, we noted that the stewardship
of the monetary (and economic) system rested, until that crisis on
the pivotal role played by the U.S. Dollar with its loose ties to gold.
Architecturally at the time of its inception, there was little to doubt
the wisdom of this system and its collapse reflected two crucial problems:

p. 63.
first, that wide-ranging changes in international economic relations had eroded the apparent sound base upon which the system rested and, secondly, that, in the face of these changes, little effort had been made to refurbish the system or its institutions.

The 1971 crisis demonstrated, above all, the high level of economic interdependence which had been achieved between the United States and the Western Europeans (as well as Japan) in the years between 1944 and 1971.

This interdependence had two aspects which are crucial in trying to assess the impact of that crisis on the Atlantic Community. First, it rested on the preponderant position which the United States occupied in the international monetary structure. It was this preponderance of power which meant that any adjustments made in accordance with U.S. national interest (chiefly domestic interest) were transmitted throughout the system. Thus it was that the New Economic Policy announced by Nixon on August 15th, 1971, was envisaged as a step along a logical path to U.S. domestic economic recovery which was so critically needed if Nixon was to secure a second term in office. Its minor concern, it may be argued, was to reassert the dominant role of the Dollar within the monetary mechanism. Secondly, the existing interdependence highlighted the fact that, in the face of changing circumstances, the structure of the system was unsound. The very fact of interdependence, resting as it did on the Dollar both enabled the U.S. to act unilaterally in Washington's own interests and, in so doing, to cause trauma throughout the system.

It was clear that the international monetary system rested on an asymmetry of power with the U.S. as the dominant partner. A similar asymmetry existed in the security field in both the conventional and nuclear areas. However, paradoxically, the all-round ability of the dominant partner, in this case the U.S., was circumscribed by having to choose between achieving domestic goals (or foreign interest goals) at
the expense of inflicting harm on its other partners. Thus, in normal circumstances, the senior partner has to take cognisance of the requirements of the junior partners in the system. Its freedom to act unilaterally is thus set at certain thresholds, for if it passes these, the entire system will face collapse.

A parallel restraint appears to operate on the junior partners in an interdependent system. Here, the reconciliatory gestures of the Europeans (and, indeed, of the Japanese) indicates that, for all its weaknesses, they retained an interest in keeping the overall structure of the system intact. As their economies had become increasingly interdependent, the costs of unscrambling the entire system were simply too high for any one government, including the French, to consider seriously. Thus, understandably, prevailing patterns of restraint in Atlantic interdependence operate in both directions - from senior partner to junior and vice versa - and they have the cumulative effect of both reinforcing the system and keeping it intact.

It was arguably this latter point which generated an atmosphere of compromise at the time of the 1971 Dollar Crisis. This is itself a product of interdependence, but focusses attention on the extent to which states, in an inter-linked economic system, will resort to crisis management as a measure to prevent collapse. As we shall see when discussing the Atlantic Community's future relations with South Africa, crisis management takes on a particularly important role.

Thus, the 1971 Dollar Crisis was a particularly interesting example of intra-Atlantic conflict. First, after neglecting the root cause of the crisis, viz. the balance of payments question for so long - some have dubbed this 'benign' neglect - the U.S. acted both swiftly and unilaterally. The tirade of scorn which was poured on the head of Treasury Secretary, Connally, is almost legendary and while it is, in some respects, justified,
it alone cannot be held responsible as the central cause of tension. It is also undoubtedly true that his actions:

violated the letter and spirit of reigning international law in both the monetary and trade fields, (and that it did) reverse the traditional American role of leading the effort to strengthen the rules governing global conduct. (59)

However, it should be acknowledged that the urgency of the moment required specially tough measures to correct the underlying problems in the system. Furthermore, to place Connally's actions in some realistic perspective, we need to recognise that no other partners in the Atlantic system were in a mood to act in order to correct it by, say, unilaterally revaluing their own currencies. Thus, arguably, U.S. brinkmanship was the only answer to achieve their own goals and inevitably it was this brinkmanship which violated the spirit of the Atlantic understandings and ruptured the cooperative ethos in the Community. We should note, however, the fact that the crisis was resolved without a major collapse may perhaps exonerate both Connally and the Nixon administration.

The 1971 Crisis also demonstrated the extent to which issues of economic co-operation between the Atlantic partners were intertwined with security questions. There can be little doubt that the swiftness, particularly on the part of the Europeans, to accept the compromises reached at the Smithsonian Meeting was, in part, prompted by their fear that the United States, in the face of growing domestic criticism (particularly from the sympathisers of Senator Mansfield), might seek to reduce their security obligations to central Europe. In the United States, throughout the gestation of the crisis, the crippled state of the Dollar had been linked to the question of U.S. troop commitments in Europe.

For the Europeans this factor raised issues which had been dormant for more than a decade on how far they would (or, in the early years of NATO, could) go to meeting the costs of U.S. defence commitments in Europe.

These fears and their subsequent willingness to accommodate Washington surfaced at a meeting of NATO defence ministers held a month before the Smithsonian meeting. At this Meeting, the Europeans decided to increase their respective defence allocations to NATO, rather than choose an alternative route of making a direct contribution to the United States to offset the costs of the U.S. defence effort in Europe. (This latter course would have been politically less popular in Europe as the U.S. was still involved in Vietnam and that conflict had reached its penultimate stage.)

The link in this instance between economic and security questions is not incidental. As argued, the entire edifice of post-War settlements rested on buttressing areas of strategic concern with U.S. military and economic power. Clearly, therefore, the manipulation of either or both these levers to achieve U.S. national interest was the logical outcome of post-War U.S. planning. Equally, the nascent isolationist pressures in the U.S. made it expedient for Washington to use both levers simultaneously to achieve domestic and foreign goals: placating domestic pressure and playing on the relative weakness and insecurity of its Atlantic partners.

Judged in retrospect, Nixon's New Economic Policy and the Smithsonian understandings did not resolve the necessity to restructure the entire monetary system, for similar problems were to resurface throughout the 1970s. Indeed, the New Economic Policy was itself a cause of serious fracture. It will be recalled that it rested on three pillars: (i) to end Dollar convertibility into gold; (This was a largely symbolic move, though it focussed on the need for more important structural changes.) (ii) the need to achieve domestic U.S. goals; (to check inflation and thus
secure a firm economic base through which Nixon could launch his third assault on the White House) and: (iii) the surcharge question (wherein conflicts in the Atlantic Community were most prevalent). We need, therefore to consider this latter aspect in more detail.

It will be recalled that a 10 percent surcharge was imposed on goods already subject to duties but not on goods that were duty-free or subject to the quota system. In its application it affected some 50 percent of U.S. imports and, while the immediate aim was to correct the American trade deficit, its effect on America's trading partners was profound. Undoubtedly the surcharge was the most risky element on the package for it directly affected the entire modus operandi of the international trade system. Its use as a lever to force the realignment of currencies was seen by the Europeans as an 'extremely crude bludgeon' and it ran the risk of raising a mercantilist-type trade war between the Atlantic partners contrary to the spirit of the post-War settlements. While it was true that other Atlantic nations had, sporadically, used the same instrument to improve their own balance of payments situation, its use by the most powerful economy set an important precedent which, if emulated elsewhere, might disrupt the undertakings of GATT. In addition, the manner of its implementation raised serious doubts about U.S. credibility on treaties elsewhere in international life, particularly, coming as it did, in close succession to the China initiative and the Nixon Doctrine which had already caused some suspicion about the seriousness of Washington's other global undertakings.

For the European Community the surcharge was particularly irksome as it placed additional pressure on the controversial Common Agricultural Policy (CAP). Indeed, the CAP was the main European target of Nixon's surcharge for the Americans had long held the view that the CAP was protectionist and discriminatory against U.S. agricultural products. However, the attack on the CAP was widely interpreted as an attack on
the institutions of the Common Market as a whole. Moreover, the CAP was the most sensitive question in the EC itself and had divided, particularly, the Germans and the French. It was only the agreement on the formation of closer monetary union - which was also affected by the 1971 Crisis - which had prevented differences over the CAP from leaving deep scars between the EC states themselves. In this fashion the surcharge, by its attack on the CAP, complicated relations inside the Common Market.

Thus, although the surcharge was lifted under the Smithsonian understandings, when a de facto devaluation of the Dollar was agreed, it had a two-fold effect on Atlantic cohesion. First, it indicated the extent to which the U.S. might move in the abrogation of Atlantic understandings to achieve its domestic interests, and, secondly, it endorsed the view that integration in the European Community was fragile and, often, without force in the face of external pressure.

In viewing the 1971 Dollar Crisis and its effects on the centripetal forces inside the Atlantic Community, two broad conclusions are suggested. Initially, it must be recognised that at no stage, except during the brief French challenge to the Dollar, did the economic basis of the Atlantic Community appear to face total collapse. Indeed, quite the opposite appears true: an increased desire to co-operate on monetary matters, through compromise, was forthcoming. What was seriously affected was community spirit or ethos, particularly in the field of economic relations. Moreover, the fact that the underlying structural problems which were responsible for the crisis were left to develop for so long, may be indicative of the Atlantic Community's inability, owing to a lack of appropriate mechanisms, to detect and manage contingencies.

Secondly, whilst the United States indirectly threatened to use their security undertakings to Europe in an effort to arrive at an acceptable accommodation, at no point was action on this matter actually taken.
However, the fact that it was not used, was no guarantee to the West Europeans that it would never in a future crisis be employed. There remained thus an immutable link between the economic and security basis of the Atlantic Community and the links between the two can be ignored only at the peril of the Atlantic partners.

2.5.2 The 1973 Fracture.

For understandable reasons the fractures which appeared between the Atlantic nations over the twin crises of 1973 should be seen as multiple. Not only was there the fracture as a result of the dual role played by the U.S. as a superpower and as an Atlantic partner, but also fracture between the EC states themselves as they clamoured for access to scarce supplies of oil. There was also fracture between the United States and the Common Market over the oil issue. Despite, however, the multiple nature of these fractures, at their heart were two crucial issues: economic and security relations in the Atlantic Community.

For the purposes of our analysis, we shall give special attention to two areas of fracturing in the Atlantic Community. The first, is the divisions which developed in the EC over the oil issue. Secondly, we need to consider in greater detail the series of fractures which developed in 1973 between the United States and its European Atlantic partners over both the Oil Crisis and the Yom Kippur War. Both sets of fracture demonstrate the inherent fragility of the Atlantic Community.

With regard to the latter fracture, the most important issue arose from the determination by the United States to try to 'manage' the course of the Yom Kippur War with the Soviet Union. Quite clearly, this had its roots in Kissinger's belief that the two superpowers had a 'special' relationship and ipso facto the U.S. responsibilities were global whilst those of his Atlantic partners were parochial. In this fashion, Kissinger
acted as a 'major stockholder' in a company and, throughout his efforts to secure a peace in the Middle East, appeared both mystified and disappointed when his Atlantic partners, faced themselves with the growing urgency of the oil issue, protested at the way he was using them as part of his negotiating strategy with the Soviets.

Throughout Kissinger's efforts to secure a settlement in collusion with Moscow, the European states were surly and often unco-operative and this tended to exacerbate an already problematical situation. The Germans, for example, publically protested against the use of German ports to ship arms to Israel and the British refused to let the U.S. use their bases in Cyprus for reconnaissance flights over the troubled Middle East region. In addition, there was even a nefarious suggestion that certain of the Atlantic partners, probably spearheaded by the French, seemed 'to have been positively mischievous, encouraging Syria to remain intransigent towards the American effort to secure a ceasefire on that front'. (60)

On the other hand, for Kissinger, engaged in what he saw as America's global responsibilities, the tacit support of his Atlantic partners was critical in his relations with the Soviets and the (often) open reluctance of the Europeans to enthusiastically applaud his Middle East plans were, understandably, disappointing. Indeed, as Alastair Buchan so perceptively pointed out, it was ironic that Kissinger, the man who had made a study on 'The Troubled Partnership' should have been caught by the very troublesome nature of what he had aimed at condemning in that study. (61)

The European actions on the issue appeared to Kissinger to have bordered on the trecherous and his complaint to a group of European

60. Bell, "The October Middle East War etc.", op.cit. pp. 539-540.
parliamentarians expressed the extent of his disaffection:

(The Europeans have) acted as though the alliance
did not exist...(and, the reported aside)...I do
not care what happens to NATO, I am so disgusted.... (62)

For the Europeans however it was Washington, more particularly
Kissinger himself, who had to shoulder the blame for the disunited state
of Atlantic affairs during 1973 and for the collapse of the 'Year of
Europe' idea. His highhandedness and, perhaps more important, his
desire to conduct superpower diplomacy without consulting his partners
(although relying on their tacit support), deeply disturbed them. Not
only were they not consulted on the general lines of his Middle East
strategy, but, more alarmingly, they were not consulted on the question
of the 'Defcon Three' or 'Red Alert' which crucially affected their own
security. Indeed, it is possible to argue that the Europeans knew less
of U.S. intentions in the region than did the Soviets. Certainly:

all that the Europeans could see were a number of
diplomatic moves played out as a result of the
bilateral negotiations between the United States
and the Soviet Union - a game of chess from which
they were excluded but whose incidental effects
might have a catastrophic impact on the welfare of
their own peoples. (63)

Moreover,

it is impossible to sympathise or co-operate with a
policy if one remains uncertain what the policy is;
and it rather (looked) as though Party Chief Brezhnev
had a better idea of it than President Pompidou, Chan­
cellor Brandt or Prime Minister Heath...(Even) in the
Cuban missile crisis of 1962 President Kennedy dis­
patched special envoys - envoys known and trusted by,
European statesmen - to explain his position. Nothing
of this kind occurred on this occasion. (64)

63. Ibid. p. 239.
64. Ibid.
Thus on this level of fracture, we are concerned with the security questions of the Middle East crisis, particularly the manner in which the Yom Kippur War impinged indirectly on the security understandings of the Atlantic Community. The fracture was one of perception, with the Europeans believing that the United States was giving priority to its superpower understandings with the Soviet Union, and the Americans believing that the Europeans were both unsupportive of, and unsympathetic to, Washington's efforts to secure a peace in the Middle East. Moreover, it appeared to Washington that her Atlantic partners were unappreciative of her detente efforts with Moscow.

A contributory factor to this fracture was the issue of oil. One should recall that this issue was complicated by two questions: first, that the extent of the crisis differed from one Atlantic country to the next, particularly between the United States and the West Europeans as a result of differing dependence on Gulf oil. Secondly, that it was confused by the selective implementation of the Arab embargo on the Atlantic nations. Arguably, a serious problem arose because Washington appeared unable to appreciate the extent to which the EC states were victims of the oil weapon. As noted, during the early stages of the crisis, the Europeans were at pains to distance themselves from the Israeli cause. The November 6th, statement by the EC foreign ministers, however morally uncomfortable for them, was the clearest manifestation of this position. On the other hand, the request by the U.S. that the Europeans should lend support to their efforts to sustain Israel, at that juncture was simply anathematic to the Common Market countries. This most certainly accounts for the refusal on both the part of the British and the Germans to actively assist in U.S. attempts to 'manage' the war by allowing the use of their facilities.

More troublesome was the fact that it appeared that the Americans had
little appreciation for the effort and energy involved in getting the EC to agree on a common policy with regard to the oil question. This was true during the Washington energy conference where the U.S. appeared willing to wreck their joint position. Again, perceptions may be said to play a part. For the U.S., the Oil Crisis was simply a hurdle in their efforts to secure a peace in the region. They were less dependent on Gulf oil than the Europeans and wanted to maintain the momentum of detente which the Yom Kippur War had placed in jeopardy. For the Europeans, with a high level of dependency on Gulf oil, exactly the opposite logic operated: the Oil Crisis was central whilst the War itself was only of secondary importance. Because of this, the 'lean' towards the Arab states was both economically important and politically necessary. Even, as we have noted, after the Washington Conference, there was little meeting of minds between the Atlantic partners.

On the first and minor fracture, it seems possible to suggest that two sets of conflict were operative and both involved France. First, a conflict between France and the United States and, secondly, a conflict between France and her Common Market partners. Both these conflicts deserve some attention for they demonstrate how Paris, somewhat aloof from the Community, enjoys a certain freedom of manoeuvrability and how this constantly complicated efforts both within the Common Market and within the Atlantic Community to develop common positions.

From the onset of the twin crises of 1973, Paris assumed a strong Gaullist posture. Three weeks after the start of the October War, at a meeting of the OECD, France clashed with the United States. They were totally opposed to the policy of 'ganging up' against the oil-producers and opposed to the setting up of any form of multilateral 'advisory board'
of oil companies which might create the impression of being a consumer group. (65) The French, exempt to a limited degree from the worst of the Arab embargo, were not willing to risk the security of their own supplies by seen to be too closely associated with the other Atlantic nations. There was also a French fear that the United States was using the crippled and disunited circumstances of the EC to reassert its leadership over the Atlantic Community. Paradoxically, however, although the French position was clearly an attempt to secure her access to supplies, it weakened her bargaining position with the oil-producers simply because alone she had insufficient demand to interest them.

More damaging than the actual outcome of the French position on oil were the recriminations which the French levelled at the United States for its stand on the oil question. This almost amounted to a personal conflict between the French Foreign Minister, Michel Jobert and U.S. Secretary of State, Henry Kissinger. For Jobert - echoing, perhaps, a wider European feeling - Europe had been humiliated and 'treated like a non-person' throughout 1973 by the United States. (66) He complained, with some justification, that Europe had been ignored over the 'Red Alert'. Perhaps even more worrying were European press reports, increasingly orchestrated by the French, that the United States had engineered the Yom Kippur war for its own ends - to strengthen American industry and the Dollar. In January, 1974, on French radio, for example, Jobert made four allegations against the United States which demonstrated the true extent of French hostility. First, he implied that he had tried to


press the urgency of the oil situation with the U.S. for two years previous to 1973 but that Washington had been too occupied elsewhere; secondly, he declared that the French were reluctant to support any American-sponsored effort to devise an international approach to the oil question because the U.S. government had no control over its own energy market; thirdly, he asserted that, despite the Arab oil embargo against the U.S., substantial quantities of Gulf oil were still reaching the United States and, finally, he declared that it was indeed strange that in a war which was essentially a defeat - strategically, economically and politically - for Israel, that the United States should emerge with enhanced prestige. (67)

How far one should assume that these statements were merely manifestations of Jobert's own distrust of the United States, and how far one should trace their origins to the uncertain state of domestic French politics (throughout the duration of the early stage of the crises, it was clear that President Pompidou was dying), are understandably matters for conjecture. What is important to note, is that the French appeared to have lapsed into a decidedly Gaullist position which made them openly anti-American and that this posture was buttressed by the dictates of their own national interest over oil.

However, France's obstructionist policy was also directed towards the European Community. Unwilling to agree on a common strategy for reallocation of oil, the EC appeared unwilling even to discuss the matter, despite the urging of the German Chancellor, Willy Brandt, that 'if the Community cannot agree on this, it is nothing'.

The division at the Washington Conference, with the French standing against the more reconciliatory stance of its European partners,

demonstrated the extent of latent fracture within the Common Market itself over the issue of oil. The route to a common EC position on oil was not an easy one for the Europeans, with the Germans believing that the French were trying to drive a wedge between the U.S. and Europe and the French responding by saying that the Germans had betrayed the Common Market energy understandings made at the Copenhagen Heads of State Summit. The decision by the EC to revert to the French position of negotiations with the Arabs did, in some small way, contribute to a reconciliation.

Both in regard to the Atlantic Community and the EC, the Oil Crisis demonstrated the fragility of cohesion in the Atlantic Community with the French - as it were - outside the mainstream of Atlantic understandings. In addition, the problems generated by this French position indicate the extent to which national interests - in this case, the need to secure supplies of oil - can impinge on community interests. This particular problem was further highlighted when the French undertook an isolationist policy with regard to the procurement of other raw materials, despite a desire on the part of the rest of the Atlantic Community to present a united front in this regard. (68)

In retrospect, however, we must acknowledge that notwithstanding the differences which faced the EC during 1973 and the constraints placed on its co-operative efforts, the Common Market did emerge stronger as a result of the events of 1973. There was, perhaps most importantly, the decision to hold European Summits on a regular basis every six months. While this was certainly only the outward manifestation of a renewed desire to seek common approaches to problems, the year also witnessed the emergence of a distinct European personality. Quite clearly the addition of three new

members, plus the twin crises, had demonstrated both the vulnerabilities inherent in the joint enterprise and that divisive pressures should be avoided if the EC wished to ensure the success of their joint economic venture.

However, within the Atlantic Community there was no similar comfort. The Americans pressed on with finding a solution to the Middle East conflict with the assistance of their detente partner, the Soviets, through the Geneva Conference and appeared unwaivering in their determination to establish, with sympathetic European states, an international approach to the Oil Crisis.

2.5.3 The Fracture over Angola.

In every sense, the Angolan crisis, although different from either the 1971 Dollar Crisis or the 1973 Yom Kippur War / Oil Crisis, had a divisive effect on the Atlantic Community. It impinged on the security considerations of the Atlantic Community for two reasons: first, the fact that, the United States had predicated their early view of developments in the troubled territory on their assessment of metropolitan Portugal's role in the NATO alliance. Secondly, that, once the war in Angola had started, the United States viewed the conflict, not in their role as an Atlantic nation, but rather in their role as a superpower. Through this latter action, in a rather loose fashion, the behaviour of the United States over Angola parallels their behaviour during the Middle East War. In a minor fashion, the Angolan conflict can be seen to have impinged on the economic well-being of the Community only because the territory had resources of oil and the promise of mineral potential, but this should not be seen as of any structural importance. There is, moreover, the fact that the Angolan conflict proved divisive for the EC as the result of the recalcitrant action of the French on the question of recognition of the Luanda government.
If the security issue is considered in isolation, it is patently clear that the United States saw the Angolan conflict only in the light of their relations with the Soviets. Their later actions were a hasty attempt to recoup the reversals which they had suffered as a result of the erroneous calculations made over the stability of Portugal and their failure to provide any of the factions vying for power in the territory, with assistance. This policy was to seek association with those groups which the Soviets were not supporting, i.e. the FNLA and, later, Unita. It is also possible to argue that Washington had hoped that the conflict would remain one of low intensity, but this was shattered by the external involvement of the South Africans and the Cubans. At this point, domestic pressures in the United States intervened and, for all intents and purposes, they were forced to withdraw from the conflict.

It is important to point out that some evidence suggests that Washington 'encouraged' the involvement of the South Africans in Angola. Whether or not one can take this at its face value is a difficult question. If this was so, then the United States committed a major error of judgement which was only equalled by the South African error, viz. that Washington could be trusted. (Kissinger was already under immense pressure from the U.S. foreign policy establishment and Congress. The Ford administration was passing through a difficult political period and the relations between the White House and Congress had all but collapsed). The point however is, that if Washington indicated sympathy to Pretoria's goals (or even encouraged them), then, obviously they, like the Soviets, were prepared to settle Angola by the use of surrogate forces. If this was so, it would most certainly not have been supported by the other Atlantic allies who were extremely wary of offering any political support for military action by South Africa. Indeed, it may also have been thought in European capitals that Washington had encouraged Pretoria
and this may account for the somewhat different approach taken by the Europeans over the conflict.

What is also clear is that, not until the 'eleventh hour', did Washington try to 'manage' the crisis with her detente partner, the Soviets and this marks a major departure from the course of events in the Middle East. The explanation for this departure is difficult to identify, although one thing is fairly certain. The U.S. action demonstrates how far the United States, owing to its power, is free to conduct a unilateral foreign policy - pursuant of what Kissinger saw as 'its global responsibilities' - without recourse to consultation with its Atlantic partners. In the case of Yom Kippur, this was expressed in its unilateral attempts to 'manage' the crisis and in Angola, the opposite logic was at work. For the West Europeans, the actions of the United States, in both cases, demonstrated the degree to which the latter would go in risking European security through its role as a superpower. (It also, of course, illustrated the highly questionable premise upon which detente rested: sometimes superpower co-operation, at others superpower conflict.)

A further division to emerge from the Angolan conflict was the EC fracture over recognition of the MPLA government. Obviously, the French had, throughout the gestation and course of the conflict, erred through their support of the FNLA and FLEC factions. This too can, perhaps, be ascribed to the ability of the French to distance themselves from both the Atlantic Community and the European Community. Once however, Paris opted to correct the error they did so with an expeditiousness which ran against a desire on the part of the Common Market to develop a joint stance on the issue. In a curious fashion this also represents a departure from the 1973 crises when the Germans pressed for a reconciliatory line on oil in defiance of an EC undertaking to stand together at the Washington Conference.
Partially the French posture on this matter was a function of her search for an independent global role - long the ideal of Gaullist thinkers. It should however be seen primarily as a function of Paris' capacity to act as a free agent with less responsibilities to the Atlantic Community. Once they realised that they had erred in assessing their national interests in Angola, by siding with the losing factions, their interests were best served by cutting their losses and opting for recognition of the MPLA faction. There was, as noted, no disagreement on the part of their EC partners, for they too had agreed in principle to the recognition, but the French may have attempted to steal a march on the other eight and, in so doing, wrecked the chances for a common EC policy.

Finally, while the fractures over Angola were less dramatic than those in the other two crises we have considered, there can be no doubt that the Atlantic Community was in disarray over roles to be played and postures to be taken in a crisis which was, relatively speaking, outside the ambit of their confined Atlantic setting. This, as will be demonstrated, may have certain parallels in the case of South Africa.

2.6 The Lines of Atlantic Fracture

This survey of fracture in the Atlantic Community in the 1970s has aimed, above all, at demonstrating the inherent tendency towards division which has characterised community-building in the Atlantic area in the post-War period. While the root causes of fracture has been diverse, the impact thereof on the core cohesive factors has, at times, been profound although at no one time did the Atlantic Community appear to be in danger of total dismemberment. The only state to distance itself from the Atlantic Community has been France and this can be seen as a function of French nationalism and fear of U.S. hegemony in Europe. However, this distance has allowed the French to play a maverick role in both the Atlantic
Community and the European Community. This freedom which Paris has enjoyed has tended to complicate the path to cohesion in the Atlantic Community.

It seems doubtful, however, if one can simply accept that the French alone have been to blame for the genesis and development of Atlantic fracture. This is a view held by George Ball who argues that:

(from the end of the Second World War to the middle 1960s, Europe was animated by a clearly defined purpose. Working closely with the United States to rebuild an economic and financial structure in a manner that brought prosperity to all, collaborating with America in creating the institutions and material means for a common defense, consulting with America about problems all over the globe, the Europeans felt challenged and engaged. Not only were they achieving a prosperity beyond anything they had ever known, but they were casting off the heavy burden of old rivalries in an adventurous attempt to forge the institutions of unity. Yet, unhappily, early in the 1960s, these efforts were abruptly halted by a willful French general with anachronistic dreams of French hegemony. Within months after De Gaulle had blocked Britain's accession to the Rome Treaty, Europe's spirit of common purpose began to wane, just at a time when America began to direct its attention to Vietnam. (69)

However, Ball's position on this matter must be seen as a particularly American one and, as such, does provide some insight into how the U.S. foreign policy establishment was prone to view the Atlantic Community. There is, in Ball's statement more than an element of haughtiness and an inference that they (the Americans) had been responsible for all the good which had accrued to Europe in the decade and a half after the War and that, notwithstanding this bounty, the West Europeans had been unappreciative of the efforts made on their behalf.

A more attractive approach to analysing the process of Atlantic fracture lies through understanding that it was this approach by the Americans which

when coupled with the asymmetrical economic and security structure of the Atlantic Community, accounts for the truculence of, particularly the French under de Gaulle.

It is the understanding of this aspect which brings us to the first of a number of tentative conclusions over the nature of the Atlantic fracture during the 1970s. Within the two chief anchoring features of the post-War Atlantic structure - NATO and the Bretton Woods monetary system - Washington enjoyed the monopoly of power. In the case of the former, it was both the overwhelming might of the American arsenal and the global protection offered by their possession of nuclear weapons.

At its inception, the Atlantic military understandings aimed:

not to defeat or even deter an immediate Soviet attack, for none was expected. Rather, the threat posed by Soviet power in Eastern Europe was to be equilibrated psychologically as well as militarily, by formally linking American nuclear power to the protection of Western Europe - that is by throwing a nuclear cloak over Europe. This was the first effort to use American power in a politically explicit way. Reassured that the U.S. nuclear arsenal stood behind them, the Europeans would have a secure basis for their recovery. (70)

It was the understanding of the realities of this circumstance which, as noted, caused some not insubstantial trauma in the Atlantic Community. The first related to de Gaulle's perception that this was an unhealthy situation for Western Europe as it was based on a refusal to believe that, in the event of a nuclear confrontation between the superpowers in Europe, the U.S. would not 'sacrifice New York for Paris'. Moreover, it was this belief that impressed upon him the urgency for developing an independent nuclear force, the force de frappe, which, although modest, would ensure that Western Europe could be independent from the United States. In addition, it was his understanding that the British had thwarted co-operation

with the French on this aspect by the understandings reached at Nassau, which prompted him to exercise the veto on British entry to the EC in 1963 and, thereafter, to withdraw from NATO three years later. As a result of these two actions, not only were divisions prevalent in the Common Market, but also in NATO.

If the American security undertakings to Europe constituted one pillar of the Atlantic Community, the other was the economic assurance implicit in American support for European recovery. Again, in this context, overwhelming initial power was enjoyed by the United States. It rested on the Bretton Woods Agreement and on the triad of institutions established under those understandings: the IMF, the World Bank and the GATT agreements. While initial power certainly rested with the United States, over time this power became increasingly eroded as relative economic power returned to Europe. In the face of the inability of the Bretton Woods system to reform itself substantially, a real challenge to U.S. economic preponderence in the system began to manifest itself and it was this which can account for the waiving fortunes of the American Dollar and the crisis of 1971. Here, a complicating factor was that the Common Market came to represent, in a real sense, an economic rival to the United States and, in so doing, contributed to the erosion of the power of the U.S. Dollar.

It is however, a notable feature that although both the French security challenge and the EC-based economic challenge represented serious setbacks for the Atlantic Community, the failure of the Community to completely rupture rested on the fact that, during crises, at least one pillar of the Community appeared to anchor the Atlantic system. Thus, at the time of French withdrawal from NATO, the economic success of the enterprise prevented French withdrawal from the monetary system and, mutatis mutandis, during the monetary crisis, despite the security 'lever'
(the presence of U.S. troops in Europe) used by the United States, the
Community did not fragment on security understandings.

How can we account for this? In part it must be attributed to the
undoubted fact that the Atlantic Community represented more than the sum
total of its economic and military parts. This is the unquantifiable
aspect of Community ethos, expressed in Haviland's notion that the Atlantic
partnership is a unity 'by a state of mind'. Both the common goals of
the elites involved in the process and the subsequent interdependence of,
particularly, the economies of the Atlantic Community mean that fractures,
although they might occur in either the economic or security dimensions,
have not rent asunder the fabric of Atlantic understandings. Linked in
this fashion, a recalcitrant state in the Atlantic Community has had to
face a series of responsibilities which bear not only on their domestic
national interests, but also on the Atlantic Community interest, including
the ethos thereof.

While accepting that there are limitations on a state's capacity to
pursue its unilateral interests in the Atlantic Community, we must
accept that there is an inherent tension between these interests and
those of the Community.

The fractures we have identified in this chapter bear testimony to
the fact that this is so. In the case of the 1971 Dollar Crisis, the
national interest of the United States was in clear conflict with the
overall nature of the Community understandings on the international
monetary system and, particularly, the role played by the Dollar in
that system. In the case of the Yom Kippur war crisis, America's
national interest, translated into its role as a superpower dominated
its national interest determined by its role as an Atlantic nation.
There was, for example, Kissinger's understanding that Washington's
responsibilities were 'global' whilst those of its European partners
were 'parochial'. The same set of circumstances held true in the case of the Angolan crisis of 1974/75.

On the other hand, France's challenge to the United States, at the time of all three crises represented cases where Paris' assessment of French national interests were at odds with those of her Community partners. She sought, moreover, to press these advantages as far as possible without, in the final instance, completely rupturing the Atlantic Community. There is, thus, an inherent conflict between a state's perception of how and why its national interests are served compared with those wider interests pooled in the Community undertaking.

There is, nonetheless, a crucial difference between the U.S. position and that of France. Put simply, the United States, as the strongest partner in the Atlantic Community, notwithstanding the relative erosion of its economic power, was less restrained in its ability to pursue these national interests than France which remained relatively less powerful. Thus we find that the asymmetrical power relationship between the Atlantic partners enables the stronger one, the United States, to fulfil its own national designs more often than the weaker partners. But there appear to be limits operating on the senior partner for, very often, her freedom of option is circumscribed, as noted, by the realisation that the achievement of her national goals are at the expense of the junior partner and, perhaps, Atlantic unity. In addition, of course, a tendency in the opposite direction is also operative, namely that a junior partner, again in the French case, can pursue an independent path in defiance of the senior partners.

Our conclusion, in regard to the clash between national interest and community interest in the Atlantic Community is that, after the initial stages, the Community no longer pivoted around the 'we shall all hang together or assuredly we shall all hang separately' dictum and that
complete and unchallenged Atlantic unity was no longer its lodestar. Freedom of manoeuvre was, and is, possible in pursuit of national goals. Two qualifying forces appear, however, to operate: first, that the senior partner is in a strong position to foist its own national interest, within prescribed limits, on the rest of the Community and junior partners can, under specific circumstances, defy the senior partner. Secondly, that this can operate in either the security or the economic dimension of the Community's life, but not in both simultaneously if the 'unity of mind' ethos is not to be ruptured. In short, though the community interest can be challenged, it will hold as long as the centre does.

A real complicating factor in this regard is that certain of the West European states owe a dual loyalty, having surrendered national sovereignty to two communities, the Atlantic and the European. In these circumstances, national interests have to be weighed against both Atlantic Community interests and European Community interest. This, understandably, creates tension for these states. While there may be a coincidence between the interests of one community, (say, European) and the individual national interest, there appear to be situations where this is not commensurate with the interests of the Atlantic Community. This appears to be especially true in the field of economics. The considerable complication which, for example, Nixon's 1971 surcharge created for the CAP was highly problematic for the European countries and forced them to abandon, albeit temporarily, their joint efforts at establishing a closer monetary union. Arguably, only in the field of security, as a result of the American nuclear umbrella, is there a coincidence between national interest and the community interest in both the Atlantic and European Communities. But this, as the French withdrawal from NATO so graphically demonstrates cannot be regarded as an iron rule.
It is interesting to note that the Atlantic and European Communities represent in every sense different kinds of associations. The first, as we noted, is a vague community which embraces a number of associations of states but which lacks institutional structure. While it is true that the joint command system of NATO forms a structure of a kind, some of the nations within, what we may understand as the Atlantic Community, are not members of NATO. The looseness of this association considerably inhibits the capacity of the Atlantic Community to respond in an institutionalised fashion to divisive crises. Thus, it may be argued, that the very vagueness of the Atlantic Community promotes division. Partially in response to the realisation of this feature, particularly in the field of economics, an international phenomenon known as Western Economic Summits have developed. But these are somewhat exclusive in nature as the majority of the European members of the Atlantic Community, are simply because of their size, excluded from these deliberations, whilst Japan, not a member of the Atlantic Community, is an integral member of the Economic Summit system.

In the Common Market, however, specific institutions exist both for the co-ordination of policies and the settlement of disputes. While EC nations retain fairly strong powers to challenge the joint decisions of the EC, a closer co-operation is operative than in the Atlantic Community, but the EC itself is prone to fracture if faced with crisis. However, such fracture may not be as obvious, or as deep, as those which have periodically faced the Atlantic Community.

This observation is complicated by the specific briefs governing the operation of the two communities. Whereas the Atlantic Community aims at providing security and economic prosperity for the Atlantic nations, the EC is concerned with establishing a very confined economic integration between its Nine members and, thereafter, in a vague and undefined
fashion providing the basis for a united Europe. A central conclusion is, therefore, that the Atlantic Community with its unstructured milieu is understandably more susceptible to fracture than the EC which has institutions designed to minimise fracture.

It is arguably an awareness that the Atlantic nations are devoid of the means to avoid fractures which gave rise to the notion that differences between Atlantic states could be 'managed' through consultation and Western Economic Summits must be seen as an inadequate means for such management. In general, the 'management' of these crises must arise from the underlying ethos of the Community and as part of the desire to seek compromise rather than wreck the joint community effort. In essence, however, this 'management' of differences in the Atlantic Community is, at all times, uncertain of success owing both to the various differences of opinions on matters - which arise from national interest - and because there are no institutions outside of Western Economic Summits, to husband compromise.

We may also conclude that Atlantic fracture is likely to be multiple in nature, i.e. they can move from one area to another as the 1973 Yom Kippur war and Oil Crisis demonstrates. The first European problem to arise from that crisis was the oil embargo imposed by the Arab states. This problem, over time, came to directly impinge on Europe's security ties with the United States, through her refusal to allow the U.S. to use European-controlled facilities to refurbish the Israelis. The dual impact of the two crises provided the nadir in the relations between the Atlantic nations and this is the result of linkage between the two problems. Freedom to act in one area was considerably circumscribed by the conditions present in the other area. Nonetheless, whilst that crisis operated on two levels - economic and security - no significant centrifugal pressures were seen in operation in the Atlantic Community. In short, despite this
dual setting, the centre of the Community appeared to hold true.

It is possible to see a different series of fractures at work in the case of the Angolan crisis of 1975/76. Here, whilst undoubtedly America saw her interest as a world power as operative, the locus of the crisis was somewhat outside the essential parameters of Atlantic understandings. Yet, despite this, fracture developed not only between the Americans and the Europeans but, as we noted, between the Europeans themselves. It is this fact which brings us back to the central thrust of this study, namely that the incipient racial crisis in South Africa may become a divisive issue between the Atlantic nations.

2.7 Atlantic Fracture: The South African Case.

Two crucial points should be made: first, that the nature of an incipient crisis may differ from an immediate one and, secondly, that an incipient crisis can, in the changing international environment, become an immediate crisis. The notion of an incipient crisis is difficult to understand because it is fundamentally a subjective one. Nonetheless, it seems possible to suggest that, given the highly interdependent nature of the contemporary world, today's seemingly intractable problem may well provide the basis for future world order and that, ipso facto, what is seen as a force for order today might well become a force for disorder in the future. Perhaps unfairly, there seems no better example of the latter than the uncertain international regime which followed the fall of the seeming infallible Pahlevi dynasty in Iran. In that context, the United States had based their entire security calculations for the Near East on the assumption that the Shah would last. (There is here more than a hint of similarity with the comparable set of imperatives which governed the U.S. posture towards Portugal and, more especially towards the situation in southern Africa)

If we accept however, that the notion of an incipient crisis is a
puzzling one, can we dub the South African one as such? The question of the political, economic and social dispensation in South Africa has occupied international attention during much of the post-War period. The roots of this disaffection for the Apartheid system are to be found in the changing mores of international society which accompanied the end of the Second World War. In the articulation and development of a new set of international values, which found codification in the Universal Declaration of Human Rights, the maintenance of a system of institutionalised racial discrimination was certain to become the focus of international attention. South Africa and its policy of Apartheid is such a system.

However, despite confident predictions that the collapse of the South African system was a question of 'sooner rather than later', in the last three decades, the international community has continued to focus its attention on South Africa. It may be the very fact that the South African status quo has prevailed which makes the problem an incipient one, and which, as we shall see, may present the Atlantic Community with significant challenges.

The coup in Lisbon and the effects thereof in southern Africa have changed the face of the sub-continent. In the wake of that development the other White redoubt in southern Africa, Rhodesia, has moved, not without trauma, to majority rule and these events, coupled with sporadic insurrections on the part of the Black majority in South Africa may have shortened the time-scale for the survival of White-ruled South Africa. The crisis is, therefore, fairly described as an incipient one.

If we recognise that the prospects for fracture exist in the Atlantic Community and also that forces of change are operative in South Africa - moving, perhaps, the racial issue in South Africa from an incipient one to an immediate one - we may well ask how, if at all, the Atlantic nations
will respond to the South African issue. Our first task is, however, to trace the history between the Atlantic nations and South Africa and to identify the spread of Atlantic interests in that country.
PART TWO.

The Atlantic Community: The South African Economic Nexus.

'...the overriding imperative for the Atlantic Alliance is cooperation in the complex area of supply of critical minerals, but given the divergent perceptions of national interests and goals competition and conflict are likely to rear their ugly heads again and again....'

Werner J. Feld.

'...Should U.S. initiatives with respect to South Africa lead to sanctions or to unheaval an important European export market...and large British and German investments could be compromised.'

Lawrence G. Franko
3.1 Forging the Nexus.

The links between what is now understood as the 'Western' community of nations and South Africa date back to the voyages of discovery and were consolidated during the great outward thrust of European peoples to the 'new' world in the period, 1600-1850. While the pre-1939 aspects of these links set the parameters of the later history, few facets of the early period are important from our point of view and we will be concerned here with the course of events during and after the Second World War.

The chief focus of Atlantic reconstruction after the events of 1939-1945 was, as we have noted, with Western Europe and its recovery. The primary U.S. goal in that region was to ensure the economic recovery of Europe through the Marshall Plan and to anchor Europe's immediate security requirements to her own through the Atlantic Charter and the formation of the North Atlantic Treaty Organization. Both tied the eastern and western seaboards of the north Atlantic area in a close relationship.

This Western post-War endeavour was matched by the Soviet consolidation of Eastern Europe through the establishment of both the Warsaw Pact and the Comecon structure as a counter-weight to the European efforts of the West. The latter structures linked the states of Eastern Europe to Moscow and this bi-polar situation became the focus of significant international tension in the immediate post-War period.

This initial concentration on Europe meant that, certainly in the early years after the cessation of hostilities, scant attention was paid to international questions outside the traditional European cauldron of international life. The one exception may have been Japan where the
United States sought to stabilise the Far Eastern region through the incorporation of this defeated Axis power into the mainstream of Western international relations. (1)

For all intents and purposes Africa was a neglected area of immediate post-War international interest, notwithstanding the tremendous boost which the events of the Second World War had given to two issues which would dominate international relations in Africa and elsewhere in the coming decades - decolonisation and self-determination. Although neglected, it was clear that the future of European colonial domination of Africa was being increasingly questioned and that European countries with colonial ties would have to consider the future of these ties within a relatively short space of time. (2) This latent shift in the international status quo engendered a degree of uncertainty over the future of Africa and, within the overall context of the Cold War, many Western leaders feared for the future of their interests in Africa and for the retention of pro-Western values on the continent.

Given this mood of uncertainty, South Africa was valued as a country with a deeply ingrained pro-Western stance which might possibly play an important role in securing a modicum of Western influence on a continent which was faced with potential change. Therefore, within the parameters of the post-War international adjustments - of which the rapidly precipitating Cold War was an integral part - the Union of South Africa (as it was then known) was seen as a valuable Western partner in Africa. Moreover, South Africa's importance to the Western group of nations had been firmly endorsed by three factors: first, the Union's pro-Western credentials had


2. The most comprehensive shorthand account of the forces at work at this time is to be found in P. Calvocressi. World Politics since 1945, 3rd ed. London: Longmans, 1977, particularly pp. 297-399.
been established through her successful participation in the victorious Allied side during the Second World War; secondly, the maritime strategic importance of the Union's geographical position had been reiterated by events in the same conflict (3) and: thirdly, the White minority who were firmly in effective political control in South Africa were seen as upholding Western values in, what was then, an accepted form of democratic government.

For her part, the Union sought to capitalise on these positive aspects of her existing international standing. She was also a respected member of the British Commonwealth of Nations and became a founder member of the United Nations Organization. Through the international standing of her Prime Minister, J.C. Smuts, the Union enjoyed a status in the international community which was, arguably, not commensurate with either her wealth or size. While attacks on the Union's racial policies were essentially muted in the early post-War years, the South African government was able to use its close links with the United Kingdom as a foil against such attacks. Britain, for its part, anxious about the future of her colonial policy and fearful of antagonising the South African government (especially after 1948) went to great lengths to protect South Africa in the international community. (4)

3. The maritime strategic significance of the ocean route around the Cape of Good Hope had been underscored by events during the Second World War. Morrison in his authoritative study on U.S. naval operations during the War, notes that:

'In February 1943, Doernitz sent 4,740 ton U-boats to operate off Cape Town where they did very well, sinking 24 boats of 165,709 tons (only 5 of them in convoy) in about five months.'


Seen thus from the perspective of the embryonic Atlantic Community, the Union was an enviable pool of prosperity (induced by its contribution to the war effort and assisted by a fairly sophisticated technological expertise) which was anti-Communist and, by implication, pro-Western and supportive of the aims of the Atlantic Community. The link was secure because the British had 'special' interests in the region and, in an otherwise chaotic international community, the South African issue was one which really did not occupy Atlantic policy-makers as they faced difficult problems presented by the division of Europe. Both Western economists and strategists were comforted that on the southern-most tip of Africa, a pro-Western society which shared their political values, appeared more than willing to support the trans-Atlantic efforts at reconstruction. The fact that this society was dominated by a White minority appeared, certainly at the time, to be almost unimportant.

Atlantic Community trade with the Union flourished, although the monopoly thereof was enjoyed by the British who were economically tied to South Africa through the sterling monetary area and the earlier Ottawa Agreements. Indeed, Britain's unique position vis-a-vis South Africa enabled it to base certain facets of post-War recovery on the South African


nexus. (7) It is possible that this happy reciprocal relationship might have continued had it not been overtaken by political events both in South Africa and, more important, in Africa. Certainly the failure of the Atlantic Community (particularly the British) to read the long-term implications both of the growing political restlessness in Africa on the independence issue and the significance of the victory of the National Party in 1948, indicates the Atlantic Community's initial perspective on South Africa was based on a false assumption, viz. that the underlying political mores of Black Africa, particularly on the question of majority rule, were transitory or, if not transitory, then certainly controllable. In other words they failed to understand the tremendous impact which Black Africa was about to make on international relations and, secondly, the implications this held both for race relations in South Africa itself and concomitantly, for South Africa's standing in the international community.

Before turning our attention to the growing strains in the relationship between the Atlantic Community and South Africa which characterised the period 1950 - 1970, we should pause to consider the view taken by members of the Atlantic Community on South Africa, what their respective interests were and how, if at all, these perspectives changed with the 'internationalisation' of the South African question. In addition, in discussing these questions, we should try to explore the perception of the South African government of the Atlantic Community.

At the outset it is necessary to reiterate the fact that South Africa's link to the Atlantic Community was essentially a function of its relationship

to the United Kingdom and, as will become evident, the early course of its 
post-War political links with the Atlantic Community was predicated on the 
London connection. This was to change however, during the 1960s as a 
result of a hostile Labour government in Britain and when South African 
policy-makers were prompted to explore alternative links with the Atlantic 
Community.

Immediately after the Second World War, the South African issue was 
of little immediate concern to the two North American partners in the 
Atlantic Community. Their historical links both to Africa and, particularly, 
to South Africa were insubstantial and their direct links fragile. The 
determination of the United States to distance itself from the vexing 
problems of colonialism and to leave African affairs to the two countries, 
the United Kingdom and France, with a special 'understanding' of the problems 
of Africa, meant that Washington had little grasp or sympathy for the post-
War problems of Africa, let alone South Africa. (It was, arguably, the 
narrowness of this perspective which has prevented American policy-makers 
in subsequent times from structuring a coherent and plausible African 
posture throughout the post-War years.)

U.S. trading interests in South Africa were not extensive in the 
immediate post-War years and, apart from the friendship between Smuts and 
Roosevelt, the United States had few wartime links with South Africa or 
its leaders. In the immediate post-War period however, particularly in 
1948, trade between South Africa and the United States flourished, but, 
as Berridge points out, this was only of short duration:

(I)n 1948 the Union had gone on a massive dollar 
spending spree, with the result that the United 
States had temporarily supplanted (the traditional 
trading partner) Britain as South Africa's major 
supplier, providing 33.5 per cent of all imports 
into the Union...(but)...it was...under pressure 
from Britain and as result of its own 'dollar gap' 
that South Africa was obliged to introduce a measure 
of anti-dollar discrimination during the course of
1949 (which produced) a dramatic reversal in the fortunes of British and American exporters to the South African market.... (8)

For the Americans, the amounts involved in this trade were negligible compared to U.S. trading interests elsewhere. Quite clearly, however, the fact that the South African market was of structural importance to British economic recovery was recognised by the Americans. It was this connection which was perceived as in the American long term interest.

With regard to security, U.S. interests, too, were based on the belief that the British understanding of the issues and, indeed, interests, were superior to their own. Two questions of particular importance, however, require comment: first, there had been correspondence and meetings between Smuts and Roosevelt which had dealt with major issues of Western security, chiefly in the European theatre. (9) Secondly, there was an agreement by which the United States undertook to supply military aircraft to the Union. (10) This agreement was known as the Mutual Defence Agreement (MDA). However, in view of the overall U.S. perception that the South African connection was a sub-system of the U.S. link to the United Kingdom, there seems little indication that the United States was particularly concerned about the potential security problems presented to the Atlantic nations by South Africa, or the domestic policy of her government.

For the other North American partner of the Atlantic Community, Canada, the link to South Africa was more vague than the U.S. link. There was little trade between the two states and in some areas, like mineral production, the two states were in direct competition. The links, such as they

were, were through their mutual membership of the British Commonwealth: i.e. through London. While Canadian public opinion was arguably more attuned to the underlying international unease over South Africa's racial policy, official Canadian policy - not unlike the view of the other 'Old Dominions' - was that the South African government could be pressed to modify their racial policies without causing too much disruption within either the Commonwealth or the United Nations. (11)

Across the Atlantic in western Europe, the ties with South Africa were unevenly spread and were, in the main, intangible. Both the Dutch and Germans had long-standing cultural and historical ties with southern Africa: the Dutch through their cultural and religious links with the Afrikaner people and the Germans through their old colonial connection with German South West Africa. In the main however, these links were not extensive and, preoccupied with European reconstruction South Africa fell low on their list of priorities. (There was a precarious link with Italy, through the fact that many Italian Prisoners of War had elected to stay in South Africa after their wartime internment in the country, but this was a very flimsy relationship.)

Given these ties between the Atlantic Community and South Africa, why has the South African link become important for the Atlantic Community and, why is it likely to become increasingly important to the Atlantic Community? The answer lies, of course, in the ties between Britain and South Africa which have their roots in a variety of circumstances: historical, economic,

For details on the trade links between the two countries see, "Trade Record Goes - But S.A. Trends Worry Canada". Sunday Express, Johannesburg, 31 July 1966.
political and cultural. The vexing question that South Africa poses problems for the Atlantic Community arises because South Africa was indirectly brought under the rubric of trans-Atlantic preoccupations by British membership of the Atlantic Community and we should consider this link in more detail.

The reasons why South Africa was thought crucial to British post-War policy are not dissimilar to those which explain British interest in South Africa in the latter part of the Nineteenth Century: South Africa's mineral wealth and South Africa's strategic location. There was, however, an important third reason: the growing level of British investment in South Africa and the importance of South Africa as a location for the generation of foreign exchange needed at the time for Britain's post-War recovery.

In the immediate post-War years Britain, apart from the lapse in 1948, was South Africa's major supplier of manufactured goods. This situation had arisen as a result of the long-standing institutionalised relationship between the two countries and the degree of inter-change was so great that Britain enjoyed a clear monopoly in the South African market. Moreover, Britain's post-War industrial recovery relied heavily on an ability to sustain its industrial sector and to take advantage in those areas in which it did enjoy a trading monopoly. But competition for the export of manufactured goods is high between industrialised nations and the British, throughout the post-War years, appeared concerned that they would lose the monopoly in the Union. Their response to increased competition in the Union's markets was to launch a series of concerted marketing drives.

Secondly, this economic nexus was even more firmly entrenched by the fact that South Africa had developed into a major foreign location for British investment, both in the mining and manufacturing sectors. The Union was particularly keen to attract foreign capital not only to increase their manufacturing base but, later, to ensure the development of the Free State gold mines. This 'new' foreign capital was direct rather than
portfolio which as Berridge points out:

was particularly valuable to South Africa since, first, it provided the at least equally useful assets of 'technical ability and managerial skills' and, second, it suggested a firmer commitment to South Africa's future.... (12)

Partially because of the traditional links between the two countries - the South African mining interests had well-established links to London and the bulk of the capital generated in this campaign was British. Partially, also South Africa's membership of the sterling area made the British more prone to invest in South Africa.

South Africa's importance as a traditional supplier of raw materials to Britain, had been further endorsed by an agreement in 1950 between the two countries for the supply of uranium to fuel Britain's infant nuclear industry. In addition, through the Combined Development Agency (CDA) (the wartime agreement concerned with establishing Western access to sources of uranium), the United States was deeply concerned that the South African uranium resources be cornered by the British and regarded this as an essential part in Britain's contribution to Western security in this particular field. (13) The 'new' uranium link reinforced the other non-fuel, mineral links in diamonds, gold and non-ferrous minerals. (14)

These essentially economic links between the United Kingdom and South Africa were only subsidiary when compared to the strategic role which the British sought after the War and, in the main, it is in this strategic area of the nexus between the Atlantic Community and South Africa that revealing patterns of perceptions - particularly on the part of South Africa - are to be found.

While the change in South Africa's government in 1948 did display a switch in the style of conducting its relations with the Western group of nations, its essential thrust was unaffected by the change from Smuts to Malan. The chief target of the policy was to support prevailing Cold War attitudes throughout the West, particularly in the Atlantic Community, and to seek as far as possible to disguise the growing international hesitancy over the Union's racial policy behind South Africa's alleged importance to the Atlantic Community within the broader parameters of the Cold War. In retrospect, it must be conceded that the policy was, certainly until the early 1960s, a highly successful one, although, clearly not as long-term as South Africa's leaders had hoped it might be.

While Smuts sought to use the Commonwealth connection to guarantee South Africa's security, Malan's approach was to switch the emphasis to South Africa's commitment to the anti-Communist cause. Both these approaches, however, were designed to deflect any criticism of the domestic policy of South Africa by seeking the patronage of some broader-based international grouping: for Smuts, the Commonwealth; for Malan, the Atlantic Community. As early as 1949, with the establishment of NATO, the South African government sought membership, either directly or indirectly, with the Atlantic Community. (15) This was, understandably, turned down and, thereafter, the Malan government sought every possible opportunity to associate itself more closely with the Atlantic nations through the London link.

Two events in 1950 highlight this policy posture of the Malan government. First on the outbreak of the Korean War, the Union government sent a squadron of fighter aircraft to assist United Nations efforts in that conflict. Secondly, at the 1950 Commonwealth Conference, South Africa argued the importance of establishing a united front against communism in which

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'Germany, Italy, Spain and Japan' should be enrolled in the fight. (16)

But however determinedly the Union tried to press its anti-Communist stance in the broader international arena, it was (almost) inevitably drawn back to emphasise, particularly, the Union's importance in the anti-communist campaign in Africa itself. Thwarted in its attempts to be directly associated with NATO, the Union used every opportunity to stress its importance to the Alliance in the protection of its 'African flank'. Nor, indeed, was this African flank restricted to central or southern Africa; it extended as far as the Middle East.

In 1951 two security conferences were held which, although not directly involving the Atlantic Community, certainly concerned them and at both these South Africa stressed the importance of its strategic role in Africa to the Atlantic nations. The first in June, was concerned with the Middle East question. South Africa's view of the issue was unequivocal: the region was, according to Dr. Malan, 'South Africa's first line of defence'. Although the idea was later to collapse, the conference did agree to set up an 'Allied' command organization in the Middle East in which South Africa would participate. Two distinct conclusions can be drawn from this conference, both of which indicate the uncertainty felt throughout the Western world over the South African connection. First, as Spence points out:

...despite the growing tide of criticism of the Union's domestic policies at the United Nations and in the Western Press - South Africa's presence at discussions of defence problems in the Middle East and Africa was by and large taken for granted by Britain and other powers with interests in the area.... (17)

Secondly, in regard to South Africa's perception of its own policy

17. Ibid.
priorities in this regard, Berridge notes:

that (South Africa's) willingness...to participate...
in the defence...(of the Middle East)...was designed
demonstrate the strength of its commitment to the
side of the West in the cold war and thus to bolster
its worthiness as a key member in the NATO-style
regional defence pact for central and southern Africa
for which it had been campaigning since 1949, and for
which the blessing of Britain (the leading colonial
power in this area) was obviously vital. (18)

The second 1951 Conference, held in Nairobi, was particularly concerned
with defence problems in Africa and was, interestingly, initiated by
Britain and South Africa. In view of the concern in this work with
the Atlantic Community, it is important to give details of the countries
which participated in this Conference. Together with the South African
and British contingents, there were representatives from Belgium, France,
Italy, Portugal, Ethiopia, Southern Rhodesia and the United States. (The
latter attending only in observer status.) Thus, six of the nine participat­
ing countries were members of the Atlantic Community.

The Nairobi Conference was however doomed to failure by the refusal
of the South African government to accept the desirability of African units
bearing arms. In retrospect, however, the Conference is interesting because
had not South African objections intervened, the regional defence treaty
would have bound the participating states (and, by implication, the Atlantic
Community) very closely, with South Africa in a distinctive security arrange­
ment. From South Africa's perspective, the Nairobi Conference was the
closest possible moment it came to being a sub-structure of the NATO
security undertakings. As Spence pointedly concludes:

the failure of these discussions is ironical in
view of South Africa's self-confirmed ambition in
later years for incorporation within the institut­
ional structure of Western defence and the difficult­
ies encountered in achieving it.... (19)

Symbolically, however, the Nairobi Conference was important because the reason for its collapse - South Africa's objections to African units bearing arms - highlights the growing gap between the perception of South Africa and the Atlantic Community over the role to be played by the indigenous peoples of the continent in the anti-Communist fight. This gap in perception grows from Nairobi onwards.

3.2 The Maritime Nexus.

The failure to consolidate the security links between South Africa and the Atlantic Community, through the British connection, in a formal fashion, was, however, quickly supplanted by a growing debate on the Union's role in Western maritime strategy. In this debate, not only are the differing perceptions starkly highlighted, but Britain, because of the South African connection, tends to drift away from its Atlantic partners. But it must be stressed that the Atlantic Community still retained a link to South Africa as a result of the ensuing maritime security arrangements encapsulated in the 1955 Simonstown Agreement between Britain and South Africa.

