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THIRTY-FOURTH ANNUAL COUNCIL MEETING

SOME IMPLICATIONS OF BANTU HOMELAND

DEVELOPMENT

by

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SOME IMPLICATIONS OF BANTU HOMELAND DEVELOPMENT

A paper presented to the S.A.Institute of Race Relations

Annual Council Meeting, January, 1964, by Professor D.Hobart Houghton

The preparation of this talk has not been easy because there is so much to be said that it is difficult to know where to begin and what to omit. In panel discussions later in the day various aspects of Bantu homeland development are to be analysed and dissected. It therefore seemed appropriate in this introductory address to attempt to focus attention upon certain basic issues.

Most South Africans of all races, and of a great variety of political opinions, would probably support attempts to develop the Bantu homelands in the sense of raising productivity, standards of living, health and education in areas which are in many ways the most backward in the Republic. Yet this matter has become one of acute controversy largely because of its association with the philosophy of separate development. Advocates of Bantu homeland development claim that not only will it benefit the Bantu areas themselves, but that it offers to the Republic as a whole a just solution of its racial problems. Opponents denounce the policy as impracticable, a sham, the first stage in the dismemberment of the Republic.

Some years ago a conference of the International Economic Association was held in the magnificent new E.C.A.Hall in Addis Ababa, but the electrical system was defective in that, when the heating was switched on, the lights faded out. Perhaps this is symbolic of the fact that in controversial discussion, the greater the heat, the less the light.

In an attempt to shed light rather than heat upon this controversial issue, let us begin by considering some aspects of the problem of the development of backward areas, and try to isolate those conditions likely to accelerate progress. Underdeveloped areas, of which our Bantu areas are in many respects a typical example, are poor. Poverty, ignorance, and the lack of modern techniques and of capital, inhibits progress. The vast majority of the population is engaged in subsistence farming, and their productivity is low by modern standards. Population growth is checked by lack of subsistence, and thus they have remained for centuries in what Ragnor Nurske has described as a state of 'underdeveloped equilibrium'.⁽¹⁾ In his Stages of Economic Growth, W.W.Rostrow describes the traditional society as "one whose structure is developed within limited production functions, based on pre-Newtonian science and technology, and on pre-Newtonian attitudes towards the physical world. Newton is here used as a symbol for that watershed in history where men came widely to believe that the external world was subject to a few knowable laws, and was systematically capable of productive manipulation."⁽²⁾ The people live by the

(1) Nurske, R Capital formation in underdeveloped countries.

(2) Rostow, W.W. Stages of economic growth, p. 4.

sweat of their brow, because power has not yet been harnessed to production. It is a hand-to-mouth existence, in the sense that productive methods are primitive and direct, not capitalistic or round-about, in von Böhm-Bawerk's terminology. There is little capital equipment, and saving and real capital formation is extremely low. Economic foresight is often limited to the provision of seed for next season's crop and conservation of food to last until it is harvested. Progress, if it takes place at all, is limited by population increase and is extremely slow. The value system of such societies, according to Rostow, "is geared to long run fatalism; that is the assumption that the range of possibilities open to one's grand-children would be just about what it has been for one's grandparents". (3)

Until recently this description applied to most of the African continent, but revolutionary changes have come about as a result of the impact of the Western World. Africans are no longer content to live as their forefathers had done for centuries, but wish to enjoy the higher standard of living enjoyed by Europe and America. They believe that what the industrial revolution has achieved for the advanced countries can also occur in their own lands, and in some respects their task should be easier because the trail has already been blazed for them by Britain and the Western World. At present, however, their aspirations greatly exceed the capacity of their underdeveloped economies to produce the goods and services to satisfy them.

To add to their difficulties in attempting to escape from the 'vicious circle of poverty', there would appear to have been a marked increase in the rate of population growth, due to the cessation of tribal warfare and the advent of modern medicine. The harsh Malthusian propositions must surely apply in all their ruthlessness, unless a rapid increase in per capita productivity can be achieved by some means or another. This, however, will necessitate a radical change, not merely in production techniques, but in the whole structure of society and in the attitudes of the people who compose it. To make a modern economy, you must make a modern man.

The task is colossal, because it involves a reorientation of society away from subsistence agriculture into industrial and commercial activities. In place of some 50 to 60 per cent of the population on the land, productivity in farming must be increased so that less than 20 per cent can feed the whole population. Those displaced from the land must then be taught skills suitable for the factory and office, where they will provide the manufactured products and services of a modern society. Only thus can real standards of living be raised. Many difficulties are, however, encountered in the change.

