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Testimony on United States-South African Relations

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UNITED STATES-SOUTH AFRICAN RELATIONS

TUESDAY, MAY 17, 1966

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON AFRICA,
Washington, D.C.

The subcommittee met at 2:30 p.m., in room 2200, Rayburn House Office Building, the Hon. Benjamin S. Rosenthal (acting chairman) presiding.

Mr. Rosenthal. The subcommittee will be in order.

Our first witness this afternoon will be Alvin W. Wolfe, representing Americans for Democratic Action.

STATEMENT OF CURTIS B. GANS, AMERICANS FOR DEMOCRATIC ACTION

Mr. Gans. My name is Curtis Gans and I am appearing for Americans for Democratic Action. I work on their staff. I want to thank the members of the committee and their chairman for giving us this opportunity to present our testimony. We are expert witnesses. This is Mr. Wolfe, associate professor of anthropology at Washington University at St. Louis.

You all have copies of the testimony. Some of his articles on South Africa and other parts of Africa are listed in the bibliography in references here.

Mr. Wolfe?

STATEMENT OF ALVIN W. WOLFE, AMERICANS FOR DEMOCRATIC ACTION

Mr. Wolfe. Mr. Chairman, my name is Alvin W. Wolfe. I am an associate professor of anthropology at Washington University, St. Louis, Mo., and I am representing Americans for Democratic Action. I would like to thank the committee for giving me this opportunity to testify.

Among those who have a feeling of responsibility for the fate of mankind, and among those whose positions as statesmen of the world give them some real responsibility for that fate, there is consensus that the white-supremacy-apartheid system of South Africa ought to be changed. The present regime in South Africa has been condemned again and again in the United Nations, with, we should note, the delegation from the United States joining in that condemnation.
At their 1965 national convention, Americans for Democratic Action included the following two paragraphs in the resolutions relevant to Africa:

** * * * In regard to the situation in the Republic of South Africa, we agree wholeheartedly with our Government’s condemnation in the United Nations of apartheid. But, we are deeply troubled that this condemnation is belied by the Government’s permitting American financial and industrial interests to bolster by trade and investment the South African economy which in turn ruthlessly exploits the nonwhite majority.

Because continuation of the apartheid system can only lead to more violence and bloodshed, ADA urges the United States to join with other states in adopting full economic sanctions against South Africa until apartheid is abandoned. We urge full sanctions, rather than selective boycott or embargo, because the purpose is not to destroy but to save the South African economy, and the period of actual imposition will be reduced, perhaps even eliminated, if the threat is universal and complete.

The U.S. Government has not adopted the strategy of applying real pressure on the white South Africans to bring them to reckon with the demands of a world which no longer will tolerate such racist exploitation as they practice. Instead, our Government merely laments the inequities in that system and implies a hope that these will pass away as South African society experiences economic growth.

It may be that in selecting among alternative strategies aimed at changing the South African system, American policymakers have attempted to assess the relative gains and losses of each strategy. I am convinced that they have settled on the wrong strategy, and I should like to present some relevant evidence: first, some arguments demonstrating that the South African regime will not soften, sweeten, or go away as a natural consequence of further economic development; second, some arguments in favor of the feasibility of effective pressure in the form of international economic sanctions.

THE FALLACY THAT INDUSTRIALIZATION ITSELF MAY END RACIST EXPLOITATION

Most social scientists who have analyzed the South African situation conclude that the system is moving toward some sort of violent upheaval, implying that the time is past when amelioration might have precluded revolution. Still, American businessmen and Government spokesmen give the impression that the racist exploitation on which the whole structure is based will gradually disappear as South Africa becomes more industrialized. Is that what happened to slavery in America? Or to racial discrimination in America? Hardly. What progress has been made in the United States has been the result of political action, usually with the force of the Federal Government applied against the exploiters. If the U.S. Government had banned, prohibited, imprisoned, or executed all those who worked for economic and civil rights, the situation here would be more comparable to that in South Africa. There simply is no evidence that industrialization produces freedom. Only men with courage enough and men with freedom enough to work for freedom can establish a climate of freedom in a country.