The differing perceptions of the anti-Communism issue in Africa which had been highlighted at the Nairobi Conference became even more pronounced on the question of British reaction to the demands for independence in Africa. In the light of these - from a South African perspective - disturbing developments, the South African government proposed that the British naval base at Simonstown, near Cape Town, should be the subject of a five-power control and stressed the need for the creation of a Western Indian Ocean treaty to deter the Soviets, the Indians and to buttress the West's position in the Middle East. The scheme bore no fruit, partially because of the growing disapprobation of South Africa's racial policies and partially because the Western
nations remained unconvinced of the threat imposed by the Soviets and the Indians in the region. Nonetheless, in the United Kingdom, a body of opinion, particularly in the Admiralty, were concerned with securing continued British access to the Simonstown base.

While the genesis of the debate on the maritime strategic importance of the ocean route around the Cape of Good Hope is, like the link between the Western group of nations and South Africa, to be found in the voyages of discovery, its post-War resurrection is to be found in the global maritime role which Britain sought to play. The U.S. Navy established a custodianship over both the Atlantic and Pacific Oceans, but the Indian Ocean, which was remote from direct U.S. interests, was seen as a British sphere of interest and the defence thereof was undertaken by Whitehall. The long lines of communication and logistics from London to the area east of Suez meant that some form of replenishment and repair facility was necessary and Simonstown, with the South African industrial base, more than adequately filled the role.

The Union's response to perceived British reliance on Simonstown was to use the base as a bargaining chip to strengthen her desire to be more closely associated with Britain and the Atlantic nations. The weakness of their position lay, however, in the undisputed fact that rising international unease over South Africa's racial policies made the offer of permanent facilities at the base almost unpalatable to the Atlantic Community. Moreover, there was, at the time, a growing conviction that any major war in which Africa might be involved, would only involve Africa's north Atlantic and Mediterranean coasts. But this latter line of reasoning was of little comfort to the British Navy who were faced with the task of defending the Indian Ocean. The major objection to the Union's generous offer arose from South Africa's domestic policies.

In a little known, although highly incisive, book on (British)
'Attitudes to Africa', Martin Wight and Colin Legum saw the dilemma facing the Atlantic nations over the Simonstown issue, in the following terms:

Britain and the United States have both been subjected to tempting arguments from the Union. These have included offers of troops, of access to the only industrial capacity in that part of the world, of loyal and eager partnership in an anti-Communist war, and, above all, the use of South Africa's strategically important ports. In return, the Union has asked that African troops should not be armed, at least in the adjacent territories, and that it should be given a position of leadership in planning the defence strategy of the continent. In the present precarious state of the world, a direct offer of military aid is hard to refuse or even to question. Moreover, the South African offer is perfectly genuine: the Union has every reason to fear Communism and ardently wishes to be accepted by the Western and democratic world as a respected ally. Nor can anyone deny the importance to Britain and America of assured access to the Union's ports, particularly as the Mediterranean may not be freely navigable in any future world war. The arguments of the Union closely resemble those advanced by Franco Spain. The governments of both these countries control valuable strategic areas, and both are passionately anti-Communist. But the parallel applies also on the negative side. Just as General Franco as an ally would at once lose us the sympathy of all who have suffered from and dislike Fascism, the Union as an ally would lose us the sympathy of all Africans and, indeed, of most other non-European peoples. (20)

The British view was, however that it was possible to establish a modus vivendi with the Union over the question of the facilities without drastically impairing their relationship with the African peoples. In addition, it should be noted that British decolonisation had, at the time, not reached an advanced level and, therefore, any objections by African leaders on Simonstown had to be routed through London and, mutatis mutandis, would be overruled by what the British saw as their own priorities in this regard. The British policy was to co-operate in a loose and unstructured fashion with South Africa in a naval 'understanding'. This 'understanding' emerged as the 'Exchange of Letters on Defence Matters' between Britain

These letters, according to Spence, rested on three assumptions:

a) South Africa and the sea routes around South Africa required protection against external aggression;

b) the internal security of the countries of Southern Africa would, however, remain a matter for each individual country concerned;

c) the defence of Southern Africa against external aggression lay not only in Africa, but also in the gateways to Africa, namely the Middle East. (22)

Undoubtedly this loose understanding represented both the highpoint of Anglo-South African co-operation in defence matters and a quasi-military link between the Atlantic Community and South Africa.

The Simonstown negotiations were very quickly followed by the decolonisation exercise in Africa with the British, the French and the Belgians pursuing a course which led to the independence of various African colonies, fairly expeditiously. Moreover, inside South Africa itself, political developments (which brought far-reaching international repercussions) brought the logic which had underpinned the Simonstown Agreement increasingly under question and resulted in the British turnabout on Simonstown which was initiated in the first Labour administration of Harold Wilson. (23)
In the process of escalating international hostility towards South Africa, the Atlantic Community (and the British) increasingly eschewed any further direct co-operation with South Africa in the field of maritime security.

Although the first Wilson administration undertook to support the United Nations arms embargo against South Africa, proposed in November, 1964, the debate over the Simonstown Agreements had not ceased in the United Kingdom, although its form had changed from a strategic/political discourse to a legal one. While British Conservative backbenchers continued to stress the maritime strategic significance of the Simonstown base, (24) the Conservative Party leadership (on coming to power in 1970) decided to resume arms sales to South Africa. Defence of this new policy was based on the legal aspects of the 1955 Agreement. Quite obviously, the Conservative government itself found the purely political dimensions of the link embarrassing, particularly in the light of growing international hostility towards South Africa and the resort to the use of legal arguments was designed to mollify Conservative backbenchers and as a foil against international pressure, particularly Commonwealth pressure. (25)

3.3 The Arms Nexus.

The growing unease over the sale of British arms to South Africa in terms of the Simonstown Agreement served to focus on another area of Atlantic


military entanglement with South Africa - the question of arms supply. This is a highly emotional area and studies done on this issue are somewhat distorted by the respective position of the particular scholar. (26) Some attention should, however, be given to the question because it does represent a form of association between the Atlantic Community and South Africa, if only by implication. In this area, as in the area of maritime strategic co-operation, the Atlantic Community, probably unintentionally, tended in the main to use Britain as the link to South Africa. There are, however, two crucial differences: at the time that the British Labour government suspended the sale of arms to South Africa in accordance with the Security Council Resolution, the French stepped into the gap left by the British. In doing so, the French not only demonstrated the capacity to undertake unilateral actions - notwithstanding their affiliation to the Atlantic Community - but formed a further linkage between the Atlantic nations and South Africa. Secondly, notwithstanding the United Nations Resolutions, other Atlantic nations continued to sell arms to Pretoria.

South African assistance to the Allied cause during the Second World War meant that at the War's end, South African forces were equipped with Allied equipment, chiefly of British origin. In the early post-War years, hopeful of some incorporation into an overall pro-Western security arrangement, scant attention was paid to the Union's defence forces. (27) However, with the Nationalist Party victory in 1948 and the increasing


international isolation of South Africa, attention was directed to the refurbishment of the South African military. Moreover, in view of the increasing pressures in the United Nations and elsewhere to embargo the sale of arms to South Africa, defence planners in South Africa set about to make the Republic self-sufficient in armaments. (28)

In the Fifties, as we have seen, under the Mutual Defence Assistance Act and probably as a quid pro quo for support given in the Korean conflict, the South African Defence Force received Sabre fighters from Canada and Sikorsky helicopters from the United States. This supply of aircraft was sanctioned in the favourable circumstances which the South African government found in its appeal for arms in the Fifties. Britain with its long-standing links to South Africa (including the South African defence establishment) continued to sell equipment to South Africa and her sales surpassed, until the 1964 Resolution, those of her Atlantic allies. Under the Simonstown Agreement, for example, naval vessels (chiefly redundant British equipment) worth $50-million were sold to South Africa. In addition, eight highly sophisticated maritime reconnaissance aircraft were sold to her under the terms of the same Agreement. (29)

With the onset of African hostility towards South Africa, however, such sales became a matter of international concern and generated a public interest in arms sales and this led to a decline in their flow to South


Africa. In addition, South Africa's departure from the Commonwealth served to decrease the extent of 'formal' links between Britain and South Africa. When it became apparent that international outrage at the extent of South Africa's arsenal would lead to U.N. calls for arms embargoes against her, the South African government stepped up its purchases of weapons. In 1961, South Africa purchased aircraft from the United Kingdom under the auspices of the Simonstown Agreement, but with the decision of the Wilson government to halt arms sales to South Africa, she sought sources elsewhere in the Western world. France supplied two squadrons of Mirage fighter aircraft and, over a period, some 100 Alouette helicopters. After 1964, the French supplied two further squadrons of new Mirage fighters, Super Frelon helicopters and the Nord Transall troop carrier. In addition, the United States supplied the C-130B Hercules transport and Cessna liaison aircraft. (30)

The overall pattern of this flow of arms to South Africa tended to continue notwithstanding the 1963 and 1964 U.N. Resolutions. (31) Despite the U.N. decision, two different lines of reasoning were used by the Atlantic nations to justify this process. Firstly, countries like the U.S. announced that 'existing contracts would be fulfilled'. Secondly, the British, under the rubric of the Simonstown Agreement, declared that 'firm contracts' were excluded from their commitment to halt sales to South Africa. More importantly, however, was the fact that the French simply ignored the U.N. call and persisted with their


policy of selling arms to South Africa in defiance of world opinion. (32)

Although the U.N. Resolution called for the halt on the sale of military equipment to South Africa, further complication was added by the fact that certain military-type equipment has a limited civilian use and this particular loophole was used to sell equipment to South Africa. In the years after the U.N. embargo the flow of arms to South Africa adopted a mixed pattern with all these pressures playing a part. This pattern was further complicated by the fact that transnational co-operation between Western countries meant that certain arms did not reach South Africa as a result of different countries, within the partnership, adopting different approaches to the question. Thus it was that 18 Beagle 206 light aircraft from Britain did not reach South Africa because they were powered by U.S. engines and the U.S. had adopted a far stricter adherence to the U.N. embargo than had their British partners.

Notwithstanding these difficulties, a considerable quantity of arms reached South Africa despite the arms embargo. These included not only aircraft, but small arms and military radar equipment. The chief sources of supply were Britain (aircraft, naval equipment, radar and communications equipment), France (aircraft, naval equipment, aero-nautical equipment, surface-to-air weapons and small arms), Italy (aircraft - the M.B.326 jet trainer) and Belgium (small arms). In addition, the South African government acquired licences to manufacture weapons from member states of the Atlantic Community; these included armoured cars from France, rifles from Belgium and aircraft from France and Italy.

The net result of this ambiguous policy by the Atlantic Community towards South African arms purchases, is that the Republic's military capacity is the most advanced in Africa, south of the Sahara. The sharing of technological expertise in arms sales has considerably enhanced South Africa's own domestic defence production and, for all intents and purposes, the Republic is, as their Minister of Defence has frequently stated, 'self-sufficient in the arms field'.

Through the arms link to South Africa, the nations of the Atlantic Community have become associated with support of the South African government in the face of international hostility towards that government. But the highly ambiguous policy which they adopted towards the U.N. calls to end the supply of arms to South Africa indicates the incapacity of the Atlantic nations, certainly in the early and mid-1960s, to coalesce around a firm policy towards the region. Arguably the irregularity of the Atlantic Community's posture over this issue was a result of its deciding the merits of arms sales on grounds other than the strategic importance which it attached to South Africa. Nonetheless, the sale of arms to South Africa has increased South Africa's capacity to wage war in the region and, in so doing, to resist pressures for change. Over the longer term, as we shall come to see, the haphazard attitude of the Atlantic Community on this issue may well have circumscribed their capacity to put pressure on South Africa in the 1980s.

3.4 The Current Nexus.

If both the Simonstown Agreement and the arms linkage represent a form of Atlantic co-operation with South Africa, events in southern Africa (and, indeed, in South Africa) in the Seventies have generated a new debate on the importance of South Africa to the Atlantic Community and it is to this area that we should direct our attention. (The discussion of the genesis
and development of this recent debate also serves as an introduction to the
chapters which will follow.) Before turning however to the debate, it is
well to touch on southern African developments which have given rise to
the recent concern.

During the late 1940s and early 1950s, a period in which the Atlantic
nations were in the process of consolidating their own position, the South
African issue was not, as we have noted, an important issue area for the
Atlantic Community. Despite the increase in criticism of South Africa at
the United Nations, the states of the Atlantic Community appeared convinced
that the Union could and would satisfactorily resolve the problematic racial
issues in the country.

However, by the mid-1950s this situation had changed both as a
result of the apparent determination of the Nationalist government in
South Africa to pursue vigorously the policy of Apartheid or Separate
Development and the resulting international hostility which this
generated. Moreover, as the decolonisation movement gained in momentum,
the 'new' states began to orchestrate an anti-South African position
throughout the international community. In the light of this new factor
the British, for example, were increasingly under pressure to refrain from
their policy of protecting South Africa in the international community and,
prompted by the growth of anti-South African movements inside the United
Kingdom itself, began to adopt a moderately anti-South African posture in
international forums. Similarly, the other states in the Atlantic
Community were pressured to display an increasingly anti-South African
stance.

This latter position patently contradicted their links with South
Africa through both the maritime strategic nexus and the arms nexus.
When in 1960, the South African authorities acted in a brutal and ruth­
less manner in the suppression of Black demonstrators at Sharpeville, the
international outcry was tremendous and the inherent contradiction in the ambivalent policy of the Atlantic Community was no longer acceptable, even apparently, to themselves. However, rather than sever their links with South Africa, the Atlantic Community (especially the British) decided to leave the South African issue untouched in the hope that the inherent racial trauma in South Africa would not again manifest itself and that by publicly displaying their antipathy to Apartheid they might, nonetheless, retain (and even increase) their existing economic links with South Africa. Their highly ambiguous response to the U.N. call for an arms embargo against South Africa was, arguably, the clearest manifestation of this policy. The view was to be that the entire southern African sub-continent was stable and that this stability certainly favoured Western interests.

With regard to the problems of decolonisation in the region—South West Africa, Rhodesia and the Portuguese colonies—the West's policy throughout the period 1955-1970, displayed the same ambivalent approach. In Rhodesia, notwithstanding the 1965 unilateral independence action by the minority, the Atlantic nations called for the downfall of the state—even voting for mandatory sanctions against the rebel regime—but, as later transpired, continued to provide the necessary life support for the illegal minority government. In the Portuguese colonies, it was clear that the attitude of the Atlantic nations was a function of their importance which they attached to Portuguese membership of NATO and, in South West Africa, they gave tacit support to U.N. Resolutions on the fate of the disputed territories but stopped short of direct action to solve the question by force.

What drove the Atlantic nations to this policy was not so much indifference, but a belief that the entire southern African sub-continent was stable and that this stability favoured their interests. Preoccupied with (often) crippling problems elsewhere the assumption of the Atlantic
nations appeared to be that, if southern Africa and South Africa were left untampered, the latent racial conflict in the region could be resolved without the necessity of introducing extensive outside pressure. Moreover, in this process, individual national interests (and, by implication, Atlantic Community interests) might continue to be unaffected. In short, the existing balance of power in South Africa and the likelihood of its preservation in a stable region, favoured the Atlantic nations.

There certainly appeared little evidence, notwithstanding the wars of national liberation being fought in the sub-continent, that the regional status quo might not persist. The Portuguese appeared determined to retain their foothold in both Angola and Mozambique, while the White-minority governments in both South Africa (and, by proxy, in South West Africa) and Rhodesia appeared invulnerable. It was this line of reasoning which prompted the National Security Council under Henry Kissinger in 1969 to 'tilt' towards the White regimes. (33)

However, the fatal flaw in this line of reasoning and what the 1970s were to demonstrate, was that the underlying premise of this policy - viz. regional stability based on the strength of the White minority regimes - was not sui generis. Its undoing was to come with the collapse of Portuguese decolonisation as a result of the coup in Lisbon and, thereafter, a rapid escalation of conflict throughout the region. In Rhodesia/Zimbabwe there was an increase in the war of national liberation which gained a new impetus from the opening up of the front with Mozambique. In Angola the decolonisation process was accompanied by a civil war which drew in both regional

states, South Africa and Zaire, and extra-regional actors, the Soviet Union (through the Cuban proxy) and the United States. In addition, the conclusion of the Angolan War saw an increase in the War of national liberation in South West Africa/Namibia. However, if this increased regional bellicosity signalled the hazardous early policy adopted by the Atlantic nations, then the 1976 insurrection in South Africa itself was an even more ominous sign that the region's simmering racial conflict was close to boiling point. Quite obviously, their ambivalent approach towards South Africa was inadequate and a positive and coherent response was necessary if the Atlantic nations were to retain their interests in the region.

In the main, their response to the new regional circumstances took a number of forms. First, in October 1977, in response to a Security Council Resolution (34) calling for a mandatory arms embargo against South Africa, the Atlantic nations supported the resolution. Secondly, the United States, in September 1976, took the role of an arbiter in the remaining decolonisation problems of the region, Rhodesia (as it was then) and South West Africa. Thirdly, and on the failure of the second strategy, the British and the Americans sought to seek a jointly-sponsored solution to the thorny problem of Rhodesia. Fourthly, partially as a result of the above experiences, five Atlantic members of the Security Council attempted the first Atlantic-centred approach to the resolution of a southern African issue by negotiating, with the blessing of the Security Council, with South Africa on the South West African/Namibian issue. Finally, in the period September 1979 to April 1980, the British pressed for a resolution of the continuing Rhodesian impasse. In all these endeavours, the Atlantic nations, either multilaterally or bilaterally, found themselves directly negotiating with the South African

Moreover, the increased instability in the entire region rekindled the dormant debate on the strategic importance of South Africa to the nations of the Atlantic Community and some attention both to the form of this debate and its scope is required. In essence, whereas the earlier (chiefly British) debate had concerned itself with the maritime issue, the resuscitated debate took a new form and included under its rubric two issues which had formally not been central in a consideration of what the interests of the Atlantic nations might be in South Africa. While the maritime aspects still occupied the thinking of strategists, there was now, partially as a result of the lessons learnt during the Oil Crisis, a concern with South Africa's role as a major source of raw materials and minerals, both to feed the advanced industrial base of Atlantic nations and for use in armaments production. In addition, economists throughout the Atlantic Community pointed to the importance of South Africa as a trading partner and the likely effects which, either temporary economic setbacks in South Africa or permanent loss of the link, might have on the domestic economies of certain key Atlantic partners. The rekindled debate therefore included three facets: the strategic maritime aspects, the raw material dimension and the economic factor. All three issues were to play a role in the quest by the Atlantic nations to develop a cogent and consistent policy towards South Africa.

The widening of the debate to include both the minerals issue and the economic question was, arguably, based on the interdependency which had arisen between the nations of the Atlantic Community and South Africa in the two decades between 1950 and 1970. These years had seen a considerable increase in Western involvement with South Africa. Moreover, the resuscitated debate was a clear indication that this interdependency had impinged on the economic vulnerability of the Atlantic nations and considerably restricted their freedom of movement on the South African issue. It also highlighted
the fact that Atlantic interdependency was susceptible to pressures outside the strict parameters of what was commonly recognised as the Atlantic core area.

What was also demonstratably clear, in terms of the new debate, was that security calculations can, and do, change over time. In the earlier period, the maritime strategic issue had enjoyed the pride of place. Now, however, because of both changing weapons technology and methods of waging naval warfare and as a result of the growing reliance on South Africa in the other two fields, the maritime aspect had taken a secondary role to the mineral and economic aspects of the nexus. We need however, to investigate the line of reasoning which suggests that such qualitative changes can occur in assessing security interests. How valid, for example, are the economically motivated 'new' aspects of the debate?

Concern in securing a reliable and ready source of natural resources has throughout history been a motivating force in geopolitics. The ease of access to such minerals has long employed the minds of strategic thinkers, although the intensity which this particular facet of strategic thought has enjoyed increased considerably with the onset of the Oil Crisis and has become one of the growth areas in the discipline of International Relations.

Within traditional international relations, the issue is divided into two aspects: first, the necessity to secure access to supplies of a range of minerals, both strategic (in the military sense) and industrial; secondly, the problems posed by an opposing power gaining access to such supplies of minerals and squeezing states in need of such minerals to achieve certain defined political ends.

Since most of the states in the Atlantic Community are advanced industrial nations with few natural resources of their own, particularly in specialist minerals, it follows that they require a steady flow of these minerals to maintain their industrial momentum. Another dimension is added to this
particular problem by the fact that in certain sophisticated weaponry, minerals with special properties are required. In both cases, however, the minerals are not sought for their own sake, but for the properties which they are able to bring to an industrial process. A failure to retain ease of access to such minerals must mean that the industrial capacity of the manufacturing country faces setbacks because their own industries are geared to the processing of these minerals. In the field of specialist weaponry, a failure to utilise the specialist properties involved in these minerals, weakens the defence capability of the country involved. Thus both in the realm of defence and in the realm of economic security, access to minerals has been a matter of strategic concern.

A parallel case can be made for the economic question. Here, advanced industrial states rely on their manufacturing base as the generator of their wealth. Moreover, the nature of international economic relations, determines that wealth is generated by both domestic and foreign consumption. The latter generates foreign currency which is, in turn, used to further the industrial capacity. A loss of an established and profitable export market can cause industrial hardship inside industrialised countries, resulting in unemployment and causing, over the medium and long term, political unrest. Hence for the sake of economic security at home, industrial nations are under pressure to seek lasting and secure foreign links.

With regard to the possibility of an unfriendly state acquiring access to both one's source of minerals and one's markets, the hazards involved are obvious. Through manipulation of the market mechanism the unfriendly state can cause the price of minerals to rise to unacceptable levels thus generating industrial unrest. Equally in the field of international economics an unfriendly state can - true, often with considerable hardship to itself - cause domestic hardship by stemming the generation of foreign capital. In
both instances, of course, the key word is security - be it domestic or foreign. This entire process is complicated by the fact that existing interdependencies between advanced industrial states can be strained by competition between them for access both to minerals and foreign capital. This latter point is more than amply demonstrated by the competition between the Atlantic nations during the Oil Crisis.
4.1 Introduction.

The manifold problems associated with access to and management of the earth's riches has long been the concern of governments. For modern industrial nations, like the Atlantic nations, the complexities of these issues are doubly urgent since their economies are reliant on a continuous flow of raw materials to sustain their industrial performance. Moreover, in the realm of strategy, certain select materials are deemed essential to ensure a predetermined level of military preparedness. (Although a composite list of natural resources is important for industrialised societies - including, of course, oil and food - our attention will focus primarily on the earth's non-fuel mineral resources, especially those minerals thought to be 'indispensable' to industrialised economies. Here too, the list is a long one, although not all can be considered in the category of so-called 'critical' minerals.)

The international issues concerned with this particular branch of modern government have not changed from colonial times and rested then, as they do today, on the three-tier inducement established by Eugene Staley in 1937:

> Modern industrial civilisation rests upon a raw material base that is unavoidably international. This is a consequence of three factors: (1) the demands for raw materials set by industrial technology, by the density of population in industrial countries, and by the consumption habits of industrial peoples; (2) the uneven geographical distribution of physical resources over the earth, and the slowly alterable distribution of technical skills, enterprise and capital necessary for working these resources; and, (3) the existing pattern of national political boundaries. The first of
these basic factors is responsible for the fact that a greater variety and abundance of raw materials than ever are nowadays considered indispensable; the second makes it impossible to obtain all of the economically necessary raw materials within one region; and the third means that raw materials supplied by one region to another must generally cross national boundaries. (1)

While there is no denying the timeless importance of access to raw materials, it is a question which has had varying importance over recent decades. One such period was the debate on the possible depletion of the earth's resources which began in the late-Sixties and continued until the mid-Seventies. This debate, which was initiated by the so-called Neo-Malthusian school (particularly the scholars associated with the Club of Rome), threw into sharp focus the possibility that the earth's resources might face depletion, if levels of exponential world growth are sustained. Two separate international developments appeared to add credence to the position of Neo-Malthusians: the 1972/73 boom in commodity prices and the 1973 rise in the price of oil. Taken together, both these events, as the Club of Rome were at pains to point out, meant that the welfare of industrialised society could no longer rely on an unfettered supply of raw materials and, thus, based on existing projections, there were real 'limits to growth'. (2)

While the findings of the Club of Rome did not receive universal acceptance, (3) the debate again served to endorse the political importance

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of the accessibility of raw materials. More significantly, especially for
the scholar of international politics, the debate appeared to highlight the
lack of understanding of such issues in the realm of political studies.
What emerged from the controversy was that, notwithstanding the long­
standing consciousness of the political importance of the issue, political
scientists (like policy-makers) had been unwilling (perhaps, unable) to
master the analytical tools which the earth scientist employs to make
economic-geoscientific decisions. The controversy highlighted the contemp­
orary political importance of notions like 'production capacity', 'consumption
potential' and particularly, the twin notions of 'reserves' and 'resources'.
Both in their theoretical and practical realms, these notions have important
economic and political implications for resource consuming and producing
nations. As a rule, political discussion on these matters has tended to
be shrouded in a maze of (often incomprehensible) figures which,
randomly chosen, have tended to reflect the particular political preferences
of either the scholar or the policy-maker. Nowhere, can it be argued, is
this tendency more prevalent than in the discussion of the West's minerals
nexus with the Republic of South Africa.

Because of the difficulty in comprehension of certain geological notions
to the political scientist and the seeming confusion over the West's minerals
nexus with South Africa, it is necessary to give attention to the abstract
dimension of some analytical tools used by the earth scientist, especially
those with a political significance. Initially we need to be painfully
conscious of Ronald Prain's caveat that assessments on the availability of
the earth's resources should not 'be seen as a photograph but...(rather)... 
as a moving picture....' (4) Of particular importance in this regard,

4. R. Prain. Address to the Royal Institute of International Affairs,
Chatham House, London, 9 November, 1976. Reproduced without the
because of the pivotal position they occupy in the decision-making process of the earth scientists, are the twin notions of 'reserves' and 'resources'.

Owing to the limitations of global geological research and other vexing problems associated with mineral exploration, any estimates on the earth's mineral riches can only be seen as tentative ones upon which each new discovery change both man's understanding of these riches and, obviously, his assessment thereof. Earth scientists themselves have been deeply divided in approaches to their understanding of what the earth's viscera contains.

In the early 1970s however, an assessment matrix was developed by V.E. McKelvey (5) which provided a convenient vehicle to bridge this gap in knowledge and which served to help reconcile the differing estimates of the earth scientists. McKelvey's approach, subsequently adopted by the United States Geological Survey, and elsewhere, was to view both reserves and resources in two time frames, 'static' and 'dynamic' and to build sufficient flexibility into the matrix to facilitate an understanding of their inter-relationship.

Figure One gives a variant of the McKelvey matrix and the divisions contained therein form the basis of the overall approach used in this study. The first, and primary division is that of 'identified resources' and 'undiscovered resources'. The former, along its entire vertical axis, classifies those minerals which are already known to the earth scientist and are not subject to speculation. Under the former, an initial horizontal divide, provides the category of 'reserves' which are, subjected to degrees of possible exploitation. Also known as 'developed reserves' these

Figure 1.

Inventory of Mineral Resources: Classification used by the U.S. Geological Survey.

<table>
<thead>
<tr>
<th>Identified Resources</th>
<th>Undiscovered Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proved</td>
<td>in known districts</td>
</tr>
<tr>
<td>Probable</td>
<td>in undiscovered districts</td>
</tr>
<tr>
<td>Possible</td>
<td></td>
</tr>
</tbody>
</table>

Reserves

Hypothetic Resources

Speculative Resources

Identified para and submarginal resources

Degree of certainty

Feasibility of economic recovery

Classification method used by U.S. Geological Survey, adopted from McKelvey.

resources are available for immediate exploitation at current prices or prices which are expected to prevail in the immediate future, with prevailing levels of technology. The function of this classification is to ensure a current production/consumption pipeline and to provide a sufficiently developed buffer to allow for the discovery and development of new reserves. It follows, therefore that:

reserves are not our ultimate stock of recoverable minerals any more than the level of water in a distribution reservoir fed from a large river is the ultimate amount of water that can be drawn from the reservoir. (6)

Under these 'identified resources' a second horizontal division indicates what we may consider as 'sub-economic reserves'. These resources will move into the 'reserves' classification if, and when, the price passes through a threshold which will 'unlock' them by making their development economically viable and their exploitation attractive. Moreover, technological advances in the extraction field, making the appropriate impact on the economies of scale, can also 'unlock' these resources by lowering the cost of unit output. Two preliminary observations are important in this respect (and deserve reiteration): first, the accessibility to minerals is crucially affected by the forces of the market place; secondly, technological advances can significantly alter the prevailing supply circumstances of minerals. (There seems no better modern example of this than the case of North Sea oil, where both increases in the price of the commodity and advances in existing deep-sea mining technology enhanced the appeal of tapping that source of oil.)

The second primary division is 'undiscovered resources' which may be considered as 'mineral occurrences'. These are, in the first instance, known deposits of minerals which are unlikely to be 'unlocked' in a period of two decades, either because the prevailing price prospects appear too

depressed to provide sufficient economic incentive for their development or because technological levels are inappropriate to their development in the foreseeable future. In the second instance, there is the hypothetical segment which infers the probability of resources.

Viewed through this matrix the distribution and appreciation of mineral reserves and resources is flexible and we need to address some of the aspects of this dynamic. The dynamic arises from the fact that, notwithstanding immense advances in geo-physical science, our total knowledge of the earth's crust remains, at best, limited. A discovery of a mineral deposit will, mutatis mutandis, enter the classification of 'discovered resources' and its capacity for exploitation will be a function of a combination of both the prevailing market price and the existing level of technology. Thus, for example, a new deposit may be so rich that it can, if the necessary infrastructural levels are present, immediately enter the matrix at the level of 'reserves'; if not as rich, or, if infrastructural levels are not sufficiently developed, at the level of 'sub-economical' resources and so forth. Concomitantly, if no new deposits of a mineral are found and the market price adjusts in response to this, an existing resource at the 'sub-economic' level can, hypothetically, move into the realm of reserves etc. The permutations possible in this regard are both a function and a determinant of the vertical access - i.e. feasibility of economic recovery - and the horizontal access - i.e. degree of certainty.

The background of this moving picture helps our attempts to understand the total extent of the earth's riches. The classification 'reserves', while obviously important from an immediate perspective, offers no real clues to latent availability of resources. The motor force of the moving picture arises from the interplay between: a) the discovery of new sources and where they enter the classificatory matrix; b) the existing and expected market price of the commodity; c) the existing and expected level of
technology and; d) interruptions to either existing mining ventures or
exploration by a range of political problems: unheavals, political boycotts
or manipulation of existing mineral flows for political goals. Current
access to resources is primarily a function of the capacity to 'unlock' the
mineral, given the existing restrictions of economics and technology. The
Report of the (U.S.) National Commission on Supplies and Shortages, 1976,
reinforces this perspective by returning to the reservoir analogy thus:

...even if the river feeding the town's reservoir is
flowing amply, and even if the distribution reservoir
is full, if the water distribution system malfunctions
or is not expanded in step with the growth of the
community it serves, there will be a 'water shortage'. (7)

The interplay between price and technology has other significant implic­
ations in determining the availability of mineral resources to industrialised
countries and, as in the debate on 'reserves' and 'resources', it can be
argued that these ramifications have not been adequately appreciated by both
political scientists and policy-makers. It is banal to observe that minerals
are, in the main, not sought for some intrinsic value (the exception being
the precious minerals: gold, silver and diamonds), but are sought for one
or several properties which are required in the normal course of everyday
living. While the observation is itself obvious, its reality leads to a
number of theoretical and practical possibilities, chief of which are:
a) certain minerals, subjected to the correct pricing factors, can be
substituted by others and: b) certain of the non-fuel minerals can be
recycled which enhances the total lifespan of the mineral. Again the key
to the 'unlocking' of this process is a function of cost and existing levels
of technology.

If we consider the substitution factor, two preliminary observations
can be made. First, substitution is possible by replacing the end product,

normally in a manufacturing process, by another product which possesses
the same properties needed to perform a particular task. Secondly,
within a given chemical process, it is possible to substitute the mineral
with another to achieve the same final product. The substitution process
is, however, not without certain pitfalls. In most cases, the cost of the
final product is likely to be affected by the necessity of substitution or,
alternatively, the end product may not be as durable as the original. However,
breakthroughs have been made and, in the event of prices of materials increasing,
research into substitution is likely to increase in the industrial sciences.

Advanced research by the United States Bureau of Mines had, for example,
demonstrated that, if iron ore is bombarded with a beam of high energy
chromium ions, a surface alloy results which has a corrosive resistance
comparable to that of bulk chromium alloy. (8) The process involved is,
however, a costly one and the resulting product is not completely comparable
with chromium alloy. Recent research has shown that aluminium can be used
as a substitute for steel in the automotive industry; while other research
has shown that there are multiple substitution possibilities in the electron-
ics field. (9) While the theoretical and practical parameters of substitution
technology need not detain us at this juncture, we are compelled to bear this
factor in mind in any assessments made on the minerals nexus between the
Atlantic nations and mineral-rich South Africa.

Organised efforts to recycle scrap minerals have not been a feature of
advanced industrialised societies until recent years. The reason for this

8. See, for example, "World Trends in Raw Materials Processing". Inter-

Science, vol. 191, no. 4228, 1976. Of particular interest, see
p. 730 which is a table on possible mineral substitutes in the
electrical and electronics field. Also, on substitutes generally,
see H.E. Goeller and A.M. Weinberg. "The Age of Substitutability".
is that it appeared in earlier times, that the earth's resources were not finite and, perhaps almost as important, the daily commerce of earlier societies did not lend themselves to sufficient inducements for recycling. Again, the primary persuasive factor is the result of the interplay between cost and technology. While it is not possible to recover a significant amount of minerals through the recycling process, breakthroughs have proved important and have yielded promising results. This is particularly true of minerals like iron, lead, nickel, antimony and mercury. In the case of each of these minerals more than 20 percent of U.S. consumption is derived from scrap sources. (10) The inter-relationship between these aspects and their effect on the notions of reserves and resources is concisely summarised by John Tilton:

...the use of reserves ignores the potential of recycling and secondary production. Minerals in their elemental form are not destroyed. Once used, they may be degraded and discarded, but they are always available for re-use. If they are not recycled, it is simply because the cost of doing so is too high; primary production is cheaper or prospective buyers do not find the benefits worth the cost. (11)

It seems possible to speculate, in respect both of substitution and recycling, that as long as concern prevails on the possibility of resource depletion, investigation into these issues will continue. Each breakthrough - under the assumption that both price and technology permit - will increase the total resources of a given mineral. There is, however, an important qualification to this general rule, viz. within the parameters set by present technology, there appear to be no substitutes (and scant possibilities for recycling) in the case of certain select minerals. Thus, and this is crucial in the case of


at least one mineral exported from South Africa, there appears (presently, at least) no way in which either the reserves of these minerals or their supply to industrialised states can be substituted.

While the overall assumptions on the interlink between 'reserves' and 'resources' have, on the McKelvey matrix, a dynamic interplay, our attention needs to be drawn to an important inhibiting factor in the supply side of the equation, namely the security of supply and accessibility. Although the exploration into geological deposits continues, the physical development of alternate sources of minerals has been severely restricted, particularly in the Third World, by three factors: increased costs of development, fear of nationalisation and political instability. Each of these factors, has lengthened the decision-making list of Western multinational corporations in the extractive fields, because each - either singly or taken together - has increased the overall risk involved in the development of new mining ventures, particularly in the Third World.

In order to understand fully this facet, we need to appreciate that the traditional vehicle for mining development in the Western world has been what we now call the multinational corporation or a variant thereof. When, at the turn of the century, mineral deposits became depleted in European countries and colonial exploitation began, such companies formed the vanguard of European penetration throughout the 'new world'. In certain cases, for example, Rhodesia (now Zimbabwe), a single company not only enjoyed sanctioned access to mineral rights (subject to negotiation with the local inhabitants), but enjoyed complete suzerainty in the areas in which such mandates fell. (12) This particular mode of mining development - under

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12. This is not the place to enter into the discourse on the exploitative nature of this type of operation, nor into the merits or demerits of this case in particular. What is pertinent to this argument is simply that this was the mode - the only mode - of assuring security and access to raw materials at the time.
the protection of the colonial metropole - reamined unchecked for the best part of the Nineteenth and early Twentieth Centuries. Thus we find that:

(b) by the beginning of the 20th century, the industrial nations were reaching out overseas in all directions to support their growing industrial activities and investing their savings in the development of mineral resources in distant parts of the world. Many of the areas that were suitable for mineral development were within the colonial empires. Capital was relatively easy to obtain for these areas because the political and economic structures were closely tied to those of the metropolitan centres of the industrial world. The Copperbelt of central Africa, for example, grew and prospered relatively well under conditions which made it almost an extension of the metropolitan European scene - certainly as far as banking, financing availability of expertise in management, for instance, were concerned. (13)

For the industrial world this method of mineral extraction had special attractions. It was, in the first instance, consonant with accepted capitalist conduct. Secondly, under the political custodianship of their respective metropolitan governments, access to minerals was guaranteed and secured. Thirdly, mineral consumers were satisfied by the security of this access and made wide-ranging economic calculations on the assumption that such security would be permanent. (Indeed, some countries based entire industries on imported minerals; e.g. the United Kingdom, where the entire steel industry was developed under the assumption of continued colonial access to raw materials.) Fourthly, abundance of colonial minerals and the absence of any threat to their security, meant that there was no real incentive to seek alternative sources of


non-fuel minerals outside of the confines of the prevailing colonial structures.

While this was particularly true of the European countries, the United States which had up until the 1950s been relatively self-sufficient in minerals, began to utilise the multinational corporation for mining exploitation in Latin America.

This method of mineral extraction might well have continued unabated had it not been interrupted by the pressures which rose from the drive for decolonisation and the subsequent international political and economic revolution which overthrew the colonial system. The drive towards national self-determination had the effect of rupturing the fabric of traditional accessibility to mining and minerals. No longer restricted by their colonial limitations, the newly-independent countries of the Third World sought to reappraise the entire rubric of their relations with their former colonial métropoles: mineral resources which had been an important lynchpin in this nexus, came under special scrutiny.

Two reactions were forthcoming from the Third World, although the root thereof was the same. First, there was a response that the métropole, through the mining companies, had a special responsibility to the countries in which they had operated for so long. Secondly, it was felt that the benefits of natural resources should accrue, either in part or completely, to the indigenous population of these countries, via their own governments. The common root of both these reactions was based on the assumption that the colonial métropoles, particularly the mining companies acting under the protection of the métropoles, had 'exploited' the countries of the Third World and irrevocably impoverished them in the process. The response to these reactions was to seek either the complete, or partial, nationalisation of the extractive industries in vast areas of the Third World.

For the Western world these developments had important political and economic
implications which were sui generis. While seeking to ensure continued access
to raw materials by securing co-operation with the Third World, (14) they
were, especially in the 1960s, unable to persuade their own multinational
corporations to invest in the Third World. A typical response from a private
sector body in this contest, is to be found in the Report of the British-North American Committee:

... (a) further disincentive arose from the new practice
whereby some (Third World) governments sought unilaterally
both to change concession terms and to impose new taxes
with long retroactive effect. It was hardly unnatural
that, once such policies of 'retroactivity' had been im­
plemented by some governments, the risk of being subjected
to future changes involving new elements of 'retroactivity'
was a significant new deterrent to all investments. State­
ments by some governments that new private capital would
still be welcomed, even sought after, and that new invest­
ments would be treated differently from the 'old capital'
that was taken over in the process of asserting 'sovereignty'...
did not succeed in changing the climate. (15)

The net effect was that Western investment in mining ventures in the
Third World declined significantly in the 1960s and development, even in
other areas where such risks were minimal - such as South Africa, Australia
and Canada, was cautious.

A secondary inhibiting factor was that of political instability. While
Western multinational corporations enjoyed the protection of the colonial
system, the political risks which they faced were minimal. After independence

14. The most obvious examples of this were the so-called 'Associate'
relationships between the EC and the African states in the success­
ive Yaounde Agreements; also, of course, in the Commonwealth
 Preferential Agreements made between Third World Commonwealth
states and the United Kingdom. Both these have, of course, come
together in the Lomé Convention. The issue here goes beyond the
observations made in this work and include, inter alia, access to
Third World markets and the need to exert influence in the Third
World. See, inter alia, this author's, Six and Eighteen; Nine
and Forty-six: The Road from Rome to Lomé Unpublished M.A. thesis,
University of Leicester, 1976; and The Lomé Conventions: From
Sunday Charity to a New International Economic Order. Johannesburg:
South African Institute of International Affairs, 1980.

political instability, especially in Africa, became a hazard and companies wishing to make investments in mining, ran the risk of vulnerability to the changing domestic political fortunes in the former colonial states. Such political risks take one of two forms: recurring political instability will lead to perturbation of the supply either at the source or through the supporting infrastructure; secondly, that companies will be subjected to political and economic uncertainty which could arise from reviewing contractual obligations by Third World governments.

While fears of nationalisation and political instability, particularly in the 1970s, further inhibited the operations of First World mining corporations in the Third World, the cost of exploiting new mineral resources has also impinged on the availability of raw materials. A number of problems arise from the increasing costs attached to development of new mining ventures. At the centre lies the same vexatious problems associated with the uncertain relations between mining corporations and the Third World host countries which have increased mining lead-times with the result that greater investment is on risk for a longer period and an accompanying economic price has to be paid. (16) Moreover, the recurrent economic problems of the Seventies - high rates of inflation and low growth rates - have meant that all other things being equal, the costs involved in both new mining and infrastructural development have been affected by cost-push inflation. (17)

16. The multifarious problems associated with these issues is set out in the private memorandum submitted to the European Commission by fourteen European mining companies in 1976. Entitled, Raw Materials and Political Risk, (n.d.) The paper seeks to define the nature of the problems and to plead for EC warrants in such ventures, including EC financial participation and insurance guarantees against such political and economic uncertainty.

17. Tilton, op.cit. pp. 7-8, argues that 'new mineral ventures are expensive. The nickel-copper project at Selebi-Pikwe, Botswana, which began operations in 1974, cost 170-million dollars. The capital needed for the proposed iron ore facility at Sishen, South Africa, is estimated at 900-million dollars. The New Cuajone project in Peru, scheduled to begin producing copper in 1976, will require 650-million dollars, and the development of the Cerro Colorado copper deposit in Panama will be even more expensive.'
Given the nature of the profit factor in the modus operandi of the mining multinational corporations, they are reluctant to commit large sums of investment to projects with long and uncertain lead-times in geographic regions with high political volatility.

Thus, in viewing the issues associated with access to raw materials, especially minerals, we need to bear in mind the dynamic matrix proposed by McKelvey with its emphasis on the interplay between 'reserves' and 'resources', the potential for substitution and recycling, as well as the recent problems associated with political instability in the Third World which has tended to put a brake on mining investment in these countries. We need also to bear in mind that the two most important variables influencing the accessibility and, indeed, security of supply are those of the existing market price and the present levels of technology. These two factors set the parameters of our assessment.

4.2 Minerals: Crucial or Otherwise.

So far, little attention has been devoted to the assessment of the existing or potential importance of minerals. Put conversely, how do industrialised countries determine what value to set by specific minerals and what factors influence this assessment? This is a crucial question for this study and only a clear understanding thereof will facilitate our grasp of the mineral relationship between the Atlantic nations and South Africa.

It is plausible that three levels of analysis have to be used in trying to ascertain how, or why, a mineral becomes important. A positive postulation, however, sets the parameters into which the three levels of analysis must fit. Yuan-li Wu in his brief study, 'Raw Material Supply in a Multipolar World' states that:

If certain raw materials are essential to a country's economic life and its defense capability, and if the country's domestic production (thereof) lags substantially
behind consumption, that country will be dependent upon imports to make up the shortfall. (18)

Distilled from this statement, three criteria appear necessary. First, the impact of the end use of the mineral in the domestic economic environment of the consumer country. In this regard, two sets of measurement appear possible: measurement in terms of total imports of the mineral (with an accompanying influence on the GNP of the consumer country), or measurement in terms of its end use in the economy of the consumer country - say, for a specific strategic purpose. The second mode of measurement arises by extrapolation and focusses on the supply end of the mineral. This is the distribution of the sources of supply: either measured in a number of sources, i.e. supply is possible from anyone of a number of countries or, alternatively, only one source; or, supply is restricted to a country (or countries) with a hostile ideology. With regard to the sources of supply of a mineral, we may have an ideological consideration and a distribution one. Thus, in arriving at our assessments, we will have to use either one or both factors.

Arising from this second level, we can identify a third one which is not either directly or implicitly present in the Wu statement. This is the possibility of exerting pressure on producer countries to ensure sources of supply. Naturally, if such reverse pressure is not possible, a consuming country's vulnerability becomes more significant. While these three levels offer the primary incentive for considering a consuming nation's susceptibility over the question of supply of resources, we need to bear in mind that such susceptibility is politically located and arises in times of peace or war.

Although giving the fundamental reasons for fear of such political pressure, the three levels do not bring us any closer to an understanding of how to assess degrees of vulnerability and/or dependency. A helpful tool

in bridging this question is offered by Robert Keohane and Joseph Nye, who draw a distinction between what is termed economic 'sensitivity' and economic 'vulnerability'. Set along a linear spectrum, both the notions are defined in terms of the consuming country's capacity to offset the negative effects of disruptions by fiscal means. Thus, by using the Keohane and Nye method, we find that:

In terms of the costs of dependence, (economic) sensitivity means liability to costly effects imposed from outside before policies are altered to try to change the situation. (Economic) vulnerability can be defined as an actor's liability to suffer costs imposed by external events even after policies have been altered. Since it is usually difficult to change policies quickly, immediate effects of external changes generally reflect sensitivity dependence. Vulnerability dependence can be measured only by the costliness of making effective adjustments to a changed environment over a period of time. (19)

Therefore, an economy is 'sensitive' to the extent that domestic cost factors arise as a result of outside pressure before indigenous political measures (e.g. fiscal ones) can be introduced to alleviate the situation. Further along the spectrum, even if fiscal methods have been introduced, and no alleviation is forthcoming, then the economy of the consumer state is said to be 'vulnerable'. The distinction operative here is crucial for, in the case of the former, substitution, recycling or releases of stockpiles can be used to offset import dependency; whereas, in the case of the latter, these mechanisms - on the assumption that they were available - would only have a minimal effect.

One of the fiscal weapons at the disposal of the consumer country is, of course, the stockpile, and we should pause to consider this option. There seem to be two primary motives for stockpiling: the aggressive motive and

the pre-emptive motive. By the former, we mean a procedure in terms of which an established stockpile may be used by a consumer country to manipulate the market mechanism for economic or political circumstances.

By the latter, we mean the development of a stockpile where a consumer country is thought to be vulnerable and access to supplies of a commodity thought to be insecure. The clearest manifestation of the pre-emptive stockpile is in the realm of national security and, in this case:

the rationale for having a stockpile rests fundamentally on the simple fact that (a state) is not self-sufficient in most of the materials which its industrial process consumes. (20)

Two different types of stockpile are usually present in industrial societies, private and public. In the case of the aggressive motive, the relationship between these two types is important. Concerning pre-emptive stockpiles, it is likely that only the state will hold stocks and that these holdings will reflect the specific economic and strategic concerns of the policy-makers. So it follows that:

Materials probably would be stockpiled only if they are 'Important' to the general economy. The importance of a material is a reflection of the economic cost that a sudden absence of a significant part of its supply would impose. The smaller the short-run elasticity of supply and demand of a material and the longer the adjustment period to a new equilibrium, the greater will be the importance of a shortage....A cost-benefit relationship of economic stockpiling may be developed, based on a measure of the economic costs averted through use of the stockpile. A material is 'important' enough to stockpile if the benefits of so doing outweigh the costs. (21)

The pre-emptive stockpile is crucial from the perspective of this study because holdings in certain minerals are often indicators of a government's assessment of their importance to an economy and the assessment made by the


consumer country of the political stability in the major sources of supply. Stockpiles therefore, can be considered as 'critical' or alternatively, that, in the assessment of the holding country, their economy is 'vulnerable' in respect of the stocks held. The operation of stockpiles (and their effectiveness) is set out in the Report of the (U.S.) National Commission on Supplies and Shortages:

Materials stockpiled for this purpose, would be released only if supplies were actually disrupted. Such a disruption could result from a political act directed against this country, from unrest within a supplying country, or from a natural disaster. Examples of past contingencies of this kind include the cutoffs of Russian shipments of chromium and manganese during and after the Berlin Blockade, and the extended strike that interrupted the flow of Canadian nickel to the United States for 128 days during 1969. While such examples are rare, factors such as the growing political unrest in Southern Africa, the vulnerability of key mining and transportation facilities to acts of terrorism, and the increasing politicization of mineral supply questions - particularly where Third World countries are involved - may make such disruptions considerably more likely in the future. (22)

The stockpile debate has been the subject of close scrutiny in the United States and, not surprisingly, in the light of the recent concern over the security of access to certain minerals, elsewhere in the Western world. While it remains a contentious issue, its chief function, viz. to tide economies over periods of threatened disruption, is, for our purposes, an important one, for by following the debate on stockpiling, we gain an idea of which minerals are thought to be important. Moreover, effective stockpiling for pre-emptive motives does create an 'instantaneous defence' against economic vulnerability.

In considering the broader question of how policy-makers arrive at an assessment of a mineral's importance, we should be conscious that different governments see the situation from their own unique perspective. A richly-

22. Ibid. p. 134.
endowed country, like the United States, is unlikely to feel as vulnerable in as many minerals as a country like Japan which has no minerals to speak of. There can be no fixed formula to determine these matters and each case has to be measured against the domestic economic situation and against the perception of vulnerability emanating from foreign sources of supply. Naturally, the same individual approach accounts for the fact that some countries stockpile minerals in which other countries appear to display no interest.

The spread of perceived mineral vulnerability between the Atlantic nations emerges clearly when we take a superficial glance at two different reports on these matters. The first, a Report to the U.S. President on 'Critical Imported Materials' lists 19 which are viewed as important: aluminium, chromium, platinum, iron ore, nickel, natural rubber, manganese, zinc, tin, titanium, cobalt, mercury, tungsten, lead, columbium, vanadium, flourspar, copper and phosphate. (23)

On the other hand, the EC Commission, using different criteria arrived at less sombre conclusions. This is interesting, although perhaps explicable in terms of the criteria used, because it is generally accepted that the EC members are more vulnerable in non-fuel minerals than the United States. For the EC Commission, however, 'products not giving rise to major problems', were cobalt, magnesium, mercury, molybdenum, nickel, lead, titanium and vanadium. While 'products giving cause for concern' included: aluminium, copper, tin, iron ore, manganese, platinum, tungsten, zinc and phosphates. (24) This latter report was concerned with raw materials generally and not, as in the U.S. case, with minerals in particular.


The deductive process whereby a mineral's classification and value is
determined is a complex one which rests, in part, on the actual impact which
a possible denial of the mineral is likely to have on the economy of the
consumer country (including, of course, probable political spinoffs).
Levels of concern are traceable through the stockpiling policies of consumer
countries, although these need to be treated with circumspection. In
addition, the priorities which consumer countries attach to certain minerals
can be traced by scrutinising published reports on critical minerals. In
each case however, the degree of dependency is likely to differ from one
country to another and reflects both the economic structure and economic
priorities of a consumer country.

4.3 Minerals: The South African Connection.

South Africa's role as a supplier of a range of minerals to the inter-
national market is an established feature of her international trade. The
contentious issue is, however, the assessment of South Africa's importance in
the supply of what may be deemed 'strategic' or 'critical' minerals to the
Atlantic nations. For our purposes, a further refinement is necessary:
what is the spread of South Africa's mineral supplies to the nations of the
Atlantic Community and how is this supply, if disrupted, likely to affect
intra-Atlantic Community relations? We need however, for the purposes of
background, to focus on South Africa as a source of minerals before turning
to the more refined issue.

It has become a truism to say that the South African economy is synonymous
with mineral riches. Whereas the twin pillars of extractive sectors, farming
and mining, have historically provided the backbone of South Africa's economy,
the mineral industry has provided something more for it has also been the
locomotive which has driven the South African economy to strength and prosperity.
Two minerals, diamonds and gold, provided the initial impetus to explore South
Africa's earth crust and they also served as the catalyst in the fruitful
search for other minerals beneath South Africa's veld. Around these initial riches, a sophisticated and Western-based economy and infrastructure originated which developed commensurately with foreign demands for South African minerals. Superimposed upon the economy was research into exploration and mining techniques which help develop the total spectrum of minerals available. (25)

Arguably, South Africa's role in supplying the Western world with an impressive range of precious and industrial minerals was enhanced by two factors. First, notwithstanding the (almost) residual political uncertainty (which dates back for more than a century), the country's ruling elite was securely wedded to a Western, primarily a European, way of life. This allowed for the easy integration of Western business methods into the South African setting and undoubtedly enhanced South Africa's attraction as an 'easy' area with which to do business. Secondly, primarily as a result of the early development of its infrastructure and the low wages paid to Black mine workers, South African mines had a head start over other mineral-rich countries. Moreover, South Africa's minerals were (and remain) highly competitive on the international market. Both the competitive price of the South African product and the ease of doing business in South Africa, tended to restrict the search for minerals elsewhere. The reticence to pursue mining interests elsewhere was further complicated by the cross-financial involvement of numerous foreign, particularly British, financial houses in the South African mining industry.

While it was the initial lure of gold which drew Western interest in South Africa's mineral base, the country's colonial ties with Britain secured the relationship. Given the shelter of colonial protection, the mineral link grew and with South Africa's Republican status in 1961, it spread to embrace other Atlantic countries: West Germany, France and the United States. Moreover, as dependence on South Africa's minerals increased, so did the involvement of these countries in the extractive process in South Africa through multinational corporations.

The cumulative effect of Western capital and advanced mining technology on South Africa's rich mineral resources was immense and, together with the United States, Canada, Australia and the Soviet Union, South Africa was, at the onset of the Seventies, regarded as being a member of the 'Big Five' mineral producing countries. The authoritative Mineral Year Book of the United States Bureau of Mines, wrote in 1975 of South Africa that it:

continued to lead the world in the production of antimony, chromite, gem diamonds, gold, platinum-group metals, and vanadium, and was an important producer of asbestos, coal, flourspar, iron, manganese, phosphate, uranium, and vermiculite. (Moreover) production of copper, lead, tin, zinc, cement, salt, and sulfuric acid was adequate to provide a high degree of self-sufficiency for domestic industries. (26)

Noting the place of mining in the economy of South Africa, the same report records that:

(1)he mineral industry was the most important single factor in the economy of South Africa during 1975, and accounted for nearly 17 percent of the country's gross domestic product. (27)

The security of the South African source of minerals for the Atlantic nations might not have been the subject of concern - nor, indeed, of this study - if the political circumstances of South Africa had not become an


27. Ibid.
international issue. The hostility felt over the maldistribution of economic and political power in South Africa is reflected in the periodic expressions of violence in the country (e.g. Soweto, 1976) and these have given rise to growing concern over: a) the security of South Africa as a source of mineral supplies and; b) the likely ramifications which any disturbance of the South African source of non-fuel minerals will have on the economic life of major mineral consumer countries. Our chief concern is, of course, this latter aspect and it is to this question which we now turn our attention.

4.4 Minerals: Who Needs What?

We have already noted the primary motor role played by minerals in the economies of advanced industrial societies and we have noted the restraints placed on access to such minerals by both the physical and economic availability of such minerals. Both the locomotive role of minerals and the restrictions placed on availability create idiosyncratic patterns of mineral consumption throughout consumer countries with each country giving priority to those minerals in which it perceives itself the most vulnerable. But how are we to ascertain the inter-relationship of these concerns within a defence/economic association like the Atlantic Community?

A study conducted by the Interfutures programme of the Organisation for Economic Co-operation and Development (OECD) (embracing all the nations of the Atlantic Community) serves as our preliminary guide to our understanding of this question. In addressing itself to issues of Industrial Raw Materials, the study notes that:

Overall physical scarcity of industrial materials through natural depletion of resources and reserves is not a likely eventuality....The real problem is access to raw materials. In most cases, the countries which possess the reserves or which produce the materials are not the centres of consumption. This is true both of the EEC and Japan and, in the case of certain raw materials, for the United States also. For the OECD countries the most crucial situations are those where there
is, at the same time, a high regional concentration of reserves or production and a high dependency on supplies from Eastern countries, from developing countries or from South Africa. (28)

(Emphasis original.)

An early draft of the findings of this programme noted 21 Industrial Raw Materials of which there was a high concentration of 'reserves' and 'resources' among a few countries which were not heavy consumers of these materials. (29) Of these materials special note was taken of:

those minerals for which there is both a high concentration of reserves and an extremely high dependence of OECD countries on supplies from Eastern countries, from developing countries or from South Africa. The most striking examples seem to be platinum, chromium, manganese and vanadium in which South Africa and the USSR predominate and columbium and titanium in which Brazil has a strong position. (30)

Table 1, takes further the analysis provided by the OECD study and its concentration on South Africa as a major factor in the holdings of mineral reserves is important for this thesis.

The Table reveals that in the supply of three alloying minerals, chromium, manganese and vanadium, South African reserves occupy either first or second place in total global holdings. The same holds true in the case of a precious metal, platinum. In addition, while South Africa does not rank in the first five holders of reserves in cobalt, her reserve holdings are of residual concern to industrialised countries.


29. The minerals are: Basic Metals: iron, copper, lead, tin, zinc; Light Metals: aluminium, titanium; Alloying Metals: chromium, cobalt, columbium, manganese, molybdenum, nickel, tantalum, tungsten, vanadium; Accessory Metals: bismuth, mercury; Precious Metals: silver, platinum.