Because of the poverty and self-sufficient character of the traditional society, manufacturing is inhibited by the lack of a market. While it is true that each new factory generates additional purchasing power, a single shoe factory, for example, cannot expect to dispose of the whole of its output to its own employees. They have earned their wages in the production of shoes, but their wants range over a wide field of food, clothing and other items. Not until there are a large number of factories manufacturing a variety of products will sufficient income be generated to purchase the output of any simple enterprise. This is the well-known argument for a policy of 'balanced growth'.

Balanced growth, however, encounters major obstacles. In an underdeveloped area it is difficult enough to procure the capital, skilled labour and managerial ability to start one factory, and to start twenty or thirty simultaneously is well nigh impossible. These three - capital, skill and enterprise - are scarce in underdeveloped countries. Owing to poverty little saving takes place, and in many parts of Africa, what little there is, is spent to buy more cattle which as likely as not succumb in the first severe drought because of the

(3) Rostow: op. cit. p.5.

overstocked condition of the veld. If these personal savings could be diverted from cattle to the purchase of equipment for modern agriculture and industry, it would be better for all, but banking and financial institutions are needed to channel small-scale savings into large-scale capital projects. Even so, the capacity to save is deficient in poor countries, and only after general development has occurred can a rate of domestic saving equal to or exceeding 10 per cent of the gross national product be expected. Yet something of this order is essential to maintain a rising real income in the face of normal population growth.

During the era of the great colonial empires which has just ended, the advanced metropolitan countries exported capital, skill and entrepreneurship to the colonial territories. Owing to the lack of a domestic market in the colonies, this was often directed to producing goods for export to the already well-developed world markets. Much of the investment was undertaken by private enterprise for gain but, although it is now fashionable to denounce this as colonial exploitation, the fact remains that most of it was mutually advantageous, bringing profit to the investors, and accelerating development in the colonies. South Africa, for example, would not stand where it is today had it not been for the hundreds of millions invested by British private enterprise, which developed mining, manufacturing and commerce at a rate greatly in excess of what could have been achieved purely from the then meagre domestic savings.

With the departure of empires, the private investor seems less willing to sink his capital in some of the newly independent countries. The need for foreign investment however remains as great as ever, and the governments of the advanced nations, like Britain, France and the United States, are today channelling large funds to the less-developed lands either directly or through the various international agencies. A few years ago many Americans appeared to believe that they could abolish poverty in the backward countries simply by pouring in money, but there is now a growing realization that investment funds are useless unless there are the men who know how to apply them productively. This difficulty can be overcome if large international concerns operate modern industry and supply the skill and technical knowledge, but today this is often denounced as neo-colonialism. It is well to be aware of the fact that African nationalists are often very sensitive about the fact that up to the present nearly every successful enclave of the modern industrial society in Africa has been due to the initiative of non-Africans. Is it that the African is so shackled by traditionalism that it is easier for the outsider to make the break through?

Finally, before turning specifically to the development of the Bantu areas, it may be relevant to speculate upon the effects of political independence upon economic progress. In favourable circumstances, a strong nationalist sentiment may release new energies, and the sense of being responsible for their own destinies may evoke latent powers of leadership and innovation which will accelerate economic growth, as occurred after the American colonies declared their independence in 1776. Under different conditions, however, independence may reduce the chances of progress, especially if those taking control have other goals, or if sectional interests disrupt the unity of the state. Although the new rulers of many African states pay lip-service to economic development, they sometimes seem to be inadequately aware of the foundations upon which economic progress rests; or, under pressure from the nationalist movements which have placed them in power, they are forced to act contrary to their better judgements. An American writer has recently commented upon this (4) saying "The new countries are sailing uncharted seas in craft manned by apprentices; in most cases the craft are in poor trim, inadequately victualled, and incapable of reaching port under their own steam. The last state of such countries may, one fears, be worse than the first, since they are likely to find themselves

"...between two worlds, one dead,
The other powerless to be born".

(4) Kimble, George H.T. Optima Dec. 1963. p. 174.