In South Africa, all the indicators point in the opposite direction, with a steady erosion of freedom since 1948 when the Nationalists took over the Government. Each outcry against this erosion, by white
or black, is met by harsher restrictions. The infamous practice of 90-day detention without trial was withdrawn in 1965 only to be replaced by an even harsher practice, the detention for 180 days of so-called state witnesses held anonymously and incommunicado. What observer of South Africa could honestly hold that those in control of such a vicious regime will, because they are “civilized” people “just like us,” relax their totalitarian system and move toward freedom as they industrialize?

During this period since 1948, the economy has grown enormously, at something like 7 percent per year. Yet, no amelioration in the African condition attends this rapid industrialization. The largest segment of the African work force is in agriculture, and growth in this industry by mechanization can only be detrimental to these unskilled workers who do not, of course, own the land (87 percent of the land is reserved for whites by law).

In mining, the African workers are at the bottom with an average wage of $213 annually, an incredibly low rate that the mining industry can maintain only because of their monopolistic organization. Through the Chamber of Mines and with Government aid, the industry recruits workers from neighboring territories under colonial rule to keep a work force available even though the labor turnover reaches close to 100 percent per annum. In manufacturing, where wage rates are slightly higher than they are in mining, the growth is not ameliorating African conditions generally, for Africans occupy the unskilled jobs, the very jobs that are lost as industry becomes more capital intensive. The slightly higher wage rates in manufacturing should not be exaggerated: the African in manufacturing receives an annual average wage of $590, where it has been estimated that $800 annually is the necessary minimum cost of living for the African in the city. (Source: “Labor in South Africa,” study prepared by the American Committee on Africa, New York, 1965.) The Government decrees that only workers whose earnings exceed $764 per year are eligible for unemployment insurance benefits, making the vast majority of Africans ineligible for unemployment compensation. Further, the Government helps to keep Africans restricted to low-paying jobs in industry directly by enforcing job reservations designed to protect white workers, and indirectly by restricting Africans to primary education in Bantu languages only. Africans have long been denied the right of collective bargaining, and in 1953 the Native Labor Act explicitly forbade strikes and lockouts by African workers.

The process of industrialization itself could hardly induce ameliorative change when the power is all in the hands of the whites who, altogether, white farmer, white worker, and white industrialist, profit from the exploitation of the Africans.

PRESSURE ON SOUTH AFRICA THROUGH INTERNATIONAL ECONOMIC SANCTIONS

The economic boom in South Africa is the creation of political forces, within South Africa and outside South Africa. It results from the increasing need of the industrial world for the kinds of minerals South African-based companies produce and it results from the discovery by American, British, and German investors that they can
use this “plant” where profits are high because a ruthless government not only permits but fosters the exploitation of workers. This is a political matter. The play of market forces is already so much restricted that the classical “invisible hand” is paralyzed. Ridding the world of apartheid is bound to have economic consequences, but the converse is also true, that economic pressure applied from outside can rid the world of apartheid. The longer the world delays the application of economic sanctions, the more difficult will be the task, not so much because South Africa’s economic growth enhances its self-sufficiency as because South Africa’s economic growth provides that Government with more and more means to further repress the vast majority of its population. The Government’s expenditures for police and defense—defense against Africans—have been increased fantastically in the last 3 years. In 1966 South Africa has “reached a new milestone” with the manufacture of its own military jets.

To appreciate the feasibility of economic sanctions it is important to underline the vulnerability of the political-economic situation: heavy-handed Government control over land and labor together with Government assurances of freedom to take profits out of the country provides a picture attractive to the foreign investor. He can, it would seem, have his cake and eat it too. Any reduction in those profits, or any application of Government controls on foreign investments would stimulate disinvestment. And the Government needs that investment (for example, the $650 million in American investment, increased from $300 million in 1961) in order to have the strength to practice its policy of total domination of its African subjects. The potential consequences of a cut in the foreign trade of South Africa are so enormous because of this peculiarly unstable political-economic situation.

Although South Africa is classified as “developed” and other African countries as “developing,” it does not follow that their patterns are complementary. Though more industrial than other African territories, South Africa still exports largely primary products. These account for more than 80 percent of its exports, and they go not to African countries, but to the United Kingdom, the United States, West Germany, and Japan.