### TABLE 1.


<table>
<thead>
<tr>
<th>Raw Material</th>
<th>Percentage share 3 leading countries</th>
<th>Percentage share 5 leading countries</th>
<th>Countries percentage share</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHROMITE</td>
<td>96.9</td>
<td>97.9</td>
<td>South Africa(74.1), Zimbabwe (22.2), USSR(0.6), India(0.4), Brazil(0.3), Madagascar(0.3)</td>
</tr>
<tr>
<td>MANGANESE</td>
<td>90.5</td>
<td>97.7</td>
<td>South Africa(45.0), USSR(37.5), Australia(8.0), Gabon(5.0), Brazil(2.2)</td>
</tr>
<tr>
<td>VANADIUM</td>
<td>94.6</td>
<td>97.2</td>
<td>USSR(74.8), South Africa(18.7), Chile(1.4), Australia(1.4), Venezuela(0.9), India(0.9)</td>
</tr>
<tr>
<td>PLATINUM</td>
<td>99.5</td>
<td>99.9</td>
<td>South Africa(82.3), USSR(15.6), Canada(1.6), Columbia(0.3), USA(0.1)</td>
</tr>
<tr>
<td>South African minerals of RESIDUAL concern.</td>
<td></td>
<td></td>
<td>Zaire(30.3), New Caledonia(18.8), USSR(13.9), Philippines(12.8), Zambia(7.7), Cuba(7.3)</td>
</tr>
</tbody>
</table>

The pattern which emerges from this discussion suggests that South Africa, as a source of mineral reserves, is important for the advanced industrialised world which is the major consumer of minerals. However, we should only regard these findings as preliminary and in order to make positive assertions about the likely effects of the South African nexus in terms of these minerals, we must direct our attention to a separate discussion of each of these minerals.

4.4.1 Chromium and Who Needs It?

Chromium is obtained from the ore chromite and the ore was the first mineral designated as 'critical' when World War II loomed. (31) The threat of Western, particularly U.S., vulnerability has been endorsed on no less than three occasions since the cessation of hostilities in 1945. The first was the Soviet embargo of chromite exports to the U.S. during the Korean conflict. The second was the Unilateral Declaration of Independence by the Smith government in Rhodesia in 1965, which prompted United Nations sanctions. These resulted in a halt of Rhodesian chromium imports by the United States in the period 1966 to 1972. However, these sanctions were circumvented by the passage of the Byrd Amendment in late 1971, which allowed for the importation of what was deemed 'critical' or 'strategic' materials from the rebel regime. The third interruption to chromium supplies to the United States came with the controversial nullification of the Byrd Amendment in March 1977. This nullification also required any country exporting steel products to the United States to produce certification that the final product contained no chromium from Rhodesia.

Western concern over access to secure supplies of chromium have been variously documented, (32) although a United States Bureau of Mines Report on the commodity possibly goes the furthest in linking an early joint British-American political action on the Rhodesian political impasse to the West's need for chromite. The report noted that unrest in Rhodesia had increased in that:

(1)Recent actions by the United States and the United Kingdom have demonstrated international concern for an end to the civil and political unrest which has restricted the normal growth of a stable economy in which the mineral industry plays a vital role. (33)

Chromium is a highly versatile element and this versatility considerably enhances its attractiveness to modern industry. The metal has a wide range of applications in three main branches of industry: metallurgical, chemical and refractory. It is however, in its metallurgical application that it gains particular importance, both strategic and economic. In this application, chromium enhances the physical properties of iron, steel and non-ferrous alloys increasing their resistance to corrosion, oxidation, metal fatigue and also increases strength.

The metal is also an essential component in a wide variety of alloy steels, cast irons and and non-ferrous alloys. In this role, it enhances the mechanical properties of the finished product and also increases the abrasive or electrical resistance capacity. In its chemical application, it is used to manufacture paints, inks and roofing granules. In this chemical role, chromium is also used in various trims including automobile, appliances and in other consumer goods. Other chemical uses of the metal are in the


manufacture of leather goods, textile dyes, chemical catalysts and in wood and water treatment.

In its crude form, chromite, the metal has an application in the refractory industry. Chromite refractories are essential in the production of iron and steel processing, non-ferrous alloy refining, glass-making and in cement processing. In addition, chromite sand is used as a moulding material in foundries in the production of ferrous casting. (34)

With respect to its industrial uses, chromite has traditionally been classified into three grades - metallurgical, chemical and refractory - depending on chemical composition. (35) However, considerable technological breakthroughs have facilitated interchangeability between the three traditional grades. This interchangeability has been marked in the chemical grade which can now be used in all three consuming applications.

The impact of new technology on the mineral and its three traditional grades, has meant the development of a more refined classification. Within the parameters of this refined classification, high-chromium (previously metallurgical grade) is chromite containing a minimum of 46 percent chromic oxide and with a chromium-to-iron ratio greater than 2:1. High-iron chromite (chemical grade) contains 40 to 46 percent chromic oxide with a chromium-to-iron ratio of 1.5:1 to 2:1. Thirdly, high-aluminium chromite


(refractory grade) contains more than 20 percent aluminium oxide and more than 60 percent aluminium oxide plus chromic acid. (36)

Having noted in Table 1, the global distribution for chromites and the dominant position occupied by South Africa, we next examine the global distribution of identified chromite resources in accordance with the refined classification of grades established above. Table 2 sets out identified global resources of chromite according to grades.

Both the economic and strategic importance of chromium is highlighted in this Table. First, the greater portion of the earth's resources are scattered in the eastern hemisphere. (It is, however, important to note that chromium does occur world-wide and the figures in the Table reflect only recorded data on both reserves and resources.) Nonetheless, this high concentration leads to two access fears: changing political fortunes in the eastern hemisphere could immediately disturb the security of chromium supplies. Moreover, the distance from the western hemisphere is considerable, and long shipping lines could exacerbate the problem arising from this geographical concentration of the ore. (37)

Secondly, the high concentration of chromium ore in Zimbabwe and South Africa considerably complicates access problems. In noting this disturbing state of affairs, the National Minerals Advisory Board (of the U.S.) were doubtful that the situation could change adversely. They argued:

Because South Africa and Rhodesia completely dominate known chromium ore resources, they eventually also must dominate world chromium supply. It might be argued that additional ore discoveries in other parts of the world would tend to reduce the future dominance of southern Africa; however, the known ore resources in South Africa and Rhodesia are so vast that there is little incentive for additional exploration in other areas. Thus...the United States will depend


<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>High Chromium Reserves</th>
<th>Other</th>
<th>High Iron Reserves</th>
<th>Other</th>
<th>High Aluminium Reserves</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Hemisphere</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>0.01</td>
<td>0.06</td>
<td>-</td>
<td>0.24</td>
<td>-</td>
<td>0.67</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.43</td>
<td>0.52</td>
<td>0.32</td>
<td>0.09</td>
<td>0.62</td>
<td>1.00</td>
</tr>
<tr>
<td>Canada</td>
<td>-</td>
<td>0.01</td>
<td>-</td>
<td>0.12</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cuba</td>
<td>-</td>
<td>0.01</td>
<td>-</td>
<td>-</td>
<td>1.75</td>
<td>7.33</td>
</tr>
<tr>
<td>Greenland</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.48</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>0.03</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hemisphere total</td>
<td>0.44</td>
<td>0.63</td>
<td>0.32</td>
<td>0.93</td>
<td>2.37</td>
<td>9.00</td>
</tr>
<tr>
<td>Eastern Hemisphere</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finland</td>
<td>-</td>
<td>-</td>
<td>0.92</td>
<td>0.24</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Greece</td>
<td>0.01</td>
<td>0.01</td>
<td>-</td>
<td>-</td>
<td>0.31</td>
<td>0.33</td>
</tr>
<tr>
<td>India</td>
<td>0.86</td>
<td>0.69</td>
<td>0.18</td>
<td>0.09</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Iran</td>
<td>0.26</td>
<td>0.17</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Madagascar</td>
<td>0.69</td>
<td>0.52</td>
<td>0.92</td>
<td>0.09</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Philippines</td>
<td>0.12</td>
<td>0.09</td>
<td>-</td>
<td>-</td>
<td>28.12</td>
<td>14.66</td>
</tr>
<tr>
<td>South Africa</td>
<td>8.61</td>
<td>8.61</td>
<td>91.67</td>
<td>95.65</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Turkey</td>
<td>0.86</td>
<td>0.86</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>USSR</td>
<td>1.69</td>
<td>1.69</td>
<td>0.92</td>
<td>0.09</td>
<td>68.75</td>
<td>73.33</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>86.15</td>
<td>86.15</td>
<td>4.67</td>
<td>2.43</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>0.17</td>
<td>0.17</td>
<td>0.92</td>
<td>0.05</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hemisphere total</td>
<td>99.4</td>
<td>98.96</td>
<td>100.00</td>
<td>98.64</td>
<td>97.19</td>
<td>88.32</td>
</tr>
</tbody>
</table>

| World Total: (Thousand short ton) | 650,000 | 650,000 | 1,200,000 | 2,300,000 | 16,000 | 15,000 |

increasingly on South Africa and Rhodesia for its future chromium requirements. As a consequence, U.S. vulnerability to chromium shortages will increase greatly. (38)

The third factor to note from Table 2 is that although the Soviet Union holds the third largest reserves of chromium in the world, these are minuscule as against the southern African holdings. This may be partially accounted for by the fact that little is published on the Soviet resource position and that all estimates may be overly conservative in nature. (It may be that Western estimates of Soviet minerals are grossly understated and this factor has to be borne in mind throughout any comparative analysis of Soviet mineral holdings.)

Having established South Africa's favourable holdings of chromium reserves, we now turn to the production and export of chromium. Table 3 sets out this pattern and, while it is not possible to establish the specific grades of ore exported from individual countries, we can immediately see that South Africa and the Soviet Union dominate both the production and export of chromium ore.

A further feature of Table 3 is the high export figures for Albania, Turkey and the Philippines. While we note from Table 2 that the latter two have chromium resources, Albania does not appear in that Table. There is little reliability on the magnitude of Albanian reserves and resources, although a South African-based study disregards the possibility of any major holdings in that country. (39) If, however, it is revealed that there are considerable reserves in that country and Albania began the wide-scale export of chromium, the international supply position would clearly be 38. United States. National Materials Advisory Board, op.cit. p. 37.

### TABLE 3.

World Production of Chromium and Export, 1975.

<table>
<thead>
<tr>
<th>Country</th>
<th>Production '000 short tons</th>
<th>%</th>
<th>Export %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>820</td>
<td>9.38</td>
<td>12.00</td>
</tr>
<tr>
<td>Finland</td>
<td>181</td>
<td>2.07</td>
<td>3.00</td>
</tr>
<tr>
<td>India</td>
<td>550</td>
<td>6.29</td>
<td>7.00</td>
</tr>
<tr>
<td>Madagascar</td>
<td>214</td>
<td>2.45</td>
<td>3.00</td>
</tr>
<tr>
<td>Philippines</td>
<td>573</td>
<td>6.55</td>
<td>8.00</td>
</tr>
<tr>
<td>South Africa</td>
<td>2,288</td>
<td>26.17</td>
<td>24.00</td>
</tr>
<tr>
<td>Turkey</td>
<td>739</td>
<td>8.45</td>
<td>10.00</td>
</tr>
<tr>
<td>USSR</td>
<td>2,290</td>
<td>26.20</td>
<td>23.00(estimated)</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>650</td>
<td>7.43</td>
<td>5.00</td>
</tr>
</tbody>
</table>


more favourable, under the assumption that they would be willing to supply the Atlantic nations.

Before turning to the question of Western demand for chromium, we should pause to consider the domestic processing of chrome for export purposes, primarily because this alters the consumption figures, particularly in regard to South Africa. A recent trend in ore-producing countries has been the move from the export of unprocessed ore to the export of semi-processed ore as a means of saving foreign exchange. This applies particularly to minerals such as vanadium, manganese and chromium. This intermediate stage of chromium processing, through the development of ferrochromium or ferro-chromium silicide, (40) has increased the total export-generated revenue.

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of South Africa.

Particularly since the mid-1970s, South Africa has been an energetic competitor in the ferrochromium field and this has considerably enhanced her supply position to, for example, the United States. In 1976, South Africa supplied nearly 40 percent of U.S. imports of ferrochromium. The balance of U.S. imports of ferrochromium (between 10 and 15 percent each) was supplied by Japan, Yugoslavia and Brazil. Moreover, U.S. imports of ferrochromium have greatly increased in the past decade from 16 percent in 1965 to 65 percent in 1977 (41) and South Africa's stake in this market has significantly increased.

This increase is related to a number of factors which have favoured the South African suppliers. First, as a result of the Reynder's Commission of Inquiry into Exports, Pretoria committed itself to a policy of export-led growth. (42) Secondly, the South African government introduced a programme of export incentives from 1975 which included export subsidies, low cost loans, tax concessions and rebates on energy and transport costs which have stimulated the development of local beneficiation of minerals. Thirdly, the South African pricing policy in semi-processed minerals has undercut both U.S. and foreign ferrochromium producers. Thus South African ferrochromium has come to enjoy a particularly favourable position in the international market, and the export of ferrochromium from South Africa is an integral part of her mineral supply policy and mineral importing countries have come to rely on South African exports of semi-processed chromium.

The pattern of chromium consumption appears to be a very mixed picture with numerous in-trades between Atlantic nations, providing evidence of the


closeness of their economic integration. Because of the magnitude of the U.S. consumption of chromium, it has been necessary to draw up two separate tables to illustrate this consumption picture. Table 4 is a derived table establishing the West European pattern of chromium trade. From the table, we note that West Germany and France are the highest importers of chromite: with 386,545 and 365,300 tons respectively in 1974. They are followed by Italy, Britain, the Netherlands and Belgium (wherein the figures of Luxembourg are included.) However, while West Germany imports a high percentage (some 45.42 percent) of chromium from South Africa, the other chief importer, France, only imports a negligible amount from South Africa, but studies based on figures for the years 1975, 1976 and 1977, indicate that South Africa increased its stake in French chromium imports. This revised pattern looks as follows:

1975: Madagascar (31 percent); USSR (26 percent); South Africa (15 percent); Turkey (12 percent); Iran (7 percent); Albania (4 percent)

1976: Madagascar (31 percent); USSR (26 percent); South Africa (20 percent); Turkey (13 percent); Iran (7 percent)

1977: South Africa (32 percent); Madagascar (24 percent); USSR (19 percent); Turkey (13 percent); Albania (2 percent)

The table indicates that the United Kingdom, Belgium/Luxembourg and Italy rely on South African sources of chromite. (43)

A further feature is that chromium is often processed in one country and exported to another. Therefore, while the South African figure does not always appear, the magnitude of the German export market in chromium (or related products) almost certainly means that South African chromite is exported, in a processed form, elsewhere in Europe. Thus South African ore

### TABLE 4.

**Derived Pattern of West European Chromium Flows: 1974.**

<table>
<thead>
<tr>
<th>Country</th>
<th>Form</th>
<th>IMPORTS (tonnes)</th>
<th>Sources %</th>
<th>EXPORTS (tonnes)</th>
<th>Destinations %</th>
<th>Inferred consumption (tonnes)</th>
<th>Import dependency %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BELGIUM-LUXEMBOURG</strong></td>
<td>Chromite</td>
<td>4,051</td>
<td>South Africa 25.52, Mozambique 18.02, West Germany 12.51, Netherlands 11.33</td>
<td>475</td>
<td>n/a</td>
<td>3,576</td>
<td>88.27</td>
</tr>
<tr>
<td></td>
<td>Oxide</td>
<td>778</td>
<td>West Germany 80.52, France 12.26</td>
<td>70</td>
<td>Greece 50.0</td>
<td>708</td>
<td>91.00</td>
</tr>
<tr>
<td></td>
<td>Metals</td>
<td>200</td>
<td>West Germany 43.0, France 19.0</td>
<td>123</td>
<td>West Germany 57.72, Japan 13.00, France 28.45</td>
<td>77</td>
<td>38.5</td>
</tr>
<tr>
<td><strong>FRANCE</strong></td>
<td>Chromite</td>
<td>365,300</td>
<td>Madagascar 29.4, Turkey 22.38, USSR 18.98</td>
<td>581</td>
<td>West Germany 58.17</td>
<td>364,719</td>
<td>99.84</td>
</tr>
<tr>
<td></td>
<td>Oxide</td>
<td>2,706</td>
<td>West Germany 34.66, USSR 19.62, United Kingdom 13.0</td>
<td>170</td>
<td>Belgium-Luxembourg 18.23</td>
<td>2,039</td>
<td>75.35</td>
</tr>
<tr>
<td></td>
<td>Metals</td>
<td>88</td>
<td>West Germany 44.32, U.S.A. 14.77, Japan 11.36</td>
<td>667</td>
<td>West Germany 21.86, Belgium-Luxembourg 19.35, Sweden 14.92</td>
<td>(579) (+100.0)</td>
<td></td>
</tr>
<tr>
<td><strong>GERMANY</strong></td>
<td>Chromite</td>
<td>386,545</td>
<td>South Africa 45.42, USSR 21.32, Turkey 14.48, Finland 9.26</td>
<td>3,679</td>
<td>France 41.88, Austria 34.22</td>
<td>382,866</td>
<td>99.05</td>
</tr>
<tr>
<td></td>
<td>Oxide</td>
<td>1,309</td>
<td>USSR 88.54</td>
<td>10,558</td>
<td>n/a</td>
<td>(9,249) (+100.0)</td>
<td></td>
</tr>
</tbody>
</table>

(Over)
<table>
<thead>
<tr>
<th>Country</th>
<th>Form</th>
<th>IMPORTS (tonnes)</th>
<th>Sources %</th>
<th>EXPORTS (tonnes)</th>
<th>Destinations %</th>
<th>Inferred consumption (tonnes)</th>
<th>Import dependency %</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITALY</td>
<td>Chromite</td>
<td>149,854</td>
<td>USSR 29.24, Albania 27.32, South Africa 16.56</td>
<td>1,595</td>
<td>n/a</td>
<td>148,259</td>
<td>98.93</td>
</tr>
<tr>
<td></td>
<td>Oxide</td>
<td>2,064</td>
<td>West Germany 70.25, USSR 19.05</td>
<td>319</td>
<td>Turkey 12.54, Sweden 11.91</td>
<td>1,745</td>
<td>84.54</td>
</tr>
<tr>
<td></td>
<td>Metals</td>
<td>208</td>
<td>France 25.0</td>
<td>7</td>
<td>n/a</td>
<td>201</td>
<td>91.63</td>
</tr>
<tr>
<td>NETHERLANDS</td>
<td>Chromite</td>
<td>27,969</td>
<td>Finland 28.48, Mozambique 23.05</td>
<td>35,035</td>
<td>West Germany 42.5, France 28.18</td>
<td>(7,066)</td>
<td>(+100.0) (probably exported)</td>
</tr>
<tr>
<td></td>
<td>Oxide</td>
<td>1,052</td>
<td>West Germany 79.46</td>
<td>150</td>
<td>France 30.0, West Germany 26.66</td>
<td>902</td>
<td>85.74</td>
</tr>
<tr>
<td></td>
<td>Metals</td>
<td>83</td>
<td>France 36.14, Japan 24.09, United Kingdom 20.48</td>
<td>-</td>
<td>-</td>
<td>83</td>
<td>100.0</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>Chromite</td>
<td>138,127</td>
<td>Philippines 42.38, South Africa 29.8</td>
<td>4,250</td>
<td>n/a</td>
<td>133,677</td>
<td>96.78</td>
</tr>
<tr>
<td></td>
<td>Oxide</td>
<td>($ 508)</td>
<td>West Germany 33.86, ($ 910)</td>
<td>n/a</td>
<td>n/a</td>
<td>?</td>
<td>(+100.0)</td>
</tr>
<tr>
<td></td>
<td>Metal</td>
<td>?</td>
<td>n/a</td>
<td>2,738</td>
<td>n/a</td>
<td>?</td>
<td>?</td>
</tr>
</tbody>
</table>

plays a role in intra-EC chromium trades. The table also reveals the high import dependency of most European countries for chrome and the position which South Africa occupies in providing the metal.

A similar pattern of high import dependence for chromium is shown in Table 5 which is a derived pattern of the chromium trade of the United States. In 1974, the United States was 64.76 percent dependent on foreign sources for the ore and of this figure, 25.34 percent came from the Republic of South Africa. The other main suppliers of the ore were Zimbabwe and the Soviet Union.

Mention has been made of the significant role played by South Africa in relation to the United States ferrochromium market and the table reveals that both Zimbabwe and Japan also played a substantial role in supplying ferrochrome to the United States during 1974. In the wake of the South African challenge in the ferrochrome market, the Japanese may have lost considerable ground to South Africa. This change is revealed in the

<table>
<thead>
<tr>
<th>FORM</th>
<th>IMPORTS '000 (short tons)</th>
<th>SOURCES</th>
<th>EXPORTS '000 (short tons)</th>
<th>CONSUMPTION '000 (short tons)</th>
<th>Import Dependency</th>
</tr>
</thead>
</table>
| CHROMITE | 559 | USSR 20.68  
Turkey 9.13  
South Africa 25.34  
Philippines 8.24  
Zimbabwe 17.41  
Other 19.13 | 197 | 362 | 64.76 |
| FERROCHROMIUM | 198 | South Africa 31.0  
Zimbabwe 26.0  
Japan 27.0  
Brazil 5.0  
Yugoslavia 4.0  
West Germany 2.0 | 13 | 185 | 93.43 |

following figures:

1976: South Africa (36 percent); Zimbabwe (19 percent); Japan (16 percent); Brazil (11 percent); Yugoslavia (9 percent); West Germany (2 percent)

1977: South Africa (50 percent); Zimbabwe (22 percent); Japan (4 percent); Brazil (5 percent); Yugoslavia (10 percent); West Germany (2 percent) (44)

4.4.2 Chromium: What Can Be Done?

The strategic and economic implications of the supply and demand picture for chromium are self-evident. They arise, first, from the crucial role which the mineral plays in a number of manufacturing processes in advanced industrial societies. Secondly, from the uneven global distribution of the mineral, especially the ore's geographic concentration in South Africa, Zimbabwe (45) and the Soviet Union. Thirdly, the fact that little real


45. A word about the Zimbabwean case is in order. Following the Unilateral Declaration of Independence by the White minority in 1965, the United Nations implemented mandatory sanctions on the illegal regime in 1968. These were respected until 1971 when the United States Congress intervened and began to buy chromium from Rhodesia. This decision, called the Byrd Amendment, was prompted by strategic considerations because its sponsor, Senator H. Byrd, argued that the United States was overly dependent on the Soviet Union as a source of chromium supply. Prior to the Amendment, however, it was assumed that Rhodesia chromium was 'laundered' through South Africa; although it is difficult to corroborate this assumption. (In this regard see, "Minerals Key to S. Africa's Strategic Position". The Times, London, 8 August 1977.) In March 1977, under Presidential pressure, the Byrd Amendment was repealed and the position returned to the status quo ante. However, in 1980, after prolonged negotiations, the country was restored to legality as Zimbabwe. In the new circumstances, it is clear that chromium from that country will again become available for international consumption. In addition, it is believed that Zimbabwe has significant stockpiles of lumpy grade chrome. (See, American Metal Market, New York, vol. 87, no. 101, 23 May 1979.) However, the new country is expected to experience a number of short-term problems before mining capacity is returned to full levels. (See, for example, Coal, Gold and Base Minerals of Southern Africa, Johannesburg, January 1980.) An additional short-term problem is likely to be caused by the uncertainty over the Zimbabwe government's attitude to foreign investment. The first budget of the new government was seen as favourable

(Over)...
incentive exists for moving to the exploration (and subsequent exploitation) of potential deposits of the ore elsewhere. Fourthly, and of crucial importance to this study, that demand for the mineral exists in the important countries of the Atlantic Community. Our task is now to discuss what possibilities exist for lessening the clear dependency in leading Western countries for the importation of this mineral.

It is helpful, however, to begin by recapitulating the various strategies which exist for prolonging the life of minerals. In the first instance, we have the possibility of recycling undissipated ore. Secondly the life of a mineral can be prolonged by the move into substitute minerals, with the accompanying effects on performance and price. Thirdly, although not directly associated with prolonging the life of an ore, stockpiles of ore, if available, can sustain industrialised economies under pressure.

One further avenue not yet considered involves the cutting back on non-essential uses of certain minerals with the result that savings can be made and these can be diverted for use in essential sectors of the nation's economy. While such savings may appear to be minute against the overall demand for minerals, they should not be disregarded.

While recognising that chromium imports (and the resulting dependencies

45. (continued) to foreign investment, although it sought to curb the outflow of taxed profits. (See, inter alia, "Budget Knocks Nationalisation Blues". Sunday Tribune, Durban, 3 August 1980; "Zimbabwe: True Blue Budget". Financial Mail, Johannesburg, 1 August 1980; and "First Budget Aimed at Reassuring Investors". The Star, Johannesburg, 25 July 1980.) Whilst Zimbabwean government ministers have been at pains to reassure potential investors that the mines would not be nationalised (See, for example, "Minister Says: The Mines are Safe". Financial Gazette, Salisbury, 6 June 1980), caution will probably be the watchword of the large-scale mining investor in the short-term. If on the other hand, the Zimbabwean mining sector is fully developed, it will be in a position to offer a considerable amount of minerals to the Atlantic nations over the medium- to long-term. Such hypothetical speculations lie however, outside the central concerns of this study.
on the chief exporting countries) are substantial, we should also recognise that the volume of chromium - both ore and alloy - imported by industrialised countries is not enormous. In the United States, for example, it runs (depending on the price) at about $200-million per annum, in France at 151-million Franks per annum and in Britain at roughly £275-million per annum. As a result, the impact of dislocations in the supply of chromium from South Africa, under the assumption that is was not immediately possible to make up the short-fall, would certainly not have catastrophic implications for their economies. This is to be contrasted with, say, a commodity like oil which has, for obvious reasons, a far more formidable role in the economies of these countries.

A further factor to be borne in mind, again in contrast to oil, is the fact that the amount of chromium used in the end product is small. In the case of stainless steel, for example, it is only 5 percent. Viewed from this perspective, it may be tempting to dismiss the importance of chromium as insignificant in the total economic life of the consumer-country. This would be a mistaken view because chromium's organic properties are indispensable in some end products. Thus, the U.S. National Materials Advisory Board notes:

Chromium is an element that imparts unique properties to the material to which it is added. While it is an important ingredient in many commodities, it is irreplaceable in stainless steels and high-temperature resisting super-alloys, two classes of materials that are vital to the technological well-being of the nation. Currently there are no chromium-free substitutes that can be used in these critical applications nor are such substitutes likely to be developed in the foreseeable future. (46)

Two studies in the United States have dealt in detail with the effects of a possible cutback in chromium supplies to that country, (47) and they


reveal a consistent position in regard to their findings. They both rehearse the considerable technical and social problems associated with recycling which include the costs of collection, separation, shipment and reprocessing which, in the words of one report, are 'excessive in relation to the cost of competitive virgin materials'. (48) Under the conditions prevailing in the United States in 1974, only some 10 percent of the 600,000 tons of chromium consumed was recycled ore. However, in circumstances which amounted to 'wartime', efforts could be made to increase the percentage of recycled ore and the recycling effort would probably be worthwhile. The chief direction of the conservation effort would probably be towards stainless steel where, with the development of technology, sizeable savings could be made. In other end processes, the recycling of refractory and chemical wastes could be attempted, and they might, if the costs allowed, produce promising results. Exact figures are impossible to demonstrate, but cumulative effects appear promising over the longer term.

It is also possible that savings could be made by reducing the amount of chromium lost in the manufacturing process. (49) In addition, the development of the Argon Oxygen Decarburization (AOD) refining process, which has facilitated inter-chromium grade substitution, and allowed the utilization of metals up to 100 percent scrap.

Comparable estimates on recycling possibilities in European countries are not available, although we should note the observation of the National Materials Advisory Board, that:

Recycling conditions differ abroad, and in Japan, Italy,


49. The potential savings from this operation are fully discussed in Ibid. pp. 161-171.
Austria and Germany etc., but more wastes are recycled than in the United States. (50)

We can therefore assume that, if sufficient political and economic inducements existed, some significant cutbacks could apply through the recycling process in Europe too. (51)

While, as a generalisation, there is no known substitute for chromium in stainless steel, we should note that only one-sixth of stainless steel is for what we might think of as 'severe' usage. In this role, it is used in jet engines, petroleum-processing plants and in units for electric power generators. In these end products there exists no substitutes for chromium and dislocations from sources would prove severe in these areas.

Chromium's essential role in the production of steel is that it imparts resistance to corrosion, especially in high temperature uses and no other mineral, at a comparative price, displays similar properties. However, minerals which impart corrosive resistance to steel are nickel, cobalt, columbium, vanadium and molybdenum and these can be used as substitutes in emergencies.

Substitution possibilities in the chemical use of chromium is also promising and, for example, in the use of chromium for industrial hard plating, there is no substitute as effective, although cadmium and nickel can serve as substitutes. In other uses, particularly in alloys, copper,

50. Ibid. p. 161.

51. In the absence of exact figures, speculations of this kind are extremely difficult to make. Nonetheless, the overall assumptions applicable to the U.S. case might well apply. The fundamental problem in this regard might be that levels of technological research might differ as might, for instance, capacity of individual plants to make savings.
nickel and titanium have proved possible substitutes. (52)

Despite the importance played by chromium in the economies of advanced technological societies, substitutes can be used. (53) But, as Warnecke notes: 'substitution usually results either in lowering the alloys performance standards or in higher costs. In high technology and highly corrosive environments, chromium remains vital'. (54) Little hard data exists on the savings from the use of substitutes in the EC, although we can assume that they may be of the magnitude estimated in the United States.

52. There are various ways of determining the effectiveness of substitutes. A Charles River study, for example, has established three categories in the use of stainless steel, each based on capacity to withstand corrosion. Individual applications are thereafter discussed in terms of these categories and substitution possibilities examined and relevant conclusions drawn. See Charles River Associates. Policy Implications of Producer Country Supply Restrictions: Overview and Summary, op.cit. pp. 148-156.

53. United States. National Materials Advisory Board sets out possible savings in the U.S. as follows:

<table>
<thead>
<tr>
<th>Consumption Segment (short tons)</th>
<th>% that can be saved</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A</td>
</tr>
<tr>
<td>Metallurgical</td>
<td>324</td>
</tr>
<tr>
<td>Refractories</td>
<td>61</td>
</tr>
<tr>
<td>Chemical</td>
<td>68</td>
</tr>
</tbody>
</table>

Category A: Technically feasible now.
Category B: Potentially feasible within a decade.


These similarities between the Europeans and the United States do not however apply when efforts to prolong mineral life by the development of stockpiles is examined. The United States strategic stockpile of chromium stood at 2.6-million tons in late 1977. This is equivalent to three-years consumption based on existing projections. Moreover in private inventories, the level was thought sufficient to sustain the economy for a one-year period. These figures were, however, considerably less than the stockpile objectives which have been set. (55)

The Europeans, on the other hand, hold no significant stockpiles of chromium, although contingency planning has raised the issue of the desirability of building stockpiles. In most of these cases, stockpiling of chromium has featured prominently. (56) This uneven spread of stockpiled ore is crucial in any appreciation of the Atlantic Community's relationship

55. One study sets the U.S. stockpile picture out as follows:

<table>
<thead>
<tr>
<th>Inventory</th>
<th>Objective</th>
<th>Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical</td>
<td>242</td>
<td>734</td>
</tr>
<tr>
<td>Metallurgical</td>
<td>1,957</td>
<td>2,550</td>
</tr>
<tr>
<td>Refractory</td>
<td>391</td>
<td>642</td>
</tr>
<tr>
<td>Total</td>
<td>2,590</td>
<td>3,926</td>
</tr>
</tbody>
</table>


with South Africa and, moreover, for the Community's perspective on its present and future relationship with South Africa.

The lack of adequate stockpiling in European countries and, indeed, of a coherent stockpiling policy in any, or between European states - either under the auspices of the EC or otherwise - has emerged as an issue of urgent concern for these states because it enhances their vulnerability to economic perturbation in a variety of raw materials of which chromium is just one. It is therefore opportune to consider Europe's stockpiling dilemma at this juncture.

The continuing inability to formulate a cohesive policy for stockpiling in Europe has at its roots a number of the overall issues associated with international community-building, some of which have been examined in the first chapter of this study. These include the obvious tensions between national interests and the need, in the face of continuing pressures and political integration, to develop a series of common strategies in the Community structure. These issues go to the core of conflicts in international relations and the necessity, however difficult, for states to search for common solutions to perennial problems.

At another level, three mundane reasons account for the inability of the EC to structure a common policy on stockpiling: conflicts in style between the members of the EC, conflicts in goals and, the issue of price and incentive factors. The first aspect is markedly demonstrated when we consider the German determination to promote stockpiling exclusively in the private sector by offering government inducements through the Bundesbank. (57) This approach should be contrasted with the French position which involves the government following a comprehensive national mineral procurement policy. The second reason is highlighted in a scrutiny of the priorities which each of these governments gives to specific minerals. A German Cabinet Report

57. The proposed German system is succinctly laid out in The German Tribune, 29 April 1979. op.cit.
detailed the following as the basis of a proposed stockpiling programme:

**TABLE 6.**

*Proposed West German Mineral Stockpile.*

<table>
<thead>
<tr>
<th>Mineral</th>
<th>Days</th>
<th>Cost DM-million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asbestos</td>
<td>n/a</td>
<td>374</td>
</tr>
<tr>
<td>Chromium</td>
<td>97</td>
<td>300</td>
</tr>
<tr>
<td>Molybdenum</td>
<td>42</td>
<td>292</td>
</tr>
<tr>
<td>Platinum</td>
<td>n/a</td>
<td>248</td>
</tr>
<tr>
<td>Manganese</td>
<td>22</td>
<td>245</td>
</tr>
<tr>
<td>Titanium</td>
<td>58</td>
<td>233</td>
</tr>
<tr>
<td>Tungsten</td>
<td>80</td>
<td>140</td>
</tr>
<tr>
<td>Cobalt</td>
<td>40</td>
<td>73</td>
</tr>
<tr>
<td>Tantalum</td>
<td>52</td>
<td>52</td>
</tr>
<tr>
<td>Vanadium</td>
<td>50</td>
<td>47</td>
</tr>
<tr>
<td>Antimony</td>
<td>n/a</td>
<td>38</td>
</tr>
<tr>
<td>Flourspar</td>
<td>30</td>
<td>-</td>
</tr>
<tr>
<td>Copper</td>
<td>80</td>
<td>-</td>
</tr>
<tr>
<td>Aluminium</td>
<td>91</td>
<td>-</td>
</tr>
<tr>
<td>Nickel</td>
<td>94</td>
<td>-</td>
</tr>
</tbody>
</table>


In contrast, the French stockpile goals are somewhat divergent from those proposed by the Germans, as the following Table demonstrates:

**TABLE 7.**

*French Vulnerability in Minerals.*

<table>
<thead>
<tr>
<th>Degree of Vulnerability</th>
<th>Mineral</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highest</td>
<td>Cobalt, Diamonds, Phosphates, Platinum, Silver, Titanium, Vanadium, Zirconium</td>
</tr>
<tr>
<td>High</td>
<td>Antimony, Asbestos, Copper, Manganese, Molybdenum, Tungsten</td>
</tr>
<tr>
<td>Medium</td>
<td>Bauxite, Chromite, Tin</td>
</tr>
<tr>
<td>Low</td>
<td>Iron, Potash, Lead, Nickel, Zinc</td>
</tr>
</tbody>
</table>

The third reason for the inability of the Europeans to pursue a co-ordinated stockpiling policy arises from the costs and lack of incentive involved in such an exercise. The figures cited for the costs involved in the development of the German stockpile are estimated to run at D.M.600-million to D.M.700-million. Although this figure, earmarked from total German reserves of D.M.74.6-billion, is infinitesimal, it does involve a political risk for the West German government. For France, less favourably endowed with currency reserves, the figure involved is estimated to be 1,300-million Francs by 1984. In the case of Britain, the figure involved in building a two-year stockpile of chromium, manganese, cobalt and platinum is estimated to run at £300-million. (58) These are high costs to pay if measured against the fact that the South African source, with its favourable price, is still on line. This restricts the real incentive involved in the development of stockpiles.

Although in the EC structures, the desirability of developing a Community stockpile is recognised as being a priority, it seems unlikely that sufficient political will exists to overcome the formidable hurdles in the path of such a goal. The EC appears to have pinned its hopes in this regard on an alternative strategy, viz. to increase access to sources of supply in the hope of alleviating any supply problems which might arise. This two-pronged strategy involves, in the first place, pushing for commodity agreements in multilateral arrangements such as the Lomé Convention and the UNCTAD negotiations on an Integrated Programme for Commodities. In the second place, the strategy involves a comprehensive investment policy to stimulate mining in undeveloped areas by providing incentives (including guarantees against political risk) in the hope that sources of supply can

be effectively diversified. (59) This is a difficult strategy for it involves: a) 'having enough raw materials on hand so that industry can draw on stocks until such time as alternative sources can be mobilised', which appears not to be the case and b) 'the diversification of supplies... which...demands strenuous efforts applied over a considerable length of time'. The immediate EC problem remains, of course, a high dependence on South Africa as a source of minerals and the fact 'that the southern part of Africa is a zone of political disturbance...wherein...mineral supplies cannot be guaranteed'. (61)

The pattern of dependency which emerges for chromium and ferrochromium in the Atlantic nations is not encouraging and it can effectively be summarised as follows:

(a) The global spread of chromium internationally is concentrated in southern Africa - South Africa and Zimbabwe - and the Soviet Union;
(b) In certain grades of chromium, South Africa which holds the bulk of the reserves, is also the largest supplier to these nations;
(c) While some savings can be made in domestic consumption of chromium, through production savings and substitution, chromium (and South African chromium) is important for the Atlantic nations and;
(d) While stocks are sufficient in the United States to facilitate a certain leeway, this favourable position does not hold true for the European countries where chromium is equally, if not more, important.

We are now in a position to assess the problems of chromium supply in terms of the two-tier matrix presented by Keohane and Nye. (An economy is 'sensitive' to the extent that it is open to costly effects imposed from the outside before politics (fiscal means) can be introduced to change the situation. Secondly, an economy is 'vulnerable' to the extent that

59. For a discussion of these twin issues, see European Commission, op.cit.
60. Financial Times, 16 January 1979, op.cit.
61. Ibid.
it can suffer costs imposed by external actors even after policies have been introduced in an attempt to alleviate the situation.) Using this matrix for chromium, we must conclude that the United States' economy is 'sensitive' to any disturbance of the South African supply of chromium and ferrochromium. Her extensive stockpiles, if effectively utilised, can create sufficient time to move away from the reliance on chromium, if sufficient inducements exist in terms of price and technology. In Europe, the picture is not as promising. South African imports of chromium are crucial for the EC nations and, without any effective stockpiling policy, their economies are 'vulnerable' to any disturbance of the South African source of supply. In this context, therefore, we can foresee the possibility of latent fracture between the Atlantic nations if the South African source of chromium was denied and if they were forced to compete with each other for sources of the metal in the international market. Not only would this competition strain their relations, but the loss of the South African source would drive the international price of chromium upwards creating further strain on their economies.

4.4.3. Manganese and Who Needs It?

The importance of manganese in the manufacture of steel dates back to 1839 when it was proved that the metal improved the malleability of steel. Two decades later, its importance was endorsed with Robert Mushet's development of spiegeleisen. (62)

In modern times the importance of manganese in the manufacture of steel arises from two of its properties. First, as a scavenger in molten steel, manganese combines with sulphur and oxygen to make the steel brittle. Secondly, used as an alloy, it makes steel more resistant to shock or

More than 90 percent of manganese consumed by the Atlantic nations is in the steel-making industry, although manganese also has certain applications in the chemical industry and, in dioxide form, as a depolariser in dry batteries.

While South Africa (as demonstrated in Table 1) enjoys a favourable position in the global distribution of manganese reserves, the spread of manganese reserves is broader than in the case of chromium. There is, for example, no hemispheric concentration with the result that most continents have some manganese deposits, either as reserves or as resources. Moreover, the possibilities of deep-sea mining of nodules promises to yield over the longer term an abundance of the metal. (63)

Table 8 sets out the global distribution of manganese resources and the following points from the table should be noted. First, the bulk of reserves and resources are concentrated in the Soviet Union and in South Africa. However, both Australia and Brazil have manganese resources which diminishes Atlantic Community dependence on South Africa and the Soviet Union. Thirdly, the figures cited in the table do not include seafloor resources which, certainly increase the total amount of manganese

63. The possibilities of increasing the total mineral reserves through the exploitation of the seafloor has long been mooted. Here, too, the twin interaction of economic incentives and levels of technology play an important role. Access to these resources is, however, further restricted by legal complications which have arisen as a result of the prolonged negotiations over the United Nations Conference on the Law of the Sea (UNCLOS). One should, nonetheless, bear in mind a recent statement on this issue:

It should be stressed that despite all the statements made about the vast riches of the deep sea-floor - and most of these statements refer to manganese nodules - there is at this point in time no single commercial operation anywhere in the world which is based on the exploitation of these nodules.

<table>
<thead>
<tr>
<th>Location</th>
<th>Reserves</th>
<th>Other</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NORTH AMERICA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>-</td>
<td>73,600</td>
<td>73,600</td>
<td>2.04</td>
</tr>
<tr>
<td>Canada</td>
<td>-</td>
<td>17,500</td>
<td>17,500</td>
<td>0.48</td>
</tr>
<tr>
<td>Mexico</td>
<td>2,200</td>
<td>12,600</td>
<td>14,800</td>
<td>0.41</td>
</tr>
<tr>
<td>Regional Total</td>
<td>2,200</td>
<td>103,700</td>
<td>105,900</td>
<td>2.94</td>
</tr>
<tr>
<td><strong>SOUTH AMERICA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bolivia</td>
<td>-</td>
<td>5,000</td>
<td>5,000</td>
<td>0.14</td>
</tr>
<tr>
<td>Brazil</td>
<td>43,700</td>
<td>26,000</td>
<td>69,700</td>
<td>1.93</td>
</tr>
<tr>
<td>Chile</td>
<td>450</td>
<td>-</td>
<td>450</td>
<td>-0.01</td>
</tr>
<tr>
<td>Regional Total</td>
<td>44,150</td>
<td>31,000</td>
<td>75,150</td>
<td>2.08</td>
</tr>
<tr>
<td><strong>EUROPE</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>4,500</td>
<td>-</td>
<td>4,500</td>
<td>0.12</td>
</tr>
<tr>
<td>Greece</td>
<td>230</td>
<td>-</td>
<td>230</td>
<td>-0.01</td>
</tr>
<tr>
<td>Hungary</td>
<td>270</td>
<td>-</td>
<td>270</td>
<td>-0.01</td>
</tr>
<tr>
<td>Romania</td>
<td>330</td>
<td>-</td>
<td>330</td>
<td>-0.01</td>
</tr>
<tr>
<td>USSR</td>
<td>750,000</td>
<td>600,000</td>
<td>1,350,000</td>
<td>37.50</td>
</tr>
<tr>
<td>Regional Total</td>
<td>755,330</td>
<td>600,000</td>
<td>1,355,330</td>
<td>37.64</td>
</tr>
<tr>
<td><strong>AFRICA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gabon</td>
<td>100,000</td>
<td>-</td>
<td>100,000</td>
<td>2.77</td>
</tr>
<tr>
<td>Ghana</td>
<td>350</td>
<td>10,000</td>
<td>10,350</td>
<td>0.28</td>
</tr>
<tr>
<td>Ivory Coast</td>
<td>-</td>
<td>1,500</td>
<td>1,500</td>
<td>0.04</td>
</tr>
<tr>
<td>Morocco</td>
<td>750</td>
<td>-</td>
<td>750</td>
<td>0.02</td>
</tr>
<tr>
<td>South Africa</td>
<td>900,000</td>
<td>780,000</td>
<td>1,680,000</td>
<td>46.66</td>
</tr>
<tr>
<td>Upper Volta</td>
<td>-</td>
<td>10,000</td>
<td>10,000</td>
<td>0.27</td>
</tr>
<tr>
<td>Zaire</td>
<td>3,400</td>
<td>1,100</td>
<td>4,500</td>
<td>0.12</td>
</tr>
<tr>
<td>Regional Total</td>
<td>1,004,500</td>
<td>802,600</td>
<td>1,807,100</td>
<td>50.19</td>
</tr>
<tr>
<td><strong>ASIA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>17,000</td>
<td>17,000</td>
<td>34,000</td>
<td>0.94</td>
</tr>
<tr>
<td>India</td>
<td>28,000</td>
<td>12,000</td>
<td>40,000</td>
<td>1.11</td>
</tr>
<tr>
<td>Japan</td>
<td>950</td>
<td>-</td>
<td>950</td>
<td>0.02</td>
</tr>
<tr>
<td>Thailand</td>
<td>1,300</td>
<td>2,800</td>
<td>4,100</td>
<td>0.11</td>
</tr>
<tr>
<td>Regional Total</td>
<td>47,250</td>
<td>31,800</td>
<td>79,050</td>
<td>2.19</td>
</tr>
<tr>
<td><strong>OCEANIA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>160,000</td>
<td>15,000</td>
<td>175,000</td>
<td>4.86</td>
</tr>
<tr>
<td>Fiji</td>
<td>80</td>
<td>300</td>
<td>380</td>
<td>-0.01</td>
</tr>
<tr>
<td>New Hebrides</td>
<td>80</td>
<td>-</td>
<td>80</td>
<td>-</td>
</tr>
<tr>
<td>Regional Total</td>
<td>160,160</td>
<td>15,300</td>
<td>175,460</td>
<td>4.87</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(rounded)</td>
<td>2,000,000</td>
<td>1,600,000</td>
<td>3,600,000</td>
<td>100.00</td>
</tr>
</tbody>
</table>

available for distribution over the long term.

World production of manganese ore parallels the location of sources and this is set out in Table 9. A further observation is that production of manganese fell short of production capacity in almost all producer countries in 1975. Projected to the year, 1980, it seems likely that production capacity of most of the producer countries will increase and in the case of the USSR, this increase may be as high as 23.87 percent. In addition, the projected increase of Australia will run at a 77.77 percent increase over the 1975 production of 900,000 short tons. In comparison to the Australian figure, the projected South African figure of 15.38 percent, is small.

Two important aspects of the Table which require special endorsement, however, are: a) the fact that surplus capacity exists in the production of manganese worldwide of some 13.49 percent and; b) that this capacity could be increased by 39.36 percent in 1980. However, such surplus capacity does not automatically mean that this manganese will find its way to the international market. In under-developed regions, like Gabon and Zaire, the marketing of this surplus is contingent on both political stability and the development of the necessary infrastructure.

Having traced the location of global reserves of manganese and identified the main producers of the ore, our task is to identify the main exporters of the commodity before we ascertain the import/export pattern of manganese. This information is set out in Table 10. Here we note that of all producers, South Africa exports the highest percentage of her manganese production. The other main manganese producer, the Soviet Union does not export large amounts of her total production and it is Gabon, a Third World country, which is the world's second largest exporter of the metal.

The table also identifies the major destinations of world manganese exports. The United Kingdom absorbed 73.1 percent of South African manganese
## TABLE 9.
World Production of Manganese: 1975 (Actual and Capacity); 1980 (Capacity and Percentage of World Capacity)

<table>
<thead>
<tr>
<th>Location</th>
<th>1975 Production ('000 short tons)</th>
<th>1975 Capacity ('000 short tons)</th>
<th>% World</th>
<th>1980 Production ('000 short tons)</th>
<th>1980 Capacity ('000 short tons)</th>
<th>% World Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>19</td>
<td>50</td>
<td>38</td>
<td>50</td>
<td>50</td>
<td>0.33</td>
</tr>
<tr>
<td>Mexico</td>
<td>150</td>
<td>131</td>
<td>87.33</td>
<td>180</td>
<td>1.19</td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>875</td>
<td>1,325</td>
<td>66.03</td>
<td>1,750</td>
<td>11.61</td>
<td></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>10</td>
<td>15</td>
<td>66.66</td>
<td>15</td>
<td>0.09</td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>64</td>
<td>65</td>
<td>98.46</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>USSR</td>
<td>3,395</td>
<td>4,200</td>
<td>80.83</td>
<td>5,100</td>
<td>33.85</td>
<td></td>
</tr>
<tr>
<td>Gabon</td>
<td>1,233</td>
<td>1,230</td>
<td>+100.00</td>
<td>1,420</td>
<td>9.42</td>
<td></td>
</tr>
<tr>
<td>Ghana</td>
<td>183</td>
<td>250</td>
<td>73.2</td>
<td>250</td>
<td>1.66</td>
<td></td>
</tr>
<tr>
<td>Morocco</td>
<td>77</td>
<td>85</td>
<td>90.58</td>
<td>85</td>
<td>0.56</td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td>2,588</td>
<td>2,600</td>
<td>99.53</td>
<td>3,000</td>
<td>19.91</td>
<td></td>
</tr>
<tr>
<td>Zaire</td>
<td>167</td>
<td>200</td>
<td>83.5</td>
<td>200</td>
<td>1.32</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>440</td>
<td>440</td>
<td>100.0</td>
<td>440</td>
<td>2.92</td>
<td></td>
</tr>
<tr>
<td>India</td>
<td>624</td>
<td>800</td>
<td>78.0</td>
<td>800</td>
<td>5.31</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>47</td>
<td>50</td>
<td>94.0</td>
<td>50</td>
<td>0.33</td>
<td></td>
</tr>
<tr>
<td>Thailand</td>
<td>13</td>
<td>20</td>
<td>65.0</td>
<td>20</td>
<td>0.13</td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>857</td>
<td>900</td>
<td>95.22</td>
<td>1,600</td>
<td>10.62</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>87</td>
<td>115</td>
<td>75.65</td>
<td>105</td>
<td>0.69</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>10,810</strong></td>
<td><strong>12,495</strong></td>
<td><strong>86.51</strong></td>
<td><strong>15,065</strong></td>
<td><strong>100.00</strong></td>
<td></td>
</tr>
</tbody>
</table>


ore in 1974-75 and she was followed by the Netherlands which imported 17.73 percent of South Africa's production. In addition, South Africa's exports of ferromanganese were absorbed by the Japanese, the American, the British and the Belgian markets, in that order. (64) Other leading Atlantic states

### TABLE 10.

<table>
<thead>
<tr>
<th>Producer</th>
<th>Percentage World Exports</th>
<th>Type</th>
<th>Destination and Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa</td>
<td>31</td>
<td>Ore</td>
<td>United Kingdom 73.1; Netherlands 17.73</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Oxide</td>
<td>Japan 36.64; U.S.A. 29.31; United Kingdom 17.96; Belgium-Luxembourg 16.07</td>
</tr>
<tr>
<td>USSR</td>
<td>13</td>
<td>Ore</td>
<td>Poland 33.4; Czechoslovakia 22.2; Japan 13.09; East Germany 10.12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other</td>
<td>Netherlands 50.00; Sweden 50.00</td>
</tr>
<tr>
<td>Gabon</td>
<td>17</td>
<td>Ore</td>
<td>France 49.04; Norway 15.5; Italy 10.44; U.S.A. 9.28; Japan 7.97</td>
</tr>
<tr>
<td>Australia</td>
<td>10</td>
<td>Ore</td>
<td>Japan 47.19; U.S.A. 41.34; Thailand 11.16</td>
</tr>
<tr>
<td>India</td>
<td>7</td>
<td>Ore</td>
<td>Unknown</td>
</tr>
<tr>
<td>Brazil</td>
<td>13</td>
<td>Ore</td>
<td>U.S.A. 46.08; Norway 16.94</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Oxide</td>
<td>Argentina 100.0</td>
</tr>
<tr>
<td>China</td>
<td>1</td>
<td>Ore</td>
<td>Japan 100.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Oxide</td>
<td>Sweden 87.47; Norway 18.21</td>
</tr>
<tr>
<td>Mexico</td>
<td>2</td>
<td>Ore</td>
<td>Japan 44.97; U.S.A. 41.75; France 10.22</td>
</tr>
</tbody>
</table>


to import manganese were the French, which absorbed 49.04 percent of the exports from Gabon. Manganese from Gabon was also imported by Italy and the United States. It should however be noted that this manganese was not in the processed form.

The chief destination of Australian manganese exports was Japan and the United States also absorbed a percentage of the exports from that country.
In the case of Mexico, both the United States and Japan imported manganese from this source. Particular mention should be made of Japan, the largest single importer of manganese ore and a heavy importer of manganese oxide.

The picture which emerges with regard to manganese is that global distribution of the metal is relatively even. Secondly, notwithstanding this even spread, South African reserves of the ore are high: in the region of 46.66 percent. (The Soviet Union, the other major reserve holding country is estimated to have 37.5 percent of global reserves.) Thirdly, the reserve allocations tend to be repeated in the production of manganese whereby South Africa and the Soviet Union are the major producers of manganese. Fourthly, South Africa contributes the major portion of world exports of manganese and, finally, manganese is imported by a number of Atlantic nations where its major application is in the steel-making process.

Table 11 sets out the derived flow of manganese in the Atlantic Community. All of the countries in the Atlantic Community have a high import dependency on manganese ore, manganese oxide and the metal. Moreover, a significant amount of manganese trade is between members of the Atlantic Community. This certainly indicates that ore is imported, upgraded by oxidisation and thereafter exported. Thirdly, in all three grades of manganese, South Africa is a well-established source of Atlantic Community imports. For example, in the case of Belgium-Luxembourg, South Africa is the dominant source; in the case of West Germany and Italy, South Africa is the chief supplier of both ore and oxides; in the United Kingdom, South Africa is the major source of ore imports and the same holds true for Canada. Finally, in the case of the United States, South Africa is the leading source of ferromanganese, after the French. Moreover, in the supply of manganese ore to the United States, her position is strong.

65. One source suggests that South Africa's share of the U.S. market increased substantially during the middle and late-1970s, reaching 45 percent in 1978. See, in this regard, South African Minerals Bureau. The Dependence of the United States of America etc. op.cit. p. 25.
TABLE 11.