Let us now turn to the Bantu homelands of the Republic and attempt to apply to the specific problems of their development some of the general propositions we have been considering. In many respects the Bantu areas resemble other underdeveloped areas of Africa. Conditions in these Native Reserves (as they used to be called) have been fully described in various official reports, (5) and are well known to all present here today. Although these conditions of poverty, low productivity in farming and the absence of manufacturing are similar to many other areas in the continent, an historical fact of great importance distinguishes them from any other traditional societies in Africa. It is that since 1910 they have been an integral part of the Union of South Africa and are today still part of the Republic. South Africa is the only country in the whole continent which has taken off successfully and moved into a modern industrial economy. Rostow (6) describes the take-off as "the great watershed in the lives of modern societies when the blocks and resistances to steady growth are finally overcome. The forces making for economic progress expand and come to dominate society. Growth becomes its normal condition". During this last half century South Africa has attained the status of a modern industrial nation capable of sustained economic progress and able to offer ever higher standards of living to its whole population. It has been estimated (7) that by the end of this century, if the past rate of growth is maintained, South Africa will be able to provide an average standard of living for the whole of its population equal to that in Britain in 1960. This dynamic forward drive of the economy has progressively drawn people out of the traditional subsistence sector into the modern industrial exchange sectors, and a larger proportion of Africans have made this necessary transition than in any other part of the continent.

Unfortunately this phenomenal economic growth has been patchy. Concentrated in the four main industrial areas of the Witwatersrand, Cape Town, Durban and Port Elizabeth, and their adjacent areas, it has left many rural areas, and especially the Bantu areas where traditional subsistence farming still predominates virtually untouched by the general progress.

Nevertheless the Bantu areas (and some adjacent territories) have been spared the full impact of a population explosion in a static traditional economy, because for almost a century the pressure of population in the reserves has been relieved by migration - both permanent and temporary - to the labour market offered by the mining and industrial centres. This labour has played its part in accelerating growth in the modern sectors of the economy, and at the same time the wages earned and remittances home have relieved distress in the traditional sector. Thus, in some respects, it can be regarded as mutually beneficial; but it has grave defects. A full discussion of these is not possible here, (8) but they may be briefly listed as: (i) that it denudes the Bantu areas of their most active male adults, and instead of stimulating the development of these areas it accelerates their decline; (ii) that as long as this poverty-stricken subsistence sector is allowed to persist the efflux will continue to depress African wage-levels throughout the Republic; and poverty will inhibit the growth of an effective domestic market for the expanding manufacturing industries; (iii) that migratory

- (5) Native Economic Commission Report U.G. 22/1922
The Native Reserves and their place in the Economy of the Union of South Africa. S.E.P.C. Report No. 9 U.G. 32/1946
Tomlinson Commission Report U.G. 61/1951
- (6) Rostow op.cit. p.7
- (7) Viljoen, S.P. "Higher productivity and higher wages of Native labour in South Africa". S.A.J.E. 1961
- (8) For a fuller statement of the writer's views see: Houghton, D.H. "The South African Economy". Chapter 4.

labour being intermittent never becomes fully committed to an industrial way of life; and (iv) that it destroys family life and has other grave social defects.

Moreover, labour migrations are almost invariably a symptom of economic imbalance. In economic growth, success breeds success. The large industrial complex of the Southern Transvaal, which already produces almost half the total manufacturing output of the Republic, tends to attract ever more enterprises to itself. It has mineral and other resources, but the real attraction for many industrialists is the large urban concentration and the rich market on their doorstep. The alternatives are clear. If industrial location is to be left solely to private incentive governed by the profit motive, then one must expect the industrial areas to continue to attract people from the depressed rural areas. All impediments to their movements should be removed. Influx control must go; because in the final analysis it is the condemnation to live in poverty and near starvation. Migrant workers should be encouraged to bring their families to town - and there are some three million people to be moved. The Tomlinson Report gives some interesting projections of urban population on these assumptions. Rural depopulation will be accelerated and the poverty of the rural dwellers relieved only by moving them to town. There is reason, however, for believing that calculations based solely on private profit do not tell the whole story. The heavy social costs in providing housing, transport, water, health services, recreation, and in the maintenance of law and order, do not appear in this balance sheet - nor does the hardship involved in requiring families to uproot themselves.