Among African territories only those immediately adjacent to South Africa would feel the effects of internationally applied economic sanction against South Africa: the economies of Basutoland, Bechuanaland, and Swaziland are now firmly tied in with that of South Africa; Rhodesia gets 25 percent of its imports from South Africa, but sells less than 10 percent of its exports there; 12 percent of the imports of Mozambique come from South Africa, and 10 percent of its exports go there. Neither Zambia nor Congo would suffer hardship if the South African trade were cut off completely. Their present imports from South Africa could be replaced with imports from other countries, and most of their exports to South Africa, such as copper and diamonds, are ultimately destined for other markets in any event. For example, in 1961 Congo exported to South Africa $26 million in diamonds which were then exported by South Africa, in fact, represented 72 percent of South Africa’s diamond exports.

However many Africans in independent states might like to apply pressure on South Africa to change its political pattern, their economic pressure would be and has been inadequate to the task. Effective
international sanctions require the participation of the so-called developed areas of the world, which provide 81 percent of South Africa's imports and take 69 percent of her exports. In fact, the real responsibility for making sanctions work lies with three major trading countries: the United Kingdom, the United States, and the Federal Republic of Germany. These three powers provide over half of South Africa's imports and together buy half her exports.

Vis-a-vis these trading giants, the South African economy, despite the high profits it affords some major investors, appears miniscule. Whereas the United States, the United Kingdom, and Germany account for 1 percent of the total. And whereas the trade of these three countries is crucial to South Africa, their South African trade is but a tiny proportion of their own total trade: in 1963, slightly over 3 percent for the United Kingdom, and slightly over 1 percent for the United States and Germany. (Source: United Nations Yearbook of International Trade Statistics, 1963.)

A complete cessation of trade with South Africa, even if it were not balanced by replacement in other countries, would mean virtually no general economic cutback for the major industrial economies which are the major traders with South Africa; a recent analysis by G. D. N. Worswick concludes for the United Kingdom, where 3 percent of external trade is with South Africa, that the economic consequences of sanctions would be "imperceptible," under the optimal policy according to which sanctions were effectively applied to South Africa in a combined operation of all the nations. Worswick predicts that even under the worst possible circumstances, "if Britain acted unilaterally, and then proceeded to cope with consequential balance-of-payments problems by the wrong means, the outcome might mean a sacrifice of 2 1/2 percent of national product." (Segal 1964: 185.) Since the United Kingdom, with the United States, would be among the last states to agree to apply sanctions against South Africa, we may safely disregard this last case (the worst possible circumstances wherein Britain acts unilaterally) and we may also safely assume that if there is concerted action by these major states sanctions will be effective. Thus, the "optimal policy" prediction is the relevant one: the impact on the British economy of effective sanctions against South Africa would be imperceptible.

Mr. Rosenthal. If I might ask a question at this point, what would happen to the British investment in South Africa?

Mr. Wolfe. During the period of sanctions that investment would not be producing income I presume.

Mr. Rosenthal. Would you think in the long run that investment would be lost to the United Kingdom?

Mr. Wolfe. No, I should not think so because I would expect complete economic sanctions to be effective in changing the Government of South Africa. The result, then, in, I would expect, a short time would be a government which would recognize that those investments continue to be held by whoever held them previously.

Mr. Rosenthal. If exactly the opposite were the case? In other words, if sanctions did not bring down that Government?

Mr. Wolfe. If sanctions did not bring down the Government and—
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Mr. ROSENTHAL. If exactly the opposite were the case? In other words, if sanctions did not bring down that Government?

Mr. WOLFE. If sanctions did not bring down the Government and—
Mr. Rosenthal. In other words, the point that you make is that the United Kingdom would lose 2 1/2 percent of their national product, 2 1/2 percent if they did not deal with South Africa any longer. I think what is in the back always casting a shadow over that is the enormous investment they have, $3 billion or more than that. They are very much concerned about the investment.

You assume that sanctions would bring down the Government and in short order the investment would be returned or safe. I believe the people over there have some doubt about that.

Mr. Wolfe. I am sure that I understand the question. I just can't believe that complete economic sanctions applied internationally would not be effective. I think what might happen would be a revolutionary situation in which a government hostile to foreign investment might possibly take over. I don’t think this would be the case if sanctions were applied quickly. This will be more likely the longer we delay. That is what I meant at the beginning of my statement when I said that the longer we delay the more difficult will be the application of sanctions.

Mr. Rosenthal. In view of the time problem and in view of the rather lengthy but certainly well prepared statement—I have reviewed it already—I wonder if you would have any objection to including the entire statement in the record, and proceeding to questioning so that we might hit some of your important points.