<table>
<thead>
<tr>
<th>Country</th>
<th>Form</th>
<th>IMPORTS (tonnes)</th>
<th>Sources</th>
<th>EXPORTS (tonnes)</th>
<th>Destinations</th>
<th>Inferred consumption (tonnes)</th>
<th>Import Dependency %</th>
</tr>
</thead>
<tbody>
<tr>
<td>BELGIUM-LUXEMBOURG</td>
<td>Ore</td>
<td>440,426</td>
<td>South Africa 52.48, Zaire 14.77, Angola 13.48</td>
<td>6,797</td>
<td>Netherlands 46.38, France 21.71</td>
<td>433,629</td>
<td>98.45</td>
</tr>
<tr>
<td></td>
<td>Oxides</td>
<td>2,220</td>
<td>Japan 78.87, West Germany 12.43</td>
<td>169</td>
<td>West Germany 61.53, Netherlands 19.52, Australia 11.83</td>
<td>2,051</td>
<td>92.38</td>
</tr>
<tr>
<td></td>
<td>Metal</td>
<td>1,226</td>
<td>Netherlands 43.63, Japan 25.44</td>
<td>nil</td>
<td>-</td>
<td>1,226</td>
<td>100.0</td>
</tr>
<tr>
<td>FRANCE</td>
<td>Ore</td>
<td>1,428,444</td>
<td>Gabon 50.35, Australia 3.78, Morocco 2.38</td>
<td>2,212</td>
<td>Italy 65.28</td>
<td>1,426,232</td>
<td>99.84</td>
</tr>
<tr>
<td></td>
<td>Oxide</td>
<td>4,518</td>
<td>Japan 35.19, West Germany 30.41, Belgium-Luxembourg 19.74</td>
<td>742</td>
<td>Ivory Coast 33.55</td>
<td>3,776</td>
<td>83.57</td>
</tr>
<tr>
<td></td>
<td>Metals (inc. alloys)</td>
<td>735</td>
<td>Chiefly South Africa</td>
<td>7,117</td>
<td>West Germany 21.93, Italy 21.52, Sweden 15.00, United Kingdom 13.20, U.S.A. 11.08</td>
<td>(-6,382)</td>
<td>(+100.0)</td>
</tr>
<tr>
<td>WEST GERMANY</td>
<td>Ore</td>
<td>828,000</td>
<td>South Africa 51.08, Australia 27.75, Brazil 17.15</td>
<td>1,296</td>
<td>n/a</td>
<td>826,704</td>
<td>99.84</td>
</tr>
<tr>
<td></td>
<td>Oxide</td>
<td>2,061</td>
<td>Belgium-Luxembourg 71.76, Japan 15.67</td>
<td>3,321</td>
<td>France 2.29, Yugoslavia 1.80</td>
<td>(-1,260)</td>
<td>(+100.0)</td>
</tr>
</tbody>
</table>

(Over)...
<table>
<thead>
<tr>
<th>Country</th>
<th>Form</th>
<th>IMPORTS (tonnes)</th>
<th>Sources</th>
<th>EXPORTS (tonnes)</th>
<th>Destinations</th>
<th>Inferred consumption (tonnes)</th>
<th>Import Dependency %</th>
</tr>
</thead>
<tbody>
<tr>
<td>WEST GERMANY (continued)</td>
<td>Metal</td>
<td>4,815</td>
<td>South Africa 36.78, France 32.15, Japan 13.45</td>
<td>204</td>
<td>Yugoslavia 16.17, Netherlands 15.19, Italy 14.70 Belgium-Luxembourg 9.8</td>
<td>4,611</td>
<td>95.76</td>
</tr>
<tr>
<td>ITALY</td>
<td>Ore</td>
<td>308,072</td>
<td>Gabon 49.72 South Africa 38.42</td>
<td>82</td>
<td>n/a</td>
<td>307,990</td>
<td>99.77</td>
</tr>
<tr>
<td></td>
<td>Oxide</td>
<td>2,720</td>
<td>Japan 29.85 Belgium-Luxembourg 21.06</td>
<td>227</td>
<td>n/a</td>
<td>2,493</td>
<td>91.65</td>
</tr>
<tr>
<td></td>
<td>Metals (all forms)</td>
<td>2,770</td>
<td>France 48.59 South Africa 48.59</td>
<td>129</td>
<td>n/a</td>
<td>2,641</td>
<td>95.34</td>
</tr>
<tr>
<td>NETHERLANDS</td>
<td>Ore</td>
<td>6,968</td>
<td>n/a</td>
<td>nil</td>
<td>n/a</td>
<td>6,968</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Oxide</td>
<td>1,096</td>
<td>Belgium-Luxembourg 90.14</td>
<td>nil</td>
<td>n/a</td>
<td>1,096</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Metal</td>
<td>nil</td>
<td>nil</td>
<td>3,477</td>
<td>U.S.A. 23.06 Belgium-Luxembourg 10.69</td>
<td>unknown</td>
<td>100.0</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>Ore</td>
<td>388,000</td>
<td>South Africa 34.53</td>
<td>138,302</td>
<td>n/a</td>
<td>249,698</td>
<td>64.35</td>
</tr>
<tr>
<td></td>
<td>Oxide</td>
<td>5,635</td>
<td>Japan 86.67</td>
<td>2,010</td>
<td>n/a</td>
<td>3,625</td>
<td>64.33</td>
</tr>
<tr>
<td></td>
<td>Metal</td>
<td>1,610</td>
<td>n/a</td>
<td>n/a</td>
<td>nil</td>
<td>1,610</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(Over)...
<table>
<thead>
<tr>
<th>Country</th>
<th>Form</th>
<th>IMPORTS (tonnes)</th>
<th>Sources %</th>
<th>EXPORTS (tonnes)</th>
<th>Destinations %</th>
<th>Inferred consumption (tonnes)</th>
<th>Import Dependency %</th>
</tr>
</thead>
<tbody>
<tr>
<td>CANADA</td>
<td>Ore</td>
<td>125,103</td>
<td>Gabon 29.26, U.S.A. 26.00, Brazil 24.84</td>
<td>nil</td>
<td>n/a</td>
<td>125,103</td>
<td>100.0</td>
</tr>
<tr>
<td></td>
<td>Metal</td>
<td>3,935</td>
<td>South Africa 76.95 U.S.A. 14.53</td>
<td>nil</td>
<td>n/a</td>
<td>3,935</td>
<td>100.0</td>
</tr>
<tr>
<td>UNITED STATES OF AMERICA</td>
<td>Ore</td>
<td>592,618</td>
<td>Brazil 37.44, Gabon 25.32, Australia 19.23, South Africa 5.55, Morocco 4.64, Zaire 4.26, Ghana 0.76; Mexico 2.77</td>
<td>223,088</td>
<td>n/a</td>
<td>369,730</td>
<td>62.36</td>
</tr>
<tr>
<td></td>
<td>Oxides</td>
<td>327,874</td>
<td>France 50.29, South Africa 30.41, Japan 6.86, India 3.42, Norway 2.26, Spain 2.05</td>
<td>7,011</td>
<td>n/a</td>
<td>320,863</td>
<td>97.86</td>
</tr>
<tr>
<td></td>
<td>Metal</td>
<td>2,506</td>
<td>(unknown)</td>
<td>2,318</td>
<td>n/a</td>
<td>(-188)</td>
<td>(+100.0)</td>
</tr>
</tbody>
</table>

n/a = not available

4.4.4. **Manganese: What Can Be Done.**

Ninety percent of all manganese mined is used in the steel and iron production industries. (66) In these industries, the manganese acts as a desulphurising and deoxidising agent and, at the same time, imparts the alloying effects of strength, toughness and hardenability. At present prices, there appear to be no satisfactory substitutes for manganese despite the fact that it contributes only a small share of the cost of steel - in the region of 0.3 to 0.4 percent. (67)

The options for the conservation of manganese run the entire range of potential savings considered elsewhere in this chapter: from substitution to the development of new resources of the mineral. Each of these should be considered, although we should bear in mind that the experience with manganese in World War II, indicates that, notwithstanding efforts to conserve manganese, supplies of the mineral were not diminished as a result of that conflict - rather, the opposite occurred. As the prices rose, so did the incentive to produce more manganese. (68)

Possible substitutes for manganese in the steel-making industry are zirconium, titanium and possibly calcium and magnesium. However, certain problems can arise from the fact that these are not readily obtained in large quantities at comparative prices and, at present cost structures,

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68. What the Second World War experience can teach us, with regard to minerals generally, is somewhat confusing. The circumstances at that time, with regard to both price and levels of technology, were not as they are in this day and age. The wartime experience is, however, discussed in Charles River Associates. Policy Implications of Producer Country Supply Restrictions: The World Manganese Market etc. *op.cit.* pp. 191-197.
no real inducements exist to substitute these for manganese. Some potential savings can be made by restructuring the steel-making process, but this would necessitate considerable capital expenditure and would obviously be a long-term project. (69)

In other manganese applications, substitutes are available. In the production of dry-cell batteries, for example, nickel-iron alkali and nickel cadmium cells can be used, although these are likely to be more expensive. In the chemical use of manganese, possible substitutes are: potassium chlorate, potassium dichromate and sodium chlorate. Again, however, costs play the determining factor and '(w)holesale substitution is...unlikely if relative prices do not change significantly'. (However, manganese use in these latter applications is extremely small compared to its use in steel-making.

The most promising area in which adjustments could be made to the existing supply/demand relationship in manganese, would be by the development of manganese resources which are known to exist. Here, as Table 8 demonstrates, some leeway is afforded by the development of manganese deposits in the United States (71) and elsewhere. Even more important would be the development of the considerable deep-sea resources of manganese, although the continuing political uncertainties concerned with this issue remain, at this time, uncertain.

The Atlantic Community stockpile position in manganese does not differ significantly from that of chromium. The United States stockpile of

69. Ibid. pp.72-79.
70. Ibid. p. 77.
manganese stood as follows at the onset of 1979: (72)

<table>
<thead>
<tr>
<th>Type</th>
<th>Inventory</th>
<th>Objective</th>
<th>Deficit (thousand short tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical</td>
<td>217</td>
<td>247</td>
<td>30</td>
</tr>
<tr>
<td>Metallurgical</td>
<td>2,390</td>
<td>2,052</td>
<td>(+338)</td>
</tr>
</tbody>
</table>

The European stockpile picture looks paltry compared to the American position. The West German government, however, plans to build a stockpile which would be sufficient for 22 days, (73) while French vulnerability in manganese is regarded as 'high'. (74) In Britain it has been estimated that the building of a six month stockpile of the metal would cost in the region of £17-million. (75)

The entire supply position of the Atlantic Community with regard to manganese from South Africa is considerably complicated by the fact that South Africa supplies a large percentage of the manganese which is processed in France and Japan (some 40 percent) and is then re-exported to other countries in the Atlantic Community. Whereas existing stocks in the United States might sustain the entire Atlantic market for some 18 months, a longer denial of manganese from South Africa is clearly of concern to the Atlantic nations.

Analysed in terms of the Keohane and Nye matrix, it appears that the economies of all the Atlantic nations are 'sensitive' to any denial of manganese from South Africa, although the circumstances differ between,

---


74. Ibid. p. 29.

on the one hand, the United States and, on the other, the major EC importers of manganese. As a result of her manganese stockpile, the U.S. is, particularly over the short-term, unlikely to be adversely affected by a cutback in manganese supplies from South Africa. In Europe, given the absence of manganese stockpiling, the short-term situation is bleak. Devoid of stocks and unable to make the necessary cutbacks, even in the short-term, the economies of the EC countries are 'vulnerable' to any perturbation in the South African supply of manganese. Concern for manganese is, however, only restricted to the short- or five year-term. Over the medium- to longer-term, supplies of manganese are likely to be more plentiful, particularly if efforts to extract nodules from the sea-bed are successful.

While some savings can be made in the efforts to prolong the life of manganese, the long-term adjustments needed appear unable to offset the short-term complications which are likely to arise in the EC.

The medium- and long-term possibilities of tension between the Atlantic Community partners in the supply of manganese cannot be regarded as significant, although, with an eye on the short-term, some complications may arise which may affect the Community's production of steel and which, prima facie, will affect the economic rather than the security relations in the Community, as nations compete for scarce supplies and the prices increase.

4.4.5 Vanadium and Who Needs It?

The mineral vanadium is one of the common trace elements in the earth's crust, although it is seldom found in deposits rich enough to be mined alone. It is, therefore, frequently mined as a by-product (or co-product) in mining operations. Vanadium is sought because of its non-magnetic properties and because it has a melting point in the region of 1,710° C.
The bulk of the world's output is used as ferrovanadium in the steel-making industry. Here, its grain-refining and alloying effects add toughness and resistance to abrasion in the end product. Vanadium improves the required properties of spring, tool and structural steels and wear-resistant cast iron. (76) An important application, since the onset of the 1960s, has been its use in titanium alloys which are used extensively in high temperature steels for jet engines, airframes and pipelines. (77) It is vanadium's use in these latter applications which has led to its classification as a strategic mineral. Not much vanadium is used in the steel making process and 'most steels in which vanadium is used as an alloying element require only a few kilograms per ton'. (78)

### Table 12.
Global Vanadium Resources: 1976 ('000 short tons)

<table>
<thead>
<tr>
<th>Location</th>
<th>Reserves</th>
<th>%</th>
<th>Other</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>-</td>
<td>-</td>
<td>11,000</td>
<td>11,000</td>
<td>17.74</td>
</tr>
<tr>
<td>United States</td>
<td>115</td>
<td>1.07</td>
<td>10,035</td>
<td>10,150</td>
<td>16.18</td>
</tr>
<tr>
<td>Chile</td>
<td>150</td>
<td>1.40</td>
<td>100</td>
<td>250</td>
<td>0.40</td>
</tr>
<tr>
<td>Venezuela</td>
<td>100</td>
<td>0.93</td>
<td>1,400</td>
<td>1,500</td>
<td>2.42</td>
</tr>
<tr>
<td>ECSC</td>
<td>-</td>
<td>-</td>
<td>1,500</td>
<td>1,500</td>
<td>2.42</td>
</tr>
<tr>
<td>Finland</td>
<td>55</td>
<td>0.51</td>
<td>85</td>
<td>140</td>
<td>0.22</td>
</tr>
<tr>
<td>Norway</td>
<td>20</td>
<td>0.18</td>
<td>180</td>
<td>200</td>
<td>0.32</td>
</tr>
<tr>
<td>Sweden</td>
<td>-</td>
<td>-</td>
<td>1,000</td>
<td>1,000</td>
<td>1.61</td>
</tr>
<tr>
<td>USSR</td>
<td>8,000</td>
<td>74.76</td>
<td>4,000</td>
<td>12,000</td>
<td>19.35</td>
</tr>
<tr>
<td>South Africa</td>
<td>2,000</td>
<td>18.69</td>
<td>18,000</td>
<td>20,000</td>
<td>32.26</td>
</tr>
<tr>
<td>India</td>
<td>100</td>
<td>0.93</td>
<td>300</td>
<td>400</td>
<td>0.64</td>
</tr>
<tr>
<td>Australia</td>
<td>150</td>
<td>1.40</td>
<td>1,350</td>
<td>1,500</td>
<td>2.42</td>
</tr>
<tr>
<td>New Zealand</td>
<td>-</td>
<td>-</td>
<td>500</td>
<td>500</td>
<td>0.80</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>-</td>
<td>2,000</td>
<td>2,000</td>
<td>3.22</td>
</tr>
</tbody>
</table>


---


78. Luyt, op.cit.
Table 12 sets out the global distribution of vanadium resources. South Africa and the Soviet Union enjoy the heaviest endowment of both reserves and resources of the metal. However, it will be noted that, whereas the Soviet Union has a high number of reserves - 74.76 percent - it is not, according to the table, so well endowed with resources of vanadium. (Exact figures for Soviet mineral resources are difficult to verify and this makes convincing judgements on these matters difficult.) South Africa, on the other hand, is extremely well endowed with both reserves and resources of vanadium.

Secondly, the table reveals that vanadium resources are fairly evenly distributed throughout the world and it is, as noted, one of the more common trace elements in the earth's crust. This widespread distribution means that vanadium is frequently recovered from residues of crude oil and tar sands, and from spent catalysts and slags, i.e. recycling. These latter sources of vanadium are important in a consideration of the potential for prolonging the availability of the mineral.

A third observation, arising from Table 12, is that the Atlantic nations appear, particularly over the longer-term, to be assured of secure supplies of vanadium. Canada holds 17.74 percent of global reserves, whilst the United States has 16.8 percent. Other vanadium sources which could come on line are those in Chile, Venezuela, Norway, Finland, Australia and New Zealand.

Because of the extensive use of vanadium in the steel-making industry, trade in semi-processed vanadium has become a feature of the international market. Two variants of vanadium-based ferroalloys exist. Firstly, in the ferrovanadium form through the addition of vanadium to iron and steel. Secondly, with development of vanadium-aluminium master alloys
which are extensively used in the production of titanium-based alloys. (79)
South Africa has entered both these markets in a modest fashion. (80)

**TABLE 13.**

World Production of Vanadium: 1976 (Actual and Capacity); 1980 (Capacity and Percentage of World Capacity)

<table>
<thead>
<tr>
<th>Location</th>
<th>1976 Production '000 short tons</th>
<th>1976 Capacity '000 short tons</th>
<th>1976 % Capacity</th>
<th>1980 Capacity '000 tons</th>
<th>1980 % World Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>6,197</td>
<td>7,600</td>
<td>81.53</td>
<td>9,600</td>
<td>19.35</td>
</tr>
<tr>
<td>Canada</td>
<td>0</td>
<td>100</td>
<td>100.00</td>
<td>100</td>
<td>0.20</td>
</tr>
<tr>
<td>Chile</td>
<td>1,199</td>
<td>1,200</td>
<td>99.91</td>
<td>1,200</td>
<td>2.42</td>
</tr>
<tr>
<td>Finland</td>
<td>1,598</td>
<td>3,450</td>
<td>46.31</td>
<td>3,450</td>
<td>6.95</td>
</tr>
<tr>
<td>Norway</td>
<td>580</td>
<td>1,300</td>
<td>44.61</td>
<td>1,300</td>
<td>2.62</td>
</tr>
<tr>
<td>USSR</td>
<td>10,000</td>
<td>16,000</td>
<td>52.49</td>
<td>19,050</td>
<td>38.40</td>
</tr>
<tr>
<td>South Africa</td>
<td>10,885</td>
<td>11,800</td>
<td>92.24</td>
<td>14,100</td>
<td>28.42</td>
</tr>
<tr>
<td>South West Africa/Namibia</td>
<td>782</td>
<td>800</td>
<td>97.75</td>
<td>800</td>
<td>1.61</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>31,241</strong></td>
<td><strong>42,250</strong></td>
<td><strong>73.94</strong></td>
<td><strong>49,600</strong></td>
<td><strong>(100.00)</strong></td>
</tr>
</tbody>
</table>


World production of vanadium is set out in Table 13. In accordance with their reserve and resource position, the USSR and South Africa dominate the world production of the mineral. In the projections for the year 1980, the pattern will probably not change. However, the production capacity of the United States has considerable leeway to expand: some 26.31 percent by the year 1980.

The production and consumption balance of vanadium in that country is almost equal and U.S. reserves are equivalent to 26 percent of its


consumption. For the Europeans, the picture is not as favourable as it is for the U.S. European imports of vanadium come chiefly from Finland, Norway, South Africa (including South West Africa/Namibia), the Soviet Union and the United States. In 1975, Britain imported 822 tons of vanadium pentoxide of which some 58 percent came from South Africa. (81) In France, in the same year, 1,385 tonnes of vanadium pentoxide was imported of which some 30 percent was of South African origin. (82)

4.4.6 Vanadium: What Can Be Done?

The widespread distribution of vanadium in the earth's crust means that efforts to prolong the life of the metal from primary recovery will be rewarding. The United States Bureau of Mines, for example, has devised a method of recovering the vanadium from domestic slag resources. (83) However, there is no vanadium scrap industry and the potential for the development thereof appears remote. Quite clearly, the wide global distribution of primary sources (see Table 12) weakens the incentive to explore secondary methods of recovery. (84)

In the steel-making industry, substitution of vanadium is possible, but end-product performance and price inhibit a move to substitution. Among the various metals that are interchangeable with vanadium are:


82. The other main suppliers were: West Germany 29.0 percent and Finland 39.0 percent. See, South African Minerals Bureau. The Dependence of France on Foreign Mineral Supplies, op.cit.


84. Ibid. p. 7.
columbium, molybdenum, manganese, titanium and tungsten. In chemical applications, platinum can be substituted and in this application, vanadium is used in petroleum refining.

United States stocks of vanadium (85) are well below the desired goal. This may, however, be evidence that U.S. authorities believe that, in an emergency, a switch could be made to domestic and Canadian resources in a relatively short period. The European stockpile situation is mixed. The West Germans have proposed the development of a stockpile sufficient for 50 days, while the British have shown no interest in stockpiling the metal. The French, on the other hand, have categorised their vanadium vulnerability in the 'highest' class.

The implications of the supply of vanadium to the Atlantic nations revealed the following permutations:

a) The mineral is extensively used in the steel market and in certain speciality steels which have a significant strategic importance: jet engines, rockets, etc.

b) Global availability of the metal is evenly spread, although the bulk of reserves are held by South Africa and the Soviet Union which both produce the highest quantity of the metal.

c) Substitution is possible in certain applications of the metal, with the accompanying effects for cost and quality.

d) Consumption of the metal is spread throughout the nations of the Atlantic Community, although the bulk thereof, is consumed in the United States.

85. The U.S. stockpile of vanadium at 30 September 1979 was as follows:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Goal</th>
<th>Inventory</th>
<th>Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metal</td>
<td>12,671</td>
<td>541</td>
<td>12,130</td>
</tr>
<tr>
<td>Ferro</td>
<td>10,095</td>
<td>0</td>
<td>10,095</td>
</tr>
<tr>
<td>Pentoxide</td>
<td>2,576</td>
<td>541</td>
<td>2,035</td>
</tr>
</tbody>
</table>

Despite low stocks in the United States and some stockpiling efforts in Europe, there does not appear to be a great deal of concern over the security of future supplies. (86)

Using these permutations, we can conclude that throughout the nations of the Atlantic Community there is no urgency over the issue of their access to South African sources of vanadium. Hence on the Keohane and Nye matrix, their economies may be said to be 'sensitive' to interruptions on vanadium supply, but they are clearly not 'vulnerable'.

4.4.7 Platinum and Who Needs It?

The word 'platinum' comes from the Spanish term 'platina', meaning 'little silver' which was the name given to the metal by the Spanish during their colonisation of Ecuador and Colombia. In today's world, the etymology of the word has an important symbolic importance since, as we shall see, some 70 percent of the imports of an advanced industrialised society, like Japan, is used for jewellery.

The platinum-group metals comprise six closely-related ores - platinum, palladium, rhodium, iridium, ruthenium and osmium - which occur together in the earth's crust. Of these, the most important are platinum and palladium which are most widely used. They display unique physical and chemical properties. In their chemical applications, they are used in petroleum and chemical refining and these industries absorb the bulk of the metal. Their use in the glass-making industry is also important where their thermal properties ensure stability under extreme temperatures. This thermal resistance also means that the platinum-group minerals are extensively used in the electrical industry and, in the United States, the

86. The Report of the EC Commission, while voicing concern over vanadium supplies, nonetheless concludes by stating that 'Known reserves of vanadium are very high. Since this element is also a by-product of the reduction of many iron ores, of the phosphate industry and of oil refining, there appears to be no risk of shortage'. See European Communities, op.cit. p. 15.
electrical industry is the largest single consumer of palladium, particularly in the manufacture of relay contacts and integrated circuits. (87)

The corrosive-resistance properties of the platinum group mean that they are extensively used in the dental-medical industries. However, as of 1975, the greatest single use of platinum in the United States has been in platinum-based catalytic converters in automobiles to control exhaust fume emission.

The overall consumption pattern of the platinum-group metals in advanced industrialised societies is as follows: the automotive industry, 32 percent; the electrical industry, 20 percent; the chemical industry, 19 percent; the petroleum refining industry, 6 percent; medical and dental manufacturing, 7 percent; glass-making, 5 percent and the balance was used in other industries. (88)

**TABLE 14.**

World Platinum-Group Mineral Reserves and Resources
(Million Troy Ounces)

<table>
<thead>
<tr>
<th>Location</th>
<th>Platinum Reserves</th>
<th>Palladium</th>
<th>Rhodium</th>
<th>Total</th>
<th>%</th>
<th>Other</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>1</td>
<td>0.12</td>
<td>299</td>
<td>300</td>
<td>10.71</td>
</tr>
<tr>
<td>Canada</td>
<td>4</td>
<td>4</td>
<td>-1</td>
<td>9</td>
<td>1.12</td>
<td>7</td>
<td>16</td>
<td>0.57</td>
</tr>
<tr>
<td>Columbia</td>
<td>-1</td>
<td>-</td>
<td>-</td>
<td>-1</td>
<td>-0.12</td>
<td>4</td>
<td>5</td>
<td>0.18</td>
</tr>
<tr>
<td>USSR</td>
<td>60</td>
<td>120</td>
<td>4</td>
<td>200</td>
<td>25.00</td>
<td>200</td>
<td>400</td>
<td>14.28</td>
</tr>
<tr>
<td>South Africa</td>
<td>350</td>
<td>150</td>
<td>20</td>
<td>580</td>
<td>72.5</td>
<td>1,400</td>
<td>2,000</td>
<td>71.42</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>-</td>
<td>100</td>
<td>100</td>
<td>3.57</td>
</tr>
<tr>
<td>TOTAL</td>
<td>420</td>
<td>280</td>
<td>25</td>
<td>800</td>
<td>100.0</td>
<td>2,000</td>
<td>2,800</td>
<td>100.0</td>
</tr>
</tbody>
</table>


South Africa's advantageous endowment of platinum-group metals is set out in Table 14. South Africa is followed by the Soviet Union, where an estimated 14.28 percent of the world's reserves and resources are located. In the Soviet Union, however, the platinum group metals are virtually all extracted as by-products of the nickel mining industry and this, plus uncertainty of Soviet resource estimates, may come to influence the supply position. South Africa's massive resources are concentrated in the 'Bushveld' complex in the Transvaal. (89) In Table 14 only one of three South African locations, the Merensky Reef, is shown as a reserve, the remaining two are considered as resources.

The high concentration of platinum-group metals in two geographical regions - southern Africa and the Soviet Union - increases the dependence of consumers and, commensurately, the economic and strategic problems inherent in the international supply/demand situation.

Table 15 confirms the dominant role played by South Africa in the production of platinum-group metals. Projections for 1980 estimate that South Africa will produce over 50 percent of the world's capacity. This strong supply position is all the more remarkable when it is considered that, until 1969, South Africa had no platinum refinery. From that date, however, South Africa's production of platinum has grown at an estimated 3.8 million troy ounces per annum. (90) This was in response to increased international demand, particularly from the Japanese jewellery trade and the U.S. automobile industry.


90. Jolly, op.cit. p. 3.
Table 15 also reveals that Soviet platinum production is likely to reduce to 38.55 percent of global capacity in 1980. Soviet production problems arise from the complex infrastructural system associated with Soviet mineral capacity, for example, Jolly notes that:

In the USSR, platinum-group metal-bearing sludges from the electrolytic refinery at Norilsk and refineries in other copper-nickel-platinum mining districts are sent to a refinery at Krasnoyarsk, 900 miles south of Norilsk. (91)

A final observation from Table 15 is in order: Canada's ability to produce platinum can be increased from 6.75 to 7.83 percent of world capacity. However, Canadian production of platinum-group metals is chiefly as by-products in the copper and nickel mining industry and much

of this production is shipped to the United Kingdom for refining. Both factors make it difficult to confidently predict the direction in which Canadian production of platinum-group metals will move. But, owing to the lack of incentives to increase the mining of nickel, it seems likely that 'Canada's share of world platinum-group production will probably decline!' (92) Nevertheless, Canada's latent capacity to increase its production of platinum-group metals cannot be ignored in an appreciation of the international supply position.

South Africa's importance in the supply of platinum-group metals to a select number of Atlantic nations is set out in Table 16. In the case of the United Kingdom and the United States, South Africa is the most important source of platinum. The Soviet Union, on the other hand, is the most important source of palladium. In 1977, Mexico entered the market and supplied 6 percent of U.S. imports. A significant amount of platinum trade is conducted between the Atlantic partners. The United Kingdom, for example, supplied 27 percent of French imports in 1975 and the United States provided 22 percent of British imports in the same year. Given South Africa's preponderant position in the international market, it should be assumed, that these intra-Community trades are transfers of platinum ore of South African origin.

It should also be noted that demand for platinum-group metals, while subject to some lapses, is on the increase. However, this may be somewhat misleading for, as Crowson points out, (93) world demand in the period

92. Ibid. p.48.


<table>
<thead>
<tr>
<th></th>
<th>World Primary Demand</th>
<th>Growth Ave. p.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1976 Kg.</td>
<td>1985 (projected) Kg.</td>
</tr>
<tr>
<td>Palladium</td>
<td>79,770</td>
<td>95,320</td>
</tr>
<tr>
<td>Platinum</td>
<td>85,120</td>
<td>102,320</td>
</tr>
<tr>
<td>Rhodium</td>
<td>4,135</td>
<td>6,685</td>
</tr>
</tbody>
</table>

(Over)...
**TABLE 16.**


<table>
<thead>
<tr>
<th>Country</th>
<th>1975</th>
<th>1976</th>
<th>1977</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Sources</td>
<td>Amount</td>
</tr>
<tr>
<td>United States</td>
<td>1,599,372 troy ounces</td>
<td>South Africa 48, USSR 21, United Kingdom 21, Canada 1, West Germany 1</td>
<td>2,667,059 Troy ounces</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>9,500 Kg</td>
<td>South Africa 43, USSR 6, U.S.A. 22, Canada 5, West Germany -1, Netherlands 4</td>
<td>7,800 Kg</td>
</tr>
<tr>
<td>France</td>
<td>9,779 Kg</td>
<td>South Africa 14, United Kingdom 27, USSR 17, U.S.A. 9, Canada 5</td>
<td>9,570 Kg</td>
</tr>
</tbody>
</table>

1965 to 1974 averaged 9.4 percent increase per annum, as against a projected growth in demand of 2.0 percent per annum for the period 1974 to 1985. Thus, while increases in consumption are probable, they will not be subjected to the large increases in annual demand which characterised the twenty-year period between 1965 and 1985. Finally, in viewing the demand side, we should bear in mind that some 60 percent of platinum-group metals are consumed by the United States and Japan, with the USSR and Western Europe consuming the remainder. (94)

4.4.8 Platinum: What Can Be Done?

The near exclusivity of South Africa as a source of platinum-group metals has, of course, been a continuing source of concern for the nations of the Atlantic Community. A recent U.S. Department of the Interior statement noted that the United States was dependent on South Africa for 42 percent and the Soviet Union for 26 percent. It further noted that the U.S. was 91 percent dependent on imports in the platinum-group minerals. (95)

If this U.S. dependency represents the negative side of the equation, a realistic light is shed on these concerns if we consider the findings of

C = Projected Future Demand, 1985-2000


94. A word about consumption patterns is in order: While reliable statistics on platinum consumption are only available for the U.S. and Japan, it can be assumed that, apart from the 32 percent consumption for automobile exhaust catalysts, the patterns for other industrialised states are similar. The exception is Japan where some 75 percent goes into jewelry. (In Europe and the United States only between 5 and 15 percent is used in jewellery.) See, Jolly, op.cit. p. 10.

Charles River Report. In the first instance, prospects of platinum-group metal recovery through secondary sources and recycling are promising. The potential for recovery is high because the metals are corrosive-resistant and non-dissipative in many of their uses - for example, in their catalytic role. In addition, the high market price does provide a good incentive to encourage conservation and to ensure secondary recovery. In the United States, for example, it is estimated that between 75 and 80 percent of scrapped platinum is salvaged. (96) Moreover, 'the importance of recycling could increase during a disruption as materials were turned over more rapidly'. (97)

In addition, in many end-uses of platinum-group metals, there are alternatives - a process which has already been encouraged owing to the high price of the metal. The first of these involves the substitution of various platinum-group metals for each other, e.g. in the nitric acid production, rhodium can be substituted for platinum. Other substitution possibilities involve the move into alternative processes and other metals which involve changes in present cost structures. Such changes can be either on a minor scale, e.g. the use of alloys with a lower platinum content, or major scale, e.g. the change in automobile engine design. A further strategy in prolonging the lifespan of the platinum-group metals is to curtail non-essential end-uses. This is possible in the jewellery field and dental applications, where cutbacks could lead to savings of between 6 and 10 percent. It is also possible to suspend the existing emission control regulations which could yield substantial savings.


However, particularly in the United States, environmental pressure groups are likely to resist any changes to the present regulations. Nonetheless, in emergency situations savings from this source are possible. In other end-uses where the corrosion-resistance properties of the platinum-group metals are important, stainless steel or ceramics could be used as effectively. (98)

The United States stockpile of the platinum-group metals is sufficient for one year's supply at 1976 consumption levels. (99) Moreover, private stocks in the U.S. are estimated to stand at 1.04-million Troy ounces which, translated into consumption/days, is about eight months supply. The present inventories are, however, well below the goals set out for U.S. holdings and frequent efforts are made to increase this buffer by the activities of the U.S. Federal Preparedness Agency. (100)

These stockpiles, together with possible conservation efforts, could sustain the U.S. demand for platinum-group metals for a three-year period during which increasing prices would almost certainly have proved sufficient incentive for further savings and increased Canadian production. In Europe the stockpile position is not favourable. It should be noted that the mineral does appear

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98. The full range of permutations arising from substitution is discussed in Charles River Associates. Policy Implications of Producer Supply Restrictions: The World Platinum and Palladium Markets etc. op.cit. pp. 77-78.

99. The U.S. stockpile in the platinum-group metals was as follows on 30 September 1978:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Goal (Troy Ounces)</th>
<th>Inventory (Troy Ounces)</th>
<th>Deficit (Troy Ounces)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iridium</td>
<td>97,761</td>
<td>16,990</td>
<td>80,771</td>
</tr>
<tr>
<td>Palladium</td>
<td>2,450,000</td>
<td>1,255,004</td>
<td>1,194,996</td>
</tr>
<tr>
<td>Platinum</td>
<td>1,314,000</td>
<td>452,642</td>
<td>861,358</td>
</tr>
</tbody>
</table>


100. Financial Times, 16 January 1979, op.cit.
in the list of products which give 'cause for concern' for the EC. The European Commission does however note that 96 percent of platinum reserves are located in the USSR and South Africa and that:

Antipollution standards may lead to greater use of platinum and palladium. In this particular case, attention should be given to the idea of building up suitable stocks. (101)

Consumption of platinum-group metals in Europe is not however as high as in the United States. In West Germany the precise extent of the proposed stockpile of platinum-group metals is not known, but German fears of possible disruption can be assessed by the risk-scale developed by the German government in their stockpile proposals. On a scale between 100 (low risk) and 500 (high risk), platinum-group metals were set at 300. (102) The French have similarly categorised the platinum-group metals as having 'highest' degree vulnerability (103) and the British have voiced concern at the security of their supplies. (104)

The poor inventory of stocks of platinum-group metals inside the EC is an issue of concern for the nations of the Atlantic Community. Moreover, any efforts to build stockpiles is likely to be an expensive process given the price of the platinum-group metals and the limited number of suppliers. (105)

Using the Nye and Keohane matrix, it is possible to suggest that, notwithstanding the fact that consumption of platinum-group metals is lower in Europe than in the United States, the economies of European countries are 'vulnerable' to disruption in the event of a perturbation in their traditional South African source of platinum-group minerals. In the United States, however, both the long-, medium- and short-term position looks more promising. We can classify U.S. economic susceptibility to South African disruption as 'sensitive'.

Having analysed the issues relating to South Africa's position as a source of four non-fuel minerals, our attention needs now to turn to one other mineral, cobalt, in which South Africa — as evidenced in Table 1 — plays a relatively minor supply role. There is widespread concern over secure sources of cobalt supply in the Atlantic Community. The reason for including cobalt, rather than a range of other minerals, asbestos, lead, nickel etc., arises from the changing fortunes of the cobalt market, from residual concerns over existing sources of supply and from the deep-seated appreciation that cobalt occupies a unique position as a strategic, rather than an economic mineral. (106)

4.4.9. Cobalt and Who Needs It?

Although cobalt was not designated a 'critical' mineral during the Second World War, the development of post-War weapons and aircraft have considerably enhanced its strategic importance. The metal's rise from its earliest use, as an obscure colouring additive, to its new-found strategic status, is a fascinating story of man's innovative capacity and ability to use the earth's riches for purposes of both war and peace. Today it finds its major uses as an essential element in many alloys and as an ingredient

106. See, for example, S. Feustel. "African Minerals and American Foreign Policy", etc. op.cit. p. 15.
in certain chemical processes where it imparts properties of heat resistance, high strength, resistance to wear and superior magnetism. Its major modern applications include the manufacture of cutting tools which require the qualities of strength and abrasion-resistance, the manufacture of aircraft and other engines, where used in the super-alloys, it resists stress at high temperatures, and in the electrical industry, where its magnetic properties improve the capacities of magnetic fields. It is also used in the construction and mining industries. (107)

The major end uses of cobalt in 1976 were: (108)

- Electrical (magnets): 28 percent
- Transportation (aircraft): 18 percent
- Machinery (cutting tools): 16 percent
- Paints (dryers): 15 percent
- Ceramics: 12 percent
- Chemicals: 9 percent
- Others: 2 percent

<table>
<thead>
<tr>
<th>Location</th>
<th>Reserves</th>
<th>%</th>
<th>Resources</th>
<th>Total</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>0</td>
<td>0</td>
<td>1,684</td>
<td>1,684</td>
<td>17.91</td>
</tr>
<tr>
<td>Canada</td>
<td>66</td>
<td>2.00</td>
<td>484</td>
<td>550</td>
<td>5.85</td>
</tr>
<tr>
<td>Cuba</td>
<td>240</td>
<td>7.27</td>
<td>2,072</td>
<td>2,312</td>
<td>24.59</td>
</tr>
<tr>
<td>Finland</td>
<td>40</td>
<td>1.21</td>
<td>10</td>
<td>50</td>
<td>0.53</td>
</tr>
<tr>
<td>USSR</td>
<td>460</td>
<td>13.94</td>
<td>40</td>
<td>500</td>
<td>5.32</td>
</tr>
<tr>
<td>Botswana</td>
<td>58</td>
<td>1.75</td>
<td>12</td>
<td>70</td>
<td>0.74</td>
</tr>
<tr>
<td>Morocco</td>
<td>28</td>
<td>0.84</td>
<td>2</td>
<td>30</td>
<td>0.32</td>
</tr>
<tr>
<td>Zaire</td>
<td>1,000</td>
<td>30.30</td>
<td>500</td>
<td>1,500</td>
<td>15.96</td>
</tr>
<tr>
<td>Zambia</td>
<td>250</td>
<td>7.57</td>
<td>516</td>
<td>766</td>
<td>8.14</td>
</tr>
<tr>
<td>Australia</td>
<td>108</td>
<td>3.27</td>
<td>542</td>
<td>650</td>
<td>6.91</td>
</tr>
<tr>
<td>New Caledonia</td>
<td>600</td>
<td>18.18</td>
<td>250</td>
<td>850</td>
<td>9.04</td>
</tr>
<tr>
<td>Philippines</td>
<td>420</td>
<td>12.72</td>
<td>30</td>
<td>450</td>
<td>4.78</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,300</td>
<td>100.00</td>
<td>6,100</td>
<td>9,400</td>
<td>100.00</td>
</tr>
</tbody>
</table>


108. Ibid. p. 4.
Table 17 sets out the global distribution of cobalt reserves and resources and there are a number of important observations from the table. First, with regard to the reserve position, the central African state of Zaire, which has been the principal producer of cobalt since the 1930s, holds 30.3 percent of global reserves. Zaire's southern neighbour, Zambia, is also fairly well endowed with reserves of cobalt (7.57 percent). In both countries, cobalt is produced as a co-product in copper mining. Secondly, two Pacific states, New Caledonia and the Philippines, are also well endowed with cobalt reserves. Apart from these four regions, the only other state with significant reserves is the Soviet Union. Over the longer term, the position alters somewhat, because the United States and Cuba have large resources of the metal. Moreover, while Zaire's long-term position is likely to weaken, Zambia's reserve position will increase. Finally, we should note that South Africa does not appear on the Table, and we should ask whether the inclusion of cobalt is justified in this study.

In answering this question, we need to bear a number of interrelated factors in mind. First, mining relations in central and southern Africa tend to run parallel to existing infrastructural patterns of the region, viz. southwards, through the Republic of South Africa. This means that South African mining interests have extended throughout the region. Moreover, South African mining technology is essential for the smooth functioning of mining operations throughout south/central Africa. Secondly, South Africa plays a pivotal role in the region's transport links. In the absence of any secure transport routes to the east, west and north, Zaire has come to rely heavily on the so-called 'southern route' through both Zambia and Zimbabwe and ultimately through the South African port of East London. Thirdly, the security of access to Zaire's cobalt has been considerably complicated by domestic, economic and political instability in that country in recent years. The roots of these economic problems
are to be found in the uncertain fortunes of the world copper industry which has affected cobalt production. The cumulative effects of the continuing economic malaise has been that Zaire's foreign debt has run annually at a rate of $1.4-billion. This uncertain economic picture has inhibited investment in new plant on Zaire's mines which is needed to refurbish spent plant and increase levels of production and efficiency. Moreover, reluctance to commit new capital to the troubled country has been further exacerbated by a series of political incursions into the mineral-rich Shaba province from neighbouring states, particularly Angola. As a result, the position in the supply of cobalt from Zaire is a troubled one and in some circumstances, it functions only with the compliance of South Africa. (109) The security of cobalt supply from Zambia does not present a picture which is all that different from that of Zaire. Increasingly in recent years, Zambia has also come to rely on the 'southern route.' Moreover, the political and economic circumstances in Zambia are, arguably, as troublesome as those in Zaire, although the urgency with which they might have to be addressed is somewhat less.

The fourth factor which justifies the inclusion of cobalt in this study is South Africa's recent decision to enter the cobalt market. The extraction of cobalt in South Africa has, until very recently, not been a priority despite the fact that:

cobalt was one of the first metals to be mined after the settlement of Whites in the Transvaal...(but)...
South Africa...(has)...never become an important producer of this metal. (110)


In recent times, however, the continued political uncertainty elsewhere in Africa, the high price of cobalt and the relative ease of adoption to the cobalt extraction process have been incentives for South Africa to enter the field. (It has also been suggested that the United States - certainly officials of the United States Bureau of Mines - played an important role in persuading South Africa to enter the cobalt market.) (111) South Africa's entrée into the market has been facilitated by two sources of the metal. First, in tandem with the production of platinum in the rich Bushveld complex of the Transvaal and, secondly, in the treatment of residual slimes in the Transvaal and Orange Free State. Taken together, these sources could yield 3,000 tons of cobalt per year. (112)

Quite clearly, South Africa's entry into an international market which now only tops 21,000 tons a year, could over a short period considerably influence the world cobalt supply position. (113)

111. Confidential interview, Johannesburg, September, 1979.


113. The global production of refined metal cobalt in 1975 was as follows:

<table>
<thead>
<tr>
<th>Producer</th>
<th>Production short tons</th>
<th>Production %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Botswana</td>
<td>9</td>
<td>0.04</td>
</tr>
<tr>
<td>Canada</td>
<td>623</td>
<td>2.7</td>
</tr>
<tr>
<td>Finland</td>
<td>905</td>
<td>3.93</td>
</tr>
<tr>
<td>Norway +</td>
<td>852</td>
<td>3.7</td>
</tr>
<tr>
<td>Philippines</td>
<td>117</td>
<td>0.5</td>
</tr>
<tr>
<td>USSR ++</td>
<td>1,950</td>
<td>8.47</td>
</tr>
<tr>
<td>United States</td>
<td>33</td>
<td>0.14</td>
</tr>
<tr>
<td>Zaire</td>
<td>15,040</td>
<td>65.36</td>
</tr>
<tr>
<td>Zambia</td>
<td>2,026</td>
<td>8.8</td>
</tr>
<tr>
<td>Japan</td>
<td>53</td>
<td>0.22</td>
</tr>
<tr>
<td>TOTAL</td>
<td>23,008+++</td>
<td>100.00</td>
</tr>
</tbody>
</table>

+ Produced from nickel-cobalt matte from Canada; ++ Estimates only, based on insufficient data; +++ France produces 1000 tons (4.34 percent) and West Germany 400 tons (1.73 percent) but domestic output is almost non-existent and production is based on imported matte.
Consumption of cobalt is confined to a small number of highly industrialised countries with a high concentration in the OECD group and in the Atlantic Community. These countries, as Table 17 shows, are not well endowed with either reserves or resources of the mineral.

Table 18 sets out the derived pattern of cobalt trade between the nations of the Atlantic Community and five countries, the United States, Japan, the United Kingdom, West Germany and France, consumed some 90 percent of the world's cobalt supply. Moreover, five other countries - Italy, Sweden, India, Brazil and the Netherlands - bring this total to 98 percent. (114)

The world's largest single consumer of cobalt is the United States, and U.S. imports of the metal and the sources thereof for the period 1975 to 1977 are set out in Table 19. Tables 18 and 19 demonstrate firstly that South Africa is conspicuously absent from the supply side of any cobalt into these importing countries. But, as noted, South Africa is poised to enter the cobalt market and in 1978, for example, South Africa supplied 556 short tons of cobalt to the United States, thus providing her with some 4 percent of U.S. imports. (115)

Secondly, Zaire dominates the international market. Moreover, the position enjoyed by Belgium-Luxembourg is also a function of Zaire's dominant position in the market. Belgium-Luxembourg have no indigenous


Based on these estimates and all other things being equal, if South Africa produced cobalt to its maximum potential of 3000 tons, it would produce 13.03 percent of the world's output.


TABLE 18.

<table>
<thead>
<tr>
<th>Country</th>
<th>Form</th>
<th>IMPORTS (unless indicated) tonnes</th>
<th>Sources %</th>
<th>EXPORTS tonnes</th>
<th>Destinations</th>
<th>Consumption (tonnes)</th>
<th>Import Dependency %</th>
</tr>
</thead>
<tbody>
<tr>
<td>BELGIUM-</td>
<td>Oxides</td>
<td>10,500 Kg.</td>
<td>Presumably most</td>
<td>n/a</td>
<td>n/a</td>
<td>10,500</td>
<td>100.00</td>
</tr>
<tr>
<td>LUXEMBOURG</td>
<td></td>
<td></td>
<td>Zaire</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CANADA</td>
<td>Metal</td>
<td>-</td>
<td>-</td>
<td>479</td>
<td>U.S.A. 95.4</td>
<td>?</td>
<td>(-100.00)</td>
</tr>
<tr>
<td></td>
<td>Oxides</td>
<td>-</td>
<td>-</td>
<td>673</td>
<td>All to United Kingdom</td>
<td>?</td>
<td>(-100.00)</td>
</tr>
<tr>
<td>FRANCE</td>
<td>Ore</td>
<td>8,625</td>
<td>Mainly Morocco</td>
<td>522</td>
<td>U.S.A. 17.02, Italy 12.06, Spain 11.49,</td>
<td>8,103</td>
<td>93.94</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>West Germany 10.53</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Oxides</td>
<td>296</td>
<td>Mainly Belgium-</td>
<td>-</td>
<td></td>
<td>296</td>
<td>100.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Luxembourg</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Metal</td>
<td>855</td>
<td>Zaire 50.52,</td>
<td>-</td>
<td></td>
<td>-</td>
<td>100.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>U.S.A. 20.11,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Norway 10.52</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WEST GERMANY</td>
<td>Metal</td>
<td>1,956</td>
<td>Zaire 27.35,</td>
<td>286</td>
<td>United Kingdom 22.37, Sweden 11.88</td>
<td>1,670</td>
<td>85.37</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Belgium-Luxem-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>burg 27.04,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>U.S.A. 24.28,</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Norway 9.76</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Over)
TABLE 18. (continued)

<table>
<thead>
<tr>
<th>Country</th>
<th>Form</th>
<th>IMPORTS (unless indicated) tonnes</th>
<th>Source %</th>
<th>EXPORTS tonnes</th>
<th>Destinations</th>
<th>Consumption (tonnes)</th>
<th>Import Dependency %</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITALY</td>
<td>Oxide</td>
<td>398</td>
<td>Belgium-Luxembourg 83.16</td>
<td>26</td>
<td>n/a</td>
<td>372</td>
<td>93.46</td>
</tr>
<tr>
<td></td>
<td>Metals</td>
<td>512</td>
<td>Belgium-Luxembourg 48.43, U.S.A. 25.78, France 13.28</td>
<td>11</td>
<td>n/a</td>
<td>501</td>
<td>97.85</td>
</tr>
<tr>
<td>NETHERLANDS</td>
<td>Oxides</td>
<td>338</td>
<td>Belgium-Luxembourg 91.12</td>
<td>10</td>
<td>West Germany 50.0, Australia 40.0</td>
<td>328</td>
<td>97.04</td>
</tr>
<tr>
<td></td>
<td>Metal</td>
<td>78</td>
<td>U.S.A. 42.30, West Germany 25.64</td>
<td>142</td>
<td>France 30.0, West Germany 22.66, United Kingdom 16.66</td>
<td>-64</td>
<td>(+100.00)</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>Oxides</td>
<td>1,065</td>
<td>Canada 79.62</td>
<td>158</td>
<td>n/a</td>
<td>907</td>
<td>85.16</td>
</tr>
<tr>
<td></td>
<td>Metal</td>
<td>8,603</td>
<td>n/a</td>
<td>838</td>
<td>n/a</td>
<td>7,765</td>
<td>90.25</td>
</tr>
</tbody>
</table>

TABLE 19.

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports (short tons)</th>
<th>Sources</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>3,046</td>
<td>Zaire 37, Belgium-Luxembourg 22,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Finland 18, Norway 11, Canada 7,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>France 1</td>
<td></td>
</tr>
<tr>
<td>1976</td>
<td>7,564</td>
<td>Zaire 49, Belgium-Luxembourg 16,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Zambia 11, Finland 6, Norway 7,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Canada 5, France 2</td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>8,416</td>
<td>Zaire 44, Belgium-Luxembourg 20,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Zambia 14, Finland 8, Norway 5,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Canada 4, France 3</td>
<td></td>
</tr>
</tbody>
</table>


deposits of cobalt, but through their extensive mining operations in Zaire, and an import-export strategy, they are a force in the international market. Thirdly, intra-Atlantic trade in cobalt plays an important role in assuring an adequate and secure supply of the mineral. Finally, whilst South Africa does not play a significant role in the supply of the mineral, indications are that this situation might be subject to change.

4.4.10 Cobalt: What Can Be Done?

The scenario for seeking alternative sources of cobalt differs from others examined in this chapter. The cobalt pattern is likely to be influenced by two factors: a) that South Africa is not a well-established supplier of cobalt, although her capacity to enter the market is promising; and b) given the existing southern African transport-cum-infrastructural arrangements, South Africa plays a secondary role in the security of supplies from two main sources of cobalt, Zaire and Zambia. Looked at from this perspective, a first priority in securing access to cobalt from
central Africa is the promotion of stability in these two countries. The readiness of the French, for example, to involve themselves in the political uncertainty in Zaire's Shaba province must partially be evidence of their concern over the political fortunes of this cobalt-rich country. However, stability in these states will certainly not draw the area's infrastructure dependency away from South Africa. This fluid situation is complicated by the fact that South Africa is poised to enter the cobalt market. In a dual fashion, therefore, South Africa may hold the key to the West's access to secure sources of cobalt.

While the world market requires only some 23,000 tons of cobalt per annum, the mineral's strategic importance is shown by the fact that the nations of the Atlantic Community have given priority to building stocks of cobalt. In France, for example, vulnerability in cobalt was ranked in the category of 'highest' according to the priority matrix. (As Table 18 demonstrates, the French import cobalt from diverse sources, including Morocco, Belgium-Luxembourg and even directly from Zaire.) The French have already established a small stockpile of the mineral and any further stockpiling will be in the nature of 'topping up' existing levels. (116) On the German priority chart, where minerals are ranked on a risk factor along a scale 100-500, cobalt ranks sixth at 283 points. (117) Moreover, Bonn wishes to build a stockpile sufficient for 40 days at a cost of D.M. 73-million. (118) The British have also demonstrated

their desire to stockpile the mineral and the cost of a six-month stockpile will run at £31-million. (119)

In recent years, the United States has been ambivalent in its approach to the stockpiling of cobalt. In 1973, the stockpile objective was lowered, but in October 1976, it was decided to raise the stockpile objective again to 85.4-million pounds. Moreover, sales of cobalt from stocks was discontinued from September 1976. (120) The stockpile position in the United States looked as follows in September 1978: (121)

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Goal</td>
<td>85,415</td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>40,802</td>
<td></td>
</tr>
<tr>
<td>Deficit</td>
<td>44,612</td>
<td></td>
</tr>
</tbody>
</table>

A recent draft report on non-fuel minerals policy of the U.S., has included cobalt in the inventory and noted that the U.S. was 65 percent dependent on imports from Zaire and 7 percent dependent on imports from Zambia in the period 1974 to 1977. (122)

There are factors which offset this negative picture in the cobalt market. In the realm of substitution, alternatives are possible. For example, in certain end-products, nickel can be substituted. There is also an interchangeability between cobalt and nickel in the electro-plating industry. However, there appears to be no substitutes for cobalt in a range of other uses: in its catalytic role, as a dryer in paints and as a magnet. (123) In its sensitive strategic use such as

gas-turbine engines, ceramics may come to replace the cobalt-based 'super-alloys', but this appears to be a long-term project. (124)

Apart from a massive increase in the exploitation and development of cobalt in the United States, Australia, New Caledonia and the Philippines (see Table 17), the sea-bed appears to offer a ready, although not easily accessible, source of cobalt. Research in this direction has advanced significantly in recent years and the spread of cobalt-bearing nodules on the ocean floor is fairly even. (125) The composition of ocean nodules differs from area to area, with the estimated average composition of sea-bed nodules as follows: manganese 17 percent; cobalt 0.3 percent; copper 0.2 percent; and nickel 0.5 percent. (126)

There are, of course, many problems associated with the extraction of minerals from the ocean floor and these coalesce around three chief areas: technological, legal and environmental. Clearly, however, each area impinges on the other, although the chief of these might seem to be the complex series of problems associated with the ownership of the seabed deposits and the Law of the Sea. Technologically speaking, the move towards achieving the degree of expertise needed to economically exploit these resources seems within the grasp of advanced industrial societies.


126. Ibid. p. 8.
Controlled access to these resources - under perhaps international supervision - will considerably enhance the security of supply in these four minerals to advanced industrial societies. (127)

While only small amounts of cobalt are imported by advanced industrialised societies, both its use in sensitive areas and the uncertainty of access to secure supplies, have enhanced the importance of the mineral. In addition, the stockpile position in the nations of the Atlantic Community is not favourable and over the short- to medium-term, the Atlantic nations will be concerned over their access to supplies of cobalt. Measured on the Keohane and Nye matrix, the economies of all the nations of the Atlantic Community must, over the short- to medium-term, be 'vulnerable' in the cobalt field. (This includes the United States which has, as we have noticed, a deficit holding in its stocks of cobalt.) Over the longer-term, given the possibility of moving to the exploitation of land-based resources and the supply contingency offered by the sea-bed resources, security in the supply of cobalt appears far more favourable. This longer-term picture will be enhanced by technological breakthroughs in the area of substitution.

South Africa's importance in the supply of cobalt, it needs to be stressed, is a latent one. Although not immediately involved as a major supplier of the mineral, the Republic can, in a relatively short period,

enter the market and influence supply. (128) Moreover, as we have noted, suggestions are that South Africa has been encouraged to establish herself as an alternative source of the mineral. Immediately, South Africa's importance in the global supply of cobalt lies in the fact that her territory provides the only secure transit route for both Zaireian and Zambian cobalt to the nations of the Atlantic Community.

4.5 Minerals: Fissiparous Forces in the Atlantic Community?

It will be recalled that the central thrust of this study holds that the incipient South African crisis will create a series of dilemmas for the Atlantic nations and that, over the longer-term, these dilemmas will prove divisive for the Atlantic Community. In essence, these dilemmas arise from the competition between national interest and community interest which will, as they have done in the past, generate fracture in the Atlantic Community. Moreover, the central theoretical argument holds that cohesion in the Atlantic Community focusses on the security calculations of the Community and economic co-operation. In addition, the Atlantic Community is sustained by other centripetal forces: the Community ethos or spirit. Moreover, it has been demonstrated that fractures at any of these levels can create centrifugal forces which will affect other areas of cohesion.

Two levels of intercourse between the Atlantic nations and South Africa are held to have the potential to cause latent fractures: the role played by South Africa in the supply of certain non-fuel minerals and the level and extent of investment and trade by nations of the Atlantic Community in the Republic of South Africa.

128. Rand Daily Mail, 28 May 1979, op.cit. The exponential growth in South Africa's production of cobalt is as follows: 300 tons in 1979, to 800 tons in 1980, to 1500 tons in 1981 and to 3000 tons in 1982.
Having examined the role played by South Africa in the supply of select non-fuel minerals to the Atlantic nations and the role played by these minerals in the domestic economies of these nations, we have demonstrated their dependency on South Africa as a source of these minerals. Will, however, fractures arise in the Atlantic Community on the issue?

There is no doubt that the nations of the Atlantic Community - either collectively or individually - have demonstrated their anxiety over securing their supply of these minerals. This concern is starkly reinforced in a recent study which notes that:

Other commodities, besides oil, have a crucial part in the maintenance of the world's industrial output and in supporting the life patterns of modern society. Disruption of supplies could have most serious consequences for individual countries and groups of countries ...(moreover, because of this)...If natural benevolence does not persuade the peoples of Western Europe to work towards solutions of these problems the earthy motivation of self-interest might urge them on.... (129)

Two observations can be made in this context: first, the actual physical shortage (and the resulting dependencies) threaten the industrial capacities of, particularly, advanced industrial societies. Secondly, that fissiparous pressures can be forced upon these industrialised nations if they are unable (or unwilling) to jointly manage their existing dependencies on commodities, including non-fuel minerals.

The importance of this issue affects both the security and economic dimensions of the Atlantic Community. In the security dimension, certain of these minerals are required for uses which have a direct bearing on the military preparedness of the Atlantic Community. For example cobalt appears to have no satisfactory substitutes, in the 'superalloys' which are required for jet engines. Again, in the case of manganese, the use

of manganese-based alloys is crucial in both military and strategic applications. Secondly, in regard to security, a deep-seated concern arises from the fact that, in all the minerals we have examined, the Soviet Union is the major alternative supplier and could, in pursuance of the so-called Lagovskiy 'weak link' theory (130) utilise their rich mineral endowment to weaken the Atlantic nations both militarily and politically. Western commentaries on this principle are confusing and it is not clear how one should regard the importance of the Lagovskiy thesis. The Lagovskiy principle, after noting the dependence of the United States in minerals essential for modern warfare, like 'chrome and platinum' concludes that the strategic mineral situation continues to be an urgent problem in war production for the U.S. Manipulation of Soviet holdings of these minerals could create pressure on the United States and her allies.

In the economic dimension, the minerals factor impinges on the capacity of the nations of the Atlantic Community to sustain their individual or collective economic performance. If, as has been reported, 'a one-third fall in supplies of southern African chrome to West Germany could cut off industrial production by a quarter in a few weeks and cost seven million jobs' (131) and inadequate provisions are made in the form of building stocks to buttress such vulnerable economies, the resulting economic problems are sui generis and will, if the crisis is prolonged, impinge on the security area.


It is impossible to venture a classification of the non-fuel minerals considered in this chapter along a scale of 'most vulnerable' to 'least vulnerable'. What the study shows is that, as a general rule, the United States is in a more favourable position to withstand a short-term disruption of the flow of minerals from South Africa than are its European partners. This is primarily, although not exclusively, as a result of its stocks in certain minerals. European efforts to build stockpiles in these minerals are subject to certain restraints. These include the costs and all-round availability of excess supply to create a stockpile. Ironically, of course, the pursuit of a comprehensive stockpile policy needs the tacit compliance of the major producer of the minerals which, in most of the cases we have examined, is South Africa. Furthermore with regard to stockpiling, there seems to be scant possibility, based on available evidence, that international or intra-governmental institutions, like the European Community, can, at this point in time, successfully initiate and implement a comprehensive stockpile programme, although they obviously appreciate the need to move in this direction. (132)

Secondly, we have noted that on the Keohane and Nye matrix, no economy in the Atlantic Community appears 'vulnerable' to disturbance of the South African source of non-fuel minerals over the long-term. The real 'vulnerability' appears only operative in the short- to medium-term. Outside the limitations of a single decade, it does appear possible to switch to alternative sources or move towards substitution in the minerals we have considered. Naturally, of course, this is contingent upon the twin

132. See, inter alia, European Commission, op.cit.; Financial Times, 16 January 1979. op.cit.; Crowson. British Foreign Policy to 1985: III: Dependence on Non-Fuel Minerals, op.cit. Crowson is of particular importance in this regard; he notes (p.49) that:

(t)he free flow of goods within the Community means that national measures to enhance the availability of raw materials would tend to benefit all members...but that...an integrated European programme of research and exploration or stockpiling might achieve far more than individual national programmes costing the same amount...
conditioning factors of price and technology. There is, however, a serious caveat in this regard. At a meeting held at Ditchley, Oxfordshire, in 1977, the conferees agreed in this regard that:

to lessen the West's dependence on South Africa (with regard to the supply of raw materials) would be extremely difficult...that a self-conscious and long-term programme designed to reduce this vulnerability by finding alternative sources or technologies was not a serious possibility, given that changes of this kind required several years to implement. Furthermore, such changes assume a capacity for forward planning that is not always self-evidently present in Western bureaucracies which, in any case, have to contend with the pressures of powerful and influential special interests within their own domestic economies. Moreover, to assume that Western governments could and would indulge in long term strategies of this kind is to ignore the West's deeply ingrained tendency to react to events (such as the 1973 oil embargo) rather than anticipate and plan alternatives. (133)

Thus, although the real vulnerability is in the short- to medium-term, the nations of the Atlantic Community face, in the absence of adequate planning for the long-term, continued uncertainty in regard to the security of supply in those minerals presently obtained from South Africa.