The alternative is for the state to intervene and attempt to bring about a greater geographical dispersion of industry. The principle of bringing the factories to the people, rather than bringing the people to already congested areas, has gained wide acceptance in many countries. This is sometimes confused with the wholly false notion that as many people as possible should be kept on the land. The population of the Republic is increasing at about 330,000 per annum of whom Africans account for over a quarter of a million. Employment in mining and farming is unlikely to expand greatly; therefore it is to manufacturing and services that we must look to employ these people. People should be encouraged to move out of farming - especially low-productivity peasant agriculture - and move into industry; but this does not necessarily mean they should migrate to the present industrial centres. Some industries may only be successful in a certain location, but others can be established in a variety of areas with the prospect of profitable operation, if not immediately, at least in due course when a viable industrial complex has been established in the area. Decentralization of industry affects the whole country, but on the principle of bringing the factories to the people, the Bantu areas are an obvious priority because population density is greater there than in White rural areas.

Although many economic adjustments can be advanced on either side, the real controversy about Bantu homelands development is basically political rather than economic. The idea of giving the various African ethnic groups 'homelands' of their own, and of trying to assist their rapid development, must make a strong appeal to all who are aware of the existing conditions in the tribal areas and of the limitations on African advance in the White areas. But the term 'homeland' implies, and is intended to imply, that they are not to regard the rest of the Republic as their home. Indeed this is basic to the whole concept of separate development, and it is important for everyone to try to understand the logic behind it. Many of us would be very much happier if it were a policy of 'regional development' and, even 'regional self-government'. But this would beg the very real question of racial groups and ultimate political power. Let us face the fact that South Africa contains various racial groups but racialists tend to overstress race differences, but liberals often tend to ignore racial differences, and to speak as if awareness of them were merely prejudice. It is however unfortunately true that societies are not composed of mere individuals, but that individuals are often grouped in certain ways with grave political consequences, such as are

exhibited in Cyprus at the present time. It is repeatedly stated that in South Africa there is no middle course between complete integration and complete separation; but is this true? Or does it cloak the lack of creative thinking of our political scientists and statesmen? Surely it should not be beyond the wit of man to devise some form of social and political life which combines the good features of group coherence with respect for the rights and traditions of other groups as members of an integrated whole. Has not Switzerland succeeded in achieving national unity through the recognition of differences between its component groups? Effective interpretation is not achieved by trying to make all men alike, but by recognising and respecting individual and group differences so that they may be complementary to one another in a greater whole.

In an evolving situation of major social change flexibility of mind and institutions is essential. Rigidities of all kinds should be avoided: political rigidity leads to violence, economic rigidity to stagnation. Wise statesmanship, both white and black should aim to preserve sufficient room to manoeuvre and avoid digging in in fixed positions from which both advance or retreat is difficult.

It is not possible to do justice to this subject in a single lecture, and my time is running out. I shall therefore attempt to formulate South Africa's dilemma in a series of propositions the validity of which may perhaps be discussed later in the day.

1. South Africa is the richest and most developed country in Africa. Its wealth is at present unevenly distributed, but it has the resources to provide a high standard of living for all.
2. Progress in the past has been largely due to the drive and initiative of members of the White group who, though they are a minority, have up to now exercised political control and economic leadership.
3. It is in the best long-term interests of all South Africans, of all races, that this economic progress continues and is accelerated. This is most likely to occur if for the foreseeable future the Whites retain a major influence in shaping political and economic policies.
4. It is, however, morally wrong and politically inexpedient to attempt to deny political rights and equal economic opportunities to Africans, and anyway the attempt is bound to fail in the long term.
5. In view of the disproportion in numbers - 3 million Whites to 11 million blacks - coupled with the militant African nationalism throughout the continent and attempts to overthrow the government of the Republic by force, the majority of Whites refuse to countenance any political rights for Africans as members of a common society, believing that to do so must inevitably lead to White abdication of power.
6. The idea of separate development has been advanced in an attempt to circumvent this impasse, but its ultimate implications are still very nebulous. It is unlikely, however, that it will be an acceptable substitute for African participation in the government of the Republic unless it evolves into complete independence and partition of the country.
7. Partition of South Africa would be a retrograde step inflicting suffering upon all. It would reverse the economic integration which has been the foundation of progress in the past.
8. While it cannot be regarded as a final solution or as resolving the difficulties of providing a satisfactory political structure for a multi-racial society, limited 'home rule' on the Transkei model should be supported as a creative opportunity which provides room to manoeuvre for the immediate present.