Mr. Wolfe. No, sir; I have no objection.

The unread portion of Mr. Wolfe’s statement follows:

With reference to the American economy, Elliot Zupnick recently analyzed the disemployment effects of a total cessation of U.S. exports to South Africa. Using deliberately extreme estimates of disemployment factors for different industries, he arrives at the conclusion that sanctions would result in 51,546 unemployed workers. Segal 1964 : 190) That is, as he says, “a very minor impact”—especially if one thinks at all about the 15,000,000 and more Africans who are the ultimate beneficiaries of the sanctions policy. Suppose the question were put thus: shall 15,000,000 Africans continue in complete subjection in South Africa in order to preserve 51,546 American jobs?

It should be stated, however, that Zupnick’s analysis overstates the potential damage to the American economy by cutting off all exports to South Africa. Zupnick seems not to have taken into account the considerable replacement of imports and exports around the world that would mitigate such effects as disemployment. Some commodities purchased now from South Africa by other countries would then be sought from the United States. The United Kingdom imports many foods from South Africa, foods which the United States could easily furnish. South Africa now exports manufactured goods, half of which is purchased by developing countries. American producers, as well as Europeans, would be in a position to meet the external demand that South Africa now fills for $43,000 worth of chemicals (SITC 5), $256,000,000 in “manufactured goods (SITC 6), $48,000,000 in machinery, transport and equipment (SITC 7), and $25,000,000 in “miscellaneous manufactured goods” (SITC 8). (UN Doc. A/AC. 115/L.55, 1964) The increased American exports implied in such relocations would offset much of the disemployment of which Zupnick speaks.

More important than general disemployment effects might be the effects of losses of particular commodities that are now imported from South Africa. For the United States, Zupnick states, “To the best of my knowledge amosite asbestos is the only commodity currently imported from South Africa which would fall into this category (of goods for which there are no adequate substitutes).” (Segal, 1964 : 191-2)

Amosite asbestos is apparently necessary to some aspect of the defense industry, and is listed as a strategic mineral. However, the United States does have a stockpile, 82,000 short tons in 1962 (Segal, p. 191) which grew to 37,944 as of July 31, 1963 (Congressional Record, vol. 109, pp. 21684-21689). Since that stockpile is some five times greater than the amount imported annually, which is in turn
obviously greater than the amount used, it is clear that the defense industry could get along for several years without additional imports. Certainly, the complete isolation of South Africa by international sanctions would not last that long. Alternatively, other sources of amosite asbestos may be developed in the interim, or substitute products may be developed.

Another defense-related mineral which the United States imports from South Africa is uranium. While uranium imports from South Africa are a high proportion of all American uranium imports, this is neither indicative of a world shortage of uranium nor of South Africa's efficiency in producing uranium. Actually, the United States has more uranium of all types than it can use in the near future, and has reduced imports from all countries except South Africa, and has even cut back purchases from domestic producers. Not only is the U.S. purchasing uranium it does not need from South Africa, but it is paying the South African producers (mainly gold-mining subsidiaries of Anglo-American Corporation of South Africa, DeBeers Consolidated Mines, and Consolidated Gold Fields, Ltd.) a much higher price for its uranium than is necessary. In 1958, the Joint Committee on Atomic Energy of the U.S. Congress was unable to learn from A.E.C. representatives the price the A.E.C. was paying for uranium from South Africa, the A.E.C. claiming that secrecy was maintained at the request of the South Africans, not the United States. (Hearings before the Joint Committee on Atomic Energy, Eighty-fifth Congress of the United States, 1958, pp. 20-21 and passim.)

A normally reliable newsletter, Africa, 1964, reported that the United Kingdom-United States Combined Atomic Development Authority is paying $12 per pound, while American producers would be willing to sell at $4 (Africa, 1964, No. 5, March, 1964). As early as 1961, before full uranium production was achieved by all the associated gold-mining companies, South Africa's annual exports of uranium amounted to $111,000,000. By 1964, when full production was reached, the figure must have elevated. Sanctions against South Africa, then, would not cause problems for the uranium industry generally, except those producers who made the unusually profitable arrangement with the A.E.C. (and financed, incidentally, by the American Export-Import Bank), an arrangement which supposedly holds through 1966.