Thirdly, the interdependence in the economies of the Atlantic nations - as revealed in the high level of mineral flows between states in the Community - means that a cessation of flows from South Africa to one country will, if prolonged, almost certainly affect the economies of other countries. So, for example, if the chromium flows from South Africa are halted, then West German exports of chromium to, say, France are likely to be severely cut back, if not totally stopped etc. The extent of 'vulnerability' is, in this sense, therefore exportable and subject to a multiplier effect throughout the interdependent economies of the Atlantic Community. Moreover, this multiplier effect, in terms of a loss in employment, is certain to be felt with devastating impact

within the various domestic economies of the countries in the Atlantic Community. Here, too, the effects will probably be impossible to localise and will be spread evenly throughout the Atlantic Community.

Fourthly, while it is undoubtedly true that cutbacks in the level of non-fuel minerals into the Atlantic system are not likely to have as devastating effects as cutbacks in the flow of oil, it is also true that the sensitivity of certain of these minerals and their structural role in crucial key sectors of the economy are likely to have serious implications for domestic economic management. (Oil was, of course, a special case since industrialised economies have, since the onset of this century, structured their entire economic system on a relatively cheap and supposedly secure form of fuel which was oil-based and non-fuel minerals do not occupy as central a position even in the industrialised economies.) On the micro-economic level, however, entire industries have been based around these minerals and such industries are linked, intrinsically, with other industries. Hence, a failure to provide the fuel - in the form of minerals - in these industries is certain to create widespread economic hardship. The British position is a case in point, where the entire heavy steel industry rests on access to imported minerals: it is estimated that a cessation of mineral supplies could result in serious redundancies in the 3-million labour force employed in British mineral related industries. (134)

Fifthly, recurring or incidental economic dislocations of this kind, which lead to uncertain economic performance (and the resulting political implications) are certain to impinge on a state's capacity to fulfil its strategic obligations to the Alliance. An inability to manage, over the short-term, the aforementioned economic problems will generate political

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instability. Unemployment for example, will in certain contexts, have possible political and social implications. In such circumstances, if fiscal management of the economy becomes difficult or even impossible a cut in the defence commitment of the economically embattled Atlantic nation becomes a possibility and such cuts, by definition, affect the state's military role. (There seems no better example of this than the recurring pattern of British defence cuts during the period 1962 to 1979, where an indifferent all-round economic performance - primarily domestically induced - resulted in an alarming pruning of British armed forces.) (135) The structural relationship between, on the one hand, the Atlantic Community's cohesion around the security interests and its cohesion on the economic level, is obvious.

Sixthly, the prevailing extent of dependence on South Africa in the short- to medium-term needs to be measured against the political and security risks of relying on the Soviet Union which is, as we have noted, the other major alternative supplier in many of these non-fuel minerals. The absoluteness of this choice spawned, of course, the passage of the so-called Byrd Amendment which facilitated the purchase of U.S. chromium from Rhodesia in the early 1970s. However, the repeal of the Amendment and the knowledge that, despite the U.N. imposed sanctions against Rhodesia, the Soviet Union was using this ore in their own exports to the West, reveal the intensity of the risks involved on the issue. It may only be possible to rely (certainly in the period where alternative sources of minerals are sought and the move to new technologies enacted) on the willingness of the Soviets to play the role of a minerals victualler to the West. In such a period, the Atlantic Community would be at its most

vulnerable - economically and strategically.

Certain analogies with the 1973 Oil Crisis become self-evident from the foregoing discussion. Notwithstanding the extent of their interdependencies, the nations of the Atlantic Community would, if the South African source of non-fuel minerals were denied them, be under immense domestic pressure to pursue the suave qui peut path - as France did during the Oil Crisis. In the event of such a fracture, the strength of the other producing countries, including the Soviet Union, will be considerably enhanced and mineral prices would probably rise in proportion to the extent of the fractures among the various consumer nations. A recent study notes:

Neither is it simply a matter of the energy crisis per se but, as the 1973 crisis showed, shortage of an essential commodity is starkly fissiparous in international groupings, such as the Western Alliance. (136)

Moreover, disharmony between the consumers will considerably increase the capacity of the producers to move towards the establishment of cartels which may only be of a short-term duration. Such cartels would attempt to extract the most favourable price for the relevant commodities and act as a brake on the normal market forces which, until now, have favoured the industrialised world. In this situation, with prices beyond certain thresholds, the quest for new technologies, new sources and alternatives would be intense, although, over the short-term, it appears impossible for the Atlantic Community to successfully bridge this gap.

The picture, particularly over the short-term, demonstrating the vulnerability of the economies of nations in the Atlantic Community to the South African source of select non-fuel minerals is a sombre one. It is, however, not a situation confined only to the South African source

136. Royal United Services Institute, op.cit. p. i.
but is more universal in its applicability. However, since South Africa is the focus of our attention, the South African nexus is the more important. The universal vulnerability appears to be fully appreciated within the formal institutions of the Atlantic Community, particularly in the NATO structure. Writing recently, a former official of the Italian government notes:

(N)o free market economy can survive if the elements vital to its equilibrium are deeply affected by sudden, arbitrary and purely political external decisions. (137)

The importance of the South African link is appreciated by Phillip Crowson who notes that the case for the strategic vulnerability of the industrialised world:

is especially strong for that group of minerals in which South Africa is the dominant western supplier, and this is where the United States is just as dependent as other countries. A geological quirk means that the Eastern Bloc countries, and most notably the USSR, are the other major sources. (138)

For South Africa, this advantageous situation presents the ruling government, in the light of the recurring political malaise, with incentives and constraints in policy. Moreover, given the short-term duration of the existing dependencies, official South African utilisation of the so-called mineral card has, understandably, been uncertain.

First, in crudely using this advantageous endowment of non-fuel minerals as a propaganda weapon, (139) Pretoria may have sharpened


the consciousness of industrialised societies of their dependence on South Africa for these minerals. In so doing, South Africa may have speeded the incentive to search for alternative sources. Not surprisingly, South Africa sought to especially emphasise the mineral relationship after the 1973 Oil Crisis and, it is possible to speculate that this timing was ill-advised for it simply heightened perceptions of overall vulnerability. The propaganda sought in a fairly sophisticated form to link two sets of fear and to run them concurrently with the purpose of underlining the importance of South Africa (and, by implication the ruling regime) to the Atlantic nations on the question of minerals.

On the one hand, South Africa identified, in an often unsubstantiated form, the existing dependencies on the South African source and argued that the existing political structure in South Africa alone could ensure the continued victuallation of the Atlantic nations with these non-fuel minerals. (140) On the other hand, this line of reasoning was reinforced with a second series of arguments which pointed to the fact that the only

140. The view that alone the present South African regime could ensure the continued flow of these non-fuel minerals has been widely attacked inter alia, by Ambassador Andy Young. His position is that whatever regime was in control in Pretoria would have to sell these minerals to the Western world to generate foreign exchange. Professor Foltz of Yale has extended this position and refined it somewhat. Foltz's position is neatly encapsulated in the following quote:

In thinking about the long term, one historical precedent is unambiguous: so far, at least, no regime anywhere in Africa, of any ideological or dermatological pigmentation, has refused to sell the United States any valuable mineral it produces when offered something like the going international commodity price.

W.J. Foltz. "United States Policy Towards Southern Africa: Economic and Strategic Constraints". Political Science Quarterly, vol. 92, no. 1, 1977. p. 54. The Foltz/Young position may be true, but their position appears not to take account of the fact that any short-term disruption of the South African source as a result of widespread chaos in the country, would exacerbate the vulnerabilities of, particularly key European economies in the short-term. This observation simply demonstrates the short-term problems which the Atlantic Community faces in this regard.
alternative source for these minerals was the Soviet Union and that the Soviets had arcane intentions in Africa which, if fulfilled, might allow them to exercise complete global control of these minerals. In this second form credence was given to the Lagovskiy thesis. When run concurrently, these two positions appear to create an alarmist situation which obscures much of the argument with regard to 'alternate' sources of non-fuel minerals, presented in this study.

Secondly, South Africa's short-term advantage in this regard means that it alone provides the key to the development of stockpiles in the Atlantic Community. Only with the tacit approval of the present South African government can the nations of the Atlantic Community build their stockpiles in these minerals. If, for example, South Africa withholds these minerals from the market (141) and all things remain equal, prices are likely to rise and the stockpiling process will become commensurately more expensive. While the South African government has apparently given assurances that she will not try to unilaterally interfere in the international market-place (142) increased political pressure on Pretoria,

141. This kind of tactic has often been suggested in South Africa and by South African government officials. See, for example, "Use Our Ores as a Lever: Envoy". The Star, International Weekly, Johannesburg, 27 August 1977.

142. This appears to have been appreciated in Europe, although it also seems that South African government officials have been at pains to assure leading European consumers that the Republic would not adopt this course of action. Dr. Chris Stals, Deputy Governor, South African Reserve Bank, confidential briefing at the South African Institute of International Affairs, Jan Smuts House, November 1979. However, fears of this kind have also been expressed in the United States. See, for example, "South African Officials Imply Minerals Could be Weapons to Preserve Apartheid". The Wall Street Journal, New York, 30 May 1980.
during the period she continues to enjoy her strong position, will undoubtedly enhance the attractiveness of this particular strategy.

Quite clearly, there is another option open to South Africa in this regard which would be to use the mineral strength as a divisive force in her relations with the nations of the Atlantic Community, by adopting a policy of favouritism. In this fashion, particularly over the short-term, its government might exacerbate the existing fragmented dependence and use this to its political advantage. There are quite natural temptations to use this option in cases of specific concern and the resulting divisions in the Atlantic Community would be harmful.

Thirdly, should there be a widely-supported call for United Nations trade embargo against South Africa under the rubric of Chapter VII of the U.N. Charter, South Africa, in the event of inadequate monitoring mechanisms, will be in the position to covertly involve herself in the market and disrupt the existing market forces which may lead to a fall in prevailing market prices and create widespread dissatisfaction amongst other producers. Moreover, a fall in the market prices might reduce the incentive for the industrialised world to move to the alternative sources we have examined in this chapter. On the other hand, if South Africa withdraws - albeit temporarily - from the international market, the price of minerals is likely to increase and this is certain to irritate Western governments. It seems unlikely that South Africa would risk her important political relations with these states for short- or even medium-term economic gains. It follows that a chaotic market situation will not be to the advantage of either other producers or, indeed, to consumers. If South Africa is provided with sufficient political incentive, via boycotts against its vulnerable economy, it has the means to stimulate such international market uncertainty. Such recalcitrant action may further increase the divisions in the Atlantic Community.
The existing short-term dependency of the Atlantic Community on the flow of non-fuel minerals from South Africa poses a series of dilemmas for the nations of the Community. Fractures at the economic level, through poor economic performance, will affect the central cohesive factor in the Community—viz. the security issue. Non-fuel minerals are important to ensure the continued industrial performance of the Atlantic Community. Moreover, the mineral concern has a specific strategic dimension because certain of the minerals we have examined are important for military preparedness. Consequently, a failure to secure an adequate flow of them, may affect the Atlantic Community's security performance.

In addition, as we have seen, the precautions taken in the face of a possible disturbance in the South African supplies of these minerals, are also mixed. The United States is better off in comparison to their European partners and this uneven spread of stockpiling may well increase the possibility of divisiveness in the Community should the South African source be threatened.

Fractures which may occur as a result of the vulnerability of certain, especially, European economies may spill over into other areas of cooperation in the Atlantic Community and weaken the Community's all-round cohesion, as in the case of oil. The position is somewhat complicated by the fact that joint efforts at developing a combined approach to managing this minerals-vulnerability appear unlikely to be forthcoming, as the Atlantic Community grapples to develop a common position on a number of other divisive issues, like a joint arms procurements policy in the NATO Alliance and the continued inability to successfully manage the international economy.

The incipient crisis in South Africa and the serious intra-Community irritations which might arise as a result of the prevailing dependency
on non-fuel minerals from South Africa appear, as a result, low on the list of Community priorities, despite the alarm-bells which were sounded at the time of the 1973 Oil Crisis.
CHAPTER 5: Trade and Investment: Economic Sources of Fracture.

5.1 Introduction.

The crucial role played by economics in the intricate pattern of international relations is, arguably, as old as the nation state itself. Certainly, early theories on inter-state commerce rested on the understanding that trade and the cumbersome apparel of banking were a central part of the international process and, thus, of international relations in its broadest setting. (1)

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1. Mercantilism, for example, the political and economic policy which thrived in Seventeenth and Eighteenth Centuries, emphasised:

'the economic power of the state and thought that this power could be enhanced by increasing the State treasury and holding the specie through a favourable balance of trade stimulated by export subsidies and import duties'.


The Mercantilist Principles were:

'a) The state had the duty to foster national welfare by adopting the appropriate economic and power policies, though this involved the exploitation of neighbours and colonies.

b) The health of the national economy depended partly upon an increase in population; and partly upon

c) An increase in the mass of precious metals in the country.

d) That foreign trade must be stimulated, for only through a favourable balance of trade could the quantity of precious metals be increased - 'the most important of the means which make a kingdom without mines abound in gold and silver.

e) Commerce and industry were of greater importance as branches of the national economy than agriculture'.

While mercantilism was the dominant political and economic philosophy, conflict appeared endemic in the international arena and it was only with Adam Smith's exposure of the fallacies of mercantilism and the first crude theories of 'free trade', that a non-conflictual internationalisation of the commercial process was possible through a liberal philosophy which equated harmony between states with the commercial process. (2)

The international circumstances which spawned the Second World War appeared to have had, as their most substantial, economic input, a revival of mercantilism. It was therefore not surprising that the post-War settlements should seek to establish themselves upon an international economy which rested on the twin principles of open access and non-discrimination. Thus it was, that:

(t)this (post-War) goal reflected the Cobdenite faith that free trade would provide the basis for peace and that commercial relations would substitute for political relations between states. (3)

In pursuit of this goal, the United States, under the inspiration of Secretary of State, Cordell Hull, initiated the implementation of free trade through reciprocal trade agreements from 1943 onwards. Although clearly, these arrangements were in the national interest of the United

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2. Smith's purpose was not, of course, to expound a theory of peace. Nor indeed, did he seriously propose that global peace would become synonymous with free trade. His purpose was 'An Inquiry into the Nature and Causes of The Wealth of Nations'. In the study, economic growth was a function of the extent of the division of labour which was, in turn, dependent on the scale of the market. His attack was against the barriers which had been erected; against the mercantilist position. If the intention was to multiply wealth, then the contradiction between political organisation and economic rationality had to be resolved in favour of the latter. In the process, however, peace would be sui generis.

States, (4) one effect thereof was to consolidate the economic dimension of the Atlantic Community and, at the same time, to facilitate the integration of South Africa into the realm of international trade and commerce.

The cumulative effect of the post-War economic and political arrangements was to ensure that inter-state trade and the other aspects of international commerce came to impinge increasingly on the traditional politically-dominated centre of international relations as they were, almost by definition, intertwined in the diplomatic process. Paradoxically, however, despite the central role played by these economic forces, traditional discourse in International Relations scholarship appeared to shun any analysis of the economic dimension and tended to ignore the inherent linkage of economics to the political centre of the discipline. The sparse attention devoted to economic forces in the relations between nations partially accounts for the fact that, even as late as the 1970s, traditional International Relations writing has been unable to contend with, and account for, a recurrent international monetary crisis and a continuous series of pressures which have threatened to rupture the basis of the free trade system established after the conflict of 1939 to 1945. In essence, as Susan Strange has pointed out, economists and political scientists have written about International Relations as if they were talking about entirely different sets of actors and activities. (5)

In response to the reluctance of mainstream International Relations to adequately account for the economic forces at work in the study,

4. 'At the end of World War II, the United States was the dominant economy in a world checkered with trade restrictions and discriminatory trade and payments arrangements that had their base in the 1930s and had been greatly extended during the War itself. These circumstances made a major international effort towards freer and less discriminatory trade and payments an obvious United States national interest'. Ibid.

an entirely new genre of writing has emerged which has set itself the
goal of incorporating economic factors into the corpus of the discipline
by identifying and utilising the so-called 'transnational actors' as the
link between politics and economics at the inter-state level. (6)
Not surprisingly, however, the protagonists of the traditional -
'state-centric' - approach have resisted the transnational intrusion
and, within theoretical discourse in International Relations, the exchange
between the traditional and the transnational approaches has emerged as a
contentious debate. (7) Although the merits of this debate are not of
central importance to this study, it is obvious that the commercial ties
between the Atlantic nations and South Africa rest on both political and
economic foundations and we need, therefore, to be alerted to the existence
of this divide for it will surface throughout.

If the traditional approach to International Relations analysis sought
to relegate economic factors to the realm of 'low politics', in practice
it retained nonetheless, an option to use economic instruments in order
to punish recalcitrant states. In the United Nations Charter -
particularly under Chapter VII - the chief institutionalised instrument
for punishing erring states is the sanctions clause which, by its nature,

6. Writing on 'transnational relations' has emerged as a growth area
in the discipline. Its economic dimension has become especially
acute and, hence, attractive because of the economic vulnerability
which has emerged throughout the Western world in the late-1960s and
1970s. This has meant that economic vulnerability has been intro-
duced to the realm of 'high politics' and transnational relations
provide the link in an understanding thereof. For a rehearsal of the
transnational discourse see, inter alia, R.O. Keohane and J.S. Nye.
Transnational Relations and World Politics. Cambridge, Mass.: Harvard
University Press, 1972; C.F. Bergsten. The Future of the International
and W. Diebold. The United States and the Industrial World: American

7. For a defence of the traditional position see, G. Berridge. "Trans-
nationalism: The Rediscovery of Pressure Groups". International
is antipathetic to both the spirit and the letter of the post-War economic settlements.

It is in regard to this issue that the first, of a number, of dilemmas in respect of the economic links between the Atlantic nations and South Africa present themselves. This is a conflict between, on the one hand, the desire - expressed in both spirit and institutions - to structure a peaceful international community, based on the principles of open economic access. On the other hand, within a major structure of the post-War system, i.e. the U.N. and its Charter, an opposite set of pressures is at work. As a result, calls throughout the international community on the industrialised nations, particularly the Atlantic ones, to support trade sanctions against South Africa because of her racial policy, is patently in conflict with South Africa's integrated position in the international economy. The dilemma raises, further, the role played by economic factors in the conventional diplomatic process. It also runs counter to the logic of the traditional state-centripotition which, as Susan Strange has pointed out, operates under two limiting assumptions which act simultaneously:

the neoclassical assumption that power is unimportant in the politically vital key issue-areas of international investment, trade and money as well as the assumption of interstate politics that relations between governments are the only ones that really matter. (8)

South Africa's external commercial relations rest on two pillars: her institutional links with world organizations and her bilateral arrangements, formal or informal, with a wide range of countries. With regard to the former, she retains links with the International Monetary Fund (IMF) and is party to the General Agreement on Tariffs and Trade (GATT),

and to international commodity agreements for sugar, wheat, lead and zinc etc. (9) In this setting, commercial ties with South Africa have been internationalised and subjected to diverse pressures because of the domestic racial policy of the South African government at the multilateral level.

It is, however, with regard to the bilateral arrangements, that commercial links with South Africa have been subjected to considerable pressure in recent years and which, for the purposes of this study, are the most essential. Two qualifying clauses are important in regard to the concentration of attention on the bilateral commercial ties. First, it remains true that the overwhelming pressure on Atlantic nations to sever their commercial links with South Africa arise in multilateral forums (particularly in the U.N.). It is the concentrated effort at the multilateral level which has forced the Atlantic nations to carefully take stock of their commercial links with South Africa. However, this stock-taking has largely operated on the bilateral level and the Atlantic nations have carefully avoided giving an account of their commercial links with South Africa in multilateral organizations. Second, the bilateral commercial links are of crucial importance to South Africa, either in their overt or covert form, for:

as most South Africans are aware...her future is inextricably bound to that of the world community and that her external economic relations are of great importance to all her peoples. (10)

Furthermore, the bilateral commercial links between individual members of the Atlantic Community and South Africa have, particularly in recent


10. Ibid. p. 509.
years, been subjected to intense domestic scrutiny. Much of this attention has been polemical and has tended to focus on the ephemeral facets of what is a deep-rooted economic dynamic which links, in the first instance, individual Atlantic nations to the economic fortunes of South Africa and through this process, in the second instance, has economic and political implications for the Atlantic Community as a whole. Moreover, because of its concentration on ephemeral issues, the public interest has failed to adequately account for a multiple series of dependencies which has arisen in the commercial ties between the Atlantic Community and South Africa. Notwithstanding these weaknesses, this popular interest has had the cumulative effect of elevating the economic dimension to a special status in the relationship so much so that it has come to overshadow all other facets of the ties between the Atlantic nations and South Africa.

More significantly, the economic nexus has emerged as the cardinal area of concern for three reasons: its normative input into the debate on South Africa's future; its emergence as an area of policy in the relationship and thirdly, the fact that it has emerged as an area of domestic conflict within certain Atlantic nations. Each of these three areas is important for each one sets a series of problems which have a bearing on the course of this study. Each needs to be carefully considered by the Atlantic nations as the pattern of their commercial relations - in both bilateral and multilateral settings - with South Africa develops.

The three need to be considered in greater detail. First, with regard to the normative aspects of the economic link, scholars who have looked at the entire range of the ties between individual Atlantic nations and South Africa have used the economic ties as a normative input in their analyses. In so doing, they have tended to use economic criteria (often coincidental with their own political preferences) as a basis for predicting change -
either evolutionary or revolutionary - within South Africa itself. Armed with this normative input and set within an economic framework, both the evidence and the methodology have sought to reinforce the cogency of their conclusions.

In this way, those of a quasi- or neo-Marxist persuasion have argued that continued economic involvement of the Atlantic nations in South Africa rests on a crude variant of Lenin's thesis on Imperialism. Following the dialectic, they argue that the necessary contradictions will arise which will (certainly by implication) bring about the collapse of the South African state and, probably, over the longer-term, the Capitalist world itself.

Those on the other side of a rough ideological spectrum, who favour a classical or neo-classical economic analysis, have stressed the positive aspects of continued Atlantic economic ties with South Africa. They appear to argue that intensified economic involvement will generate growth and that this growth will insidiously erode the existing economic disparities within South Africa, that it will demonstrate both the political and economic limitations of the official ideology and create sufficient inducements to force an abandonment of the official ideology by the dominant group within South Africa. This position can best be described as the 'Reformist' one.

In essence, the discourse on the economic links between the Atlantic nations and South Africa appears firmly rooted between these two parameters with each study reflecting, more often than not, the political preferences of its author. As a result, a lucid understanding of the relative importance of the economic factors, both to the Atlantic nations and to South Africa, have been distorted by the initial assumptions of particular scholars - the assumptions themselves tend to reflect how the world and post-Apartheid South Africa should ideally look. A crucial operative
aspect of this normative input is that these studies tend to deal not only with the level of the economic ties, but more importantly, with an analysis of how and why such factors influence the political future of South Africa.

Secondly, with regard to the emergence of the economic facet as a policy option bearing on the relations between the Atlantic nations and South Africa, it is important to note that a tentative policy has emerged which rests on the understanding that economic ties may be used as a form of pressure on the South African government. This embryonic policy, which is apparently as yet without clearly articulated goals, has placed the Atlantic nations firmly within the ambit of the reformist position with regard to South Africa. In so doing, most Atlantic nations have eschewed an option which would have facilitated their withdrawal from South Africa and which, in turn, would have weakened their capacity to exercise a modicum of influence in the political destiny of the South African state. Moreover, the genesis of the policy rests on the philosophical understanding that - following the assumptions of the classical or neoclassical school - sufficient economic inducements can be generated which will force the present South African government to abandon its present racial policy or, alternatively, will change the government itself.

This nascent policy has identified areas of fluidity within South Africa's domestic economic and political milieu and to utilise vague economic instruments to influence the speed and direction of domestic change. The chief form which this policy has taken has been to develop the so-called 'Codes of Conduct' for multinational corporations operating in South Africa. The setting of the policy has been both bilateral, like the early British Code of Conduct, or the (U.S.) Sullivan Principles, and
the Code of Conduct of the European Economic Community. (11) Either through government initiation, or with government support, these Codes have become an instrument of pressure used by the Atlantic nations on the South African government. By seeking to utilise this instrument, the Atlantic nations have substituted diplomatic and political means of pressure with economic: this strategy runs counter to the spirit of free economic access upon which the post-War peace settlements rested.

Two partial areas of explanation offer themselves for this deviant development. First, the interlinked economies of the Atlantic nations have weakened the potential for using either multilateral or unilateral political pressure against South Africa. The high level of interpenetration between the economies of the Atlantic Community may mean that the economic prosperity of the entire Community could suffer if one country, say, Britain was to lose her access to the South African market. The economies of the Atlantic nations have become so intertwined and interdependent that unilateral action could disadvantage one country and, in the process, slow down the dynamic of economic co-operation in the Atlantic Community. In using, however, their economic presence in South Africa as a lever to expedite political change there, the Atlantic nations are both ensuring that their own economic co-operation is not ruptured and,

11. There are, in fact, a multiplicity of Codes in existence applicable to South Africa. The most important from our point of view are the Sullivan Principles and the EC Code of Conduct. The former resulted from the pioneering work done by the Rev. Leon Sullivan in the United States in the period 1974 to 1975. A comprehensive discussion on it is to be found in E. Schmidt. The Sullivan Principles: Decoding Corporate Camouflage. Washington D.C.: Institute for Policy Studies, 1979. The latter, officially called 'The Code of Conduct for Companies with Interests in South Africa' was agreed by the Council of Ministers, in September 1977. An excellent discussion of it is to be found in J. Barber. 'The EEC Code for South Africa: Capitalism as a Foreign Policy Instrument'. The World Today, vol. 36, no. 3, 1980.
simultaneously, retaining their access to the lucrative South African market.

Secondly, by using the economic lever, the governments of the Atlantic nations appear willing to allow the market place - i.e. international trade and investment - to be the final arbiter of South Africa's economic and political fortunes. So, for example, if political unrest in South Africa reached unprecedented levels, it is hoped that both trade and investment will relocate in areas of greater political stability. The role of the Atlantic governments has thus been to assist the commercial process by setting minimal standards of business conduct and in the process, they have deflected domestic pressure on themselves to disengage from South Africa.

Through this policy, the economic process has implications for the domestic political setting of South Africa. The policy aims, through the various Codes of Conduct, to align itself with those of the neoclassical or classical position which seek to promote evolutionary change within South Africa. Notwithstanding the merits or demerits of the posture itself, the policy dimension is important because it indicates possible areas of co-operation between the Atlantic partners on the South African issue and points the direction in which Atlantic policy towards South Africa may move as the incipient South African crisis deepens.

The third area of policy concern is countering the various domestic pressures on the governments of the Atlantic nations themselves. The internationalisation of the South African issue has been a feature of the past two decades. Whereas each specific domestic crisis in South Africa has generated individual concerns in the outside world, the cumulative effect of events like Sharpeville in 1960 and the Soweto insurrection of 1976, has been that increasing international attention has been devoted to the South African issue and, in particular, to the racial policies of
the South African government. Together with the increasing interest and concern, has gone a growing polarity of opinion, within Atlantic societies, on what policies their governments should adopt towards South Africa. The South African issue has also been taken up by various domestic pressure groups which have attempted to influence Atlantic governments to economically engage or, alternatively, to disengage from South Africa. While this pressure is still of a low key type, governments and oppositions throughout the Atlantic Community have increasingly had to formulate a policy towards South Africa and this policy formulation has focussed almost exclusively on the economic nexus. Again in this case, policies have been designed to influence the domestic political setting of South Africa and the search for strategies to bring about change has been a constant one. On the one hand, there have been those who have argued the 'Reformist' position, maintaining that international economic sanctions against the Republic would:

have a disastrous effect on both blacks and whites...
that the best way to achieve change was to keep open...
present trading channels in the hope that enlightenment about apartheid may seep in at every pore.... (12)

On the other hand, it has been maintained that such economic ties only serve to reinforce the existing status quo in South Africa, that therefore, the Atlantic nations should actively seek to abandon their economic links with South Africa in the cause of promoting long-term peace and stability in that country. (13) Both postures begin from the premise that political change is necessary in South Africa and, there-


after, disagree on almost everything else. For supporters of the former position, political change is commensurate with further investment and growth for two reasons: first, in the process all South Africans, whatever their political or dermatological hue, will politically benefit by increased growth. Secondly, to cut off investment would mean that the Black majority in South Africa would suffer the most and that the responsibility therefore would lie with the industrialised world. Further, that in the resulting economic vacuum, widespread political uncertainty would develop and that this would be to the long-term economic disadvantage of the Atlantic Community.

Opponents of this view argue on the contrary, that the advantages of economic investment are in essence one-dimensional, i.e. that they only benefit the White South African minority. Further, while it may certainly be plausible that the majority would suffer in the event of disengagement by the Atlantic world, such action would bring about the collapse of the existing South African status quo expeditiously and that this would be in the longer-term interests of both the Black majority and, certainly, the Atlantic Community - if the Community assisted in the process. (14)

Again, these are the parameters of debate between the domestic pressure groups in Atlantic nations with regard to economic engagement in South Africa. While the level of this pressure has not yet reached significant proportions, they have become an operative factor on Atlantic governments and, in part, have contributed to the elevation of the economic factor to a 'special place' in the relationship.

5.2 The Conditions of Classical Economic Theory.

We have noted the impoverishment of mainstream International Relations thought through the neglect of economic factors in general discourse in

the discipline. Our task is to fill this gap by devoting attention to some of the underlying political and economic facets of international trade and investment in order that such tools may more comfortably be used in an analysis of the commercial links between the Atlantic nations and South Africa.

We have also noted Adam Smith's criticism of the mercantalist position and how this contributed to the collapse of that particular doctrine. The central thrust of Smith's work, however, appealed to the principle of 'absolute' advantage which maintained that no country should make at home what would cost more to make than to import (15) and it is on this general principle that theories of free trade flourished and developed.

The intellectual routing of mercantilism came, however, with David Hume's self-regulatory 'price-specie-flow' mechanism which juxtaposed the quantity theory of money and the balance-of-trade doctrine, undermining the latter. (16) For Hume, the 'favourable' balance of trade would automatically be removed through an increase in the supply of money and a rise in prices. Put, alternatively:

Prices in one country are determined by the quantity of money; prices in different countries are interdependent - a low price country can undersell a high price country; such underselling will lead to a flow of specie to the low-price country, raising prices there and lowering them in the other country. Equilibrium is finally reached with some common relationship between national price levels. (17)

15. In Smith's words, 'If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it off them with some part of the produce of our own industry employed in a way in which we have some advantage'. A. Smith. An Inquiry into the Nature and Causes of the Wealth of Nations. Edited by Edwin Cannan. New York: Random House, 1937. p. 424.


It was David Ricardo who, in response to an urgent issue of public policy - the repeal of the Corn Laws - refined the theory of advantage, enunciating a notion of 'comparative' or 'relative' advantage. For Ricardo:

There was nothing particularly 'favourable' about exports being greater than imports,...what really matters is the principle that a country should specialise in the production of those commodities for which production costs are comparatively low and import those commodities for which production costs are comparatively high. (18)

Although Ricardo's twin notions of 'comparative' and 'relative' advantage formed the base upon which the classical theory of international trade rested, the limitations of the theory were determined by Ricardo's labour theory of value which explained costs of production in a single country. The assumption, that one factor of production, labour, determines value, restricted the efficacy of the classical theory as a tool of explanation and analysis. In this sense, the utility of the theory was essentially a normative one, i.e. to convince governments of the advantage to be gained by trade to offset the tariff-ridden world of the Nineteenth Century in which they lived. However, the dual role of Ricardo's theory - its limited analytical efficacy and its normative dimension - have continuously influenced economic thought since that time and the evolution thereof forms the greater part of serious scholarship in international economics from that time.

Modern theories of international trade, despite obvious refinements, also rest on the notions of 'advantage' although the expansion of factor input to incorporate more variables has obviously enhanced their sophistication. In modern economic analysis, the arguments for trade rely on a three-tier foundation which is succinctly summarised by Meier thus:

free trade is a preferable situation to no trade;

restricted trade is also preferable to no trade, except that an optimum tariff is preferable to free trade; an an optimum subsidy is preferable to restricted trade. (19)

In its theoretical setting, the motivation and justification for international trade has found its most cogent expression in the standard Heckscher-Ohlin-Samuelson model of comparative advantage and the gains from trade (20) which has been considerably refined in the post-War era.

In terms of public policy and, for our purposes, International Relations, the refinements which have coalesced around the Heckscher-Ohlin-Samuelson model and other theoretical matrices on international trade, have been largely neglected in mainstream International Relations theory. In the interplay between the attractiveness, for parochial political purposes, of protection and free international trade, ad hoc arrangements have emerged as the dominant characteristic. Foreign commercial policy appears, both in its political and economic setting


20. 'The model assumes two countries capable of producing two commodities by using two factors identical between the countries, in production functions the same in the two countries, subject to constant returns to scale, and that such other relative factor intensities are invariant with respect to changes in factor prices or are so within the range of relative factor prices permitted by the assumedly fixed factor endowments of the relative countries. Further, assuming identical tastes in the strict sense of identical homothetic utility functions, perfect competition and the absence of tariffs and transport costs, the model demonstrates that international trade will originate in differences in relative factor endowments between the countries each exporting the commodity that uses its relatively abundant factor relatively intensively; and that if factor endowments are not so different that one or more countries specialise, trade will result in complete equalisation of factor prices, thus making the immobility of factors between countries no impediment to the maximisation of world output and hence economic efficiency'.

subjected to a variety of immediate (chiefly, domestic political)
interests: the yielding to the interests of pressure groups, the
need to promote employment or meet an immediate balance of payments
problem etc.

This lengthy diversion into classical economic theory has been
necessary for two reasons: a) to reinforce the point that the link
between international economic theory and International Relations
theory is weak and; b) to refine the economic focus of trade theory
and to suggest ways in which the gap between the economic and the
political at the international level may be bridged.

If our primary assumption is true that international economic
and international political questions are inextricably intertwined,
how are we to deal with both issues in an analytical fashion without
relegating either one, or the other, to the level of 'low' politics?
How are we to accord each the status it deserves without distorting the
necessity to keep the analysis intact? A helpful suggestion has come
from the pen of Susan Strange who has argued that a common area of
coincidence between politics and economics is that each activity is
set in a bargaining situation which rests on a crude balance of
power. In discussing this question, she notes:

Each economic relationship is characterized by some
sort of balance of power; and the balance is apt to
shift from side to side and from time to time according
to circumstances. In each case, the process of deciding
the balance, and therefore the outcome, is essentially
a bargaining process. (21)

In its practical setting, three aspects of this observation are
important. First, the existing structure of international trade and,
therefore, of economic power favours the rich countries, i.e. the indus-
trialised nations of the First World, chiefly the Atlantic nations.

_ op.cit._ p. 217.
(This is both the product of history and the fact that their chief vehicles of economic penetration, the multinational corporations, retain a residual power in the existing pattern of international economic power and its distribution.) Secondly, and supportive of the first feature, the scope of the economic bargains struck in the international system are, ipso facto, defined by prevailing political parameters. While these political structures are, of course, historically determined they are, in reality, subsidiary to the economic bargain.

Thirdly, the international system has no single political authority to preside over the nature and extent of the economic bargains which are struck. Such 'rules' as do exist at the international level are themselves the products of fairly composite bargaining between national governments. These rules:

- include some national rules,
- some international rules,
- some private rules - and...(the system includes) large areas of no rules at all.

Moreover, the international rules, so-called, are themselves the subject of a continued bargaining process between national governments. (22)

This multiple bargaining process in the link between international politics and international economics has several implications for this study. First, the interpenetration of the economies of the Atlantic Community has weakened the efficacy of any unilateral political action by any one, or a number, of the Atlantic partners. (This dilemma is perhaps best illustrated in the manifold problems associated with the 1971 Dollar Crisis and the Oil Crisis of 1973.) This unilateral political action can produce external strains on the area of economic association within, and between, the Atlantic partners and can place a considerable drag on co-operation in security questions. This realisation inhibits the capacity of individual governments to act unilaterally.

22. Ibid. p. 219.
Secondly, with regard to South Africa and the bilateral ties between individual Atlantic nations and South Africa, bargains have been struck in the relationship which are defined, first, by certain economic goals and, secondly, by the political setting. Part of this setting is, of course, the domestic policy of the South African government. It is arguably because of this fact, i.e. the primacy of economics, that attempts by Atlantic governments to fetter the level and scope of their economic ties with South Africa have been so minimal and, possibly, ineffectual. The relevance of this restraining factor is equally applicable on investment as it is on trade. Investment equally hinges on the general assumptions of the absolute or comparative advantage as does trade and international financial flows are also the product of the same bargaining process.

We may conclude that governments - in this case the Atlantic governments - have scant power to preside over the nature and level of the economic bargain once it has been struck. It follows therefrom that the pressure which they can bring to bear is, as a result of the competing domestic pressure (on which an economic bargain also rests) is also restricted. Moreover, the payoffs in the system are circumscribed by the level and dimension of the multiple bargaining process. Armed with this theoretical insight, we are now in a position to scrutinise the trade and investment nexus between the Atlantic nations and South Africa.

5.3 Atlantic Economic Ties with South Africa.

5.3.1 The Historical Setting.

South Africa's industrial and commercial base was essentially spawned from its rich mineral endowment and both have continuously sought to lure foreign investment to sustain and develop them. Thus C.S. Richards notes
The modern development of South Africa dates from the first diamond discoveries of 1867 and the gold discoveries of 1886, producing the first halting steps towards industrialization, population concentration, advanced communication, national markets and participation in world trade and trade problems. Prior to that, life was static, simple, mainly agricultural and pastoral, in scattered communities and racked by inter-tribal or internecine wars. The influx of highly mixed population elements attracted by the lure of diamonds and gold, the development of subsidiary activities and small industries, the rapid agglomeration of areas laid, or accentuated, the basis of many problems. The outstanding fact is, however, that the beginnings of South Africa as a modern state date from the precious metal discoveries. (23)

Foreign capital from, initially, Britain and later other European countries and the United States, invested in the mining riches of the country and it remains in that sector that the bulk of foreign capital has lodged itself. S.H. Frankel perceptively noted as early as the 1930s the overall pattern of foreign investment in South Africa:

For nearly fifty years the gold mining industry has been the power-house of modern enterprise in the Union, and the main attraction for capital from the money markets of Europe. It promises to retain that position for a longer time than anyone would care to forecast. (24)

Around the mining core of South Africa's economic structure, prospects developed for expansion into other economic areas: manufacturing, finance and trade. This peripheral sector also attracted foreign capital, particularly in the post-World War II period. Continuously, however, industrial development was boosted by the country's mining base and Richards notes that six historical triggers (or, as he called them, 'miracles') have been particularly significant in expediting South Africa's industrial growth.


These were:

i the increase in the price of gold consequent on the abandonment of the gold standard at the end of 1932 followed by further subsequent increases and the resulting expansion of the gold mining industry, and the economy generally;

ii war and consequent inflationary expenditure and economic development, 1939-1945;

iii the post-War boom, especially industrial;

iv the discovery and exploitation of the Orange Free State and West Rand gold fields, and the further stimulus to industrial and other expansion;

v devaluation in 1949 - a new stimulus to gold exploration and expansion;

vi the discovery and development of uranium. (25)

He argues that this almost continuous expansion has been:

triggered off by and has been the result of a series of almost fortuitous events, 'miracles' almost, not normally experienced by other countries. (26)

Table 20 sets out the pattern of direct and indirect (or non-direct) investment in South Africa in the ten-year period, 1956 to 1966. This table requires reading in conjunction with Table 21, which sets out foreign investment over the same period in particular sectors of the South African economy.

The following preliminary observations may be derived from the tables. In the periods under consideration, the major foreign investment in the South African economy came either from currency areas associated with, or from, countries in the Atlantic Community: the United Kingdom, the United States, France and other Western European countries, particularly Germany. This was true for both direct and indirect investment. Moreover, between the two periods, 1956 to 1966, British foreign investment in South Africa dropped marginally while that of the United States and other European countries increased. In part, this


26. Ibid.
### TABLE 20.
Direct and Non-Direct Foreign Investment in South Africa in 1956 and 1966. (Rand-millions)

<table>
<thead>
<tr>
<th>Kind and Source</th>
<th>1956</th>
<th>%</th>
<th>1966</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Investment:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,112</td>
<td>68.72</td>
<td>1,636</td>
<td>64.18</td>
</tr>
<tr>
<td>United States</td>
<td>253</td>
<td>15.63</td>
<td>363</td>
<td>14.24</td>
</tr>
<tr>
<td>Sterling area other than U.K.</td>
<td>66</td>
<td>4.08</td>
<td>129</td>
<td>5.06</td>
</tr>
<tr>
<td>International Organizations (a)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dollar area other than U.S.</td>
<td>23</td>
<td>1.42</td>
<td>75</td>
<td>2.94</td>
</tr>
<tr>
<td>France</td>
<td>48</td>
<td>2.96</td>
<td>96</td>
<td>3.76</td>
</tr>
<tr>
<td>Other Western Europe</td>
<td>95</td>
<td>5.87</td>
<td>237</td>
<td>9.29</td>
</tr>
<tr>
<td>All other countries</td>
<td>21</td>
<td>1.29</td>
<td>13</td>
<td>0.51</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>1,618</td>
<td>+100.0</td>
<td>2,549</td>
<td>+100.0</td>
</tr>
<tr>
<td><strong>Indirect Investment:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>619</td>
<td>52.81</td>
<td>554</td>
<td>43.41</td>
</tr>
<tr>
<td>United States</td>
<td>89</td>
<td>7.59</td>
<td>139</td>
<td>10.89</td>
</tr>
<tr>
<td>Sterling area other than U.K.</td>
<td>74</td>
<td>6.31</td>
<td>120</td>
<td>9.4</td>
</tr>
<tr>
<td>International Organizations (a)</td>
<td>134</td>
<td>11.43</td>
<td>152</td>
<td>11.91</td>
</tr>
<tr>
<td>Dollar area other than U.S.</td>
<td>4</td>
<td>0.34</td>
<td>12</td>
<td>0.94</td>
</tr>
<tr>
<td>France</td>
<td>99</td>
<td>8.44</td>
<td>105</td>
<td>8.22</td>
</tr>
<tr>
<td>Other Western Europe</td>
<td>144</td>
<td>12.28</td>
<td>185</td>
<td>14.49</td>
</tr>
<tr>
<td>All other countries</td>
<td>9</td>
<td>0.76</td>
<td>9</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>1,172</td>
<td>+100.0</td>
<td>1,276</td>
<td>+100.0</td>
</tr>
<tr>
<td><strong>Total Investment:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,731</td>
<td>62.04</td>
<td>2,190</td>
<td>57.25</td>
</tr>
<tr>
<td>Sterling area other than U.K.</td>
<td>140</td>
<td>5.01</td>
<td>249</td>
<td>6.51</td>
</tr>
<tr>
<td>International Organizations (a)</td>
<td>134</td>
<td>4.8</td>
<td>152</td>
<td>3.97</td>
</tr>
<tr>
<td>Dollar area other than U.S.</td>
<td>27</td>
<td>0.96</td>
<td>87</td>
<td>2.27</td>
</tr>
<tr>
<td>France</td>
<td>146</td>
<td>5.23</td>
<td>201</td>
<td>5.25</td>
</tr>
<tr>
<td>Other Western Europe</td>
<td>239</td>
<td>8.56</td>
<td>422</td>
<td>11.03</td>
</tr>
<tr>
<td>All other countries</td>
<td>30</td>
<td>1.07</td>
<td>22</td>
<td>0.57</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,790</td>
<td>+100.00</td>
<td>3,825</td>
<td>+100.00</td>
</tr>
</tbody>
</table>

(a) = IMF, IBRD and Associated Organizations.

TABLE 21.

Foreign Investment in the Private Sector of the South African Economy by Sectorial Breakdown, 1965 and 1966. (a) (Rand-millions)

<table>
<thead>
<tr>
<th>Kind and Sector</th>
<th>1956</th>
<th>% Total</th>
<th>1966</th>
<th>% Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct Investment:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining</td>
<td>485</td>
<td>31.82</td>
<td>547</td>
<td>23.28</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>531</td>
<td>34.84</td>
<td>899</td>
<td>38.27</td>
</tr>
<tr>
<td>Wholesale and Retail Trade</td>
<td>238</td>
<td>15.61</td>
<td>387</td>
<td>16.47</td>
</tr>
<tr>
<td>Insurance</td>
<td>57</td>
<td>3.74</td>
<td>88</td>
<td>3.74</td>
</tr>
<tr>
<td>Other finance</td>
<td>123</td>
<td>8.07</td>
<td>234</td>
<td>9.96</td>
</tr>
<tr>
<td>Other industries</td>
<td>90</td>
<td>5.9</td>
<td>144</td>
<td>6.13</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>1,524</td>
<td>+100.0</td>
<td>2,349</td>
<td>+100.0</td>
</tr>
<tr>
<td><strong>Indirect Investment:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining</td>
<td>422</td>
<td>44.7</td>
<td>446</td>
<td>36.43</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>75</td>
<td>7.94</td>
<td>131</td>
<td>10.7</td>
</tr>
<tr>
<td>Wholesale and Retail Trade</td>
<td>60</td>
<td>6.35</td>
<td>92</td>
<td>7.51</td>
</tr>
<tr>
<td>Insurance</td>
<td>3</td>
<td>0.31</td>
<td>5</td>
<td>0.4</td>
</tr>
<tr>
<td>Other finance</td>
<td>270</td>
<td>28.6</td>
<td>445</td>
<td>36.35</td>
</tr>
<tr>
<td>Other industries</td>
<td>114</td>
<td>12.07</td>
<td>105</td>
<td>8.57</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td>944</td>
<td>+100.0</td>
<td>1,224</td>
<td>+100.0</td>
</tr>
<tr>
<td><strong>Total Investment:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining</td>
<td>907</td>
<td>36.75</td>
<td>993</td>
<td>27.79</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>606</td>
<td>24.55</td>
<td>1,030</td>
<td>28.62</td>
</tr>
<tr>
<td>Wholesale and Retail Trade</td>
<td>298</td>
<td>12.07</td>
<td>479</td>
<td>13.4</td>
</tr>
<tr>
<td>Insurance</td>
<td>60</td>
<td>2.43</td>
<td>93</td>
<td>2.6</td>
</tr>
<tr>
<td>Other finance</td>
<td>393</td>
<td>15.92</td>
<td>729</td>
<td>20.4</td>
</tr>
<tr>
<td>Other industries</td>
<td>204</td>
<td>8.26</td>
<td>249</td>
<td>6.96</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,468</td>
<td>+100.00</td>
<td>3,573</td>
<td>+100.00</td>
</tr>
</tbody>
</table>

(a) = Excludes the Central Government and the Monetary Banks.

can be attributed to the Sharpeville insurrection of 1960 and the determined effort, within the United Kingdom, to persuade business interests to dis-invest from South Africa. It is possible to extrapolate that the United States and European, especially German, investment moved into the vacuum created by the British withdrawal.

Secondly, within the overall limits of foreign investment in the period here under review, mining and manufacturing enjoyed the bulk of such investment with the other sectors of the economy enjoying a lesser interest. The marginal drop in the rate of foreign investment in the mining field can be attributed to the rigorous growth of South Africa's own mining companies and the fact that they were able to finance their own expansion without recourse to foreign capital markets.

The direction of South Africa's trade reflects a similar orientation as that of investment, i.e. towards the Atlantic Community. The overwhelming percentage of South Africa's export trade relied in earlier times on the export of mining products, especially gold. South Africa's trade has grown commensurately with the development of its economy and it has expanded more than fourfold in the post-War period. (27)

27. Hobart Houghton cites the following table:


<table>
<thead>
<tr>
<th></th>
<th>1946 (R-millions)</th>
<th>1965 (R-millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imports</td>
<td>433</td>
<td>1,814</td>
</tr>
<tr>
<td>Merchandise export</td>
<td>156</td>
<td>1,073</td>
</tr>
<tr>
<td>Gold production</td>
<td>203</td>
<td>773</td>
</tr>
<tr>
<td>Total Exports</td>
<td>359</td>
<td>1,848</td>
</tr>
</tbody>
</table>

Despite the small contribution made by gold per se in export earnings, the extractive industry - gold, other mining and agriculture - were, in the mid-1960s, the main earners of foreign exchange for the Republic. This pattern is set out in Table 22 which notes the net contributions to South Africa's balance of trade in 1964.

**TABLE 22.**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Amount (R-millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gold Mining</td>
<td>+ 701</td>
</tr>
<tr>
<td>Other Mining</td>
<td>+ 144</td>
</tr>
<tr>
<td>Agriculture</td>
<td>+ 249</td>
</tr>
<tr>
<td>Manufacturing Industries</td>
<td>- 515</td>
</tr>
<tr>
<td>Individuals</td>
<td>- 278</td>
</tr>
<tr>
<td>Government</td>
<td>- 102</td>
</tr>
<tr>
<td>Commerce</td>
<td>- 98</td>
</tr>
</tbody>
</table>


In the same year, the direction of South Africa's trade endorsed the observation that its orientation was towards the Atlantic Community as Table 23 demonstrates.

**TABLE 23.**

<table>
<thead>
<tr>
<th>Exports to (R-millions)</th>
<th>Imports from (R-millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. United Kingdom 321</td>
<td>1. United Kingdom 438</td>
</tr>
<tr>
<td>2. Japan 118</td>
<td>2. United States 292</td>
</tr>
<tr>
<td>3. United States 102</td>
<td>3. West Germany 165</td>
</tr>
<tr>
<td>4. West Germany 58</td>
<td>4. Japan 81</td>
</tr>
<tr>
<td>5. Rhodesia 51</td>
<td>5. Italy 46</td>
</tr>
<tr>
<td>6. Italy 40</td>
<td>6. Canada 64</td>
</tr>
</tbody>
</table>

This picture does not differ significantly with the position in the late-1950s when:

- the best customers of the Republic were the United Kingdom (36 percent), Western European countries (22 percent), Communist European countries (1 percent), Africa (principally the Federation of Rhodesia and Nyasaland) (22 percent), the United States (9 percent), other countries (10 percent). (28)

One difference is the increased trade between the United States and South Africa in the period between the mid-1950s and the mid-1960s. This increase made possible closer integration between the leading Atlantic nation and South Africa. Throughout the period however, trade with Britain remained paramount. This was, as has been noted, the result of the complex myriad of the Commonwealth Preferences and the historical ties between the two countries. (29)

The following features present themselves from the foregoing analysis.

First, the entire edifice of South Africa's economic development rests on its rich mineral base which, despite significant progress made in industrialisation, has dominated South Africa's export market and is the largest contributor to her balance of payments. Secondly, the chief direction of South Africa's foreign trade was towards the nations of the Atlantic Community and, within that grouping, Britain was her leading trading partner. However, the United States significantly strengthened its trade links with South Africa in the late-1950s and early 1960s. Thirdly, South Africa's rapid industrialisation was the result of an intricate inter-play of fortuitous circumstances or, as Samuels calls them, 'miracles', which spurred the process. Fourthly,

28. Richards, op. cit. p. 29

in the field of investment, the chief sources of foreign capital in South Africa were the Atlantic nations with the United Kingdom dominant.

Fifthly, that the chief location of foreign investment in the South African economy was manufacturing (particularly in respect to direct investment) and mining through indirect investment. Finally, the United Kingdom was the largest single investor in the South African economy, despite a small turndown in their investment in South Africa in the ten-year period, 1956 to 1966.

5.3.2 The Contemporary Setting.

With regard to South Africa's post-War political and economic development, it has almost become conventional wisdom to argue that South Africa's domestic political circumstances have largely determined her economic fortunes. Moreover, in support of this position, it is argued that foreign investment in, and trade with, South Africa has largely been influenced by the course of South Africa's precarious post-War political history. In retrospect, however, perhaps the most noteworthy feature of foreign commerce with the Republic is the way that it has tenaciously withstood the purely political pressures for disassociation from the Republic and has allowed rather, the Republic's economic fortunes to determine the extent of its financial commitment. In this fashion, the level of buoyancy in the South African economy, rather than political circumstances at work, has influenced foreign business interests in the South African market.

Thus, in periods where South Africa's economic prospects appeared sluggish, foreign commercial interests sought to weaken the level of their commitment and, mutatis mutandis, when the South African economy appeared poised for an economic upswing, these interests were geared to take full advantage of more positive circumstances. (It is, however, true that periods of relative political uncertainty - for example, the immediate post-Sharpeville and post-Soweto periods - caused a temporary
haemorrhage of foreign funds from South Africa and that, domestically, South Africa's economic prospects appeared unfavourable. Nonetheless, the overall trend of foreign economic involvement in South Africa has, throughout the post-War period, been constant, if not upward. Therefore it is possible to argue that, notwithstanding the intense international attention which the South African issue has generated, foreign commercial interests have managed to withstand the triad of international, domestic, political and private pressures which have constantly urged economic disassociation from South Africa. The result has been that both the foreign stake in South Africa's economy and the level of foreign trade with South Africa, has emerged relatively unscathed (or actually increased in absolute terms) during the post-War period.

Put in economic terms, the confidence factor in an investment (or trade) calculation with respect to South Africa, appears to be in direct proportion to the 'rate of return' or the 'return on interest'. John Suckling has put this notion into more lucid terminology thus:

An important but vague determinant of foreign investment flows is the 'confidence' an investor has in the return expected from the investment. In making the investment decision potential, investors consider not only the nominal return on the capital employed but also their expectation of the risk attached to that return, i.e. how likely is the nominal rate of return to be realised....

...An analysis of this kind suggests why the UK, for example, accepts lower rates of return from investments in countries like the USA, Canada and Australia than from investments in Malaysia or SA where the rate of return is a lot higher. Basically, the risk in investing in the Far East or SA is higher than in America or the Antipodes. Both Malaysia and SA are developing economies, both are in politically less stable regions - factors which tend to increase the risk associated with a particular investment. Basically, then, the higher return that Britain gets from these two countries is offset by the higher risk that those returns will be realised. The risk-adjusted rate of returns on investment in SA will not be very different from the risk-adjusted rate of return on investment in Australia. (30)

The roots of this economic incentive are not difficult to identify, or translate into political terms. First, based on Susan Strange's matrix, the paramount bargain struck at the confluence between political and economic decisions with regard to South Africa, have rested on the sound economic gains offered by South Africa and, only secondly, by the political structure in which that bargain was located. This observation partially accounts for the unchanging nature of the foreign economic stake in South Africa in the post-War era. Moreover, in regard to the same interplay between economic and political aspects, that the Atlantic nations find themselves almost inextricably bound by - and certainly committed to - the economic fortunes of the South African state even if they are at political odds with it.

The trauma posed by this situation is, however, more acute for the Atlantic nations than the simplistic dilemma argued above. The web of intricate economic ties which bind the Atlantic nations to each other, through their joint economic endeavour, are themselves the products of a similar bargaining process, i.e. defined by expectation of economic gain and set within a political structure. It follows, therefore, that the existing economic ties between the Atlantic nations and South Africa place the Atlantic nations in a two-fold dilemma: first, that imposed by their own post-War economic and political undertakings to each other and, secondly, as a result of the historical and economic ties which continue to bind certain of the Atlantic nations to South Africa. (Of course, the interplay between these two aspects considerably inhibits the capacity to act unilaterally against South Africa in the economic field.) The realities of this dual dilemma forms the backdrop for a discussion of the contemporary trade and investment links between the Atlantic nations and South Africa.

Despite South Africa's impressive economic development in the post-
War years, the most significant structural problem in the economy has remained the extensive dependency on foreign capital to finance growth. The crucial importance of foreign capital in the country's economic structure arises as a result of an undeveloped and thus, relatively unsophisticated local capital market which is inadequate to finance her expansion. This problem has both been recognised outside the country's borders (31) and admitted by South Africa's economic policy-makers. (32) The effect thereof, however, means that the South African economy requires foreign funding to increase its overall capital formation, allow technological transfer and, in the process, facilitate the development of new jobs. Two main sources of finance offer themselves in this regard: first, direct loans to both the public and private sector of the South African economy and, secondly, foreign investment in South Africa. It is the second facet which is of particular relevance to this study.

In addition to South Africa's dependence on foreign revenue as the motor force of her development, the Republic, like most semi-developed countries, relies on extensive foreign trade to buttress its Gross Domestic Product (GDP) and to assist in the developmental process. The bulk of

31. In a "South African Survey" published by the Financial Times, London, 17 July 1972, this malaise in the South African economy was described thus:

'South Africa...cannot, despite its mineral advantages, generate sufficient internal savings to back the growth of which it is capable. The need for foreign funds will endure for many years'.

32. See, for example, E.J. van der Merwe and G. van Niewkerk. "Changes in Foreign Liabilities and Assets of South Africa, 1968 to 1970". South African Reserve Bank, Quarterly Bulletin, no. 102, 1971. p. 17. The following quotation sets the circumstances of South Africa's increasing dependence on foreign funding:

'In the long run, South Africa has to a large extent been dependent on foreign capital for development purposes...it is still highly dependent on foreign capital, particularly risk capital, to achieve a relatively high rate of growth'.
South Africa's imports comprises machinery and industrialised goods while a small residue is made up of consumer goods. In addition, an essential imported commodity is oil. The Republic has no indigenous source of oil other than that extracted from coal. Because of a recurrent deficit in the current account and because of the extensive politically-inspired economic pressure on her, South Africa has, since the onset of the 1960s, vigorously pursued a policy of import replacement. This latter policy has been partially successful. Duncan Innes has shown that:

...the percentage of imports in the GDP fell from 31% in 1947 to 20% in 1971. Whereas over the period 1944 to 1953, imports averaged 27% of the total GDP, during the period 1965 to 1970 they averaged only 20%. However, the majority of goods for which substitutes were produced domestically have been consumer goods and, to a lesser extent, intermediate goods. There has been very little substitution in the sphere of capital goods. (33)

Moreover, with regard to import substitution, Jacqueline Matthews has noted that it:

has had some success but it has increased costs to both consumers and import-using manufacturers, and thereby contributed significantly to inflation. (34)

The overall trend of South Africa's import profile from her main trading partners reveals a continued reliance on the import of machinery and other heavy goods. This is set out in Table 24. It shows the extent of South African imports of machinery and transport equipment from her chief trading partners. It is noticeable that more than 50 percent of South African imports from these six countries are in these fields, thus stressing South Africa's dependence on these capital items for her economic well-being. The table also identifies South Africa's chief trading partners which, it will be noted, are, with the exception of Japan, members of the Atlantic

34. Matthews, op.cit. p. 498.
### TABLE 24.

Types of Imports from Main Trading Partners, 1976.