9. Such separate development may evoke creative leadership and drive, and give enriching experience to the African leaders in the Bantu homelands. But the more the emphasis is upon development, and the less upon separate, the more likely is it to succeed, because the closer their ties to the expanding economy of the Republic the better. It can supply capital, technical knowledge, skilled labour, enterprise and, above all, an expanding market. Without these the modernization of the Bantu areas would be only a remote possibility.

10. It is of vital concern, both for humanitarian reasons and out of self-interest, that both government and private resources should be devoted to this task, and some form of joint-control or partnership, as suggested by Dr. Rupert, would seem promising, provided African interests are adequately safeguarded in the arrangements. Ultimately the survival of civilisation in South Africa depends not merely upon some form of peaceful co-existence between the races, but upon their effective co-operation in abolishing want, ignorance and fear, South Africa has the resources to achieve this goal. Can it produce the creative leadership in all races?

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THIRTY-FOURTH ANNUAL COUNCIL MEETING

I M P L I C A T I O N S O F E C O N O M I C A N D
O T H E R B O Y C O T T S F O R S O U T H A F R I C A

by

LEO KATZEN

Cape Town.
January 14 - 17, 1964.

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IMPLICATIONS OF ECONOMIC AND OTHER BOYCOTTS FOR SOUTH AFRICA

A paper presented to the S.A. Institute of Race Relations
Annual Council Meeting, January, 1964, by Leo Katzen

As an economist I would feel on surer ground when approaching this rather ticklish subject, if I were to confine my remarks to the implications of economic boycott alone. I will in fact devote most of the time at my disposal to this aspect of the problem although, even here, much of what I have to say is necessarily rather tentative and speculative. Nevertheless, I think it is correct that one should look at the problem of boycott as a whole. Attempts to boycott South African exports and place embargoes on the sale to South Africa of certain commodities are closely linked with cultural and sporting boycotts and banning South Africa from air space, travel facilities and participation in international bodies. They all stem from the same object in mind - to express disapproval of South African policies by a process of isolation and hoping thereby to bring pressure to bear on the South African people and Government to change these policies. I think it is important to realise the two-fold aspect of the boycott. Too often the boycott is judged simply in terms of its effectiveness in "bringing pressure to bear". On this score none of the boycotts to date have had much effect. It is also problematical whether an extension of boycotts in the future, particularly if we take them individually, will be more successful in directly bringing about social change in South Africa. This applies probably just as much to economic as to other forms of boycott. What is ignored, however, is that the boycott also aims to show disapproval by withdrawing from social and economic relations with South Africa - sending us to Coventry in fact. The more subtle and cumulative effects of our growing isolation from the human community may be more difficult to assess but are none the less real for all that.

ECONOMIC BOYCOTTS.

A discussion of economic boycott raises a formidable number of questions, only some of which can be dealt with here.

What is the extent of the boycott of trade with South Africa to date? How vulnerable are South Africa's chief exports and imports to boycott? How dependent is South Africa on foreign trade and what effect will the boycott have on the economy?

WHAT IS THE EXTENT OF THE BOYCOTT OF TRADE WITH SOUTH AFRICA
TO DATE?

When discussing actual boycotts to date a distinction must be made between official and unofficial boycotts.

Official boycotts had been declared against South Africa by some twenty-five countries by the end of 1963. In fact many more countries have voted at the United Nations for boycotting South African goods and placing embargoes on the sale to South Africa of oil and arms. But as yet these resolutions do not seem to have been translated into effective action. India and Pakistan were the first countries to boycott South Africa since the war. Pakistan, however, withdrew her boycott in 1956. All other official boycotts, apart from India, have been instituted since 1959. With the exception of the British West Indies and British Guiana these boycotting countries are all either in Africa or Asia. In most cases the boycott has been confined to not buying South African exports while the sale of goods to South Africa still continues. Taking the figure for the most recent peak year of exports to these countries, the most significant of the boycotters are Malaya (R5,908,000 in 1959), Ghana (R4,400,000 in 1959), Nigeria (R1,733,000 in 1959), British West Indies (R1,468,000 in 1959), Kenya (R7,437,000 in 1961) and the Phillipines (R10,187,000 in 1961). If these boycotts become completely effective the loss of trade to South Africa will be approximately R35,000,000 per annum or about 4.5% of the value of our merchandise exports. In actual fact the loss of trade between 1959 and 1962 was only about R12,500,000 per annum or 1.7% of South Africa's merchandise exports excluding gold (1% if gold is included). This is partly because some of the boycotts are only of recent origin (e.g. Phillipines and Kenya) but also because not all the boycotts have been very effective so far. Malaya, for example, which officially began to boycott South Africa in mid-1960 still bought R3,900,000 worth of goods from us in 1962. It could seem that even official boycotts of trade are easier to declare than to implement effectively.