Another important category of mineral exports from South Africa is that of nonferrous ores and concentrates (SITC Division 288), which amounted in 1961 to $53,000,000 of which the United States purchased 42 per cent and the United Kingdom, 13 per cent. (UN Document A/AC. 115/L. 55, 1964). Clearly, this category is important to the South African economy, but it turns out to be a negligible amount, easily replaceable, for these two receiving countries. The American share, 42 per cent of South African exports, is a mere 5.6 per cent of American imports of this category; and the 13 per cent of South African exports which go to the United Kingdom is only 3.7 per cent of British imports of non-ferrous ores and concentrates (SITC Division 288). More detailed analysis would probably reveal that much of the volume in this category actually derives from territories that are not legally a part of the Republic of South Africa. From the South-West African mines of the Tsumeb Corporation and from the mines of the South-West Africa Company come important ores such as copper, lead, zinc, and tin, listed as South African exports although there is little or none actually produced in the Republic. South-West Africa is reported to have exported $87,068,317 worth of minerals in 1963, $57,395,467 in diamonds and $14,590,436 in "lead complex concentrates." (UN Document A/AC. 109/1.154.) It would be ideal, of course, if South-West Africa could be liberated from South African rule before sanctions are imposed, but failing that, even the inclusion of South-West Africa under the boycott would not produce a world shortage of those minerals, most of which are produced in even greater quantity in other African territories now independent.

With so much concern being expressed about the general problem of the sufficiency of gold reserves for regulating international trade balances, the public may well be led to believe that the gold coming out of South Africa is necessary for the whole world economy. Most economists sophisticated in these matters feel that our general reliance, by international agreement, on gold as the ultimate "balancer" of accounts is unwise. Now that international trade has grown so enormously, there simply is not enough gold for such purposes in the 20th century. It is clear to most that continued expansion in world trade will necessitate the institutionalization of new mechanisms, such as the International Monetary Fund was at its inception, which reduce or eliminate entirely the reliance on gold for such adjustments.

Roger Opie has written: "If cutting off the supplies of South African gold were to precipitate an international liquidity crisis—as, in any case, it could bring any such crisis that much
nearer—there is no lack of proposals for dealing with one—proposals in the names
of Triflin, Bernstein, Stamp, Maudling, and Zolotas." (Segal, 1964: 162.)

We can do no better here than to quote Opie's conclusion: "that such a ban on
the purchases of South African gold could severely damage the South African
economy; that such a ban need do no more than the most trifling damage to the
international monetary system (and might just precipitate a much needed series
of reforms therein); that equally, the damage to the United Kingdom would be
small, although the damage to a very small number of City firms could be serious."
Segal, 1964: 166.)

THE POSITION OF PRIVATE FIRMS IN THE SOUTH AFRICAN TRADE

The statement just quoted, that the damage to a nation would be small although
the damage to a small number of firms might be serious, directs our attention to
a special dimension of the problem of economic sanctions. Though South African
trade with the United States accounts for the tiniest fraction of total American
foreign trade, there are particular companies heavily involved. Although trade
statistics of the kind we have been considering are presented as if "countries"
were the social units making transactions, the fact is that this trade is virtually
all between private companies here and private companies there. Any restrictions
on trade will be restrictions on profit-making private enterprises. One must,
therefore, expect the most effective opposition to sanctions against South Africa
to come from the many companies active in various enterprises, especially mining,
in South Africa. Making enormous profits in the system as it is, they cannot,
ala, be expected to support an action designed to reduce those profits. Ulti-
mately, they might be convinced that it is in their interest to forgo high profits
now in return for a more stable long-term development in a freer political en-
vironment. However, they will avoid facing these facts as long as they are per-
mitted to do so.

They will argue against sanctions—in favor of time. Clarence Randall, an
American spokesman of internationally-oriented business, has several years ago
argued that we should not push the South Africans. "At heart they are our kind
of folk. In the end they will do right. Let us give them a little more time."
(Randall, 1963, p. 80.) Secretary Williams' statement before the Subcommittee
on Africa reflects the influence from this quarter on our South African policy.