<table>
<thead>
<tr>
<th>Country</th>
<th>Machinery Rm</th>
<th>Transport Equipment Rm</th>
<th>% of Imports from Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>88.1</td>
<td>60.5</td>
<td>66.8</td>
</tr>
<tr>
<td>Italy</td>
<td>72.0</td>
<td>39.9</td>
<td>55.9</td>
</tr>
<tr>
<td>Japan</td>
<td>151.2</td>
<td>181.8</td>
<td>59.1</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>360.8</td>
<td>180.2</td>
<td>55.5</td>
</tr>
<tr>
<td>United States</td>
<td>376.6</td>
<td>367.4</td>
<td>63.4</td>
</tr>
<tr>
<td>West Germany</td>
<td>447.4</td>
<td>242.9</td>
<td>69.5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>1,496.1</strong></td>
<td><strong>1,072.7</strong></td>
<td></td>
</tr>
</tbody>
</table>

| % of Total Commodity Groups | 82.9 | 90.0 |
| % of Total Exports          | 27.3 | 18.8 |


Community. The overall extent of South Africa's imports from these major trading partners is set out in Table 25 and it confirms the view that the composition of South Africa's chief trading partners did not change in the decade between the mid-1960s and the mid-1970s.

In the period considered in Table 25, three countries, the United Kingdom, the United States and West Germany, dominate the supply of goods to South Africa. Of these, one, the United Kingdom, emerges as the most consistent source of South Africa's imports. It should be noted however that:

The most important supplier of capital goods to South Africa is the United States followed by West Germany, the United Kingdom and Japan. Germany, however, is the leading supplier of machinery, the United States second and the United Kingdom third. (35)

### TABLE 25.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>%</td>
<td>Rm</td>
<td>%</td>
<td>Rm</td>
<td>%</td>
<td>Rm</td>
<td>%</td>
</tr>
<tr>
<td>United States</td>
<td>370.5</td>
<td>17.3</td>
<td>423.4</td>
<td>16.6</td>
<td>469.7</td>
<td>16.2</td>
<td>985.0</td>
<td>17.3</td>
</tr>
<tr>
<td>West Germany</td>
<td>292.9</td>
<td>13.7</td>
<td>374.0</td>
<td>14.6</td>
<td>408.9</td>
<td>14.1</td>
<td>1,033.9</td>
<td>18.5</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>499.6</td>
<td>23.3</td>
<td>561.2</td>
<td>22.0</td>
<td>670.6</td>
<td>23.2</td>
<td>1,097.3</td>
<td>19.7</td>
</tr>
<tr>
<td>Japan</td>
<td>188.4</td>
<td>8.8</td>
<td>220.8</td>
<td>8.6</td>
<td>292.1</td>
<td>10.1</td>
<td>612.0</td>
<td>10.9</td>
</tr>
<tr>
<td>France</td>
<td>61.2</td>
<td>2.8</td>
<td>88.1</td>
<td>3.4</td>
<td>104.7</td>
<td>3.6</td>
<td>244.8</td>
<td>4.4</td>
</tr>
<tr>
<td>Italy</td>
<td>84.9</td>
<td>3.9</td>
<td>104.3</td>
<td>4.1</td>
<td>105.2</td>
<td>3.6</td>
<td>203.4</td>
<td>3.6</td>
</tr>
<tr>
<td>Other Countries</td>
<td>639.7</td>
<td>29.9</td>
<td>775.3</td>
<td>30.4</td>
<td>833.5</td>
<td>28.8</td>
<td>1,392.1</td>
<td>24.9</td>
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<td>Total</td>
<td>2,137.2</td>
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<td>2,547.1</td>
<td>100.0</td>
<td>2,884.7</td>
<td>100.0</td>
<td>5,568.5</td>
<td>100.0</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>%</td>
<td>Rm</td>
<td>%</td>
<td>Rm</td>
<td>%</td>
<td>Rm</td>
<td>%</td>
</tr>
<tr>
<td>United States</td>
<td>459.9</td>
<td>16.2</td>
<td>529.8</td>
<td>16.1</td>
<td>811.5</td>
<td>16.5</td>
<td>1,174.1</td>
<td>21.4</td>
</tr>
<tr>
<td>West Germany</td>
<td>411.1</td>
<td>14.5</td>
<td>606.8</td>
<td>18.4</td>
<td>925.0</td>
<td>18.8</td>
<td>993.2</td>
<td>18.1</td>
</tr>
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<td>586.8</td>
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<td>629.9</td>
<td>19.1</td>
<td>823.1</td>
<td>16.7</td>
<td>974.0</td>
<td>17.8</td>
</tr>
<tr>
<td>Japan</td>
<td>265.8</td>
<td>9.4</td>
<td>381.2</td>
<td>11.6</td>
<td>600.4</td>
<td>12.2</td>
<td>563.3</td>
<td>10.3</td>
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<tr>
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<td>3.4</td>
<td>125.3</td>
<td>3.8</td>
<td>196.9</td>
<td>4.0</td>
<td>222.3</td>
<td>4.1</td>
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<tr>
<td>Italy</td>
<td>94.4</td>
<td>3.3</td>
<td>120.9</td>
<td>3.6</td>
<td>204.0</td>
<td>4.1</td>
<td>200.1</td>
<td>3.7</td>
</tr>
<tr>
<td>Other Countries</td>
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<td>32.2</td>
<td>888.4</td>
<td>27.0</td>
<td>1,355.1</td>
<td>27.5</td>
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<tr>
<td>Total</td>
<td>2,826.7</td>
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<td>3,282.3</td>
<td>100.0</td>
<td>4,916.0</td>
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<table>
<thead>
<tr>
<th>Country</th>
<th>1975</th>
<th>1976</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rm</td>
<td>%</td>
<td>(11 months)</td>
<td>%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>985.0</td>
<td>17.3</td>
<td>1,174.1</td>
<td>21.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Germany</td>
<td>1,033.9</td>
<td>18.5</td>
<td>993.2</td>
<td>18.1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1,097.3</td>
<td>19.7</td>
<td>974.0</td>
<td>17.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>612.0</td>
<td>10.9</td>
<td>563.3</td>
<td>10.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>244.8</td>
<td>4.4</td>
<td>222.3</td>
<td>4.1</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>203.4</td>
<td>3.6</td>
<td>200.1</td>
<td>3.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Countries</td>
<td>1,392.1</td>
<td>24.9</td>
<td>1,352.9</td>
<td>24.6</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>5,568.5</td>
<td>100.0</td>
<td>5,479.9</td>
<td>100.0</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>


The export side of South Africa's international trade does not present a picture which is different from the import side. The export picture is dominated by nations of the Atlantic Community with the United Kingdom being the chief market for South African exports. This pattern is described in Table 26.
### Table 26.


<table>
<thead>
<tr>
<th>Country</th>
<th>1969 Rm</th>
<th>%</th>
<th>1970 Rm</th>
<th>%</th>
<th>1971 Rm</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>510.3</td>
<td>33.3</td>
<td>446.4</td>
<td>28.9</td>
<td>418.8</td>
<td>26.7</td>
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<td>Japan</td>
<td>151.8</td>
<td>9.9</td>
<td>180.6</td>
<td>11.7</td>
<td>182.9</td>
<td>11.6</td>
</tr>
<tr>
<td>United States</td>
<td>110.0</td>
<td>7.1</td>
<td>129.3</td>
<td>8.3</td>
<td>121.1</td>
<td>7.7</td>
</tr>
<tr>
<td>West Germany</td>
<td>102.2</td>
<td>6.6</td>
<td>109.1</td>
<td>7.0</td>
<td>110.3</td>
<td>7.0</td>
</tr>
<tr>
<td>Belgium</td>
<td>63.2</td>
<td>4.1</td>
<td>55.7</td>
<td>3.6</td>
<td>56.9</td>
<td>3.6</td>
</tr>
<tr>
<td>Switzerland</td>
<td>3.2</td>
<td>0.2</td>
<td>5.2</td>
<td>0.3</td>
<td>8.4</td>
<td>0.5</td>
</tr>
<tr>
<td>Other Countries</td>
<td>591.9</td>
<td>38.6</td>
<td>616.6</td>
<td>39.9</td>
<td>670.4</td>
<td>42.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,532.6</td>
<td>100.0</td>
<td>1,542.9</td>
<td>100.0</td>
<td>1,568.8</td>
<td>100.0</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>1972 Rm</th>
<th>%</th>
<th>1973 Rm</th>
<th>%</th>
<th>1974 Rm</th>
<th>%</th>
</tr>
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<tbody>
<tr>
<td>United Kingdom</td>
<td>531.3</td>
<td>25.9</td>
<td>669.7</td>
<td>27.6</td>
<td>793.7</td>
<td>23.7</td>
</tr>
<tr>
<td>Japan</td>
<td>259.3</td>
<td>12.6</td>
<td>246.4</td>
<td>10.1</td>
<td>429.3</td>
<td>12.8</td>
</tr>
<tr>
<td>United States</td>
<td>147.0</td>
<td>7.1</td>
<td>163.7</td>
<td>6.7</td>
<td>238.1</td>
<td>7.1</td>
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<tr>
<td>West Germany</td>
<td>132.5</td>
<td>6.4</td>
<td>189.7</td>
<td>7.8</td>
<td>337.2</td>
<td>10.0</td>
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<tr>
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<td>81.6</td>
<td>3.9</td>
<td>120.7</td>
<td>4.9</td>
<td>130.4</td>
<td>3.9</td>
</tr>
<tr>
<td>Switzerland</td>
<td>15.5</td>
<td>0.7</td>
<td>31.1</td>
<td>1.2</td>
<td>85.7</td>
<td>2.5</td>
</tr>
<tr>
<td>Other Countries</td>
<td>876.9</td>
<td>42.8</td>
<td>975.5</td>
<td>40.2</td>
<td>1,330.9</td>
<td>39.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,044.1</td>
<td>100.0</td>
<td>2,427.0</td>
<td>100.0</td>
<td>3,345.3</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>1975 Rm</th>
<th>%</th>
<th>1976 (11 months) Rm</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>903.7</td>
<td>23.1</td>
<td>908.8</td>
<td>22.1</td>
</tr>
<tr>
<td>Japan</td>
<td>487.3</td>
<td>12.4</td>
<td>459.0</td>
<td>11.0</td>
</tr>
<tr>
<td>United States</td>
<td>429.7</td>
<td>11.0</td>
<td>420.4</td>
<td>10.2</td>
</tr>
<tr>
<td>West Germany</td>
<td>426.8</td>
<td>10.9</td>
<td>440.2</td>
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<tr>
<td>Belgium</td>
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<td>3.5</td>
<td>176.7</td>
<td>4.3</td>
</tr>
<tr>
<td>Switzerland</td>
<td>170.6</td>
<td>4.3</td>
<td>149.0</td>
<td>3.6</td>
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<tr>
<td>Other Countries</td>
<td>1,351.7</td>
<td>34.6</td>
<td>1,564.9</td>
<td>38.1</td>
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<td><strong>Total</strong></td>
<td>3,906.9</td>
<td>100.0</td>
<td>4,119.0</td>
<td>100.0</td>
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</table>


In the period under consideration however, British purchases from South Africa decreased from 33.3 percent in 1969 to 22.1 percent in the first eleven months of 1976. The other five main trading partners gained marginally from this decrease in British exports, although Belgium less so than the others.

The composition of South Africa's exports has not significantly changed and Table 27 reveals that it relies on export from the extractive industry: minerals and agricultural products. The main trading partners absorb almost
all these products, with Japan, outside the parameters of this study, buying more foodstuffs, vegetable products and minerals than the others.

**TABLE 27.**

Select Types of Exports to Main Trading Partners, 1976.

<table>
<thead>
<tr>
<th>Country</th>
<th>Base Metals Rm</th>
<th>Prepared Food-stuffs Rm</th>
<th>Gems and Jewellery Rm</th>
<th>Mineral Products Rm</th>
<th>Vegetable Products Rm</th>
<th>A %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>46.6</td>
<td>-</td>
<td>48.0</td>
<td>-</td>
<td>39.8</td>
<td>76.1</td>
</tr>
<tr>
<td>Japan</td>
<td>-</td>
<td>104.1</td>
<td>-</td>
<td>115.5</td>
<td>74.9</td>
<td>64.2</td>
</tr>
<tr>
<td>Switzerland</td>
<td>-</td>
<td>-</td>
<td>125.1</td>
<td>-</td>
<td>84.0</td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>-</td>
<td>-</td>
<td>379.3</td>
<td>-</td>
<td>41.7</td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>144.8</td>
<td>-</td>
<td>59.7</td>
<td>-</td>
<td>48.6</td>
<td></td>
</tr>
<tr>
<td>West Germany</td>
<td>86.6</td>
<td>-</td>
<td>131.8</td>
<td>-</td>
<td>49.6</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>278.0</td>
<td>104.1</td>
<td>743.9</td>
<td>115.5</td>
<td>114.7</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>38.7</td>
<td>22.0</td>
</tr>
<tr>
<td>C</td>
<td>6.7</td>
<td>2.5</td>
</tr>
<tr>
<td></td>
<td>89.4</td>
<td>18.1</td>
</tr>
<tr>
<td></td>
<td>21.6</td>
<td>2.8</td>
</tr>
<tr>
<td></td>
<td>27.9</td>
<td>2.8</td>
</tr>
</tbody>
</table>

A = Proportions of total exports to country.
B = Percentage of total exports of commodity groups.
C = Percentage of total exports.


(With regard to exports, it should be noted that the statistics exclude South Africa's chief source of foreign exchange, gold bullion, but that the figures include gold ore and products produced from gold.) (36)

36. Gold is, of course, South Africa's most important export, especially in times when the fortunes of the metal appear so buoyant. Although the market price for gold is the most important variable, it is estimated that roughly one-third of South Africa's exports are in the form of gold. The contribution made by gold to the South African economy most certainly ensures the stability of her terms of trade, although the important role played by the metal also reflects a structural weakness in the economy since it makes the economy susceptible to variations in the price of the metal which can result from both market forces and extraneous pressures on that market.
Jacqueline Matthews has noted that:

Trade patterns have not altered greatly, except for an increase in exports to the United States - 7.6 percent (in 1972) to 8.9 percent (in 1977) - and a reduction in exports to African countries 15.1 percent (in 1972) to 8.9 percent (in 1977). Britain still leads as the main buyer of South African goods although her share has decreased from 27.1 percent (in 1972) to 22.8 percent (in 1977) of the total and that of West Germany has increased from 6.8 percent (1972) to 9.1 percent (1977). The decline of South African export to Britain is partly due to the entry of Britain into the European Economic Community and the loss of Commonwealth preferences. (37)

Contemporary investment in South Africa reflects a continuing dependence on foreign sources of capital from the Atlantic nations. However, while her reliance on the Atlantic nations has remained consistent, the nature of South Africa's foreign indebtedness changed in the 1970s. Desaix Myers shows that:

For years, most of the foreign capital moving to South Africa came from investment - equity investment in subsidiaries and joint ventures with South African companies or stock purchases. Until the late 1960s foreign investment accounted for two-thirds of South Africa's total foreign liabilities. In the 1970s, however, the situation began to change. Foreign investment as a percentage of total capital flow began to drop off, first to 63 percent in 1972 and eventually to 41.3 percent in 1976. Foreign loans were becoming increasingly important. (38)

The pattern of foreign investment in South Africa is established in Table 28 and a refined focus is presented in Table 29. The tables show that the highest amount of foreign investment in South Africa (both direct and indirect) is provided by the Atlantic nations. Secondly, that the United Kingdom's stake in South Africa's economy, although it declined from the mid-1950s, is still the highest. Thirdly, that U.S. investment filled the relative shortfalls in the investment previously held by the United Kingdom.


<table>
<thead>
<tr>
<th>Year</th>
<th>EC</th>
<th>'Other' Europe</th>
<th>Americas</th>
<th>Africa</th>
<th>Asia</th>
<th>Oceania</th>
<th>International Organizations and other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DIRECT</td>
<td>1973</td>
<td>3,820</td>
<td>361</td>
<td>1,220</td>
<td>125</td>
<td>28</td>
<td>60</td>
<td>5,616</td>
</tr>
<tr>
<td></td>
<td>1974</td>
<td>4,467</td>
<td>466</td>
<td>1,524</td>
<td>107</td>
<td>57</td>
<td>66</td>
<td>6,694</td>
</tr>
<tr>
<td></td>
<td>1975</td>
<td>4,780</td>
<td>534</td>
<td>1,817</td>
<td>143</td>
<td>87</td>
<td>65</td>
<td>7,428</td>
</tr>
<tr>
<td>NON-DIRECT</td>
<td>1973</td>
<td>2,878</td>
<td>595</td>
<td>556</td>
<td>250</td>
<td>188</td>
<td>18</td>
<td>279</td>
</tr>
<tr>
<td></td>
<td>1974</td>
<td>3,478</td>
<td>681</td>
<td>1,033</td>
<td>340</td>
<td>222</td>
<td>18</td>
<td>291</td>
</tr>
<tr>
<td></td>
<td>1975</td>
<td>5,071</td>
<td>1,156</td>
<td>1,749</td>
<td>355</td>
<td>261</td>
<td>20</td>
<td>410</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1973</td>
<td>6,698</td>
<td>956</td>
<td>1,776</td>
<td>375</td>
<td>216</td>
<td>78</td>
<td>281</td>
</tr>
<tr>
<td></td>
<td>1974</td>
<td>7,945</td>
<td>1,147</td>
<td>2,557</td>
<td>447</td>
<td>279</td>
<td>84</td>
<td>298</td>
</tr>
<tr>
<td></td>
<td>1975</td>
<td>9,851</td>
<td>1,690</td>
<td>3,566</td>
<td>498</td>
<td>348</td>
<td>85</td>
<td>412</td>
</tr>
</tbody>
</table>

### TABLE 29.

**South Africa's Foreign Liabilities by Creditors, 1965-1976.**

(Rand-millions and percentages)

<table>
<thead>
<tr>
<th>Year</th>
<th>United Kingdom</th>
<th>United States</th>
<th>France</th>
<th>Switzerland</th>
<th>Germany</th>
<th>International Organizations</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>1,731</td>
<td>342</td>
<td>147</td>
<td>88</td>
<td>-</td>
<td>134</td>
<td>348</td>
<td>2,790</td>
</tr>
<tr>
<td></td>
<td>62</td>
<td>12</td>
<td>5</td>
<td>3</td>
<td>-</td>
<td>5</td>
<td>13</td>
<td>100</td>
</tr>
<tr>
<td>1960</td>
<td>1,815</td>
<td>347</td>
<td>168</td>
<td>97</td>
<td>-</td>
<td>203</td>
<td>394</td>
<td>3,024</td>
</tr>
<tr>
<td></td>
<td>60</td>
<td>11</td>
<td>6</td>
<td>3</td>
<td>-</td>
<td>7</td>
<td>13</td>
<td>100</td>
</tr>
<tr>
<td>1965</td>
<td>2,100</td>
<td>454</td>
<td>200</td>
<td>150</td>
<td>-</td>
<td>125</td>
<td>369</td>
<td>3,398</td>
</tr>
<tr>
<td></td>
<td>62</td>
<td>13</td>
<td>6</td>
<td>4</td>
<td>-</td>
<td>4</td>
<td>11</td>
<td>100</td>
</tr>
<tr>
<td>1970</td>
<td>3,202</td>
<td>812</td>
<td>442</td>
<td>337</td>
<td>339</td>
<td>123</td>
<td>563</td>
<td>5,818</td>
</tr>
<tr>
<td></td>
<td>55</td>
<td>14</td>
<td>8</td>
<td>6</td>
<td>2</td>
<td>9</td>
<td>100</td>
<td>7,033</td>
</tr>
<tr>
<td>1971</td>
<td>3,696</td>
<td>1,033</td>
<td>454</td>
<td>402</td>
<td>382</td>
<td>215</td>
<td>851</td>
<td>7,286</td>
</tr>
<tr>
<td></td>
<td>53</td>
<td>15</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>3</td>
<td>12</td>
<td>100</td>
</tr>
<tr>
<td>1972</td>
<td>4,126</td>
<td>1,348</td>
<td>467</td>
<td>480</td>
<td>433</td>
<td>235</td>
<td>697</td>
<td>7,786</td>
</tr>
<tr>
<td></td>
<td>53</td>
<td>17</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>9</td>
<td>100</td>
</tr>
<tr>
<td>1973</td>
<td>4,545</td>
<td>1,687</td>
<td>507</td>
<td>572</td>
<td>500</td>
<td>208</td>
<td>2,361</td>
<td>10,380</td>
</tr>
<tr>
<td></td>
<td>44</td>
<td>16</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>2</td>
<td>22</td>
<td>100</td>
</tr>
<tr>
<td>1974</td>
<td>5,062</td>
<td>2,429</td>
<td>551</td>
<td>683</td>
<td>1,088</td>
<td>205</td>
<td>2,761</td>
<td>12,757</td>
</tr>
<tr>
<td></td>
<td>40</td>
<td>19</td>
<td>4</td>
<td>5</td>
<td>8</td>
<td>1</td>
<td>23</td>
<td>100</td>
</tr>
<tr>
<td>1975</td>
<td>6,490</td>
<td>3,121</td>
<td>691</td>
<td>939</td>
<td>1,631</td>
<td>230</td>
<td>3,348</td>
<td>16,450</td>
</tr>
<tr>
<td></td>
<td>39</td>
<td>19</td>
<td>4</td>
<td>6</td>
<td>10</td>
<td>1</td>
<td>21</td>
<td>100</td>
</tr>
<tr>
<td>1976</td>
<td>7,470</td>
<td>4,200</td>
<td>795</td>
<td>1,080</td>
<td>1,877</td>
<td>797</td>
<td>3,710</td>
<td>19,929</td>
</tr>
<tr>
<td></td>
<td>37</td>
<td>21</td>
<td>4</td>
<td>5</td>
<td>9</td>
<td>4</td>
<td>20</td>
<td>100</td>
</tr>
</tbody>
</table>

Fourthly, that the West German stake in South Africa's economy has also marginally increased since the mid-1950s. With regard to these latter observations, Myers, pursuing the theme that South Africa's foreign liabilities have changed from investment to loans, argues:

that South Africa's major source of capital, Great Britain, was no longer willing or able to invest the large amounts it had in the past. South Africa out of need - and, to some extent, inclination - began to look elsewhere for money to diversify its sources. Many investors in Europe and the United States did not share Britain's preference for direct investment and preferred to make loans. (39)

The modern South African economy shows a continued high dependence on both foreign trade and foreign sources of capital. Further, the Republic's chief foreign trading partners are located in the Atlantic Community and that the Atlantic nations are, simultaneously, the chief sources of foreign investment in the South African economy. An historical overview shows that the nature of South African foreign liabilities has, in the past two decades, shifted towards loans, as opposed to direct investment. Moreover, notwithstanding the conventional wisdom that domestic political uncertainty in South Africa has tended to decrease foreign commercial links with the Republic, the commercial ties between the industrialised nations of the Atlantic Community and South Africa have not substantially decreased in the post-War period.

5.3.3 The Political Setting.

South Africa's position in the international economic order was, as we have noted, firmly established under the rubric of the arrangements made at the end of the War. Moreover, the relatively undeveloped state of the South African economy, plus its fairly well integrated global political position (through membership of the United Nations and Specialised Agencies and,

39. Ibid. p. 37.
of course, her link to the United Kingdom through the Commonwealth), meant
that foreign capital was attracted to South Africa.

At the same time, however, as we have noted in Chapter 1 of this study, the forces which formed the Atlantic Community were at work. In essence, these forces coalesced around two chief areas of Atlantic concern: security arrangements and economic co-operation. It is therefore not surprising that the economic dilemma of the Atlantic nations in respect of South Africa operates in two dimensions: the first in terms of the intra-Atlantic links and the second in terms of bilateral links between various partners to the Atlantic Community, and South Africa.

In the post-War period, three separate sets of pressures have come to impinge on this dual economic nexus and these pressures have complicated existing economic relations between the Atlantic Community and South Africa and will continue to do so. The first set of pressures has been the increasing interpenetration and, hence, interdependence of the economies in the Atlantic Community. The second has been the growing international focus on the South African question and the pressures which have resulted therefrom. The third set of pressures arises from the second, although has a significance apart from it, namely, the increasingly important role played in international relations by the Third World and the pressures which this group of nations have brought to bear on the industrialised world with regard to their continued economic (and political) ties with South Africa.

It has been a central concern of this study to argue that an important pillar of the Atlantic Community - indeed, a crucial area of cohesion - has been the economic one. However, the extent and degree of economic interpenetration between the Atlantic partners far surpassed the expectations of Article 2 of the North Atlantic Treaty, which urged that the signatories would:

seek to eliminate conflict in their international economic policies...(that they would)...encourage economic cooperation between any or all of them.
While it might well have been clear that the intensification of economic co-operation would have been further expedited with the creation of NATO's Economic Committee in 1958, the real impetus for economic growth through interdependence came through the OECD, the framework of GATT and the complex arrangements of Bretton Woods which has, as discussed, the United States (and the Dollar) as the motor force for the entire Western economic system.

The massive growth of the Atlantic trade and monetary area in the post-War period rested on the understanding and implementation of a policy which would result in a 'thickening' of financial, commercial and monetary relations between the Atlantic 'partners'. Indeed, as Keohane and Nye have argued:

the major economic features of the postwar period - rapidly expanding and generally nondiscriminatory trade, large-scale and rapid movements of funds from one centre to another under fixed exchange rates, and the rapid growth of huge multinational enterprises - depended on a political environment favourable to large-scale internationalised capitalism. (40)

A crucial feature of the system was that:

At the international level, the volume of international transactions increased and the economic openness of societies expanded to the benefit of all. (41)

More especially was this so in the Atlantic Community where economic success, in the post-War period, could be:

attributed in a large measure to the success of domestic demand management and international economic integration. The leadership of the United States, the progressive dismantling of trade barriers, and the depoliticization of international economic affairs through the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade provided a basis


for expanding international commerce. Fiscal and monetary policy gave governments some control over the business cycle. Economic interdependence among the advanced industrialised societies thrived in this atmosphere of economic stability and more open markets, and this fed into the processes of growth. Interdependence was a boon to all of them, providing economic gains far larger than any society could achieve on its own. And governments were generally able to provide a stable climate for investment and capital accumulation in the private sector. However, in the changing circumstances of the late 1960s and early 1970s, the viability of the system came into question... (but)...interdependence cuts two ways. The growth in market integration provided the leading Western nations with tremendous gains, but at the cost of greater vulnerability. Economic shocks, such as currency speculation, oil-price increases, and changes in national macroeconomic policies are transmitted from country to country in an interdependent environment. This is precisely what happened during the recession, compounding the strains of domestic economic contraction and limiting the ability of governments in producing effective macroeconomic policies.... (42)

Thus, in periods of all-round economic prosperity, the interdependence of the Atlantic economic and monetary system flourished. However, its malfunctioning in the early- and mid-1970s provided strains which were almost intolerable to the Community. The vulnerability of the entire system to its structural weaknesses or the economic weaknesses of one (or a number) of the members of that system, tended to be transmitted throughout the structure. The bilateral linkage to South Africa of certain of the Atlantic nations, minute although they might appear in terms of the overall picture, may therefore generate the same trauma.

The second set of pressures which have come to impinge on the link between the Atlantic Community and South Africa in the trade and investment field, has been the increasing internationalization of the South African question. Almost since the onset of the post-War period, international public opinion has concerned itself with the affairs of South Africa and the myriad of complex domestic and foreign issues which have been generated by the ruling party's policy of Apartheid.

42. Ibid.
Much of this international public opinion has aimed at two issues:
first, exposing the racial discriminatory policy of the South African
government and, secondly, to activate a policy against the South African
government and its racial policies.

In this latter realm, three instruments of policy have been used
against South Africa: boycotts of South African goods (including boycotts
of ships, firms, etc. handling South African produce.) (43); calls for
unilateral trade boycotts against trade with, and investment in, South
Africa (44); and calls for global actions against trade with, and
investment in, South Africa under the rubric of the United Nations. (45)
In a sense, the policy against the Republic has been an incremental one
with each step leading to stronger and stronger calls for disengagement
from Apartheid South Africa. Ajit Singh noted in 1976 that:

International campaigns against economic and other
collaboration with South Africa have been carried
out since the late 1950s, when the boycott of South
African products was launched, especially by youth
and trade union groups in Western Europe, in response
to the appeal of the South African liberation movement.
Many of the anti-apartheid movements originated in the
boycott campaign. (46)

While in retrospect, it might be argued that the full aims of the anti-
Apartheid campaigns have not been fully achieved, in so far as there has
not yet been a complete trade boycott against the Republic, the cumulative

43. See, for example, "If T.U.C. Wishes: He Will Order Docks Boycott". The Star, Johannesburg, 10 September 1964.
44. See, for example, "Sanctions Call at Cairo Meeting". The Star, Johannesburg, 12 October 1964.
45. See, for example, "S.A. Situation'Explosive': U.N. Body Demands Total Sanctions". The Star, Johannesburg, 1 December 1964.
effect of the various campaigns has been to alert large sections of public opinion throughout the world to the South African question and to enlist their support against Apartheid South Africa.

Both in the United Nations and throughout countries in the Atlantic Community, a substantial pressure has built up which opposes any commercial collaboration with South Africa. Moreover, the pressure has been particularly effective during the periods of domestic political unrest in South Africa, for example the Sharpeville massacre of 1961 and at the time of the Soweto insurrection in 1976. In this latter period, it became an issue area in the United States almost for the first time. (47)

Because of this sharp pressure on South Africa, nations which either trade with, or invest in, South Africa have increasingly had to be wary of the negative publicity surrounding their commercial association with South Africa and thus the internationalisation of the Apartheid issue has come to impinge on the Atlantic Community's economic relations with South Africa.

The third issue impinging on the Atlantic Community's relations with South Africa, viz. the attitude of the Third World towards South Africa and trade with South Africa, is a natural outgrowth of the second issue. The disapprobation with which South Africa is held in Africa has been a feature of inter-state relations in Africa throughout the post-decolonisation period. Moreover, the earliest meetings of the Organization of African Unity adopted a series of resolutions which, inter alia, called for boycotts against South Africa. (48) Two factors have conditioned the perspectives of the


states of the Third World, particularly those in Africa, towards South Africa and these factors are succinctly set out in the 1975 Dar-es-Salaam Declaration on southern Africa, thus:

There are two main areas of conflict in Southern Africa. The first is the confrontation with colonialism. The second is the system of apartheid which has rightly been declared by the United Nations as a crime against humanity. But whether we are dealing with the struggle against colonialism in Rhodesia or illegal occupation of Namibia or racist domination in South Africa, the main opponent of Africa is the same: the South African regime and the power it wields in the three areas. Thus the Southern African problem is firstly, South Africa as a colonialist power, and secondly South Africa as a racist society. (49)

The failure to fully effect universal sanctions or boycotts against South Africa has meant the initiation of a new tactic by individual Third World countries against the industrialised nations trading with South Africa. This tactic is based on threats that they would sever their own bilateral trading ties with the industrialised countries if they persisted in trading with South Africa. This move might well also have been ineffectual if it had not been for the 1973 Oil Crisis which, because of the international clamour for oil, considerably enhanced the bargaining position of the holders of this commodity. These threats have been directed both towards countries trading with South Africa and, secondly, towards companies and firms attempting to operate in both South Africa and in the Third World. The initiative in this regard has come chiefly from Nigeria, Black Africa's leading oil producer.

49. Ibid. p. 110.

50. Nigeria's pressure in this respect has been directed both towards the nationalisation of British oil interests in Nigeria at the time of the 1979 Commonwealth Heads of State Meeting in Lusaka and towards firms operating in both Nigeria and South Africa. In this latter capacity, in March, 1978, the British Bank, Barclays, was ordered to reduce its staff and, at the same time, the Nigerian government withdrew public funds from the bank. The pretext under which this was done was that the bank 'collaborated with the apartheid system in South Africa...' and that this policy was 'at complete variance with the declared stand of the Federal Military Government'. See for example, Africa Research Bulletin, vol. 15, no.3, 1978. p. 4633.
The Atlantic nations have successfully resisted this new ploy until the present. Their counter is based on the understanding that, certainly over the short- to medium-term, they can resist this pressure and perhaps more importantly, enlist the support of leading African countries, most notably, Nigeria, in a partnership on the resolution of other southern African problems. This has been successfully attempted with regard to the twin decolonisation problems in the region: Namibia and Zimbabwe. (51)

However, a continued impasse over South Africa itself, accompanied perhaps, by prolonged outbursts of violence, might well lead to a situation whereby the leading Third World countries will renew and intensify their pressure on the Atlantic nations to sever their commercial ties with South Africa, or face the prospects of a diminishing diplomatic and economic relationship with the Third World. If such a move is well-orchestrated and motivated through the United Nations, the Atlantic nations may well be incapable of resisting this Third World pressure. (52) As such, this externally-


52. The Atlantic nations have resisted calls at the United Nations for a mandatory trade embargo against South Africa. They have also resisted pressure to be party to lesser measures against South Africa. For example, in May 1977, the United Nations Commission on Transnational Corporations adopted a resolution condemning collaboration by transnational corporations with 'the racist regimes of southern Africa and calling for an immediate halt to all further investment by transnationals in the area'. Voting on the resolution was 36 in favour (Algeria, Argentina, Bangladesh, Brazil, Bulgaria, Colombia, Cuba, Democratic Yemen, Ecuador, Gabon, German Democratic Republic, Guinea, India, Indonesia, Iran, Iraq, Ivory Coast, Jamaica, Kenya, Madagascar, Mexico, Nigeria, Pakistan, Panama, Peru, Philippines, Sierra Leone, Thailand, Tunisia, Uganda, Ukrainian SSR, USSR, Venezuela, Yugoslavia, Zaire, Zambia); 7 abstentions (Australia, Canada, Italy, Japan, the Netherlands, Spain, Sweden); 4 against (France, Germany (Federal Republic of), United Kingdom, United States. See, Activities of Transnational Corporations and their Collaboration with the Regime in South Africa. New York: United Nations, 1977. (United Nations. Centre Against Apartheid. Notes and Documents, 21/77.)
generated pressure is a complicating factor in the ties between the Atlantic nations and South Africa in the economic field.

The cumulative effect of these three sets of pressures have complicated the economic ties between the Atlantic nations and South Africa and may, as the incipient South African crisis continues, increasingly require positive action from the Atlantic nations, either of a bilateral or multilateral nature. Our task is now to assess the importance of the South African economic nexus to individual members of the Atlantic Community, before turning our attention to the fractures which may develop in the Atlantic Community over the question of trade with, and investment in, South Africa.

5.4 United States Economic Involvement in South Africa.

5.4.1 The Investment Dimension.

While the United States enjoyed no 'special' ties with South Africa prior to the onset of the Second World War, United States business and commercial interests were quick to move into the Union of South Africa at the cessation of hostilities. (53) and have been an important factor in South Africa's political and economic life from that time. As indicated in Table 29, South Africa's foreign liabilities to the United States has increased steadily from 12 percent in 1956 to 21 percent in 1976. The anxiety of the South African government to attract alternative foreign capital in the face of threats by the British to sever their South African link and the relative ease of doing business in South Africa can be seen as motives for the increased U.S. economic interest in South Africa. In addition, of course, the profit motive acted as a sharp spur to U.S.

commercial interests. In July 1972, Fortune, in an article entitled, "The Proper Role of U.S. Corporations in South Africa", wrote:

The Republic of South Africa has always been regarded by foreign investors as a gold mine, one of those rare and refreshing places where profits are great and problems small. Capital is not threatened by political instability or nationalisation. Labor is cheap, the market booming, the currency hard and convertible. Such are the market's attractions that 292 American corporations have established subsidiaries and affiliates there. Their combined direct investment is close to $900 million, and their returns on that investment have been romping home at something like 19 percent a year, after taxes. (54)

However, despite South Africa's obvious commercial attractions, the Union (later the Republic) was seen (certainly implicitly) by Washington as a peripheral part of the West's 'sphere of interest' and, with the onset of political uncertainty elsewhere in Africa through the decolonisation process, as an important pro-Western anchor in Africa. (55) There is also compelling evidence that Washington actually encouraged South Africa to see herself in this role. Certainly the NSSM 39 decision and a rudimentary interpretation of the Nixon Doctrine enabled South Africa to ward off external pressure


55. This is obviously a contentious issue since there were in reality no special treaties which bound the two sides. However, and this seems to be the most important determining factor, in the late-1940s and early-1950s the United States' policy towards South Africa was predicated by their 'special relationship' with the British, and despite the fact that the South African question appeared to be one which might well increase in importance, there was no reason to believe that the United States ought to adopt any special stance towards the Union. For South Africa, faced with embryonic international pressure, the posture of the United States was a welcome one: she saw herself as an integral part of the 'Western group' of nations and this, alone, provided her with a shield against attacks on her racial policy. This author has analysed the issue in, South Africa and the Changing International Community: Interpreting the Future in the Light of the Past, in, R.A. Schrire, ed. South Africa: Public Policy Perspectives. Cape Town: Juta, 1980. (forthcoming)
with tacit U.S. approval. (56) Thus blessed with this approval (certainly no disapproval was actively forthcoming from successive U.S. administrations), U.S. business decisively moved into South Africa and firmly entrenched itself in South Africa's economic structure.

Although, obviously, South Africa's rich mineral base provided an incentive to American investors, their chief interest was in the manufacturing sector where the rates of return on capital were high and relatively constant. (57) The chief area of U.S. investments in this field was in machinery and the chemicals and allied products fields as shown in Table 30. The rates of return in manufacturing increased for example, in the period 1965 to 1976, from 8 percent per annum to 16 percent per annum: an increase of 100 percent. Moreover, South Africa's investment terms are attractive: all current income may be repatriated, and the South African government offers numerous concessions to manufacturing companies wishing to establish operations in government-designated growth areas, including low-interest loans, preferential transport rates, cash rebates and tax concessions. All these incentives, plus the fact that, until the mid-1970s, the authoritative University of Delaware 'business-risk' interpretation of American business risk for South Africa was low.


57. Rates of Return on U.S. Investments in South Africa show some decreasing fluctuations, but, nonetheless, remain well above the global average. In the period 1960 to 1975 they looked as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>%</th>
<th>Year</th>
<th>%</th>
<th>Year</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>17.5</td>
<td>1965</td>
<td>19.1</td>
<td>1970</td>
<td>16.0</td>
</tr>
<tr>
<td>1961</td>
<td>19.6</td>
<td>1966</td>
<td>20.6</td>
<td>1971</td>
<td>11.3</td>
</tr>
<tr>
<td>1962</td>
<td>19.9</td>
<td>1967</td>
<td>19.2</td>
<td>1972</td>
<td>10.2</td>
</tr>
<tr>
<td>1963</td>
<td>20.0</td>
<td>1968</td>
<td>17.2</td>
<td>1973</td>
<td>18.4</td>
</tr>
<tr>
<td>1964</td>
<td>18.6</td>
<td>1969</td>
<td>-</td>
<td>1974</td>
<td>17.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1975</td>
<td>8.7</td>
</tr>
</tbody>
</table>

(BERI) index placed South Africa among the top 10 percent of countries with a 'low business environment risk' helped ensure the attractiveness of South Africa as a location for American investment.

**TABLE 30.**


<table>
<thead>
<tr>
<th>Sector</th>
<th>US Dollars (millions)</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining and Smelting</td>
<td>150</td>
<td>9.5</td>
</tr>
<tr>
<td>Petroleum</td>
<td>405</td>
<td>25.6</td>
</tr>
<tr>
<td>Manufacturing:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>86</td>
<td>(5.4)</td>
</tr>
<tr>
<td>Chemicals and Allied Products</td>
<td>120</td>
<td>(7.6)</td>
</tr>
<tr>
<td>Primary and Fabricated Metals</td>
<td>44</td>
<td>(2.7)</td>
</tr>
<tr>
<td>Transport</td>
<td>103</td>
<td>(6.5)</td>
</tr>
<tr>
<td>Other Manufacturing</td>
<td>194</td>
<td>(12.3)</td>
</tr>
<tr>
<td>Trade</td>
<td>183</td>
<td>11.6</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>+</td>
<td>-</td>
</tr>
<tr>
<td>Other Industries</td>
<td>54</td>
<td>3.4</td>
</tr>
<tr>
<td>Total</td>
<td>1,578</td>
<td>+100.0</td>
</tr>
</tbody>
</table>

+ Withheld to avoid disclosure of data on individual enterprises.


Despite the fact that the BERI index down-graded South Africa to 19th place (58) - behind Iran and just ahead of Venezuela and Brazil - in 1977, U.S. investment in South Africa continued to grow and, by the end of 1977, stood at U.S.$ 1.76-billion. (59)


The official stance of the United States government towards investment in South Africa is that it 'neither encourages nor disencourages' investment in South Africa. No direct export-import bank loans are available for investment in South Africa and the United States government does not participate in trade fairs and trade exhibits in the Republic. In recent times, however, the United States government has revised its policy from one of sympathy for the potential to be offered by change in South Africa through foreign investment, i.e. the reformist posture. The former position was put thus by a senior official of the State Department in 1971:

At the same time foreign investment can be a force for change, in that it adds to the economic pressures to bring more non-whites into the labor force and at increasingly higher levels; it increases communication with the outside world, through foreign businessmen and technicians; it provides an opportunity to inject enlightened employment policies to improve the well-being and opportunities for non-whites; it is a channel through which outside influences can be felt.... (60)

This should be contrasted with the revised posture which is revealed in a recent Department of State document:

The United States Government neither encourages nor disencourages American investment in South Africa. American companies considering investment in South Africa will wish to take into account both the economic and political situation within the country including the effects on long-term stability of a system which imposes legal discrimination on the non-white groups which comprise more than 80 percent of the population. Potential and current U.S. investors should also give careful consideration to relations with their non-white workforce. The United States government strongly urges U.S. firms to assume sufficient responsibility for the adequacy of their compensation and other benefits to permit a decent standard of living for all their workers. (61)

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This switch in rhetoric, if not in tactic, can probably be attributed to three interlocking developments of the mid- and late-1970s. First, was the global impact of the Soweto insurrection of 1976 and the response of the South African government to continued and widespread political unrest in the country the following year. (These latter actions included the death in detention of Steven Biko, the leading proponent of Black Consciousness in South Africa, which was followed by a massive security clampdown by the South African authorities and the banning of the largest circulation Black newspaper, The World.) It was these events which brought 'home the reality of the potential for conflict in a country that has prided itself for years on a reputation for stability'. (62)

The second was the rapid tide of political events which appeared to be overtaking the sub-continent following the decolonisation of the Portuguese Empire in 1975 and the sharp international focus which it threw on the minority rules regimes: no longer protected by an effective cordon sanitaire - previously afforded by the former Portuguese colonies - the White regimes faced hostile majority-rulled neighbours which fundamentally altered political balance in the region. (Thus undercutting the essential premise of Washington's earlier policy of relying on the region's stability)

The third, and perhaps most superficial reason, was the coming to power in Washington of the Carter Administration which was, certainly initially, 'committed to a policy of promoting human rights as a vital component of foreign policy' (63) and that:

perhaps no other area in the world presents as hard a test of the human rights issue as South Africa, a country

63. Ibid.
whose complex social, economic and political systems are based on a complex of laws, policies, customs and attitudes enshrining racial domination. What sets South Africa apart from other countries which have equally oppressive and, in some cases, quantitatively worse records of human rights violations is that (1) South Africa's policies are based on race as the sole criterion of discrimination, (2) its human rights violations have been made 'legal' through legislative and regulatory actions that have institutionalized racism into the fabric of society, and (3) its policies are justified in the name of defending the free world of which South Africa claims to be a member. (64)

This change in rhetoric concerned itself with the political aspects of the role of U.S. corporations operating in South Africa and their potential for generating political change within that country.

Two responses to this vexing question developed in the U.S. and, not surprisingly, these responses reflect the two extremes of the debate on South Africa which have been noted elsewhere. The first:

holds that U.S. corporations promote gradual social, economic, and political change through progressive labor practices which may set an example for South Africans to follow. American credit and capital, it is maintained, also contribute to a lessening of apartheid by promoting economic development which benefits all South Africans. Thus, it is argued, the overall impact of U.S. economic interests in South Africa is consistent with the objectives of U.S. foreign policy which has traditionally stated that it 'abhors' apartheid and, under the current (U.S.) administration, stands for a progressive transformation of (South African) society toward full political participation. (65)

Both in its philosophical inception and its operation, this approach should be seen as a variant of the reformist position and, like the Cobdenite approach to diplomatic issues from which it receives its intellectual nourishment, it rests on the understanding that international commerce acts in concert with diplomatic and political relations. As such, this approach is in accordance with the overall spirit and letter of

64. Ibid.

65. Ibid. p. 6.
the post-War settlements.

Precisely the counterveiling posture is held by the opposing school, namely that:

American economic investment in the country supports apartheid by fueling the economy on which the system rests. According to this view, American investment has had marginal material benefits for Blacks and has strengthened the grip of Whites. Over the years, the income gap between Whites and Blacks in South Africa has widened, the political rights of Blacks have diminished, and the drift towards greater authoritarian control by central government has accelerated. Thus it is concluded, U.S. economic interests in South Africa are inconsistent with the objectives of U.S. foreign policy, at best having no significant impact on apartheid and, at worst, directly supporting the policies of racial segregation. (66)

It is, therefore, only a small leap from this latter position to the proposition that the most judicious course for U.S. policy-makers (and, indeed, for U.S. business interests) is to actively disengage from South Africa. This posture, we shall call the 'disengagement position'. The overall perspectives of this position are further strengthened by pointing to the widespread international calls for commercial sanctions against South Africa and by presupposing that disengagement would be accompanied by a commensurate degree of political goodwill throughout the international community. (67)

While the options presented by these neat parameters appear lucid in their theoretical settings, a confusing variety of both domestic and international considerations make their practical implementation both painful and difficult. An elementary problem in this respect involves the spread of U.S. business interests throughout almost every sector of both the U.S. and South African manufacturing portfolio. Amongst those

66. Ibid.

U.S. firms operating in South Africa are:

**Automobile manufacturers:** Ford, Chrysler, General Motors.

**Computer and electronics:** International Business Machines, Control Data, Burroughs, National Cash Register, Xerox, Sperry Rand, General Electric.

**Oil Companies** : Standard Oil of Southern California and Texaco (Caltex), Mobil, Exxon (Esso).

**Rubber Companies** : Firestone, Goodyear, General Tyre.

**Farm Equipment manufacturers.** : Caterpillar, John Deere, International Harvester.

**Pharmaceutical manufacturers** : Pfizer, Eli Lilly, Smith, Kline and French, Warner-Lambert.

**Consumer goods** : Gillette, Colgate-Palmolive.

**Mining** : Union Carbide, Phelps Dodge, Newmont. (68)

The above mentioned are but a part of the total of 300-odd American companies operating in South Africa.

On the other hand, notwithstanding the overall spread of U.S. firms throughout the manufacturing (and other sectors) of the South African economy, the total investment represents, on balance, less than 1 percent of average company assets. However, by South African standards, it is very significant and makes U.S. firms amongst the largest firms operating in South Africa.

Cumulatively, the book value of U.S. investments in South Africa increased from U.S.$ 1.46-billion in 1974 to U.S.$ 1.76-billion in 1977, an increase of 17 percent and this total represents close on 1.5 percent of total U.S. investment abroad. In South African terms, however, the figure represents

some 16 percent of total direct foreign investment in South Africa.

This data puts a perspective on the importance of the U.S. stake in the South African economy and vice versa. Whereas, in terms of these figures, the stake in South Africa appears insignificant to the economy of the United States, the reverse situation makes it clear that the U.S. investments are important for South Africa. It is however, too facile to use these comparative figures as the basis for a deduction, because, as Foltz has pointed out:

Out of the 10 largest American corporations, 9 (operate in South Africa, as do) 136 of the Fortune top 500. Furthermore, although earnings (in South Africa) have diminished somewhat in recent years, they are still noticeably higher than those in other parts of the world. In the manufacturing sector, which accounts for almost half of American investment, earnings in the 1960s averaged 20.2 percent, as opposed to 9.4 percent worldwide. (69)

Thus, whilst it might be tempting to deduce that U.S. private investments in South Africa yield less than 1 percent of U.S. foreign earnings, (70) the attractiveness of South Africa as a location of foreign investment owing to a high level of profit margins and the domestic corporate/political power of the U.S. firms operating in South Africa, makes it difficult to break this nexus through purely political manoeuvres in the United States itself.

However, despite the complex series of issues raised by the political realities of this situation, those persuaded that withdrawal from South Africa makes sense, both morally and politically, for U.S. foreign policy still maintain that:

American industry has been a valued psychological and


70. Ibid.
economic prop to the South African government that goes far beyond the book value of (American) investments (in South Africa) and the percentage of total investments (represented by U.S. companies). Such success as (South Africa) enjoys raising the money she needs to keep the system running is due in large measure to the business climate created by the presence of so many western firms. (71)

The overall pattern presented by the investment issue is confirmed when one considers the extent of U.S. bank loans to South Africa. Myers has noted (72) the direct investment policies adopted by the United Kingdom gave way to a policy of indirect investment on behalf of the United States and 'other' European countries. Arising from this change in strategy, U.S. banks have played a prominent role in financing in South Africa. Such loans have become lodged in both the private and public sectors of the South African economy and increased exponentially throughout the 1970s, to stand at U.S.$ 2,2-billion in mid-1977 (73) (This included a massive doubling in the period 1975 to 1976.) (74)

While the overall level of foreign loans both to the public and private sectors of the South African economy have been subjected to considerable public scrutiny in various multinational forums, most notably the United

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Africa increased 63.1 percent from U.S.$ 509-million to U.S.$ 1.3 billion, while in the same period South Africa's exports to the United States increased from U.S.$ 229-million to U.S.$ 604-million, an increase of 62.8 percent. (77) In percentage terms, however, U.S. exports to South Africa dropped from 1.7 percent of their global total to 1.3 percent and imports fell from 0.9 percent to 0.6 percent of global totals in the same period.

A typical year's trading between the U.S. and South Africa reveals the following pattern.

### TABLE 31.

United States - South Africa Trade, 1975.

<table>
<thead>
<tr>
<th>Major Products, Percentage Terms. (Classification by the Brussels Tariff Nomenclature)</th>
<th>Imports from South Africa</th>
<th>Exports to South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Animals and animal products</td>
<td>3.56</td>
<td>0.37</td>
</tr>
<tr>
<td>2. Vegetable products</td>
<td>0.58</td>
<td>3.04</td>
</tr>
<tr>
<td>3. Animal and Vegetable fats and oils</td>
<td>0.01</td>
<td>0.4</td>
</tr>
<tr>
<td>4. Prepared foodstuffs</td>
<td>11.52</td>
<td>0.5</td>
</tr>
<tr>
<td>5. Mineral products</td>
<td>7.23</td>
<td>0.62</td>
</tr>
<tr>
<td>6. Chemicals and chemical products</td>
<td>2.23</td>
<td>9.66</td>
</tr>
<tr>
<td>7. Plastics, resins and rubber products</td>
<td>0.02</td>
<td>3.47</td>
</tr>
<tr>
<td>8. Hides, skins and leather</td>
<td>0.25</td>
<td>0.3</td>
</tr>
<tr>
<td>9. Wood and wood products</td>
<td>0.04</td>
<td>0.26</td>
</tr>
<tr>
<td>10. Pulp, paper and paper board</td>
<td>2.67</td>
<td>4.69</td>
</tr>
<tr>
<td>11. Textiles</td>
<td>0.69</td>
<td>3.22</td>
</tr>
<tr>
<td>12. Footwear and Millinery</td>
<td>0.01</td>
<td>0.29</td>
</tr>
<tr>
<td>13. Non-metallic mineral products</td>
<td>0.21</td>
<td>0.94</td>
</tr>
<tr>
<td>14. Gems and jewellery</td>
<td>21.45</td>
<td>0.94</td>
</tr>
<tr>
<td>15. Base metals and metal products</td>
<td>27.67</td>
<td>6.06</td>
</tr>
<tr>
<td>16. Machinery</td>
<td>2.02</td>
<td>36.45</td>
</tr>
<tr>
<td>17. Vehicles and transport equipment</td>
<td>0.81</td>
<td>22.9</td>
</tr>
<tr>
<td>18. Optical and other instruments</td>
<td>0.3</td>
<td>4.42</td>
</tr>
<tr>
<td>19. Miscellaneous manufactured products</td>
<td>0.07</td>
<td>0.74</td>
</tr>
<tr>
<td>20. Unclassified</td>
<td>18.6</td>
<td>0.63</td>
</tr>
</tbody>
</table>

Nations, (75) there is scant evidence to suggest that the extent of this finance to South Africa has been affected by this public concern. On the contrary, despite undertakings not to extend loans directly to the South African government, loans have continued to fund the private sector in the South African economy with the possibility that such funds may also find their way to the public sector. Moreover, notwithstanding the anxiety about the political stability of South Africa following the events of 1976 to 1977, loans have continued (even increased) with higher rates of interest and for shorter periods of time. Even the private sector loans carry premium rates of interest and run over shorter periods.

This increased short- and medium-term lending to South Africa has risen despite the cessation of the export-import bank guarantees. In this situation, private institutions such as the Private Export Funding Corporation, PEFCO, have been involved in guarantees on loans to South Africa. This institution is capitalised by 60 American banks and financial institutions and have a stake in some $108-million in loans to South Africa which represents some 10 percent of its total international loans. (76)

5.4.2 The Trade Dimension.

The overall trend whereby South Africa's commercial dependence on the United States is far greater than the commensurate United States dependence on South Africa, is endorsed when trade figures between the two states are scrutinised. In the period 1966 to 1975, United States exports to South


76. Carrington, op.cit. p. 25.
As Table 31 indicates, U.S. - South African trade rests on a fairly conventional exchange of manufactured goods (from the United States) against the exports (from South Africa) of primary products. With regard to the latter, South Africa exports foodstuffs and, of course, gemstones and base minerals. From the United States, she imports machinery, vehicles and chemical products. Moreover, the exchange is an unequal one, for in the year here under review, the trade balance favoured the United States by R 555-million.

In the period between 1975 and 1977, trade between the two countries increased significantly and trade increased by 43 percent in the period 1977 to 1978. Most of this increase was due to a massive expansion of South African exports to the United States of 79 percent, which resulted in a United States trade deficit with South Africa. (78) A further trend in the late-1970s was a decrease in South African imports from the United States owing to deteriorating political relations between the two states during the early years of the Carter administration.

However, to reiterate the point, U.S. trade with South Africa is small compared to total U.S. global trade; although, as with the case of U.S. investments in South Africa, the contrary picture, i.e. South African trade with the United States, is an important factor in South Africa's trading pattern.

The trade situation is further clarified when U.S. trade with the rest of Africa is considered. The necessity for this comparative situation arises primarily from the accompanying political and economic argument which reasons that the cumulative weight of African pressure will

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face a choice of the either/or kind on U.S. commercial interests. (79) The choice is simply that U.S. commercial interests will ultimately have to choose between doing business in South Africa or doing business with the rest of Africa. In the period, 1966 to 1975, United States exports to the rest of Africa increased from U.S.$ 1,349-million to U.S.$ 4,949-million: an increase of over 200 percent. In the same period, U.S. imports from the rest of Africa increased from U.S.$ 979-million to U.S.$ 8,299-million: an increase of over 700 percent. (The exports to Africa rising from 4.4 percent of total U.S. exports world-wide to 4.6 percent and the import figures rising from 3.8 percent of world-wide imports to 8.6 percent. The marked increase in U.S. imports of African products reflects, of course, increasing U.S. dependency on oil imports, particularly from Nigeria.) (80)

5.4.3 An Assessment.

In order to appreciate the foregoing analysis, it is helpful to restate the notions of economic 'sensitivity' and 'vulnerability' developed by Keohane and Nye and which were extensively used in the previous chapter. Keohane and Nye distinguish between 'sensitivity' (an economy's susceptibility to costly effects imposed from the outside before policies can be introduced to change the situation) and 'vulnerability' (a situation in which an economy continues to suffer negative effects imposed from the outside even after policies have been introduced to change the situation). (81)

79. Whilst this has been a popular line of reasoning, one must accept that it is somewhat restricted in its application, particularly to the United States. No choice either in economics or in politics rests simply on a zero-sum relationship. More probably, such choices have various permutations and the efficacy of the commercial enterprise rests essentially on the capacity to appreciate and capitalise on such choices. See, particularly, in this regard Foltz, op.cit. pp. 48-54.

80. Spence, op.cit.

Using this analysis, it must be concluded that, because of her relative economic strength, the United States' economy is neither sensitive nor vulnerable to perturbation of either its trade with South Africa or of its investment links with the Republic. On the contrary, the South African economy is vulnerable to every, or any, economic pressure placed on her by the United States.

Two important issues of public policy emerge from this conclusion and both have a relevance for the bilateral commercial links between the United States and South Africa. The first relates to the theoretical concept that the link between international politics and international relations is their common subjection to a multiple bargaining process and furthermore, that the outcome of this bargaining process is defined first by an economic relationship which rests within a political structure. In relation to the bilateral ties between South Africa and the United States, the primary relationship is an economic one which, despite pressures to promote the primacy of political factors, relies on its political setting. It follows therefrom, that U.S. interests in South Africa are primarily economic in nature and, only secondarily, political. However, in so far as they are political, the second policy issue arises. Attempts to force a choice between engagement and disengagement (as the domestic U.S. debate on South Africa has tended to propagate), upset the natural balance of forces on which the multiple bargain rests and, consequently, leads to distort the balance.