It is obviously much more difficult to assess the effect of unofficial boycotts on South Africa's exports. Several attempts at organising consumer boycotts have been made in Britain and the Scandinavian countries in recent years. Although Britain is South Africa's largest customer by far (taking about 30% of our total merchandise exports in recent years), the bulk of our exports there are raw materials such as unrefined sugar, wool, animal feeding stuffs, chemicals and minerals that are not amenable to a consumer boycott. Nevertheless there is also a significant sale of consumer goods that can normally be identified by the British public as being of South African origin. The importance of the British market for our exports of fresh, dried and canned fruits and vegetables in particular can be gauged by the fact that they represent about $\frac{1}{3}$ of our total merchandise exports to the U.K. and the U.K. regularly takes more than $\frac{2}{3}$ of our total exports of these items. On June 26th, 1959, a campaign for a consumer boycott of South African goods was inaugurated in Britain. In the same year there was a significant fall in the value of South African fruit exports - particularly canned fruit to the U.K. The available evidence suggests, however, that this was largely due to forces other than the boycott. According to "Labour Research" of January, 1960, "the fall in imports of fruit had in fact begun before the boycott was launched on June 26th. Since then it appears to have accelerated". In the same article they also point out that "on the 1st November, 1959, the minimum export price to which South African canning firms had been subject was removed and all signs pointed to a price war with Australian and American competitors." In 1960, in spite of Sharpeville and the continuation of the boycott, canned fruit exports to the U.K. recovered.

Experience to date suggests that voluntary consumer boycotts have not had and are probably unlikely in the future to have more than a marginal effect on South Africa's exports. They are difficult to organise and to sustain. A non-governmental boycott that is potentially more serious for South African trade, however, would be a widespread decision on the part of dockers not to handle cargoes to and from South

Africa. This matter has already been discussed by the International Confederation of Free Trade Unions although no agreement has yet been reached. For such a boycott to be effective, however, there would have to be concerted action on the part of dockers of most of South Africa's important trading partners otherwise cargoes may be consigned through intermediate ports.

WHAT ARE THE PROSPECTS FOR THE FURTHER EXTENSION OF OFFICIAL BOYCOTTS?

The answer to this question is very much a guessing game. It is probably safe to assume that a good number of additional countries will be added to the list of boycotters in the next few years in view of the recent resolutions taken at the United Nations. Just how many is impossible to predict. But on the other hand it also seems equally safe to assume that most of South Africa's major trading partners are unlikely to become boycotters in the near future at least. Taking the actual figures of the proportion of South African trade accounted for by each country in recent years, if we then make the assumption that every country in the world, with the exception of the U.S.A., Canada, Western Europe (Scandinavia excluded), Japan, Hong Kong, Aden, Australia, New Zealand, the Portuguese Colonies in Africa and the Central African Federation, imposes a complete boycott on trade with South Africa, the percentage decline in our trade would be as follows:-

	<u>Imports</u>	<u>Exports</u>
1960	18.2%	8.9%
1961	18.2%	7.2%
1962	18.1%	6.7%

The above figures do not take into account the possible effect on South African trade of the break-up of the Federation when Northern Rhodesia and Nyasaland must be added to the list of potential boycotters. Separate statistics for Northern Rhodesia and Nyasaland are not available so they have had to be estimated. If these are incorporated the above table would read as follows:-

	<u>Imports</u>	<u>Exports</u>
1960	19.1%	13.4%
1961	19.0%	11.0%
1962	19.0%	10.1%

The reason for the already existing decline in the percentage of exports to potential boycotting countries is that some of them became actual boycotters between 1960 and 1962 and also that exports to the Federation fell off quite sharply in this period due to factors other than the boycott.