They will argue against sanctions—appealing to that elusive principle of sepa-
ratior of business and government. Yet, as we have already remarked, they are
involved in a political situation—which is currently profitable to them. Else-
where in several papers, I have discussed the close relationship between busi-
nesses and governments in the mining industry of southern Africa. (Wolfe,1962,
1963, 1966.) Union Miniere in Congo, even while financing Katanga's secession,
claimed to avoid political entanglement. The British South Africa Company, con-
sidering itself above politics, still sought from the British Government as late
as 1962 a guarantee that constitutional developments in Northern Rhodesia
(Zambia) would not jeopardize its mineral rights seized by political action a
generation ago. There was certainly heavy involvement in politics when the
South African gold-mining companies, subsidiaries of American-related firms
such as Anglo-American and Consolidated Gold Fields, worked out a riskless profit
venture with the A.E.C., including a generous $100 million loan from the American
Government-owned Export-Import Bank. They will still argue, however, as
Harry Oppenheimer has repeatedly, that they interfere politically as little as
possible. This means, I think we must understand, that they try to avoid respon-
sibility for political actions, though they influence events to their own profit
where they can. Thus, C. W. Engelhard, director of Anglo-American and a
generally large investor in South Africa, was appointed by President Johnson to
represent the United States at Zambia Independence Day ceremonies. These
"private" businessmen do have political influence, and they will oppose the use of
sanctions. (Mr. Engelhard, by the way, also sits on the Board of South Africa's
Chamber of Mines, a quasi-governmental body which sets employment and other
standards for the industry.)

The role of these companies must be understood, for it is crucial to the feas-
ibility of sanctions. The majority of the affected companies are sufficiently large,
sufficiently diversified in their operations, sufficiently dispersed territorially, and
sufficiently organized for cooperation with each other, to adapt to the necessity of restricting their South African operations for a time without complete collapse. This is obviously true for the purely financial enterprises such as Chase Manhattan, and for the essentially manufacturing firms such as General Motors or the Underwood Corporation. It is also true—though less obvious—for the mining firms. American Metal Climax is one American company whose profits would be affected by a prohibition of trade with South Africa—but the effects would not be disastrous. If they could not benefit from sales of copper by the South African firms O'okiep and Palabora, they could increase copper production from their Roman Selection Trust mines in Zambia. Even if their valuable Tsumeb property in South-West Africa were also cut off, some of the loss would be recovered by speeding up operations elsewhere in the world—in Mexico, in Canada, in the United States. Phelps Dodge Corporation and Newmont Mining Corporation, related American corporations with similar investments in South Africa equally have considerable freedom to adjust their investments to minimize losses in the event of an economic boycott of South Africa.

Even companies with their major roots in South Africa have hedges outside. Anglo-American Corporation of South Africa has important operations in Zambia, including Rhokana Corporation (copper) and Rhodesia Broken Hill (lead, zinc, cadmium), and in Tanganyika where it has Williamson Diamond, Ltd. The diamond industry, controlled by a system of associated companies, including DeBeers Consolidated Mines, could still flourish, and profit, outside of South Africa while sanctions were in effect. Pressure from African states alone has already required some reorganization of the Diamond Producers Association's network for purchasing diamonds, so that they do not go through South African hands. Of this reorganization, South African H. F. Oppenheimer, Chairman of DeBeers, said in 1964: “These changes will not disrupt the centralized marketing organization in London, which is essential in the interests of all diamond-producing countries, whatever the political difference between them may be.”

Consolidated Gold Fields Limited, despite its name and heavy investment in actual gold mining operations in South Africa, would not fall destitute under penalty of sanctions, for its widespread investments outside, including even a 61 percent interest in American Zinc Lead and Smelting Company, provide a cushion against the collapse of the South African economy.

The foregoing are but a few examples to illustrate that the major trade that would be affected by sanctions is not carried on by small family firms which have no way out. Further, most of these firms are so intricately interconnected in what I have elsewhere called a supranational social system that the burden of losses in South Africa would be almost automatically shared among them, even as are the high profits of today. (Wolfe, 1963.)

Not only would it be, therefore, unnecessary for the governments which imposed sanctions to attempt to devise means of compensating private companies for losses sustained, but it would be unwise to do so. The major pressure on white South Africans to change their political system must certainly come from these private companies; and only if they will actually suffer loss of profits will they effectively apply such pressure.

This situation is truly the key to the puzzling question of the feasibility of sanctions. The major companies must be made uncomfortable enough quickly enough that they use their influence to change the South African system.

**CONCLUSION**

Such consideration of the patterns of international trade as we have been able to present in this brief paper lead us to conclude that internationally organized economic isolation is a possible means of effecting political change in South Africa. It may, indeed, be the only means that can remove the apartheid system without precipitating major violence. This is a means which requires a minimum expression of military threat, and would least arouse cold war passions.