In terms of the bilateral ties between the United States and South Africa, pressure groups which threaten the existing ties and may provoke a response from the U.S. government at some future date, seriously threaten the bases of the post-War settlements which relied on free trade as a force for peace. Moreover, and this is its relevance for the study, such an approach cannot act independently of the maze of economic ties between
the Atlantic nations for it threatens the economic co-operation between
the Atlantic partners. Put simply, intra-Atlantic economic co-operation
relies on an open international economic system and threats against the
commercial ties between the United States and South Africa can be transmitted
throughout the Atlantic system.

These issues are clearly divorced from the simple moral considerations
of doing business in South Africa which the protagonists of disengagement
have championed. At the confluence between international economic and
international political bargains, morality may only rank as the third
and certainly insubstantial factor, after the economic bargain and the
political framework.

5.5 British Economic Involvement in South Africa.

5.5.1 The Investment Dimension.

The important historical ties between the United Kingdom and South
Africa and the role played by the British as the early victualler of the
South African economy have been described. The intertwined political
and economic nature of the United Kingdom's links with South Africa
cannot be over-estimated: it runs as a constant theme throughout South
Africa's White political history, for as J.D.B. Miller has remarked:

South African history...is very much a matter
of constant tension, not only about Britain,
but also with Britain. (82)

The early penetration of capital into the South African economy was
British in origin and, South Africa's integrated status into the British
Empire, made it inevitable that the chief direction of South Africa's
trade should be towards the United Kingdom. Thus, even before World
War II, the economic links between South Africa and Britain were an

82. J.D.B. Miller. Britain and the Old Dominions. London: Chatto
and Windus, 1966. p. 94.
essential part of a complex political and historical relationship.

Moreover, ideological, political and economic bonds between South Africa and Britain were endorsed by South Africa's participation in the Allied cause during the hostilities of 1939 to 1945. In addition, welfare gestures on the part of the South African government under General Smuts, served to strengthen these bonds. In 1946, for example, South Africa decided to send aid to Britain through three schemes: the Food Parcels for Britain, the People for Britain Fund and the Gold Loan. (83) Of these, the most important economically was the latter, a scheme by which South Africa made gold to the value of £80-million available on loan to Britain. The loan was contingent on the understanding that South Africa's own gold holdings should not fall under £100-million and it was repayable in three years. In turn, Britain agreed to buy products to the value of £12-million annually for the same number of years.

These gestures were, however, more symbolic than substantive, but they served to underscore the intensity of the links between Britain and South Africa and ensured the permanent place of economics in the relations between the two countries. The trade and investment figures of the immediate post-War period endorse the general observation that the United Kingdom played the cardinal external role in South Africa's economy. In terms of trade, Britain supplied an average of 30.8 percent of South Africa's imports in the years, 1946 to 1948; whilst she absorbed an average of 25.2 percent of South Africa's exports in the same period. Geldenhuys has, however, observed that:

For Britain, South Africa was a relatively small supplier and market. During the years 1946-48, an

average of only 1.4% of British imports came from South Africa, while an average of 7.9% of British exports for the period went to the Union. Despite the relative smallness of the South African market, Harold Wilson, President of the Board of Trade, in January 1948 described the Union as 'one market in the sterling area of particular importance'. In view of her importance as a long-term market, she could be placed 'nearly on par' with the three permanently important markets of Canada, the United States and Argentina. (84)

The close commercial ties between the two countries was further endorsed by the level of British capital investment in South Africa. In the period, 1945 to 1948, the share capital of British-based companies operating in South Africa averaged £21.4-million per annum. This figure was higher than British investment in either New Zealand or Canada, but some £10.4-million less than British investment in Australia.

South Africa's impressive economic development in the post-War period and British investment in South Africa prompted one sympathetic observer to describe the South African economy as follows:

in no other country has there, within the brief compass of 25 years, been a more complete metamorphosis of the economy and a more spectacular development of its industries, with such an absence of industrial disturbance by way of labour strikes, than in South Africa. (85)

Not surprisingly, therefore, an estimated £700-million was invested in the South African economy between 1946 and 1955 and that in the period, 1956 to 1969, a further £1,000-million was invested. (86)

Throughout the period, despite the apparent economic hiccup which followed the Sharpeville incident of 1960, British investment in South

84. Ibid. pp. 99-100.
Africa increased exponentially and by 1965 stood at £44.5-million, an increase of £23.4-million or 107.9 percent in the twenty-year period since the cessation of hostilities.

While British investments in South Africa were subject to some sharp fluctuations in money terms, the United Kingdom has remained the largest single investor in South Africa throughout the post-War period. Table 32 gives a breakdown of British investment by sectors in the South African economy in the period 1965 to 1971.

**TABLE 32.**


(£ millions, percentages in parentheses)

<table>
<thead>
<tr>
<th>Year</th>
<th>Manufacturing</th>
<th>Mining</th>
<th>Trade</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>26.5 (59)</td>
<td>1.8 (4)</td>
<td>6.4 (14)</td>
<td>10.0 (23)</td>
<td>44.5</td>
</tr>
<tr>
<td>1966</td>
<td>22.5 (65)</td>
<td>7.5 (22)</td>
<td>2.9 (8)</td>
<td>1.8 (5)</td>
<td>34.7</td>
</tr>
<tr>
<td>1967</td>
<td>19.9 (43)</td>
<td>9.6 (21)</td>
<td>10.0 (22)</td>
<td>6.6 (14)</td>
<td>46.1</td>
</tr>
<tr>
<td>1968</td>
<td>19.0 (49)</td>
<td>8.4 (22)</td>
<td>6.3 (16)</td>
<td>5.1 (13)</td>
<td>38.8</td>
</tr>
<tr>
<td>1969</td>
<td>41.2 (56)</td>
<td>9.6 (13)</td>
<td>5.9 (8)</td>
<td>16.4 (23)</td>
<td>73.1</td>
</tr>
<tr>
<td>1970</td>
<td>29.0 (62)</td>
<td>3.5 (7)</td>
<td>5.8 (12)</td>
<td>9.2 (19)</td>
<td>47.5</td>
</tr>
<tr>
<td>1971</td>
<td>24.5 (62)</td>
<td>5.1 (13)</td>
<td>7.2 (18)</td>
<td>2.9 (7)</td>
<td>39.7</td>
</tr>
</tbody>
</table>


The South African economy absorbed some 10 percent per annum of direct foreign investment from Britain throughout the post-War period and, as such, 'is one of the main outlets for direct British investment'. (87) By 1971 there were an estimated 500 British companies operating in South Africa (either in a subsidiary or associate capacity) and of the 100 top industrial companies in South Africa, one-quarter were partially owned by British

corporations and 12 were direct subsidiaries of British companies. (88)

Although the contours of the debate on the South African economic nexus in the United Kingdom follow the same overall pattern as those in the United States, i.e. the 'reformist' position versus the 'disengagement' position, the relevance of the policy debate is more acute in the United Kingdom, owing to the level of the economic ties. In addition, the debate in the United Kingdom on this issue witnessed a rough divide along party political lines. Thus, during periods of Conservative Party government, official government rhetoric has favoured the reformist position, whereas, during periods of Labour Party government, British government rhetoric has come to stress the need to disengage from the South African economy and to pursue British economic interests elsewhere. (89) In this sense, J D B Miller's perceptive observation of the mid-1960s still holds true:

South Africa became, in fact, a source of myth in Britain. No other Dominion has achieved this. The myth was in two parts, thesis and antithesis, corresponding roughly to the position taken up by the Conservative and Liberal (in modern times, read Labour) Parties at the turn of the century, but including other elements as well; South Africa became the perpetual bone of contention in the arguments between Imperialists (read Capitalist party) and anti-Imperialists (read Socialist party). (90)

The acuteness of the British dilemma over her economic links with South Africa is more profound because of her own relative economic weakness which has been a feature of British political history in the post-War period. Moreover, the problem is complicated by attractiveness of South Africa as a profitable area for doing business (including the 'ease of doing


90. Miller, op.cit. p. 93.
business' in South Africa) as against the problems involved in finding other such lucrative areas in the world in which either to invest or in which to trade.

South Africa has always been, and remains, a lucrative area in which British companies can make a profit. This is demonstrated in Table 33 which sets out average British profits from overseas trade in the period, 1955-1965.

**TABLE 33.**


<table>
<thead>
<tr>
<th>Country</th>
<th>Net operating assets (£-million)</th>
<th>Pre-tax profitability (£-million)</th>
<th>U.K. Stake (£-million)</th>
<th>Post-tax profitability to UK Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>29.5</td>
<td>47.8</td>
<td>27.8</td>
<td>22.8</td>
</tr>
<tr>
<td>Malaysia</td>
<td>54.6</td>
<td>28.6</td>
<td>50.8</td>
<td>19.8</td>
</tr>
<tr>
<td>Italy</td>
<td>8.2</td>
<td>26.9</td>
<td>6.0</td>
<td>12.3</td>
</tr>
<tr>
<td>Ghana</td>
<td>24.9</td>
<td>26.0</td>
<td>24.1</td>
<td>13.4</td>
</tr>
<tr>
<td>Brazil</td>
<td>27.4</td>
<td>16.8</td>
<td>24.0</td>
<td>5.3</td>
</tr>
<tr>
<td>India</td>
<td>155.9</td>
<td>17.5</td>
<td>132.4</td>
<td>7.7</td>
</tr>
<tr>
<td>South Africa</td>
<td>97.5</td>
<td>14.3</td>
<td>97.0</td>
<td>10.5</td>
</tr>
<tr>
<td>Australia</td>
<td>201.5</td>
<td>14.3</td>
<td>156.4</td>
<td>8.0</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>283.6</td>
<td>13.6</td>
<td>211.8</td>
<td>8.6</td>
</tr>
<tr>
<td>Jamaica</td>
<td>8.3</td>
<td>11.9</td>
<td>5.2</td>
<td>8.4</td>
</tr>
<tr>
<td>Canada</td>
<td>294.8</td>
<td>8.8</td>
<td>171.4</td>
<td>5.5</td>
</tr>
<tr>
<td>Nigeria</td>
<td>51.2</td>
<td>7.6</td>
<td>49.5</td>
<td>4.7</td>
</tr>
<tr>
<td>Argentina</td>
<td>14.8</td>
<td>7.4</td>
<td>14.0</td>
<td>1.6</td>
</tr>
<tr>
<td>France</td>
<td>23.3</td>
<td>7.4</td>
<td>14.5</td>
<td>1.9</td>
</tr>
<tr>
<td>Denmark</td>
<td>5.5</td>
<td>6.5</td>
<td>4.4</td>
<td>5.3</td>
</tr>
<tr>
<td>Total</td>
<td>1,281.0</td>
<td>14.5</td>
<td>989.3</td>
<td>8.7</td>
</tr>
<tr>
<td>Rest of world</td>
<td>274.0</td>
<td>15.8</td>
<td>225.6</td>
<td>9.0</td>
</tr>
<tr>
<td>World Total</td>
<td>1,555.0</td>
<td>14.7</td>
<td>1,214.8</td>
<td>8.7</td>
</tr>
</tbody>
</table>


The table clearly demonstrates the profitability of South Africa as a venue for investment. Moreover, South Africa's low company tax level and the fact that profits may be repatriated increases the attractiveness of South African ventures. More recent estimates of South Africa's profitability
do not change this observation. (91) As a result, South Africa remains an attractive proposition for British investors, despite the domestic pressure in the United Kingdom for British economic withdrawal from South Africa.

5.5.2 The Trade Dimension.

The general observation that British commercial ties are more important to South Africa than vice versa, is confirmed when the trade between the two states is scrutinised. British trade with South Africa has its roots in the same set of political and historical circumstances which generated the extensive British investment in South Africa. Moreover, the intensity of the trade link between the two countries was thickened by South Africa's early membership of both the Empire and, later, the Commonwealth which enabled South Africa to take full advantage of the Commonwealth Trade Preferences. This situation continued quand même on South Africa's withdrawal from the Commonwealth in 1961 until British entry into the European Economic Community in 1973, when the system of Commonwealth Preferences lapsed. This, essentially anomalous situation was allowed to continue for:

as Lord Privy Seal, Mr Edward Heath argued (in February 1963), during the second reading of the South African Bill, that these preferences should be maintained since they originated in the Ottawa Agreements of 1932 and not from Commonwealth membership as such. (92)

Table 34 gives a breakdown of British - South Africa trade from 1962 to 1970 and illustrates that, with the exception of 1968 and 1969, the trade balance throughout the period favoured Britain.

---

91. R. First et.al. op.cit. p. 336.

92. Ibid. p. 35.
For Britain, however, the South African trade remained small in terms of her global trading portfolio. In 1966, for example, her exports to South Africa amounted to 4.7 percent of her total exports and her imports from the Republic were only 3.8 percent of the global figure. In 1969, her exports to South Africa amounted to 4.0 percent of her world total while imports from South Africa were 4.1 percent. In 1972, exports to South Africa were 3.2 percent and her imports, 2.6 percent of the global figure. In 1975, exports to South Africa ran at 3.4 percent, whilst imports amounted to 2.6 percent. (93) Therefore, while undoubtedly the British link was of significant importance to the South African economy, the converse situation was not as important.

The pattern of goods flowing between South Africa and the United Kingdom in this two-way trade again reveals a conventional trade pattern between an industrialised country and a developing country. South Africa's exports to the United Kingdom consist, as Table 36 demonstrates, of the importation of food, live animals, crude materials and minerals. The import side shows South African reliance on manufactured goods, particularly machinery and transport goods from the United Kingdom. The year under consideration, 1976, can be said to be representative of the overall trading relationship between the two countries.

South Africa's place in Britain's export market is, as we have noted, not important in terms of Britain's global export market, and may in fact be decreasing. This decreasing importance of the South African link is outlined in Tables 37 and 38. On the export side, in 1967, Britain's trade with South Africa was 5 percent of the world figure and this made the South African market, Britain's third most important export market.

### TABLE 36

United Kingdom - South Africa Trade, 1976

<table>
<thead>
<tr>
<th>Products</th>
<th>Imports from South Africa</th>
<th>Exports to South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Animals and animal products</td>
<td>2.8</td>
<td>0.3</td>
</tr>
<tr>
<td>2. Vegetable products</td>
<td>7.8</td>
<td>0.4</td>
</tr>
<tr>
<td>3. Animal and vegetable fats and oils</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td>4. Prepared foodstuffs</td>
<td>11.3</td>
<td>1.8</td>
</tr>
<tr>
<td>5. Mineral products</td>
<td>4.5</td>
<td>0.9</td>
</tr>
<tr>
<td>6. Chemical and allied products</td>
<td>0.7</td>
<td>9.4</td>
</tr>
<tr>
<td>7. Plastics, resins and rubber products</td>
<td>-0.04</td>
<td>6.1</td>
</tr>
<tr>
<td>8. Hides, skins and leather</td>
<td>2.7</td>
<td>0.5</td>
</tr>
<tr>
<td>9. Wood and wood products</td>
<td>0.3</td>
<td>0.2</td>
</tr>
<tr>
<td>10. Pulp, paper and paper board</td>
<td>3.1</td>
<td>3.6</td>
</tr>
<tr>
<td>11. Textiles</td>
<td>5.2</td>
<td>4.6</td>
</tr>
<tr>
<td>12. Footwear and Millinery</td>
<td>0.04</td>
<td>0.2</td>
</tr>
<tr>
<td>13. Non-metallic mineral products</td>
<td>0.1</td>
<td>1.7</td>
</tr>
<tr>
<td>14. Gems and Jewellery</td>
<td>41.5</td>
<td>3.4</td>
</tr>
<tr>
<td>15. Base metals and metal products</td>
<td>9.2</td>
<td>5.8</td>
</tr>
<tr>
<td>16. Machinery</td>
<td>1.0</td>
<td>37.1</td>
</tr>
<tr>
<td>17. Vehicles and transport equipment</td>
<td>0.3</td>
<td>18.2</td>
</tr>
<tr>
<td>18. Optical and other instruments</td>
<td>0.3</td>
<td>3.5</td>
</tr>
<tr>
<td>19. Miscellaneous manufactured products</td>
<td>0.01</td>
<td>0.8</td>
</tr>
<tr>
<td>20. Works of art etc.</td>
<td>0.2</td>
<td>0.6</td>
</tr>
<tr>
<td>21. Unclassified</td>
<td>8.2</td>
<td>0.3</td>
</tr>
</tbody>
</table>

TABLE 37.
United Kingdom Exports, 1967 and 1976

<table>
<thead>
<tr>
<th>Destination</th>
<th>1976</th>
<th></th>
<th>1967</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rank</td>
<td>Percentage</td>
<td>Rank</td>
<td>Percentage</td>
</tr>
<tr>
<td>United States</td>
<td>1</td>
<td>11.9</td>
<td>1</td>
<td>12.2</td>
</tr>
<tr>
<td>West Germany</td>
<td>2</td>
<td>7.1</td>
<td>2</td>
<td>5.3</td>
</tr>
<tr>
<td>France</td>
<td>3</td>
<td>6.6</td>
<td>7</td>
<td>4.2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4</td>
<td>5.8</td>
<td>8</td>
<td>4.0</td>
</tr>
<tr>
<td>Belgium/Luxembourg</td>
<td>5</td>
<td>5.3</td>
<td>10</td>
<td>3.5</td>
</tr>
<tr>
<td>Ireland</td>
<td>6</td>
<td>4.8</td>
<td>9</td>
<td>3.8</td>
</tr>
<tr>
<td>Sweden</td>
<td>7</td>
<td>4.0</td>
<td>5</td>
<td>4.3</td>
</tr>
<tr>
<td>Switzerland</td>
<td>8</td>
<td>3.8</td>
<td>14</td>
<td>2.2</td>
</tr>
<tr>
<td>Italy</td>
<td>9</td>
<td>3.1</td>
<td>11</td>
<td>3.0</td>
</tr>
<tr>
<td>Nigeria</td>
<td>10</td>
<td>2.9</td>
<td>22</td>
<td>1.1</td>
</tr>
<tr>
<td>Australia</td>
<td>11</td>
<td>2.6</td>
<td>4</td>
<td>4.9</td>
</tr>
<tr>
<td>Denmark</td>
<td>12</td>
<td>2.5</td>
<td>12</td>
<td>2.8</td>
</tr>
<tr>
<td>South Africa</td>
<td>13</td>
<td>2.5</td>
<td>3</td>
<td>5.0</td>
</tr>
</tbody>
</table>


TABLE 38.
United Kingdom Imports, 1967 and 1976

<table>
<thead>
<tr>
<th>Source</th>
<th>1976</th>
<th></th>
<th>1967</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rank</td>
<td>Percentage</td>
<td>Rank</td>
<td>Percentage</td>
</tr>
<tr>
<td>United States</td>
<td>1</td>
<td>9.7</td>
<td>1</td>
<td>12.5</td>
</tr>
<tr>
<td>West Germany</td>
<td>2</td>
<td>8.8</td>
<td>3</td>
<td>5.3</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3</td>
<td>7.7</td>
<td>4</td>
<td>5.1</td>
</tr>
<tr>
<td>France</td>
<td>4</td>
<td>6.6</td>
<td>5</td>
<td>4.0</td>
</tr>
<tr>
<td>Belgium/Luxembourg</td>
<td>5</td>
<td>4.1</td>
<td>13</td>
<td>2.3</td>
</tr>
<tr>
<td>Sweden</td>
<td>6</td>
<td>3.7</td>
<td>6</td>
<td>3.8</td>
</tr>
<tr>
<td>Canada</td>
<td>7</td>
<td>3.6</td>
<td>2</td>
<td>7.1</td>
</tr>
<tr>
<td>Italy</td>
<td>8</td>
<td>3.5</td>
<td>10</td>
<td>3.0</td>
</tr>
<tr>
<td>Ireland</td>
<td>9</td>
<td>3.3</td>
<td>7</td>
<td>3.5</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>10</td>
<td>3.1</td>
<td>28</td>
<td>1.0</td>
</tr>
<tr>
<td>Switzerland</td>
<td>11</td>
<td>3.0</td>
<td>19</td>
<td>1.8</td>
</tr>
<tr>
<td>Japan</td>
<td>12</td>
<td>2.5</td>
<td>20</td>
<td>1.4</td>
</tr>
<tr>
<td>South Africa</td>
<td>13</td>
<td>1.9</td>
<td>8</td>
<td>3.4</td>
</tr>
</tbody>
</table>

By 1976, however, Britain's exports to South Africa had roughly halved - at unindexed levels - to 2.5 percent of her global total. This decrease relegated the South African market to thirteenth place in Britain's overseas exports. Quite clearly, Britain's entry into the European Community played an important part in her increased trade with other states in Europe, but increased trade with Nigeria reflects an important new facet in British trade with Africa. This increase trade with Nigeria reflects that country's increased wealth as a result of her oil resources and the energies of British exporters to take advantage of this.

On the import side (Table 38), British imports to South Africa dropped from 3.4 percent of total imports in 1967 to 1.9 percent in 1976. South Africa's ranking dropped from eighth to thirteenth. Again, obviously, Britain's entry into the EC affected the global picture, but it is important to note that Saudi Arabia, ranked twenty-eighth in 1967, had moved to tenth place in 1976. This is accountable by the changing role played by oil imports into industrialised nations following the 1973 Oil Crisis.

Two different conundrums present themselves for consideration based on this analysis. The first relates to the increasing importance of Nigeria in Britain's international trading picture which is linked, as we have noted, to nascent and actual pressures on British companies doing business both in South Africa and in Nigeria. The second relates to the fact that, notwithstanding South Africa's relative decline in Britain's total trading pattern (in absolute terms) trade with South Africa continues to play some role in Britain's trade and, as such, any changes in trade with South Africa may come to affect the fortunes of the British economy.

The United Kingdom's trade ties with Nigeria and with other Anglophone states have their roots in the same set of circumstances which bound the British to South Africa, namely the old imperial links, and later, the
Commonwealth System of Preferences. In more modern times, following British entry into the European Community, these ties have been strengthened and broadened by the various agreements reached under the two Lomé Conventions. Notwithstanding, however, the broader operating base envisaged under the Lomé arrangements, British entrepreneurs still retain an advantage over their European partners in operating in Anglophone countries. This arises in part from the fact that historically they have a head-start inasmuch as they have operated in these countries from imperial times. Moreover, common legal systems and the ease of doing business in the English language clearly enhances the attractiveness of trade for both parties.

As noted, the government of Nigeria has attempted to put pressure on both the British government and on British firms who operate both in South Africa and in Nigeria. The reasons for this Nigerian stance arises from a mix of reasons which have been succinctly summed up by Mark Webster thus:

Nigeria's involvement in southern African affairs goes back a number of years. As the most populous country on the continent and the possessor of considerable oil wealth, Nigeria has long considered itself the leader of Black Africa...Apartheid is such an emotive issue with the Lagos Government that it has shown itself prepared, at least to some extent, to sacrifice even its own immediate interests in order to pursue its hard line over southern Africa. (94)

While it is plausible to argue that such either/or choices (95) have a limited efficacy in practice, it is nonetheless true that British


95. In footnote 79 (above), it has been reasoned that a simple either/or choice of the kind envisaged here is restricted in its application. This now needs some embellishment. Whereas, the size and global spread of U.S. transnational corporations makes them impervious to choices of this kind, the relative smallness and limited spread of their British counterparts limits their capacity to rely on the efficacy of the corporate enterprise to take full advantage of the various permutations presented in the zero-sum choice. I therefore clearly do not think that the average British enterprise can afford to be caught'offside' in this situation. The position is somewhat complicated by the various pressures which the Nigerian government can bring to bear in the Commonwealth and through the auspices of the Organization of African Unity. In both these forums, the British are more susceptible to African (read Nigerian) pressure.
businessmen in particular have taken such threats seriously and may well judiciously choose between locating operations in, or trading with, either South Africa or Nigeria. More serious would be the problems which would face the British government should a choice have to be made between the two states.

At the same time, however, we should note Webster's expatiation of the Nigerian strategy on this issue:

At the same time the (Nigerian) government has displayed some pragmatism in its approach to enforcing (the ban on companies trading with South Africa) because of the great number of companies vital to Nigeria's own economic interests which do have links with South Africa. Nevertheless, Nigeria is extremely sensitive about being accused of taking a 'paper tiger' stance towards companies dealing with South Africa.... (96)

In considering this linkage, two issues present themselves. First the level of British-South African trade as against Britain's trade with Nigeria has to be appreciated. Secondly, Britain's trading relationship with the rest of Black Africa has to be seen against her trade links with South Africa. A comparison is set out in Table 39 and the following observations emerge from it:

i That imports from South Africa have remained consistent in the period, 1971-1977, at an average of 2.3 percent of total British imports.

ii In the same period, notwithstanding Nigeria's considerable oil riches, imports from Nigeria peaked during 1974 and appear to have shown a downward trend from that year. Nigeria, moreover, contributes an average of 1.2 percent of Britain's total imports.

iii With regard to British imports from Black Africa, these also decreased throughout the period under review, from 4.5 percent of the global British figure, to 3.4 percent in 1977. The average for the period is 3.9 percent of British imports.

iv On the export side, British exports to South Africa have shown a steady decline since the early 1970s. Except for a slight

TABLE 39.


<table>
<thead>
<tr>
<th>Year</th>
<th>South Africa</th>
<th>Nigeria</th>
<th>Black Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£-million</td>
<td>%</td>
<td>£-million</td>
</tr>
<tr>
<td>1971</td>
<td>241.3</td>
<td>2.4</td>
<td>139.8</td>
</tr>
<tr>
<td>1972</td>
<td>292.1</td>
<td>2.5</td>
<td>155.9</td>
</tr>
<tr>
<td>1973</td>
<td>401.2</td>
<td>2.5</td>
<td>207.8</td>
</tr>
<tr>
<td>1974</td>
<td>558.4</td>
<td>2.4</td>
<td>376.3</td>
</tr>
<tr>
<td>1975</td>
<td>632.6</td>
<td>2.6</td>
<td>316.1</td>
</tr>
<tr>
<td>1976</td>
<td>615.6</td>
<td>1.9</td>
<td>322.7</td>
</tr>
<tr>
<td>1977</td>
<td>876.9</td>
<td>2.3</td>
<td>237.7</td>
</tr>
</tbody>
</table>


recovery in the period, 1974-1975, the overall trend has been downwards to a low of 1.7 percent in 1977. The average for the period was 2.9 percent.

With regard to British exports to Nigeria, the table reveals that these have shown a steady growth throughout the period. Starting at 1.8 percent, they reached 3.2 percent in 1977, an increase of 56.25 percent. This steady growth must be accounted for by Nigeria's increased oil wealth which has attracted British business. The average for the period is 2.0 percent, but the upward trend renders this figure as somewhat misleading.

A similar pattern of growth, although not as dramatic, is seen in British exports to Black Africa. Here the pattern shows a downward trend in the early-1970s, but a steady recovery in the mid- and late-1970s. Average British exports to Black Africa for the period are 4.9 percent of world total.
5.5.3 An Assessment.

In the light of these observations, tentative conclusions can be reached with regard to British trade with South Africa, Nigeria and Black Africa. First, that British exports to South Africa are declining and that both the Nigerian markets and the markets of Black Africa are becoming relatively more important. Secondly, that in the event of an absolute choice having to be made between the two sets of markets, British business and policy-makers may be swayed by the considerable potential offered in the Nigerian and Black African markets both for political and economic reasons. Thirdly, however, despite the pressures to force absolute choices on both the British government and British business, an effort may well be made to 'balance' the interests between the two alternatives.

The second conundrum which presents itself in terms of British commercial links with South Africa relates to the importance of the South African nexus to the British economy itself. Two interlaced assumptions underpin assessments made of the importance of the South African commercial ties to the British economy. The first, which has a global setting, reasons that, owing to pressures for boycotts against South Africa, a terminal situation will be reached whereby the industrialised nations will have to be party to a United Nations call for sanctions against South Africa. (Such sanctions would be called under Chapter Seven of the Charter dependent on concurring international opinion that, South Africa's domestic policy constituted a 'threat to peace'.) Secondly, in the light of this development, the question is then posed: What would be the effect of this inside Western countries, particularly in this case, inside Britain? The problem is more especially acute for Britain because of the importance of her economic links with South Africa. A host of subsidiary questions accompany these two central positions. For example, are there satisfactory alternative
sources for investment, or locations for trade, which could be found? Can one assume that an internationally-sponsored rupture of the South African economic link would mean automatic cessation of all commercial ties with South Africa? Would the Western nations agree to a blanket system of trade sanctions against South Africa or adopt an alternative approach whereby sanctions might be tied to tight timeframes which might offer inducements for political change from the South African authorities? However, these subsidiary issues need not detain us here; for, in essence, our concern is about the hypothetical effects which such an international boycott would have on the British economy.

The first suggestions of the likely effects on the British economy of a rupture of the South African commercial nexus, arose in the early 1960s. (97) Faced with a chronic balance of payments problem, and international calls for sanctions against South Africa, British scholars and Conservative Party politicians argued that:

the loss of exports and the price to be paid for the dislocation of imports might worsen the British balance of payments position by something to the order of £300-million in the first year. (98)

Moreover,

the multiplying effect of such a shock might be felt for a long time in the home market, exports, the sterling area and the rate of growth of the economy as a whole. There would be other consequences: for example, the enforced unemployment of about 150,000 workers, many of whom might, in time, find other jobs although not without hardship during the period of 'redeployment'. There would also be the loss of business to the small number of firms engaged in the bullion and diamond trade, as well as the damage to


banking, insurance and shipping interests. (99)

Three aspects of the fears expressed are important for the purposes of analysis. First, the need to ascertain what the effects on employment in the United Kingdom would be under an international regime where boycotts against South Africa would be instituted. Secondly, under the same regime, what would the loss be to British invisible earnings generated in South Africa and, finally, what is the linkage between these two areas?

Speculation on unemployment figures resulting from possible commercial sanctions against South Africa has become almost a fashionable academic enterprise. Both the protagonists of the 'withdrawal' school and the 'reformist' school have used these figures to support their positions. The former arguing that the 'job loss' in the United Kingdom would not be serious and that, therefore, severing of the South African economic nexus would not represent an irrevocable set-back for the British economy. This posture has obviously been linked to the political belief that a gradual severing of the South African link makes good political sense, since it would allow British business to be relocated elsewhere. If, however, the pressures to sever the South African links arose suddenly, British business would be caught 'off-side' and disadvantaged all-round.

The reformist school has, on the other hand, stressed the 'devastating' effects to unemployment in the United Kingdom which a loss of the South African tie might precipitate. They point to Britain's own precarious economic circumstances and argue that it makes neither political nor economic sense to support sanctions against South Africa because other trading countries would fill the vacuum left by the British.

A common starting point of both schools is, however, that both employ crude variations of the static economic 'input-output' model to arrive at

the figures used to support their conclusions. (100) Some serious reservations can be expressed about the desirability of the 'input-output' model as an efficient and effective method of arriving at figures of this nature, but it nonetheless provides a rough working benchmark through which to analyse unemployment potential in an economy as a result of interruptions.

For example, Leith McGrandle, City Editor of the London Evening Standard, states that 'around 100,000 U.K. jobs depend on business with South Africa. (101) It needs to be noted that McGrandle links, in an article entitled "Tightening the Noose on South Africa", both the early Carter administration endeavours to use 'some kind of economic action against South Africa' and the 1977 Commonwealth concern at 'Britain's strong investment and trading relationship with the Republic.

The United Kingdom - South Africa Trade Association (UKSATA) which has a membership of more than 300 of the 'largest British companies with interests ranging widely over the whole economic and manufacturing spectrum related to trade with South Africa' cites a South African-produced figure of 70,000 unemployed in the British economy if sanctions against South Africa were instituted. The Association states that 'alternative markets for many of these exports (i.e. exports to South Africa) are simply not available. (102) In expanding on this study, spokesmen inflated the figures somewhat saying that on:

the employment front alone, the loss of South African trade would add anything from 70,000 to 250,000 to the

100. An unsophisticated guide to the 'Input-Output' model which is based on the pioneering work of Wassily W. Leontief is offered in A. Spandau. Economic Boycott Against South Africa: Normative and Factual Issues. Cape Town: Juta, 1979. pp. 187-189. While the reservations expressed about the efficacy of the 'Input-Output' analysis are not of central importance for this study, we should nonetheless accept that the figures used throughout are open to some questioning.


employment list (and added) that the past year had been difficult for British firms involved in South Africa. At various junctures we were all worried about the possibility of trade sanctions or other steps to interfere with the trade links. (103)

John Suckling of the University of York differs with both the figures of McGrandle and UKSATA, although he acknowledges that impact on employment of the South African loss is not easy to estimate. Suckling's study, published in 1975, relies on a British Treasury estimated relationship between employment and unemployment whereby change in unemployment equals -.34. Thereafter:

Simulations on the same model derive the effect of a 2% increase in exports on unemployment, so using the following chain of reasoning:

\[
\begin{align*}
% \text{ change in} & \quad % \text{ change in} & \quad % \text{ change in} \\
\text{exports} & \quad \text{unemployment} & \quad \text{employment}
\end{align*}
\]

We can derive the impact of UK-RSA on employment. Now RSA provides about 3.3% of our manufactured export markets so losing such trade would produce the following effects on employment:

\[
\begin{align*}
\text{unemployment} & \quad 1 \text{ year} & \quad 2 \text{ years} \\
\quad .099 & \quad .149
\end{align*}
\]

i.e. losing 3.3% of our export markets increases unemployment over one year, e.g. from say 5.00% to 5.099%. So on the August 1975 unemployment figure of 4.3% or 1,008,800 then losing the RSA export market would increase unemployment by roughly 23,000 and decrease employment by 68,000 after one year. (These figures only include the loss of employment due to a fall in visible export earnings, estimates for the loss of employment due to lost invisible export earnings are not made). Note the initial impact may well be less than this, as it takes firms time to react to a fall in export demand. Also, should affected firms seek alternative export markets then these estimates will be reduced accordingly...An important theme running through the above analysis is the possibility and speed of substitution into other export markets and alternative sources of imports. (104)


A more recent study by Bailey and Rivers has calculated the unemployment figure in the United Kingdom which would arise from the loss of the South African export market in the following fashion. By using the classification of employment according to the Standard Industrial Category (SIC) they too have relied on a British Treasury model. Export orders to British industry are in accordance with the SIC and they have married the Treasury model to the SIC system. Thus, for example, in the field of mechanical engineering, Bailey and Rivers have calculated that gross output per employee amounts to £11,900. This being so, and all other things being equal, if the £138-million order to South Africa in this sector were 'lost', some 11,600 souls would be rendered jobless. (Under the assumption that no alternative markets for the goods were found.)

Extending their calculations to the whole of the British manufacturing industry, Bailey and Rivers have calculated that 39,000 plus jobs would be rendered redundant and that this figure, on a Treasury-based multiplier index, would rise to 63,000 in the second year; 59,000 in the third year and, thereafter, would fall back to 48,000 in the fourth year. (105)

The political conclusion drawn from these statistics follow from the various positions developed by the scholars engaged in these studies. McGrandle's position is simply to caution the Americans of the importance of the South African nexus to the United Kingdom and to note that:

although the economic net may be tightening around South Africa, it still has powerful cards to play with the West apart from those of family and other ties....Neither the British nor American Governments can ignore the weight of investment they have in South Africa nor, most important of all, the strategic value of the Cape Trade route and the republic's role as the only major provider of some of the key strategic metals and minerals like chrome,
manganese and vanadium which are vital for the West's defence forces. (106)

In this fashion, McGrandle has linked the need for the preservation of the commercial ties with South Africa to the Republic's geographical location and the role played by South Africa as a supplier of minerals to the West.

A similar link is developed in the UKSATA study which stresses the mineral relationship but ignores the Cape Sea route dimension of the position. They conclude by exhorting the need for continued ties, thus:

Britain is a trading nation and our livelihood and prosperity depend on trade. The population of South Africa forecast for the year 2000 is for (sic) 37 million black South Africans, of whom 22 million will probably then be living in urban areas. It has always been essential for investors and exporters to take a long term view, and it is unrealistic therefore to expect British companies to abandon their involvement in such a vast potential market, for political or other reasons, which may not hold good in a few years from now. The Government must consequently be urged to maintain the trade and investment links that exist. (107)

(Emphasis original)

Suckling on the other hand, concludes that:

trade with the RSA is not of major importance to the U.K. Ceasing trade would have minimal effects in aggregate on national income and employment, effects that could easily be offset by appropriate government action. Of course, companies (and their employees) engaged heavily in RSA trade would suffer accordingly as would the sectors in which these companies are based. Conversely, though the analysis is not carried through here, the UK is rather more important to RSA in trade terms, not only as an export market and a source of capital but more as a source of technical and industrial knowledge.. (108)

108. Suckling. The Importance of British-South African Economic Links to the British Economy etc. op.cit. p. 3.
What conclusions can be drawn from the foregoing analysis of the importance of the commercial links with South Africa to the employment situation? Quite clearly, the effects of severing the South African nexus is a matter of concern for both policy-makers and scholars in Britain. Thereafter, the exact magnitude of the figures really becomes a matter for interpretation. Those who wish to argue that the South African nexus is unimportant tend to use figures which support their political positions and the converse situation also operates. Consequently, we must conclude that a rupture of the South African commercial link would affect the employment situation in the United Kingdom and we shall return to this when we assess the importance of South Africa to the United Kingdom in terms of the Keohane and Nye matrix.

The second area which needs close scrutiny with regard to the commercial links between Britain and South Africa is the area of so-called 'invisible earnings'. (109) Again in this case, there has been a tendency to use figures and statistics to support the particular political preferences of the author. The problem with regard to South Africa is complicated by the fact that no official figures exist for invisible trade between the two states.

UKSATA's approach to this problem has been to emphasise the importance of invisible earnings to the British economy by stressing that the U.K.

109. Constitutes an element in the balance of payments which includes a) services in the field of commerce and finance and (b) earnings of British holding of property and enterprises abroad and is measured in terms of the currency - either sterling or other - generated by these enterprises. Because invisible exports tend to exceed in value the services rendered by overseas countries to Britain and the earnings of foreign capital invested in Britain, the net earnings (of invisible trade) contribute to offsetting deficits in visible trade. Hence its importance for the British economy which, throughout the post-War period, has suffered almost endemic balance of payments problems. See, in this regard, A. Gilpin. Dictionary of Economic Terms, 3rd ed. London: Butterworths, 1973. p. 116.
earned 9.5 percent of the world's invisible earnings. (110) This represents 10.4 percent of the Gross Domestic Product (GDP) of the United Kingdom and is the equivalent of £230 per capita. With regard to South Africa, UKSATA argues that:

Since approximately 55 percent of foreign investment in South Africa is British, it is reasonable to assume from South African figures that U.K. gross earnings from South Africa on investment alone in 1976 were about £380m. Alternatively...assuming...from U.K. details (on the basis of U.K. investments in South Africa being about 10% of all U.K. investments overseas) that U.K. investments earnings from South Africa in 1976 would be 10% of...(the total investment, which amounted to)...£372m. In addition, because of the size of the U.K. investment and of U.K./S.A. two-way trade, much of the remaining, i.e. non-investment South African payments would have accrued to the U.K. perhaps gross £526m giving a gross total of £906m....(Moreover)...on this basis, the current total of British 'invisible' earnings for 1978 is estimated to be at least £1,000m gross, which with visible trade currently running at the level of £700m p.a. gross and re-exports at about £300m p.a. would make the total current value of U.K. earnings from trade with South Africa worth about £2,000m p.a. gross, or about 3½% of British total trade. (111)

(Emphasis original)

The introduction and presentation of these figures by UKSATA serves throughout their brief paper to reinforce the overall conclusions that:

British trade with South Africa should continue in the British national interest, and that any other course would be foolhardy, playing into the hands of our trade competitors, many of whom during the past year, far from withdrawing, have been developing their trading links with South Africa. (112)

(Emphasis original)

110. Britain's earnings from 'invisibles':

<table>
<thead>
<tr>
<th>Sector</th>
<th>% of gross receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income</td>
<td>29.0</td>
</tr>
<tr>
<td>Transport</td>
<td>33.2</td>
</tr>
<tr>
<td>Travel</td>
<td>12.4</td>
</tr>
<tr>
<td>Other services (Banking, Insurance etc.)</td>
<td>25.4</td>
</tr>
</tbody>
</table>

See, United Kingdom South Africa Trade Association, op.cit. p. 7.

111. Ibid. pp. 7-8.

112. Ibid. p. 12.
Suckling, on the other hand, tends to downplay the importance of the invisibles to the British economy. He estimates that invisible earnings in the period, 1968 to 1972, averaged £145m. (113) Whilst Bailey and Rivers, in similar vein, set the figure at £292m for 1973, of this they maintain that only £148m was investment income (roughly 8.7 percent of all British investment abroad.) Moreover, they estimate that current figures (i.e. 1979) would be 'about £300m and £150m respectively'. (114) However, these too can be misleading for as Suckling points out that 'roughly 50% of total profits are not repatriated but re-invested in South Africa'. (115)

As in the case of potential unemployment in the United Kingdom arising from the commercial link with South Africa, there seems no absolute way to satisfactorily reconcile these figures, nor, indeed, to satisfactorily assess its full impact on the British economy in the event of severing commercial ties with South Africa. However, despite the unsatisfactory nature of these figures, they can be used in an attempt to assess the importance of the South African nexus to the British economy in terms of the Keohane and Nye matrix.

To recall, the matrix consists of two degrees of economic susceptibility arranged along a linear path. The first, and lesser, level of economic susceptibility is a situation where an economy is deemed to be 'sensitive': wherein an economy is liable to costly effects imposed from the outside before domestic (or other) policies can be introduced to offset the effects of the externally-induced perturbation. The second, and more significant category is where an economy is 'vulnerable', viz. it continues to suffer costs imposed from the outside, even after domestic policies have been

113. Suckling, The Importance of British-South African Trade Links to the British Economy etc. op.cit. p. 1.


115. Suckling, The Importance of British-South African Trade Links to the British Economy etc. op.cit. p. 1.
introduced to change the situation. (116)

The post-War structural problems of the British economy have been the subject of a plethora of pressures over the past two decades and do not form a central part of this study. We need, however, to note that the British economy has suffered from a chronic balance of payments problem which has, especially in recent years, been linked to both endemic unemployment and inflation. These factors have made the British economy amongst the weakest in the industrialised world, a situation which is considerably complicated by two factors: first, that Britain is essentially a trading and processing nation with very little natural resources of her own; secondly, that a significant amount of British trade and investment is tied to her traditional commercial relationship with the Republic of South Africa.

British economic manoeuvrability in respect of her political options is clearly circumscribed by the extent of her involvement in the Republic which has been demonstrated in this section. She obviously has considerably less flexibility in her South African relationship than does, say, the United States. (117) Over the longer term, the increased export trade with the states of Black Africa suggests that Britain may have to take seriously, threats by these states that the United Kingdom will have to choose between her trade links with South Africa and trade links with Black Africa. The choice is an agonising one since the continued economic impoverishment of the states of Africa hardly offer British business riches mirabile visu when weighed against profit margins in the South African economy which is, at the time of writing, considerably bouyed by the rise in the price of gold.

British response to the increasing pressure to disengage from South Africa was to initiate the British Code of Practice for British companies operating in South Africa in 1974. The Code sought the need for a commitment to 'good employment practices' by British companies operating in the Republic. This Code was the forerunner of the EC Code of Conduct which the British introduced to the EC in 1976. (118)

In terms of the Keohane and Nye matrix, the economy of the United Kingdom must be seen to be 'sensitive' to any extraneous pressures placed on it as a result of the South African investment and trading tie. Such 'sensitivity' has been recognised by British Parliamentarians who, depending on their persuasion over the best course to take in South Africa, i.e. either reformist or disinvestment have urged the adoption of one policy or another. The categorisation of 'sensitivity' depends, however, on the operation of the ceteris paribus clause because any further domestically or internationally induced setbacks for the British may move this categorisation to the 'vulnerable'. If this were to happen, then no corrective measures inside in the United Kingdom could offset the economic setbacks which the British would face over the loss of the South African nexus.

One further point of a theoretical nature is in order here. Britain's economic links with South Africa are primarily the result of her early imperial links to South Africa. It was, therefore, in this early period that the fundamental economic bargain between the two states was struck: the bargain was, moreover, only secondarily concerned with the political

framework within which it was located. (In any case, in those earlier
times, the political bargain rested on Britain's political power which
held (almost) complete political sway throughout the southern African
region.) In subsequent periods, notwithstanding the unfavourable
circumstances which have accompanied South Africa's growing international
political opprobrium, the British have retained the commercial links
relatively in situ providing ample proof of Susan Strange's assertion that
in the multiple bargaining indicies between international politics and inter­
national economics, the economic bargain is the primary one which rests in
a political setting. (119) In other words, the nature of the international
bargain between the United Kingdom and South Africa has not, despite growing
pressures over the past three decades, changed from colonial times. It is
this situation which makes the British more susceptible to pressure on
South Africa than her Atlantic partners.

5.6 West German Economic Involvement in South Africa.

5.6.1 The Investment Dimension.

Much of the energy of post-War German foreign policy has focussed on
a triad of issues which were the direct result of the War itself. Two of
these issues relate in a composite fashion to German domestic policies:
first, the issue of the division of Germany into two halves as a result of
the post-War settlements and German policy-makers have devoted considerable
attention to defining and developing a set of responses to this balkaniz­
ation. The second, domestically-oriented foreign policy issue, has been
the necessity to re-develop and reconstruct the German economy in the
aftermath of the events of 1939 to 1945. This endeavour of the West
German people has been, understandably, described as a 'wirtschaftswunder'

because on the ruins of the Second World War, the economy of West Germany has emerged as the strongest in Europe - possibly, the strongest in the Western world.

The third significant West German foreign policy issue has been the active participation of West Germany in the efforts to achieve European integration which found their most significant expression in the 1957 Treaty of Rome. As a leading partner in this movement, the Bonn government has sought to contribute to the peace process not only in Europe itself, but throughout the globe. While this triad of foreign policy issues have provided the anchor goals of German post-War foreign policy, they have cumulatively contributed to West Germany's emergence as an important partner in NATO and, through her economic power, the broader Atlantic Community.

It may be argued that because of Germany's preoccupation with the European/Atlantic international efforts at post-War reconstruction, that Bonn's interest in, or concern with, wider international problems has weakened the commitment of the West German government to broader international issues, including the problems of southern Africa. This is not the case for, particularly since the onset of the 1970s and West Germany's entry into the United Nations, the Bonn government has devoted attention to the development of links with Black Africa and to assisting in the resolution of incipient racial conflict in South Africa. (120)

The concern of the Bonn government with the problems of southern Africa arises from two factors: history and economics. Possibly a third factor also operates, namely political considerations over the unsatisfactory circumstances of the region which represent a threat to world peace.

The historical links between Germany and southern Africa arose in the latter colonial period and focussed essentially on the Kaiser's efforts to establish a colonial appendix in the region. These efforts led to the establishment of German South West Africa and gave the Kaiser's government (and subsequent German governments) an interest in the political fortunes of the southern African region. While the problems of other German colonies in Africa were successfully managed and resolved in the aftermath of the German defeat in 1918, the issue of South West Africa has remained at the forefront of international attention since the Second World War, (121) and this attention has ipso facto increased West German interest in southern Africa. Moreover, the nub of the international conflict over that former German colony is a dispute between South Africa and the broader international community and this increases German interest in South Africa itself.

The second area of concern in Bonn's relationship with South Africa arises from her economic links to the Republic. While some German firms have ties with South Africa which date back to the late-Nineteenth Century, (122) the greater penetration of West German commercial links in South Africa is of more recent origin, particularly the period since the War. Trade between the two countries has been fostered by institutions which have been especially

121. The early history of German South West Africa is obviously complicated and has been variously documented and commented upon. However, the most comprehensive brief guide is to be found in J.H. Wellington. South West Africa and its Human Issues. London: Oxford University Press, 1967, particularly pp. 158-254.

122. The electronics company of Siemens installed the first telegraph line between Cape Town and Simonstown in 1860 and the first motor car ever imported into South Africa was Mercedes Benz. See, R. Hayes, ed. South Africa. Thomson Industrial Survey, Johannesburg, November 1978.
concerned to promote commercial links between the two countries. Chief of these is the German-South African Chamber of Trade which was established in 1952 and grew out of a German-South African Import and Export Society established four years earlier. The aims of the Chamber are trade promotion between the two countries and the fostering of investment. The Chamber sees its role as primarily:

...trade-cum-political support...which includes inter alia, information and advice to government departments and industry in both countries... (123)

Table 40 sets out the pattern of West German investment in South Africa over the period, 1961 to 1977. It will be noted that the percentage increase through the period has been high, although the percentage of West German investment elsewhere, is relatively small.

TABLE 40.

West Germany Direct Investment in South Africa

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount D.M.-million</th>
<th>Growth %</th>
<th>Percentage of World Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>80.1</td>
<td>5.9</td>
<td>2.08</td>
</tr>
<tr>
<td>1965</td>
<td>85.9</td>
<td>11.9</td>
<td>1.03</td>
</tr>
<tr>
<td>1966</td>
<td>107.1</td>
<td>12.3</td>
<td>1.07</td>
</tr>
<tr>
<td>1967</td>
<td>120.3</td>
<td>24.6</td>
<td>0.99</td>
</tr>
<tr>
<td>1968</td>
<td>132.1</td>
<td>9.8</td>
<td>0.92</td>
</tr>
<tr>
<td>1969</td>
<td>154.4</td>
<td>16.8</td>
<td>0.87</td>
</tr>
<tr>
<td>1970</td>
<td>187.9</td>
<td>21.7</td>
<td>0.89</td>
</tr>
<tr>
<td>1971</td>
<td>241.7</td>
<td>28.6</td>
<td>1.01</td>
</tr>
<tr>
<td>1972</td>
<td>270.5</td>
<td>13.7</td>
<td>1.01</td>
</tr>
<tr>
<td>1973</td>
<td>307.8</td>
<td>13.7</td>
<td>1.37</td>
</tr>
<tr>
<td>1974</td>
<td>419.0</td>
<td>36.1</td>
<td>1.52</td>
</tr>
<tr>
<td>1975</td>
<td>538.2</td>
<td>28.4</td>
<td>1.52</td>
</tr>
<tr>
<td>1976</td>
<td>576.2</td>
<td>7.1</td>
<td>1.34</td>
</tr>
<tr>
<td>1977</td>
<td>627.3</td>
<td>8.9</td>
<td>1.36</td>
</tr>
</tbody>
</table>


123. South Africa-German Chamber of Trade and Industry. Services Provided by the South Africa-German Chamber of Trade and Industry. (Brochure) Johannesburg: The Chamber, [n.d.] p. 3.
While it is difficult to relate these figures to German investment in sectors of the South African economy, a publication of the South African-German Chamber of Trade and Industry notes that:

(there are more than 450 German orientated manufacturers, sales organisations and service concerns which have established themselves in South Africa covering the full range of products in machinery and plant industry, iron and metal industry, electrical industry, chemical, plastics and pharmaceutical industry, motor cars, textiles and leather, mining, etc. Just to name a few of the better known investors in alphabetical order: AEG-Telefunken, BASF, BMW, Demag, Hoechst, Kloeckner, Mercedes, Siemens, Thyssen, Volkswagen and, of course, many others. (124)

It can be assumed, however, that German investment in South Africa is highly concentrated in the manufacturing and service sectors of the South African economy: with little, if any, investment in the extractive industries, i.e. mining or agriculture.

These general observations are confirmed by viewing the investment statistics of the late-1960s and early-1970s. These are set out in Tables 41 and 42.

**TABLE 41.**

German Capital Investment in South Africa: By Chief Sectors.

<table>
<thead>
<tr>
<th>Sector</th>
<th>1968</th>
<th>1969</th>
<th>1970</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Public sector</td>
<td>30.4</td>
<td>26.6</td>
<td>27.7</td>
</tr>
<tr>
<td>Private sector:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mining</td>
<td>4.5</td>
<td>2.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Industrial</td>
<td>40.0</td>
<td>42.1</td>
<td>40.9</td>
</tr>
<tr>
<td>Wholesale/</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>4.5</td>
<td>5.7</td>
<td>7.1</td>
</tr>
<tr>
<td>Others</td>
<td>20.6</td>
<td>22.9</td>
<td>22.7</td>
</tr>
</tbody>
</table>


### TABLE 42.

German Capital Investment in South Africa's Industrial Sector

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical Industry</td>
<td>15.4</td>
<td>13.7</td>
<td>22.0</td>
<td>25.6</td>
<td>22.8</td>
</tr>
<tr>
<td>Heavy Machinery</td>
<td>13.5</td>
<td>18.0</td>
<td>15.8</td>
<td>12.4</td>
<td>12.7</td>
</tr>
<tr>
<td>Motor Industry</td>
<td>12.3</td>
<td>11.5</td>
<td>11.0</td>
<td>16.0</td>
<td>15.7</td>
</tr>
<tr>
<td>Electronics Industry</td>
<td>10.4</td>
<td>8.9</td>
<td>10.6</td>
<td>9.4</td>
<td>8.8</td>
</tr>
<tr>
<td>Iron/Steel Industry</td>
<td>12.8</td>
<td>11.6</td>
<td>-</td>
<td>-</td>
<td>6.7</td>
</tr>
<tr>
<td>Metal Industry</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4.1</td>
</tr>
</tbody>
</table>


#### 5.6.2 The Trade Dimension.

West German trade with South Africa has grown steadily during the post-War period to reach a composite figure of D.M. 5,537.5-million in 1978. This figure represents an increase of 90.6 percent in the twenty years since 1958. Presently, the Federal Republic of Germany ranks in the top three of South Africa's trading partners. (The others are the United States and Great Britain.) In 1978, for example, 20.3 percent of South Africa's imports came from the Federal Republic while 9.2 percent of her exports (excluding gold) went to the Federal Republic. (125)

Table 43 sets out the pattern of West German-South African trade in the five-year period, 1972-1977. It will be noticed that throughout the period, the trade balance favoured Bonn and that exports to South Africa increased in the period.

While West German trade with South Africa is important from Pretoria's point of view (it ranks, as we have noted, in the first three), the reverse situation is not the case. As Table 44 indicates, South Africa ranked only seventeenth in West Germany's export market in 1975/76. On the import side

---

### TABLE 43.

**West German-South African Trade, 1972-1977**  
(R-millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>S.A. Imports</th>
<th>S.A. Exports</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>132.7</td>
<td>411.1</td>
<td>+278.4</td>
</tr>
<tr>
<td>1973</td>
<td>189.7</td>
<td>607.1</td>
<td>+417.4</td>
</tr>
<tr>
<td>1974</td>
<td>337.6</td>
<td>925.0</td>
<td>+589.4</td>
</tr>
<tr>
<td>1975</td>
<td>455.1</td>
<td>1,033.8</td>
<td>+578.7</td>
</tr>
<tr>
<td>1976</td>
<td>489.7</td>
<td>1,057.6</td>
<td>+567.9</td>
</tr>
<tr>
<td>1977</td>
<td>529.4</td>
<td>930.2</td>
<td>+400.8</td>
</tr>
</tbody>
</table>

Source: J. Matthews. "South Africa's External Economic Relations".  

### TABLE 44.

**West German Exports to Leading Trade Partners, Ranking on Export Values 1976.**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>1976 D.M.-million</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>France</td>
<td>33,629</td>
<td>13.1</td>
</tr>
<tr>
<td>2</td>
<td>Netherlands</td>
<td>24,845</td>
<td>9.7</td>
</tr>
<tr>
<td>3</td>
<td>Benelux</td>
<td>20,197</td>
<td>7.9</td>
</tr>
<tr>
<td>4</td>
<td>Italy</td>
<td>18,998</td>
<td>7.4</td>
</tr>
<tr>
<td>5</td>
<td>United States</td>
<td>14,413</td>
<td>5.6</td>
</tr>
<tr>
<td>6</td>
<td>Austria</td>
<td>12,492</td>
<td>4.9</td>
</tr>
<tr>
<td>7</td>
<td>Great Britain</td>
<td>12,187</td>
<td>4.8</td>
</tr>
<tr>
<td>8</td>
<td>Switzerland</td>
<td>11,404</td>
<td>4.5</td>
</tr>
<tr>
<td>9</td>
<td>Sweden</td>
<td>9,028</td>
<td>3.5</td>
</tr>
<tr>
<td>10</td>
<td>Soviet Union</td>
<td>6,755</td>
<td>2.6</td>
</tr>
<tr>
<td>11</td>
<td>Denmark</td>
<td>6,646</td>
<td>2.6</td>
</tr>
<tr>
<td>12</td>
<td>Iran</td>
<td>5,758</td>
<td>2.2</td>
</tr>
<tr>
<td>13</td>
<td>Spain</td>
<td>4,336</td>
<td>1.7</td>
</tr>
<tr>
<td>14</td>
<td>Yugoslavia</td>
<td>3,961</td>
<td>1.5</td>
</tr>
<tr>
<td>15</td>
<td>Norway</td>
<td>3,956</td>
<td>1.5</td>
</tr>
<tr>
<td>16</td>
<td>Poland</td>
<td>3,219</td>
<td>1.3</td>
</tr>
<tr>
<td>17</td>
<td>South Africa</td>
<td>3,149</td>
<td>1.2</td>
</tr>
<tr>
<td>18</td>
<td>Saudi Arabia</td>
<td>2,983</td>
<td>1.2</td>
</tr>
<tr>
<td>19</td>
<td>Japan</td>
<td>2,797</td>
<td>1.1</td>
</tr>
<tr>
<td>20</td>
<td>Brazil</td>
<td>2,737</td>
<td>1.1</td>
</tr>
</tbody>
</table>


In 1976, less than 1.0 percent of West German imports came from the Republic.
The nature of the trade relationship between West Germany and South Africa displays the conventional trade pattern between an industrialised country and a semi-developed economy. South Africa sells raw and semi-processed materials to West Germany and imports processed goods. The pattern of this relationship is set out in Table 45.

**TABLE 45.**

West German-South African Trade, 1976.