These figures suggest that even a complete boycott, which is unlikely in practice, on the part of all the Afro-Asian, Communist and South American countries would have a comparatively small effect on South African trade. On the other hand these figures also indicate how very dependent South Africa is on a relatively small number of important markets. In 1962 three quarters of our exports went to the ten largest markets. As mentioned before, 30% alone went to the U.K. Another 9% went to the U.S.A., our second largest market. Should these two major countries decide to join the boycott the effect on our export trade would be disastrous. It is argued, however, that the U.K. in

particular could never afford to boycott South Africa because not only are we one of her largest markets and sources of supply of many important commodities, but also because of the large British investments at stake in the South African economy. While this argument has considerable weight there are a number of counter arguments that cannot be ignored:-

- (a) Whereas the British market accounts for 30% of South Africa's exports the South African market takes less than 4% of Britain's exports so that the relative effect on the British economy of a decline in trade with South Africa would be smaller.
- (b) A future Labour Government may be more inclined to favour such drastic action particularly if other major countries can be persuaded to join as well.
- (c) The boycott, particularly if it is widespread, need not have to be prolonged in order to have a disruptive effect.

HOW VULNERABLE ARE SOUTH AFRICA'S CHIEF EXPORTS AND IMPORTS TO BOYCOTT?

So far we have only discussed the possibility of an extension of the boycott in terms of a complete loss of trade with potential boycotting countries. It is clear, however, that the vulnerability of South Africa's foreign trade to boycott cannot be properly assessed without looking at the individual items traded. Taking exports first, we find that in 1962 South Africa's merchandise exports including re-exports and uranium but excluding gold were worth R950 million. If to this we add the value of gold output in 1962 at R637 million we get a total of exports valued at R1586 million. It seems hardly conceivable that gold, which now accounts for 40% of South Africa's total exports, could be amenable to boycott. Should it not be possible to sell it through official channels, there is always the free market and other unofficial channels to dispose of it. Diamond exports, which accounted for 8% of our exports (including re-exports and gold) in 1962 are also in a similar category. But to a lesser extent the other primary products, which form the bulk of our exports, are also less vulnerable to boycott than identifiable consumer and producer goods. Unless the boycott is universal it would remain possible to dispose of a good proportion of our exports through intermediaries. At the worst we may have to accept a lower price for some of these exports.

Our export of consumer goods is of course potentially more vulnerable. For example, the fish canning industry, because it produces a cheap protein food largely sold to poorer countries stands to be affected by the loss of some of its Afro-Asian markets. The Phillipines, which only recently became a boycotting country, bought R9,700,000 and R4,600,000 worth of canned fish, (mostly pilchards) from South Africa in 1961 and 1962 respectively - quite a sizeable proportion of the exports of this commodity. Unless alternative markets or roundabout ways of selling to existing markets can be found, certain industries will lose quite heavily if the boycott grows. But in relation to South Africa's total exports these industries play a comparatively minor role. In fact steps are already being taken by some firms to evade the boycott by exporting unlabelled goods, having orders placed by outside agents or consigning goods via intermediary ports. These practices do, however, result in some loss of price advantage.

As regards the vulnerability of South African imports to boycott we find the story is rather similar to that of exports. Over 80% of our imports come from the relatively few countries that take

the bulk of our exports. The countries that are more likely to join the boycott supply us largely with basic raw materials which again are not readily amenable to boycott. It is true that some very important imports such as oil, tea, and rubber come almost entirely from these countries, but supplies can either be got from alternative sources or via intermediaries. The case of oil is rather interesting and much talked about. We are, of course, highly dependent on imports of oil. 90% of our requirements of motor spirit and even a larger proportion of our other oil requirements are derived from outside sources. At present we buy nearly all our oil requirements from the Middle East. But this is largely because it is cheaper and more convenient to do so. Should these countries place an embargo on our oil supplies we will simply buy elsewhere albeit at a slightly higher price. Hence the reluctance of a country like Iran to join the boycott without a general agreement on the part of other oil suppliers to follow suit. But as long as there is still one source of supply available, even if it is only an intermediary port, it is difficult to see how such an embargo could be effective without some form of blockade as well to back it up.

As yet the boycotting countries have shown themselves much less reluctant to supply than to buy. South Africa buys far more from the potential boycotting countries than it sells to them so that some of them would lose quite heavily if they refused to sell to us.

HOW DEPENDENT IS SOUTH AFRICA ON FOREIGN TRADE AND WHAT EFFECT
WILL THE BOYCOTT HAVE ON THE ECONOMY?