We have seen that South Africa is vulnerable to this approach. Its Government depends on and participates in the growing economy which is heavily dependent on external trade and investment. Economic isolation would harm
South Africa but the international consequences would be so distributed as to be minimally harmful to other states. The American economy as a whole would be virtually unaffected. The losses to some few major British and American "international" corporations, far from providing a reason not to impose sanctions, may be precisely the stimulation necessary to force these companies which have long been profiting from apartheid to use their influence in South Africa to bring about political change. Their desire to stay out of "politics" may be genuine—it may even be a noble principle to espouse. But, the fact is, they are already in politics and must in this case be maneuvered into a position where they have to do what is right. Nonviolent pressure from the people of all nations can be applied internally in South Africa only through the intermediaries of the major companies involved in the trade of many nations. Their financial losses will be small beside the losses to the people of those many nations if the issue must be settled by guns.

One last point should be made. It is conceivable that the actual application of sanctions might be unnecessary. The threat alone, if unambiguous, would start a process of disinvestment and general physical withdrawal that might be sufficient to bring on the kinds of pressures sought. We can envisage the adjustments that would commence as soon as the world's businessmen knew that on a specific date in the future, all trade with South Africa would cease. The rush would be to get out, not in, with all possible money, capital equipment, and goods. The reaction of the South African Government would be to restrict such movement, and the pressure of the financial world would inevitably fall hard upon that Government to give up, to comply with the will of mankind.

Mr. Rosenthal. One of the arguments that we have heard frequently is that by looking at the problem of apartheid and thinking about how we can deal with it, we are involving ourselves improperly in the internal affairs of another nation. How would you respond to that?

Mr. Wolfe. It certainly would be involving ourselves in the internal affairs of another nation. If this were done by the United Nations under the proper paragraph of the United Nations Charter or some convention I am sure it would be no worse an intervention than we seem to be engaging in elsewhere.

Even now, it seems to me we are now intervening politically by permitting the investment and the real exploitation of the Africans by the whites.

Mr. Rosenthal. There are two or three things. We might be able to do something about advising American businessmen that it is contrary to American principles to continue their investment.

United Nations action requires the invocation of chapter 7. This, in turn, requires a determination that there is a threat to international peace. Do you feel there is such a threat to international peace and security warranting U.N. action?

Mr. Wolfe. I do not know enough of the legal arguments on that particular question to really give a good answer. I would answer "Yes," but I am afraid it would be more an emotional response than one based upon international law.

Mr. Rosenthal. One of the arguments Nielsen gives in his book—I do not remember the name of it—against sanctions is that sanctions are cumulative with each step leading to a successive step. In other words, if you invoke limited sanctions and they do not work directly you have to follow them up with a blockade. If a blockade does not work, you follow it up with some kind of military action. Assuming that from the very beginning you are going to wind up in the final step of military action, is this what you are recommending?
Mr. Wolfe. I think that complete economic sanctions would, as I suggest here, less likely lead to real military action on the ground than any other step we could take now.

Mr. Rosenthal. When you say complete economic sanctions, supposing a state did not go along with it, any nation, and they sent their ships in. Would you suggest that we have a blockade and physically stop those ships from dealing with the South Africans?

Mr. Wolfe. Yes, sir; I think complete economic sanctions would imply a blockade of the ports, if that were necessary. I presume there would be ships under United Nations authority checking on such transportation.

Mr. Roybal. Would the gentleman yield?

Mr. Rosenthal. Yes.

Mr. Roybal. Do you mean by economic sanctions the United Kingdom and United States and Republic of Germany only?

Mr. Wolfe. No; no.

Mr. Roybal. Will you explain?

Mr. Wolfe. Yes. I would think it would be international economic sanctions under the authority of the United Nations with all of the nations bound by this.

Mr. Roybal. What I do not understand is what legal reason would we have through the United Nations to effectuate the proposal that you have made.

Mr. Wolfe. I more or less decline to answer that question on the ground that I don't know all the intricacies of international law. I would think something like this might be done. Right now there are economic sanctions or at least certain sanctions on certain products applied against Southern Rhodesia. South Africa is permitting oil to go through to Southern Rhodesia. This might be adequate means, reason to enlarge the application of sanctions against Rhodesia to include all of southern Africa.