<table>
<thead>
<tr>
<th>Major Products, Percentage Terms (Classification by the Brussels Tariff Nomenclature.)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Products</strong></td>
</tr>
<tr>
<td>----------------</td>
</tr>
<tr>
<td>1. Animals and animal products</td>
</tr>
<tr>
<td>2. Vegetable products</td>
</tr>
<tr>
<td>3. Animal and vegetable oils and fats</td>
</tr>
<tr>
<td>4. Prepared foodstuffs</td>
</tr>
<tr>
<td>5. Mineral Products</td>
</tr>
<tr>
<td>6. Chemical and allied products</td>
</tr>
<tr>
<td>7. Plastics, resins and rubber products</td>
</tr>
<tr>
<td>8. Hides, skins and leather</td>
</tr>
<tr>
<td>9. Wood and wood products</td>
</tr>
<tr>
<td>10. Pulp, paper and paperboard</td>
</tr>
<tr>
<td>11. Textiles</td>
</tr>
<tr>
<td>12. Footwear and millinery</td>
</tr>
<tr>
<td>13. Non-metallic mineral products</td>
</tr>
<tr>
<td>14. Gems and Jewellery</td>
</tr>
<tr>
<td>15. Base metals and metal products</td>
</tr>
<tr>
<td>16. Machinery</td>
</tr>
<tr>
<td>17. Vehicles and transport equipment</td>
</tr>
<tr>
<td>18. Optical and other instruments</td>
</tr>
<tr>
<td>19. Miscellaneous manufactured products</td>
</tr>
<tr>
<td>20. Works of Art</td>
</tr>
<tr>
<td>21. Unclassified</td>
</tr>
</tbody>
</table>


The table confirms South Africa's high imports of machinery and transport equipment from the Federal Republic and demonstrates that the Federal Republic purchases mineral products, gems and jewellery and base metals from South Africa. The trade balance, as indicated in Table 43,
is markedly in favour of West Germany, although the changing nature of
the import-export equation with regard to South Africa was subject to
some fairly wide fluctuations in the 1970s. (126) One explanation may
be the steadily increasing value of the German Mark as against the erratic
performance of the South African Rand in the same period.

Like Britain and the United States, pressure on Bonn to dis­
affiliate themselves from their commercial ties with South Africa have
come from a mix of domestic and foreign sources. The cumulative impact
of these pressures has, however, not been sufficient to initiate a serious
contemplation for withdrawal of German commercial ties with the Republic,
but have pushed the Bonn government into acceding to the EC Code of
Conduct for firms operating in South Africa. Thus the Bonn Government
has aligned itself with the reformist position.

The domestic pressures against Bonn's commercial ties with South
Africa have arisen both within the parliamentary political process and
through extra-parliamentary pressure groups. While the question of South
Africa (and the trade and investment links) is not an important one in
German party politics, the governing Social Democratic Party appears at
odds with its chief Christian Democratic opposition on some facets of

Change Over Previous Year.

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports from South Africa</th>
<th>Exports to South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>+31.8</td>
<td>+11.8</td>
</tr>
<tr>
<td>1976</td>
<td>+10.0</td>
<td>+ 2.3</td>
</tr>
<tr>
<td>1977</td>
<td>+ 8.1</td>
<td>-12.0</td>
</tr>
<tr>
<td>1978</td>
<td>+26.0</td>
<td>+37.1</td>
</tr>
<tr>
<td>1979</td>
<td>+ 8.8</td>
<td>+ 8.3</td>
</tr>
</tbody>
</table>

Source: South Africa–German Chamber of Trade and Industry.
Annual Report, 1979. p. 34.
West German-South African relations. (127) But such developments must however, be seen as peripheral to the political process in the Federal Republic itself.

Outside of the formal party process, the South African links have been subjected to close scrutiny by church interests, trade unions and other anti-South African lobbyists. In the case of the German churches their interest arises from their concern with aspects of social justice within South Africa and their power rests in their wealth. Both the Catholic and Lutheran denominations have been fairly active in promoting and supporting affiliate churches in South Africa and, simultaneously, have been active in lobbying the Bonn government. The German Trade Unions have also been actively interested in problems of social justice in South Africa and have both sent delegations to review the circumstances in South Africa and released reports on the labour situation. A report released in October 1979, for example, criticised several leading German companies in South Africa for continuing to practice racial discrimination in their South African operations. (128) On the whole, however, whilst the trade unions and the churches have been active in the continuing debate on South Africa, they appear to have had little real impact on the commercial ties between the two states and, despite this interest, the commercial links between the two states have increased. (129)

Politically far more effective in the relations between them has been pressure which has arisen as a result of alleged nuclear collaboration between the two states. In late-October 1975, the African National

127. In this regard, see for example, "Bonn Opposition in Recognition Call". Post, Johannesburg, 26 April 1979.
Congress (banned in South Africa) revealed a series of documents (possibly purloined from the South African Embassy in Cologne) which indicated that there has been some collaboration between Bonn and Pretoria in the field of nuclear expertise. Both governments were at pains to deny any corroboration, although the German government did indicate that they had purchased uranium from South Africa, although not enriched uranium. (130)

In a sense, these allegations can be seen as a turning point in the political relations between the two states, although the Bonn government did host two meetings between the South African Prime Minister and the U.S. Secretary of State two years later. However, the nuclear allegations witnessed perhaps a weakening of the political relations between the two states - although, as we have noted, the commercial ties between the two countries were, if anything, strengthened.

5.6.3 An Assessment.

Like Britain, the West German government is under some pressure to review their commercial links with South Africa against the actual and potential commercial ties with the rest of Africa. West German investment in Black Africa, unlike that of the British, tends to be far more significant than her investments in South Africa. This is shown in Table 46.

### Table 46.

West German Investments in Africa and South Africa.  
(in $-millions and percentage of world total)

<table>
<thead>
<tr>
<th>Year</th>
<th>Africa</th>
<th>%</th>
<th>South Africa</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1968</td>
<td>182</td>
<td>5.1</td>
<td>33</td>
<td>0.9</td>
</tr>
<tr>
<td>1971</td>
<td>353</td>
<td>5.2</td>
<td>69</td>
<td>1.0</td>
</tr>
<tr>
<td>1974</td>
<td>705</td>
<td>4.9</td>
<td>162</td>
<td>1.1</td>
</tr>
</tbody>
</table>


130. "No SA-West German Atomic Pact". The Star, Johannesburg, 8 October 1975

The entire story relating to this issue is told in Z. Cervenka and B. Rogers. The Nuclear Axis: Secret Collaboration between West Germany
The table reveals that West German investments in Black Africa are higher than those in South Africa, although they declined over the period under review. On the other hand, whilst West German investments in South Africa were lower than those in the rest of Africa, they increased somewhat during the period, 1968-1974. Of course, a complicating factor in the three-cornered relationship is that the Bonn government is, through its membership of the European Community, a partner to the Lomé Convention and that under the provisions of Lomé I and II some West German investment in Africa is disguised through that multilateral link.

The Lomé relationship may also complicate West Germany’s trade links with South Africa. As will be noted from Table 47, in 1975 West Germany exported 63 percent more goods to the rest of Africa than it did to South Africa; and imported 81 percent more goods from Black Africa than from South Africa. Moreover, whilst the relative import figure from Africa declined in the period 1966 to 1975 (some 2.9 percent), exports to Africa rose by 46.4 percent - compared to an export figure increase to South Africa of 25 percent and an increase in imports of 9 percent.

TABLE 47.

<table>
<thead>
<tr>
<th></th>
<th>1966</th>
<th>1975</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports to South Africa</td>
<td>1.2</td>
<td>1.5</td>
<td>+25</td>
</tr>
<tr>
<td>Imports from South Africa</td>
<td>1.1</td>
<td>1.2</td>
<td>+9</td>
</tr>
<tr>
<td>Exports to Africa</td>
<td>2.8</td>
<td>4.1</td>
<td>+46.4</td>
</tr>
<tr>
<td>Imports from Africa</td>
<td>6.8</td>
<td>6.6</td>
<td>-2.9</td>
</tr>
</tbody>
</table>


Throughout most of the 1970s, West German trade with Nigeria was higher than its trade with South Africa, although in 1978, South Africa overtook Nigeria in German exports. (131) In the same year, West Germany became South Africa's largest import partner. There is scant evidence that the West German government has been subjected to the same kinds of direct pressure from Black Africa as have the British over their commercial ties with South Africa. Although, in a veiled fashion, President Julius Nyerere of Tanzania in a speech in Godesburg during a State visit to West Germany expressed the hope that:

(the people of Western Europe would) refrain from giving military or economic support to the minority regime in Salisbury, or to the South African government. (132)

While the West German government has attempted, as far as possible, to keep their economic and political links with South Africa divorced, they have made some tentative moves to restrict commercial involvement with Pretoria. In the spirit of the EC Code of Conduct on business in South Africa, Bonn has made any Hermes (the West German export guarantee facility) conditional on a statement that the provisions of the EC Code will be adhered to. The response of German business to this has been interesting since they believe that, the Hermes condition, puts them at a competitive disadvantage vis-a-vis their European Community partners. (133)

This attempt by the Bonn government should, however, be seen as largely symbolic and of very little real substance to the totality of the commercial links with South Africa and needs to be contrasted to the growing trade and investment links between the two countries and the fact that German banks provide a substantial proportion of South African private and

public loans. (134)

Various estimates have been made regarding the impact which sanctions against South Africa would have on the German employment statistics, but these appear to be even more crude and unsophisticated than those done on the comparative British statistics. One, from a spokesman of the South African-German Chamber of Trade and Industry puts the figure at between 70,000 and 100,000 jobs if the trade link was severed. (135)

It might be argued that West German commercial relations with South Africa are less important to the Bonn government as a result of the fairly recent history: they have in fact only existed in any substantial form since the early 1950s. However, since that time, and particularly between the mid-1960s and the mid-1970s, their increase has been spectacular. Moreover, the Bonn government has been unsuccessful in separating the economic and political aspects of their ties with Pretoria. Following the nuclear revelations, there has been a greater sensitivity to, especially their political ties, with South Africa. The Hermes condition, moreover, indicates that Bonn is acutely aware of the problems inherent in trying to divorce the political from the economic in the case of South Africa.

If looked at purely from an economic standpoint, there is little doubt that, as Jack Spence has concluded, '(to a certain extent France and Germany) have more room for manoeuvre in their economic policies towards

134. The complex issues relating to loans to South Africa from Germany have not been taken up for two reasons. First, in their overall setting they do not affect the intrinsic financial ties between the two states since, as yet, South Africa has not defaulted on a foreign loan and, secondly, it is very difficult to get any concrete evidence on the subject. There is some discussion on these matters in R. Rode. Die Sudafrikapolitik der Bundesrepublik Deutschland, op.cit. pp. 141 and 143; and "Dresner Bank's Message: No Easy Loans for South Africa". Sunday Times, Johannesburg, 29 August 1976. Special Survey. p. 3.

135. See, for example, Financial Mail, op.cit. 2 March 1979. However the spokesman, when questioned by this writer, admitted that he had no scientific basis for the figures.
South Africa than has Britain', (136) but Bonn's flexibility in this regard is not as large as that of Washington. Measured on the Keohane and Nye matrix our conclusion must be that, with regard to trade and investment, the West German economy is 'sensitive' to perturbations which might arise as a result of a possible severing of the South African nexus. The considerable resources of the West German economy could well be brought into play to offset any long-term problems which Bonn might suffer and, this being so, there appears to be no reason to believe that the West German economy is 'vulnerable' to a severing of the South African tie.

More interestingly, in terms of Susan Strange's observation on the link between international economics and international politics, is the fact that, although West Germany's economic bargain with South Africa was struck wholly in the post-War period, a period in which South Africa was facing increasing political pressure, the economic bargain still has precedence over the political framework in which it was struck. In attempting to put pressure on West German firms conducting commercial links with South Africa, the low-key approach of the policies thus far adopted, indicate the precedent which Bonn gives to the economic dimension.

For West Germany, as for the United States and Britain, irrespective of the susceptibility of their economies to the South African nexus, the economic nature of their ties with South Africa dominate the political framework within which that economic bargain was reached.

5.7 Trade and Investment: Fissiparous Pressure between Allies.

A central theme of this study holds that the incipient racial crisis in South Africa has the potential for generating fracture between partners in the Atlantic Community. Such fracture, it is held, will occur as a result of differing national interests in South Africa in the supply of

non-fuel minerals and with regard to trade with, and investment in, South Africa.

In terms of the analysis used in this chapter, three distinct conclusions can be drawn with regard to the individual countries we have examined. By using the Keohane and Nye matrix of economic 'sensitivity' and economic 'vulnerability', the United States economy, with its low-level of economic involvement in South Africa, is neither 'sensitive' nor 'vulnerable' to disruptions which might occur as a result of economic sanctions imposed on South Africa. It is important to note, however, that this conclusion holds only for the bilateral setting of the relationship. On the other hand, using the same analytical framework, it appears that both the economies of West Germany and Britain are sensitive to possible perturbations of the commercial link with South Africa. However, in the case of these two countries, the relative strength of the West German economy means that such sensitivity may only be of a short-term duration and, this being so, that the mobilization of the considerable resources of the West German economy may overcome the effects imposed on it. The British economy is 'sensitive' to a loss of the South African commercial nexus and the endemic weakness thereof, may be unable to offset the negative effects imposed on it and, this being so, it can well be classified as 'vulnerable' to the negative effects imposed on it as a result of the loss of the South African link. Again, in the case of both West Germany and Britain, these observations hold true in the bilateral settings.

Secondly, the various policy stances of these three countries towards their commercial links with South Africa conform, in a loose fashion, to the assessments which have been made of their bilateral susceptibility to economic links with South Africa. In the United States, the policy has been one of 'not encouraging, nor discouraging' trade and investment links with South Africa and the withdrawal, in policy terms, of Import/Export bank guarantees for trade with South Africa. In addition, as we noted, U.S. government statements on the issue have moved from neutrality to muted
hostility.

This needs to be contrasted with the stance of the German government which is supportive of the EC Code of Conduct on business operating in South Africa and has linked any guarantees under the Hermes system to conformity with the letter and spirit of the Code. In this fashion, although wishing to divorce business and politics, the Bonn government has, nonetheless, recognised that in the South African setting, this is probably impossible. In other words, they have indicated their willingness to distance themselves from South Africa politically, have made the necessary symbolic gestures to this end, but retain their level of economic involvement in South Africa.

For Whitehall the problem is, as we have noted, far more acute and whilst, particularly Labour governments, have urged a restructuring of their external economic relations away from South Africa, no substantive measures have been taken to achieve this end. The one instrument which the British have proposed (and which has been transmitted to its EC partners) is the Code of Conduct, but this (essentially blunt) instrument should perhaps best be seen as a shield to protect the existing commercial ties with South Africa.

Thirdly, again confined to the level of bilateral links, all these countries have sought to pursue the 'reform by growth' strategy with regard to South Africa: although, as we have noted, the implementation of this approach has differed from country to country. In this fashion, they have eschewed, unlike for example the Swedish or the Danish, the withdrawal option. Quite clearly, the motives for eschewing the withdrawal option differ - for the British, pure economic survival; for the Germans, a mix of economic expediency and political interest and; for the Americans, arguably, calculations based on their position as a superpower.
A different set of observations present themselves if we consider the interpenetration of the economies of the Atlantic Community and the effects of a severing of the South African commercial link thereon. Here, the Keohane and Nye matrix presents new permutations. Firstly, the relative weakness of the British economy gives cause for concern both to the United States and to West Germany. This being so, both the U.S. and West Germany may become 'sensitive' to a loss of the South African economic tie because of British 'vulnerability'. The outcome of a scenario for the Atlantic Community based on the loss of the South African commercial nexus, rests on the capacity (or ability) of Bonn and Washington to give support to Britain and this itself obviously hinges on the prevailing international economic circumstances.

It may, however, be that awareness of the delicate economic interdependence between the member nations of the Atlantic Community has prevented, particularly the United States, from taking a more rigid posture towards South Africa and the question of commercial ties with Pretoria. It is in these multilateral assessments of the susceptibility of Atlantic economies to pressure over their ties with South Africa, that Atlantic co-operation is most acutely affected because as we have noted, friction in this field may spill over into co-operation in other areas, particularly the security field. For example, if Britain were placed under pressure over their economic ties with South Africa, could they afford to maintain their defence forces at sufficient strength or might they have to renege defence undertakings on, say, the Rhine?

A further observation which can be made with regard to the multilateral dimension of the Atlantic Community's link with South Africa concerns the fact that, as yet, they have not attempted to pool the approach to the issue. Whereas, it is true that the British Code of Conduct has been translated into an EC Code of Conduct, the Americans have adopted a
different route with the same objectives, the Sullivan Principles. Although the ethos of the two strategies are similar, there is no evidence that the Atlantic nations contrived that this should be so. In their implementation, Atlantic nations have eschewed the option, to put pressure on South Africa as a bloc and to pool the joint resources of their governments behind this endeavour. A possible explanation for this lies simply in the fact that, intra-Atlantic co-operation in these matters is not yet sophisticated enough to take account of such developments. In other words, that no mechanism exists for such consultation to take place. A more probable explanation is the knowledge that, in every sense, the EC and the United States are trade rivals in South Africa which makes the prospects for such co-operation remote. In either or both circumstances, a singular lack of joint thinking on the issue is detectable.

More successfully the Atlantic nations, especially those considered in this chapter, have resisted United Nations pressure to move towards the implementation of a trade and investment boycott under Chapter Seven of the Charter. In so doing, they have publically demonstrated their multi-lateral alignment with the 'reformist' approach. The efficacy of this position is, however, rapidly in the process of erosion since the implementation of a United Nations arms embargo under the general provisions of Chapter Seven of the Charter in 1977, which has indicated that, because of United Nations pressure, the Atlantic nations may be willing, should the situation in South Africa deteriorate further, to move to a form of limited trade and investment boycott against Pretoria.

However, a move in this direction will rupture the free trade basis upon which the post-War settlements rested, despite the fact that the sanctions instrument - although contrary to the spirit of the Cobdenite philosophy which swayed the Atlantic allies in the post-War period - remains the chief, instrument of punishing recalcitrant states. This is a complex issue since, at its
kernel, it carries a contrary interpretation of the role of economic forces in the pursuit of peace and this is the view of Third World countries. Here, the overwhelming belief, both in theory and practice, is that free trade and economic access discriminate against them and has led to calls for a new international economic order. Implicit in this notion is the understanding that trade restrictions are a means of achieving this goal.

This issue is obviously related to the nature in which International Relations and International Economics converge. If Susan Strange's thesis is correct that the economic bargain is struck independently of the political framework and that the latter is only the secondary consideration then the position of the Atlantic partners with regard to free trade and access as instruments of peace is still acceptable. If, however, an alternative interpretation is prevalent amongst Third World countries then the situation may well be reversed with the political framework in ascendancy to the economic. If this is the future trend then the Atlantic nations will have to reconsider both the philosophies which guide their involvement in South Africa and the hopes for change presented by the 'reformist' position.

It may be that the nascent pressure exerted on, particularly, the British by the Nigerians is the beginnings of this switch in roles and that, as African markets become more sophisticated, the either/or choice will become more tenable. South Africa will under these circumstances come increasingly under international scrutiny and the severing of commercial links with Pretoria, in the face of no domestic political reform, will be a matter of course. No longer in a position to resist African, Third World and United Nations pressure, irrespective of their economic ties with South Africa, the Atlantic nations will be forced to be a party to limited international sanctions against South Africa.

The 'reformist' position so carefully nurtured by the Codes of Conduct
will have been accepted by the international community as fraudulent and
misdirected, politics will have replaced economics as the prime factor in
international relations and the Atlantic nations will be under pressure
to readjust to the changing circumstances. It is essentially this
situation which, until this time, the Atlantic partners have been at pains
to avoid.

In a neglected essay, Robert K. Olson recalls two closely linked themes
of modern history, first that:

(t)he divisive effect of the Third World, whether as
colonies or independent countries, is one of the oldest
themes of modern history now seemingly forgotten;

secondly, that:

(p)ost-war relations between the United States and
Europe have been their unhappiest where the Third
World and decolonisation has been concerned, the old
divisive influence asserting itself with renewed vigor.
So while Europe and the United States remain allied in
defense, conflicts emerging from the decolonisation
process - abetted by the Soviet Union - made the Atlantic
Alliance anything but a love affair.

And, Olson concludes that:

The power to divide...concerns us most for there
are good reasons to believe that the Western Alliance
has more to fear from divisive pressures than from
Soviet aggression in Europe. (137)

Strictly speaking, South Africa is not a problem of colonisation,
although it has become a Third World problem. The mix of economic
interests by the Atlantic partners we have examined in South Africa and
the unco-ordinated approach taken to manage the incipient South African
problem conjures up an impression that the potential for fracture over
South Africa are more real than potential for the Atlantic partners.

137. R.K. Olson. "Third World: Ally or Enemy?" The Atlantic
Community Quarterly, vol. 17, no. 2, Summer, 1979, passim,
pp. 201-216.
'Western principle in Southern Africa is vital, for the West's own sake. This has little to do with whether or not our own 'kith or kin' find a way of living in peace with Africans, or even with whether or not the seas around the Cape of Good Hope become a pond for the Soviet Navy. The really important matter at stake is one of political morality - and the fact that this has to be mentioned with a fumbling apology or even a slight blush is in itself evidence of the fundamental weakness of the West in standing up to forces whose motive power is a burning ideology (or Czarist ideology.)....For Britain, America and other Western countries will have to make several decisions about Southern Africa....It is no use pretending that there is an easy answer to any of these questions; this is all the more reason why the British and U.S. Governments should begin to prepare public opinion for them now....

Joe Rogaly.
6.1 The Problem Revisited.

This study has explored the hypothesis that the incipient racial conflict in South Africa will generate fracture between the Atlantic nations. The argument has been set out in three parts.

The first part traced the nature and course of the community building process of the Atlantic Community. This movement began in the closing years of the Second World War and has continued without interruption to the present time. It has produced a loosely-defined, although clearly recognisable, international group of states. Community building in the Atlantic area was initiated in response to two circumstances: the need to react to the prevailing security circumstances of the time, particularly in central Europe and, secondly, the accompanying need to buttress these security considerations by means of extensive trans-Atlantic economic co-operation.

The interaction between these circumstances led to the Atlantic 'bargain': a series of understandings between peoples on both sides of the North Atlantic that the interpenetration of their security and economic systems would lead to a desirable and mutually acceptable interdependency and that this was in keeping with the spirit of the times. Certainly amongst the Atlantic nations it was felt that the post-War ideals of economic liberalism and political federation should chart the future course of their relations with each other. Whilst further areas of co-operation were to be added to the Atlantic partnership, the chief focus of Atlantic cohesion has continued to coalesce around the core areas provided by economics and security.
Other areas of Atlantic co-operation were inspired by a further factor which assisted in the development of the Atlantic Community. This was the successful nurturing, between the Atlantic nations, of a community spirit or ethos which is associated with Haviland's observation that the Atlantic Community was marked by a 'unity of mind'. This latter force acted centripetally reinforcing the core factors favouring cohesion. As a result, interdependency - economic, political and diplomatic - has come to characterise the relations between the Atlantic nations.

The study's first part also focused on the community building process at the abstract level. Here, the important notions of national interest and, following the successful development of an international grouping, community interest was considered. It was asserted that tension prevails between these two concepts. This tension is the inevitable result of striking an international bargain and the Atlantic Community is no exception to this rule. However, whilst there is an understandable coincidence between national interest and the community interest in the early life of an international community, national interest is not static and is thus subject to change as circumstances alter; the same observation holds true for community interest.

The second part of the study analysed instances where the opposite process from that described in the first has occurred: namely, cases where fracture has developed between the Atlantic nations. It was noted that, notwithstanding the high degree of interpenetration between the nations of the Atlantic Community, fracture has been a feature of Atlantic relations. In the main, this fracture has occurred when the respective national
interests of the Atlantic partners has failed to coincide with the community interest. The resulting fracture has been deep, but often only of short duration. In discussing three such cases of fracture, it was argued that whilst fracture may rupture the group in several different ways, for example, between the EC and the U.S.; between the countries within the EC; or between one member of the EC and the U.S., the root causes thereof are likely to relate to the core factors for supporting cohesion, economic and security considerations. Moreover, when such fracture occurs, the Atlantic ethos or spirit tends to be weakened which, in turn, deepens the fracture, thereby considerably vitiating the Atlantic bargain and obstructing the path to eventual reconciliation in the Community. Such fracture can best be described as a centrifugal process and, as was noted, it can occur in the case of crises inside the Atlantic area or, as the Angolan War experience of 1975/76 demonstrated, in crises which arise outside of the Atlantic Community's parochial setting.

The third part of the study has been devoted to an analysis and demonstration of the nature and extent of the economic ties between Atlantic nations and South Africa. In essence, these links are indirect and arise from the fact that South Africa was incorporated into the post-Second World War settlements by her association with, particularly, the United Kingdom. For its part, Britain was an important member in the Atlantic Community. Moreover, following the British lead, other Atlantic nations, including the United States and Germany, developed economic ties with South Africa. As a result, the Atlantic Community as a whole, has become linked to South Africa and will therefore be affected by crises in that country.

Two sets of empirical data were used to illustrate the magnitude and extent of the economic links between the Atlantic nations and South Africa. First, the degree to which the Atlantic nations have come to rely on South Africa's rich mineral base in the supply of five key non-fuel minerals to
sustain their economic performance. Secondly, empirical data was used to illuminate the bilateral commercial links - measured in terms of trade and investment - between certain key Atlantic nations and South Africa. With regard to these issues it is held that the interests of the Atlantic nations differ in South Africa and that the incipient racial crisis in South Africa poses a differential threat to these national interests.

It is the realities of this third part which provide the study's pivot, because it is held that this spread of national interests between the Atlantic nations will cause the Atlantic Community to fracture as the incipient racial crisis in South Africa deepens. This deepening may result in international action against South Africa and in these circumstances individual Atlantic nations will come under extreme pressure to pursue their own respective interests. Such moves may well be contrary to desired Atlantic Community goals in South Africa and will serve to rupture the Community's spirit of co-operation and complicate the relations between the Atlantic nations.

In discussing the pivotal dimension, the post-Second World War history of the links between the Atlantic nations and South Africa was traced and the point was substantiated that the early involvement of the Atlantic Community with South Africa arose out of the long-established links which the British had with that country. Moreover, whilst South Africa was directly outside the central focus of post-War efforts at reconstruction which initiated the Atlantic Community, the South African economic nexus was crucial for the British. In addition, the troublesome racial problems of South Africa were not, in the immediate post-War years, a central issue in international politics and South Africa's incorporation into international economic relations was in accordance with the spirit of the period. In more recent times, however, the Atlantic nations continued to give some support to South Africa by supplying her with arms and, for a brief period,
maintained a quasi-military link with her through the Simonstown Agreement. These ties, however, are all subordinate to the continued economic links between the Atlantic nations and South Africa and these economic links continued to expand despite the increasing international disapprobation which South Africa faced as a result of her domestic racial policies.

In determining the extent to which the interests of the Atlantic nations differed in South Africa, an analytical concept was used which enabled an assessment to be made of the extent of an economy's susceptibility to negative effects imposed on it from the outside. This was the Keohane and Nye matrix which sets such economic susceptibility along a linear scale: 'sensitivity' and 'vulnerability'. The matrix suggests that an economy is 'sensitive' if it is subject to hardship imposed from the outside until domestic actions, usually in the form of fiscal measures, can be imposed to successfully alleviate this hardship. In the second, and more drastic, description, an economy is 'vulnerable' to hardship... imposed from the outside even after the introduction of domestic measures to alleviate such hardship.

The use of this tool produced the following conclusions:

(i) The loss of access to South Africa is unlikely to be serious for the United States. Whilst she imports non-fuel minerals from South Africa, she holds stocks of these minerals which would, should access to South Africa be lost, enable her to continue her economic activity in the short-term. Over the medium- and longer-term, access to South African non-fuel minerals becomes relatively less important because of a myriad of circumstances including recycling, substitution and the move to new resources. With regard to the commercial ties between the U.S. and South Africa, it has been argued that these are unimportant to the United States. Thus, the U.S. economy is
well placed to weather any possible negative effects resulting from the incipient racial crisis in South Africa.

(ii) The EC, on the other hand, will experience negative effects imposed through the loss of the South African source of supply of non-fuel minerals most acutely. Neither unilaterally, nor multilaterally, under the auspices of the Common Market, have European countries been able to develop stockpiles of these minerals. Whilst attempts have been made within certain EC countries to develop comprehensive stockpile programmes these have, to date, produced few positive results and would, moreover, be extremely expensive. This lack of an overall stockpiling strategy inside the EC itself and the differing approaches to the question by EC members, appears to indicate that a joint approach on this issue will be a troublesome one for the Common Market. In addition, the interdependency of the EC economies, suggests that a loss of the South African source of non-fuel minerals will be severely felt by all the economies of the EC.

(iii) The employment of the Keohane and Nye matrix reveals that the British economy is acutely vulnerable to harmful effects imposed on it if her commercial links with South Africa were disturbed. While exact figures on the number of jobs in the United Kingdom which depend on the commercial links with South Africa differ from one study to the other, the effects of a loss of such links would be serious for any British government. Moreover, the relative weakness of the British economy suggests that it would be extremely difficult to overcome these negative effects even over the longer-term. This particular problem would be considerably exacerbated by the simultaneous loss of access to South
African non-fuel minerals.

(iv) The threat facing the German economy is not as serious as that facing the British, although it does appear that some hardship would be felt if Bonn's commercial links to South Africa were disrupted. However, the German economy is stronger than that of the British and the hardship experienced might, in the medium-term, be offset. If however, access to South Africa's non-fuel minerals were to occur simultaneously, this issue would be considered severe.

(v) Finally, crude extrapolation suggests that a loss of both the South African source of non-fuel minerals and the commercial links would, as a result of the interdependence between the Atlantic nations, be rapidly transmitted throughout and felt by all. This is especially so in the case of the EC, but also holds true in the broader Atlantic Community.

6.2 In Search of Common Atlantic Interests in South Africa.

The latent fracture in the Atlantic Community over the incipient racial conflict in South Africa emerges from the understanding that, as that conflict deepens, individual Atlantic nations will come under increasing pressure to weigh their own interests with regard to South Africa against Community interests. But what, if any, Atlantic Community interests presently exist?

There is no doubting the fact that South Africa's integration in the post-War world was an inherent aspect of the underlying philosophical and economic principles which guided the peace efforts of the mid-1940s. She was, if not directly, then certainly indirectly, part of the process of political federalism and economic liberalism in which the post-War world was designed to operate. These ideals, it is pertinent to recall:
...(had come) down to us from a long line of thinkers - the French physiocrats, Immanuel Kant, the English liberals Richard Cobden and John Stuart Mill - who have held that economic transactions across borders built a vested interest in co-operation among individuals, cement healthy intergovernment relations, and thereby lessen the chances of countries going to war. The more we rub shoulders together in peaceful commerce, the less inclined to break heads in bloody conflict. (1)

South Africa was no exception to the overall assumptions implicit in this belief. Her membership of the United Nations and the British Commonwealth - the political dimension - was as evident as her membership of GATT and the IMF - the economic dimension. In every sense, therefore, the South African state in the immediate post-War world was a respected member of the comity of nations. Moreover, her close links with Britain meant that she could be seen as an adjunct to the embryonic Atlantic system for Britain's successful integration into the Atlantic Community relied, in part, on the economic support given her by South Africa. This too was in keeping with the spirit of the times.

It was only when, in the face of the changing mores of international society particularly on the racial issue, that South Africa's political acceptability was no longer tolerable, that the crisis developed, but by this time, her economic integration was a fait accompli. Kenneth Grundy has pointedly noted the dichotomous situation which these changing values presented:

(South Africa) performs intermediary services for the core of the (capitalist) system in relation to the periphery... But insofar as the racial policies of the Republic lead to instability, South Africa is the weak link in the chain of the predominant international economic system... (2)


Thus it is that South Africa occupies a dichotomous position in international relations and the latent fracture which the incipient racial conflict in South Africa presents to the Atlantic nations, arises directly from this dichotomy. On the one hand, South Africa is integrated into the international economic system while, on the other, her domestic racial policies, largely unacceptable in the international community, have caused her to become the object, rather than the subject, of international political relations. Moreover, since her closest links - both economic and political - have been with, and continue to be with, the Atlantic Community, it follows that this situation is a source of embarrassment to the Atlantic nations.

On the general level of abstraction, a key to the clearer understanding of the problems presented to the Atlantic nations and the possible route out of the dilemma faced by the Atlantic Community is offered by Susan Strange. It will be recalled that Strange argues that, at the international level, economics and politics are bargaining processes which rest on a shifting, thus crude, balance of power. In arriving at the balance of power, the economic bargain is struck within certain political parameters. (3)

The application of this notion to South Africa's position in the contemporary world reveals that the economic bargain - in terms of access to South Africa's non-fuel minerals and the trade and investment links with South Africa - was struck in a period before the urgency of South Africa's racial problem was fully realised. The economic ties arose before the Second World War and were intensified thereafter, and throughout the establishment and consolidation of these ties, South Africa was a respected member of the international community. There was, in these circumstances, no dichotomy presented by the economic and political issues.

However, from the mid-1950s South Africa's slow political isolation from the international community began to take place and this altered the political parameters within which the original economic bargain was set. Nevertheless, as has been noted throughout the study, the economic link with South Africa remains important to individual Atlantic nations and this economic aspect is likely to be an important source of fracture between them.

The early ties were established in an international regime which was predominantly White. However, events in the intervening period have eroded the exclusivity of a White-dominated international regime both by the colonial emancipation of Black people and through the rise of large Black minorities within Atlantic nations themselves. The implications of this for the South African status quo is obvious. By attempting to perpetuate the exclusivity of a White-dominated political and economic system, South Africa is politically unacceptable to the rest of the international community. Thus, the Atlantic nations, despite their economic links, have 'been impelled to join the general (political) ostracism of South Africa partly by internal pressures and partly by external ones'. (4)

The problem, however, for the Atlantic nations is that they retain important residual economic links with South Africa and, as noted, the economies of certain Atlantic nations are 'vulnerable'- in the Keohane and Nye sense - to latent hardship imposed upon them by the incipient racial conflict in South Africa. The search for common Atlantic Community objectives with regard to South Africa needs, therefore, to begin by:

...drawing a distinction between the economic and strategic interests...that have led them to support the South African state, and the political and

ideological interests that impel them to distance themselves from it. (5)

The choice involved will, however, be a painful one particularly if fracture in the Atlantic Community is to be avoided.

In a very real sense, the Atlantic nations have, throughout the post-War period, maintained a consistency in their posture towards South Africa. It was, understandably, in keeping with the spirit of the post-War settlements and has continuously rested on the belief that, if left free of external involvement, the forces of the market place would be the final arbiter of South Africa's political future. This policy has been described as the 'reformist' one and it sees continued foreign economic involvement in South Africa as a force for positive change.

In recent times, however, the rigidity of this posture has been modified and recognition has been given to the fact that forces of the market place alone may not be sufficient to bridge the gap between South Africa's economic and political relationship with the Atlantic nations. This has come with the introduction of the various Codes of Conduct for foreign (chiefly Atlantic) business in South Africa. These must be recognised as a departure from the overall spirit of the post-War understandings and, even in their modest setting, as a form of pressure on South Africa. The strategy seeks to maintain Atlantic economic links in South Africa but, in tying them to modest political goals, it hopes to influence the rate and direction of political change in order that the dichotomy which exists between the economic and political involvement of the Atlantic nations may be bridged. The strategy also facilitates the deflection of both internal and external pressure on Atlantic economic involvement in South Africa by maintaining that such involvement under the rubric of the Codes can produce positive change.

5. Ibid. p. 173.
The premise upon which the strategy rests is that it is possible to avoid the incipient racial conflict in South Africa and that, through this process, Atlantic interests will remain unaffected in that country. A further, and certainly indirect, implication of the strategy is that latent Atlantic fracture can be avoided if it is successful. While the premise and, indeed, the entire reformist policy itself, is not here at issue, it is important to point out that Atlantic policy towards the southern African situation in the past has rested on dubious premises. Most notably in the case of the NSSM 39 decision which collapsed at the same time as the dictatorship in Lisbon.

However, with regard to the policy itself, compelling evidence suggests that there is widespread tacit agreement between Atlantic nations, that the reformist position is, at this time, the only acceptable policy direction towards the incipient racial conflict in South Africa. The verities of this agreement itself can and, perhaps should, form the basis of a joint Atlantic Community response to South Africa if damaging fracture is to be avoided. (It should be noted, however, that the reformist position has not been universally embraced either within, or between, the Atlantic nations. Some Atlantic nations, like the Danes, have severed their links with South Africa, whilst others, the Belgians, have voiced their intention to do so. (6) )

The course of this common approach has been expedited by the fact that the various Codes of Conduct which have been introduced on the South African issue display considerable similarity in form and content. (7) In addition, the acceptance of a common EC Code adds credence to the idea that the Atlantic nations can work together in pursuit of the goals implicit in the reformist

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7. (over)...
<table>
<thead>
<tr>
<th><strong>SEGREGATION</strong></th>
<th>SULLIVAN CODE</th>
<th>BRITISH COMPANIES GUIDELINES</th>
<th>EUROPEAN ECONOMIC COMMUNITY CODE OF ETHICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-segregation of races; all eating, comfort and work facilities.</td>
<td>Aim at non-segregation but duplication of facilities if separation required by law.</td>
<td>Everything possible to be done to desegregate in the factory.</td>
<td></td>
</tr>
<tr>
<td><strong>EMPLOYMENT PRACTICES</strong></td>
<td>Equal and fair employment practices for all employees.</td>
<td>Fringe benefits for Blacks. No discrimination in any sphere of work including promotion.</td>
<td>Improvement of fringe benefits.</td>
</tr>
<tr>
<td><strong>REMUNERATION</strong></td>
<td>Equal pay for all doing equal or comparable work.</td>
<td>Fair wages above Poverty Datum Line and equal pay for equal work. Reduce wage gap.</td>
<td>Pay to be at minimum at Effective Minimum Level. Equal pay for equal work.</td>
</tr>
<tr>
<td><strong>TRAINING</strong></td>
<td>Initiation and development of training for large-scale Black advancement.</td>
<td>Internal or external training, including artisan skill. Stop usage of White immigrant labour.</td>
<td>Development of training programmes for Blacks.</td>
</tr>
<tr>
<td><strong>DEVELOPMENT</strong></td>
<td>Increase number of Blacks and other non-Whites in management and supervisory positions.</td>
<td>Encouragement of training to develop full potential, and non-racial promotion policy.</td>
<td></td>
</tr>
<tr>
<td><strong>SOCIAL RESPONSIBILITY</strong></td>
<td>Improve quality of employees' lives outside of work environment.</td>
<td>Fringe benefits to aid home purchase, education and food.</td>
<td>Improvement of employees' living conditions at home.</td>
</tr>
<tr>
<td><strong>TRADE UNIONS</strong></td>
<td>Encourage lawful collective bargaining with Blacks. Recognise Black Unions where they exist.</td>
<td></td>
<td>Companies must recognise the right of the workers to be represented by trade unions.</td>
</tr>
<tr>
<td><strong>MIGRATORY LABOUR</strong></td>
<td>Choose locations which permit family based labour. Legal aid for pass offenders.</td>
<td></td>
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policy. (It needs, however, to be pointed out that the path to a joint EC approach to the development of their Code was not smooth and persuasive evidence suggests that its acceptance by the EC Council of Ministers was only in response to the need to appear united in the face of growing pressure from Black African states. (8)

The underlying faith in the Codes and, more importantly, in the reformist position itself rests on the belief that the Atlantic nations have:

...an unrivalled opportunity to take up (their) economic inheritance in South Africa and use it as a catalyst for change...extending the political arms of (their) economic power....(9)

It has also, however, enabled the EC, for example, to defend their economic involvement in South Africa by claiming positive association through the Codes.

The Codes, in terms of general principle, do provide the basis of a common approach by the Atlantic nations to the vexing issue presented by their economic involvement in South Africa and the threats posed by the incipient racial conflict in that country. It is this initial agreement which may help prevent fracture in the Atlantic Community.

There is a second reason to believe that the reformist position provides the basis for a joint Atlantic Community position on South Africa. Implicit in the reformist posture is the understanding that the Atlantic nations have collectively, rather than individually, eschewed a policy option which would have them impose economic sanctions against South Africa. James Barber and Michael Spicer, in setting out Western options in South Africa, have argued that such options range along a linear scale from, at the one end, "Communication with South Africa" and at the other, "Comprehensive sanctions against


10. The EC used this line of reasoning at the Anti-Apartheid Conference held in Lagos in July 1977. See, for example, "Codes for Companies in S. Africa". West Africa, 25 July 1977.
South Africa. Their conclusion is that Western countries will press for reform in South Africa along a triad of central policy options — "communication with South Africa", "pressure for reform" and "disengagement" from South Africa. Barber and Spicer recognise, however, that "there are differences of interest and perception between the Western states towards South Africa." (11)

There appears thus, as a result of an overall belief in the reformist canon, a degree of common ground between the Atlantic nations with regard to the South African situation. Whilst single Atlantic nations — most notably the Danes — have tended to distance themselves both from the issue and from their Atlantic partners by divesting themselves of their economic involvement in South Africa, the overall direction of the policies of the Atlantic nations towards South Africa appears remarkably similar.

6.3 South African Contingencies and the Atlantic Community.

However, while a convincing case can be presented that the Atlantic nations have (probably unconsciously) adopted the same reformist policy towards South Africa, there are no guarantees that this policy will be successful and, should the racial conflict in South Africa deepen, the possibilities of individual Atlantic nations, attempting to pursue their own national interests in South Africa will disrupt the flimsy understandings which already exist. (Indeed, a case can be made out that these differences have already emerged in, for example, the Danish decision to sever its economic links with South Africa.)

The central problem with regard to the development of joint Atlantic Community responses to contingencies which may arise as the racial conflict in South Africa deepens is fourfold. First, the bilateral economic bargains

struck between individual Atlantic nations and South Africa had no real regard for the community of interest which has come to be shared by the Atlantic nations in the intervening period. Secondly, a wide gap has developed between South Africa's position in international economic relations and the position she occupies in international political relations. As a result, both the Atlantic Community and individual Atlantic nations are subjected to wide-ranging internal and external pressures to sever their economic links with South Africa. Thirdly, chiefly as a result of the first reason and despite of the second reason, individual Atlantic nations retain significant economic interests in South Africa which make their economies vulnerable to disruption over South Africa, with the result that their respective national interests are affected by the South African link. Finally, the far-reaching economic interdependency between the Atlantic nations may mean that economic hardship experienced by one will be transmitted throughout the Atlantic system.

In addition, however, because the ties between the Atlantic nations and South Africa rest essentially in the bilateral setting, attempts to exercise multilateral control, or leverage, over them in pursuit of the common Community cause will be extremely difficult, either in contingency management or in cases where they might suddenly occur: this alone makes the potential for Atlantic fracture high.

It may be because the South African racial conflict remains an incipient one, that common ground over approaches to the issue - through the reformist position - is possible. As such, this position (and the Codes mechanism) should be seen as a short-term, opportunity-cost exercise which will remain possible to hold only if the urgency of the South African racial situation does not deepen. However, should the situation in South Africa alter significantly and the full limitations of the reformist position become clear, the Atlantic nations will be forced to deal with an urgent issue.
In this case individual nations will be forced into the unenviable position of choosing between the economic and strategic interests which prompt the reformist posture and the wider political and ideological interests which may compel them to sever the economic links. While it may be logical to argue that the Community as a whole will opt for the latter choice, individual Atlantic nations — particularly the British — may have to choose the former.

As emerged from the three crises of the 1970s discussed in Chapter Two, urgent issues tend to generate deep fracture in the Atlantic Community. Chapters Four and Five indicated the full extent of the interests of Atlantic nations in South Africa and the depth thereof gives reason to suggest that fracture, because of the spread of interests, is probable. There is, therefore, strong evidence recommending that the Atlantic Community should attempt to co-ordinate contingency planning over the South African issue in an effort to avoid damaging fracture.

Echoes of the suggestion that the Atlantic Community should begin to co-ordinate policy outside the parameters of the strictly Atlantic setting have recently emerged and it is as well to consider these. The first half of 1980 witnessed a serious series of schisms between the Atlantic nations. The chief cause of this fracture arose from the linked issues relating to the plight of the American hostages in Iran and U.S. attempts to get their allies to support a trade boycott against that country and, secondly, over the international security problems relating to the December 1979, Soviet invasion of Afghanistan. In both cases, the Atlantic nations were deeply divided on the appropriate responses.

While, however, these issues are outside the parameters of this study, various suggestions were made on how the Community should respond to future crises. It is noteworthy that such suggestions included direct references to Africa and, by extrapolation, veiled references to South Africa.
example, Edward Heath, the former British Prime Minister, writing in The Guardian noted that:

...(a)...basic difference between Western Europe and the United States lies in Europe's greater economic dependence on the rest of the world, both for export markets and for imported raw materials and food. This makes Europe rather more wary of antagonising those countries whose friendship it needs, whether they be the oil-rich Arab countries of the Middle East, the Copper Belt of Africa or the mineral-producing countries of South-East Asia....(12)

Heath suggested that, given certain preconditions, the Atlantic Community should co-operate in the non-military area in a global setting.

In a more pointed fashion, Dr Christoph Bertram, Director of the International Institute for Strategic Studies, noted that:

...there is a growing recognition, which has been a long time in coming, that the security concerns of the alliance are no longer just on the North German Plain or in the Eastern Mediterranean; that they are in the Persian Gulf, in South Asia, around Africa and in the oceans. There is a realization, I believe, that the alliance will have to address that reality....(13)

The South African issue which presently forms such an important structural role in both African and other international conflicts and in which, as this study has sought to demonstrate, Atlantic nations have significant economic interests will have to form an important facet of such contingency planning, if Atlantic nations wish to prevent fracture from developing between them over the issue.

6.4 Some Mechanisms of Atlantic Consultation.

It may be that the very lack of adequate mechanisms for consultation between the Atlantic nations have been the primary cause for the fracture


which has characterised Atlantic relations since the Second World War.
In the light of these circumstances, it may be asked, is there any reason
to believe that the Atlantic nations will be able to develop such mechanisms
in response to the incipient racial crisis in South Africa?

In responding to the question, three central issues present themselves.
First, an identification of the problems inherent in the development of
the mechanics for consultation. Secondly, why the development of common
approach may be possible, in the case of South Africa and, finally, what
joint approaches can be taken to develop such mechanisms.

The central problem in the path of the development of a mechanism for
Atlantic consultation is undoubtedly that the Atlantic nations retain,
notwithstanding the actual and implicit understandings in the Atlantic
bargain, their status as nation states with all the attributes of sovereignty.
This means that the national decision-makers' central responsibility remains
towards the domestic requirements of the state and, this being so, the
national interest tends to preside over the community interest. This is
not unique to the Atlantic Community, but is a feature of all international
communities. The act of participation in the joint community effort does
not involve a total surrender of sovereignty, but a pooling of resources
for certain circumscribed understandings. However, the very act of
arriving at these 'common' understandings implies a surrender of state
sovereignty within the parameters of the understanding. In addition, as
we have noted, further demands may be made on the state through the develop-
ment of the community spirit or ethos.

A further complication in the development of a joint consultative
mechanism in the Atlantic Community arises from the fragmented nature of
the Community. This is expressed in the scattered number of institutions
each of which encapsulate part of what might be termed 'the Atlantic personality'
Thus, for example, NATO caters for the security requirements of its 15 members
and the EC is an economic-cum-political body which focusses on the nine states within Western Europe. This particular aspect is further complicated by the fact that not all the members of one body are members of another. Thus, for example, Norway is a member of NATO, but not of the EC; Ireland is a member of the EC, but not of NATO. There is thus no centralisation for decision-making in the Atlantic Community which covers both the economic and security dimensions of the Atlantic bargain. It is true, nonetheless, that NATO's joint command structure caters for the security requirements and the IMF structure may cater for the economic dimension, but the lack of a central area of control seriously restricts the capacity both to consult and, thereafter, make joint decisions.

In addition, considerable complications are posed by the fact that the range of Atlantic interests have, until very recently, been circumscribed by the Community's restriction to the Atlantic area. The geographical limitations imposed by this Atlantic brief mean that few, if any, issues outside of the region are considered in Atlantic councils, although the Atlantic Community does have widespread economic and political interests outside the region. This restriction must be seen against the background of the times in which the Community was formed. However, from that time, wide-ranging global interdependencies have developed and national interests have changed in response to these. However, the Atlantic Community has failed to refurbish itself in the face of such changing circumstances. The reasons for this failure are not difficult to detect because the refurbishing process would most certainly have involved a re-development of the Atlantic understandings which may not have been possible. (This was most dramatically demonstrated in the abortive 'Year of Europe' efforts of Henry Kissinger.) The development of all international communities are set in particular historical circumstances which seldom, if ever, reappear.
For these reasons alone, it seems difficult to envisage circumstances in which the Atlantic Community might undertake a process of joint consultation to develop common positions on contingencies. There is, however, a considerable amount of common ground between the Atlantic nations over the South African issue as evinced in their joint approach towards the reform of that country and the implementation of the various Codes of Conduct. Moreover, in 1976, five Atlantic nations which were at the time members of the U.N. Security Council began, in concert and with the blessing of the other members of the Security Council, a series of negotiations with the South African government over the Namibian issue. (14) Thus, both because there appears common ground and because, in a limited sense, a precedent has been established, the Community might contemplate the development of a joint approach towards the incipient racial conflict in South Africa. Two reasons may generate further interest in the idea: first, an understanding of the fact that the issue presents the Atlantic nations with the real prospect of damaging fracture and, secondly, that the South African issue should it deepen, will present the Atlantic Community with a wide-ranging number of other problems: especially in terms of relations between the Community and the states of Africa.

One positive feature of Atlantic fracture to emerge from this study is that the Community has the potential to compromise if faced with serious division. Such compromises are located within the parameters of both the two pillars which produced the Atlantic bargain - economic and security concerns - and within the community ethos. Moreover, there appears to be

an underlying Atlantic experience by which agreement in substance on issues can generate both the structure to honour these agreements and the determination to co-ordinate future policy with regard to these issues. There is no better example of this than, within its confined setting, the EC instruments for settling differences and, within the broader Atlantic Community, the continual series of compromises which in effect overturned the rigidity of the original Bretton Woods Agreement. There is thus an undoubted Atlantic pattern that if agreement in substance can be reached, compromise can, and does, follow and often the necessary instruments to husband such compromise can be forthcoming.

Whilst the range of Atlantic Community options with regard to South Africa may presently be circumscribed by the extent of the economic vulnerability of individual Atlantic nations, there is no disagreement on the fact that, if the present South African status quo prevails:

> the factors inclining the United States and other Western countries to dissociate themselves from South Africa are likely to become stronger, and the factors making for the retention of the present links are likely to become weaker. (15)

In this sense, there appears to be agreement in substance as much as, to date, there has been agreement between Atlantic nations that the reformist policy towards South Africa was in accordance with the spirit of their post-War understandings.

Two routes in the co-ordination of a common Atlantic Community position over South Africa appear to present themselves and both these will probably be guided by the overall assumption that the Community can reach a far-ranging series of compromises on the issue. In addition, the success of both these routes will be ensured if the Atlantic Community focusses primary attention on the forces which bind them together rather than those which

divide them.

The first is greater co-operation between the Atlantic nations in the realm of secret diplomacy between each other on the South African question. Such a mechanism would seek to establish what Atlantic priorities are in South Africa, develop a system of reallocation of non-fuel minerals between the Atlantic nations in the event of a disruption of the South African source of supply and a means of sharing the economic burden imposed on individual Atlantic nations should commercial links with South Africa be severed. Of these, certainly the establishment of priorities with regard to South Africa is the most important, and this would involve a wide-ranging investigation of the indigenous political forces at work in South African society and a determination of the timescales involved in political change in that country. In the determination thereof, the Atlantic nations need constantly to review their assessments of the position in South Africa and the most prudent means of sustaining Community interests in, and cohesion with regard to, the South African issue.

The second route to the preservation of a harmony of interests between the Atlantic nations over South Africa involves the realm of public diplomacy. This would serve to reinforce the series of understandings reached between them within the ambit of their secret diplomacy and would also serve to signal Atlantic intentions to two crucial audiences. First, the South African government which might be tempted to utilise the potential fracture in the Community to retard the process of necessary political change in that country. On this level, the Atlantic Community needs to point out continuously, the inherent dangers which the incipient racial crisis in South Africa poses for the comity of nations. They need also to point out the risks which they run in pursuing the present reformist posture towards that state. In addition, that the direction of change towards full political participation for all South Africans cannot, and should
not, be measured only in terms of the various Codes of Conduct: that these only represent the baseline for the political transformation of that society.

The second audience to which Atlantic intentions should be signalled are the many international critics of the Community's posture towards South Africa. Here the Community governments need to make clear the seriousness which they attach to the South African crisis and their determination to subject the South African government to joint pressure. (In a limited sense, this may have been accomplished with the decision by the Atlantic nations to support the mandatory arms embargo against South Africa, but this alone cannot be considered a sufficiently effective action. If the Atlantic nations seek to avoid fracture over South Africa they must be unequivocal in their purpose with regard to political change in that country.

Whilst these recommendations may seem small in relation to the latent fracture in the Community over South Africa, they will serve to maintain common approaches to the problem by continuously focussing the attention of the Atlantic governments on the problems they face in South Africa. It may also be somewhat naive to suppose that Atlantic governments, often preoccupied with crippling domestic and international problems which, as we have stressed, can divide them, can afford the luxury of contingency planning of this kind. Leaders and bureaucrats seldom have the time - enjoyed by academics - to indulge in the realm of speculation.

However, the development of the procedure of holding regular Western Summits which began with the Rambeuillet Summit called by President Valery Giscard d'Estaing in 1975, does provide one mechanism where, in a rarified atmosphere, Atlantic (and other) leaders can explore long-term problems. The South African issue should become a regular feature on the agenda of
such meetings, (16) simply because, as suggested, so much consensus
exists on the question already and it is wiser to the Community to focus on
these areas where consensus exists, than those which divide them.

This study has sought to draw the attention of the Atlantic nations to
the highly complex set of circumstances which have developed from their
historical links with South Africa. Of these problems the most significant
is the potential for fracture. There seems little doubt that the ebb and
flow of the South African issue will occupy the minds of Atlantic policy­
makers in the incoming decades and that pressure to redefine their
individual and collective approaches will arise both from domestic and
international forums. Only common attention to these issues at an early
stage will minimalise the prospects for Atlantic fracture as the incipient
racial crisis in South Africa deepens.

16. The problems of these Summits have not been analysed adequately.
However, an unsympathetic discussion is given in J.R. Schaetzel
and H.B. Malmgren. "Talking Heads". Foreign Policy, no. 39,
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3. PRIMARY SOURCES

a) Newspapers.

Throughout the writing of the study, access was obtained to four collections of press cuttings.

i) In the period September 1976 to October 1977, the collection of the International Institute for Strategic Studies, London, was used. In this collection a wide-ranging number of newspapers and periodicals are cut. In the main, however, the following newspapers were used: Africa Confidential, London.
Current News (U.S. Early Bird), Washington.
The Daily Telegraph, London.
The Financial Times, London.
The German Tribune, Hamburg.
The International Herald Tribune, Paris.
New Society, London.
New Statesman, London.
The Observer, London.
The Sunday Telegraph, London.
The Sunday Times, London.
The Times, London.
West Africa, London.

ii) In the period November 1977 to October 1980, the collection of the South African Institute of International Affairs, Jan Smuts House, was used. This collection draws from the following newspapers:
Beeld, Johannesburg.
The Citizen, Johannesburg.
The Financial Gazette, Johannesburg. (Discontinued as of January 1979.)
The Financial Mail, Johannesburg.
The Financial Times, London.
The German Tribune, Hamburg.
The International Herald Tribune, Paris.
The Observer, London.
Post, Johannesburg.
The Rand Daily Mail, Johannesburg.
Rapport, Johannesburg.
The Rhodesian Financial Gazette, Salisbury.
The Star, Johannesburg.
The Sunday Express, Johannesburg.
Sunday Post, Johannesburg.
The Sunday Times, Johannesburg.
The Times, London.
The Transvaler, Johannesburg.
Die Vaderland, Johannesburg.

West Africa, London.

The World, Johannesburg. (Banned in October 1977.)

iii) Access was also gained to the Cockram Collection which is to be incorporated in the collection of the South African Institute of International Affairs. This is a valuable collection which covers the period 1960 to 1970. The only newspaper in this collection which is not in the above two lists is The Rhodesian Herald, Salisbury. It is, however, an extremely valuable historical collection.

iv) In addition, periodic use was made of the library of the Rand Daily Mail, Johannesburg.

b) Government Publications.


c) Other.


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The Study is concerned with developing the hypothesis that the incipient racial crisis in South Africa will generate fracture between the nations of the Atlantic Community. Such fracture will be the result of the uneven spread of economic ties between individual Atlantic nations and South Africa.

The development of the argument is set in three parts. The first focusses on the nature and scope of the process of community building in the Atlantic area. It argues that cohesion between the Atlantic nations rests on two chief considerations: economic and security. To this, a third centripetal force ensured the development of the Atlantic bargain, viz. community spirit. The second part of the study is concerned with the opposite process from that described in the first, namely the process of fracture between the Atlantic nations. Three such cases of fracture are analysed. In each of these, the Atlantic Community was prone to fracture over economic and security issues which ruptured the community spirit.

The study's pivotal argument is set out in Part Three which analyses the nature and extent of the economic links between the Atlantic nations and South Africa. Two sets of empirical data are used to substantiate this demonstration - the dependency of the Atlantic nations on five non-fuel minerals from South Africa and the trade and investment links between three Atlantic nations - the United States, the United Kingdom and West Germany - and South Africa. It is demonstrated that interests between the Atlantic partners on these issues differ and, thus, that fracture between them over the South African question is likely to occur.

The study offers some suggestions to prevent fracture between the Atlantic nations and these relate both to the extent of commitment which individual Atlantic nations have in South Africa and the policy postures which they have thus far preferred.