I have so far only considered some of the possible effects various degrees of boycott could have on South Africa's foreign trade. Before we can assess the impact this might have on our economy it is necessary briefly to consider the extent to which we are dependent on foreign trade. The value of our total export earnings is approximately 30% of the Gross National Product. There can be little doubt that trade with other countries is a vital source of our national prosperity and relatively high standard of living. By specialising in gold production and other primary export industries we have been able to finance the imports of machinery and raw materials that are vital to the running and expansion of our secondary industry. Were boycott to curtail drastically our foreign trade there is bound to be, at least in the short run, a sharp fall in our real national income and economic growth. Only primitive economies can exist in total isolation. South Africa has a complex technical economy which could not survive complete isolation. Apart from our high degree of dependence on imported oil and other raw materials already referred to, we are still heavily dependent on imported machinery, vehicles and processed raw materials that we are not yet in the position to make ourselves, at least not in sufficient quantities. In addition there are side effects of economic isolation that would be just as serious. We would suffer a loss of trained manpower and the drying up of the supply of skilled immigrants and know-how from the more advanced countries which could be a major disaster.

But as has been suggested before, complete economic isolation seems most improbable. We are more likely, at least in the short run, to face harassment on the Israeli and Cuban model. South Africa would seem to be in just as good a position, if not better, than these two countries to withstand the effects of a partial boycott. We are richly endowed with natural resources and can even reduce our dependence on foreign supplies of oil. We generate a high rate of internal savings and capital formation and also have considerable manpower resources as yet not used to their full potential. During and since the war there has been a considerable growth of import-replacing industries. This

trend towards autarky is strongly supported by the government. It may not be so outrageous to suggest that a mild boycott, or at least the threat of a boycott, might almost be welcomed by the government and those that stand to gain from the more intensive protection of South African industry. It strengthens their hand in promoting policies that decrease South Africa's economic dependence on the rest of the world. It is also useful in stimulating the "laager" mentality which has been the response of the majority of White South Africans to the boycott threat to date.

There is, however, an interesting possible side effect of boycott that may not be anticipated by those in power. In so far as it stimulates the diversion of our resources from agriculture and mining to secondary industry, it will inevitably accelerate the pace of urbanisation and integration of our Non-White population however much it is attempted to promote separate development and border industries.

But all this presupposes only a mild boycott. The analogy with Cuba and Israel raises certain doubts. These countries have very firm friends that are unlikely to desert them. What is unique about our situation is that the entire world is opposed to apartheid. This includes the countries that have resisted taking drastic action against us but who are nevertheless rather reluctant friends. The big question is whether the boycotting nations will continue to be only those in a relatively weak economic position.

Certainly South Africa has the wherewithal for a large measure of economic self-sufficiency although this can only be attained at higher real cost and the reduction of our range of choice. We could, therefore, sustain increased economic isolation. But how much comfort can we derive from this? What of the other forms of isolation referred to at the beginning of this paper? Already air space has been denied South African aircraft over much of Africa. Travel facilities are also becoming increasingly difficult to obtain in Africa and elsewhere. We have already been forced to withdraw from several international organisations and there is the immediate prospect of our being forced out of F.A.O. and I.L.O. and perhaps even U.N.O. itself. Several international sporting bodies have already taken action or intend taking action against the participation of segregated South African sports organisations. A large number of the world's best playwrights and actors will only agree to performances before non-segregated audiences. Should this become impossible in future, theatre will be seriously threatened in this country. Our isolation is likely to increase in the future. How are we likely to be affected by this? I think part of the answer is given by Professor K. Danziger, a prominent South African psychologist, in a recent address: "In this country the consequences of our isolation have either been made light of or considered in purely economic or military terms. There is a danger that the more subtle and ultimately perhaps more corrosive effects of spiritual isolation may be overlooked..... The most certain effect of isolation on the group, as on the individual, level consists in particular disturbances of the sense of reality. A group which isolates itself begins to create its own official definition of reality, one which does not agree with that of the rest of the world... The most sinister aspect of this development is the fact that it leads people to abandon rational methods for solving their problems and to place faith in irrational methods. The ultimate irrational force in the political life of a community is violence. As the policies of the isolated community become less and less realistic so the 'specialists in violence' come to play an even more decisive role in its affairs".

This is a rather gloomy prospect. A growth in the "laager" mentality seems to be the most likely response to pressures from outside,

at least in the short run. But the combined effect of various boycotts is bound to make life increasingly less comfortable in South Africa. Is there likely to be a point, short of armed intervention from outside or internal insurrection, at which those who support the political ideology (which is the cause of the growing isolation) feel they will be worse off than if that ideology were discarded? I'm afraid all I can do is leave you with this question to which I do not know the answer.

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