I do not think the Rhodesian situation can ever be settled finally until the South African situation is settled also. Even though the present South African Government—

Mr. Rosenthal. You do not suggest that the Rhodesian situation is going to have to wait until the final settlement of South Africa before that is straightened out, do you?

Mr. Wolfe. I do not think that there will be a settlement of the Rhodesian question satisfactory to the African states, independent African states, and the Africans living in Rhodesia, until the South African regime is changed as well.

Mr. Rosenthal. Mr. Broomfield?

Mr. Broomfield. Thank you, Mr. Chairman. The thing that is confusing to me is this timetable. For the life of me, I just cannot understand, with the problems that we have got in the world today, including Vietnam, why we are now trying to stir up trouble in South Africa.

Certainly, I don’t go along with what is going on in South Africa but I am just reluctant to get in and try to tell the South Africans how to run their internal affairs.

I certainly do not like the racial policies they have there but it seems to me that we have got enough problems throughout the world with-
out trying to create more of them. Probably you do not want to even comment about it.

I do not have any questions.

Mr. Rosenthal. Mr. Roybal?

Mr. Wolfe. Could I comment on the Congressman's statement?

Mr. Rosenthal. I think you should.

Mr. Wolfe. I certainly appreciate his concern about getting into more trouble somewhere else and I would never recommend that my country should engage in such a serious matter as economic sanctions against another country if I did not think that they were the best means to avoid more serious trouble later. This is the reason I would foster it.

I think the situation in South Africa, as I said in the beginning of my statement, is deteriorating in every respect and I—

Mr. Broomfield. What do you mean, "in every respect"? Business-wise are they not doing better over there? Are we not doing more business with South Africa?

American investments are going up all the time.

Mr. Wolfe. Yes, sir.

Mr. Broomfield. Are they not doing the best of any country in Africa?

Mr. Wolfe. In terms of profit—

Mr. Broomfield. Everything.

Mr. Wolfe (continuing). And economic growth measured by gross national product. What I meant by deteriorating in every respect is every political respect, in respect to the relations between the whites and the Africans, relations between the Government and the people who are governed regardless of color, because I think the situation for the whites, for the liberal whites, is deteriorating in South Africa as well.

Mr. Broomfield. What is the average wage of the Africans in South Africa in comparison with some of the other countries of Africa? Do you have any idea what the annual wage of these men is?

Mr. Wolfe. Yes. The annual wage figured in dollars for South African Africans is higher, as the South Africans advertise constantly, than the average income of Africans in most other African states. But there is also another thing which the South Africans seldom say. That is, the cost of living for Africans is much higher in South Africa so that the dollar amount is not really—

Mr. Broomfield. Meaningful?

Mr. Wolfe. Not really as meaningful as it would be if other conditions were equal.

Mr. Broomfield. What is their average?

Mr. Wolfe. In South Africa they have very little land on which to practice subsistence farming so they have to depend much more on wage and cash crop farming, wages earned and cash crop farming than do Africans in other African states.

This is where it becomes almost meaningless to make the comparison of per capita income. I think it is around $200 approximately for South African Africans where it is generally below $100 for Africans in other African states.

Mr. Broomfield. Thank you.
Mr. Rosenthal. Is it your position that if we took some halfway steps today, such as economic sanctions or through the elimination of all American investments, we might prevent getting into a more severe holocaust some years ahead, if and when black Africa decides they can no longer permit this redoubt to continue?

Mr. Wolfe. This is a very reasonable question and one which the ADA, for whom I am speaking, has made a statement just recently recommending particular actions that could be taken immediately. They include such actions as this.

Mr. Rosenthal. I know the action they recommend. Is it your position that we can take an easier step today than a much tougher step 3, 4, 5 years from today? In other words, answering that, is it your opinion that violence there is inevitable, violence involving the entire continent?

Mr. Wolfe. No; I don’t think that revolutionary violence is inevitable even in South Africa. I think it is a place where it is very likely. If there is not revolutionary violence, then there will be the permanent establishment of an exploitative state system in which we are involved because of our investments.

This I think would be for most of us a very serious situation.

Mr. Rosenthal. We can express moral outrage by withdrawing American investments. That is not going to be the next step to economic sanctions.

Mr. Wolfe. That is right. It would satisfy some of our moral impulses but I do not think it would really solve the problem.

Mr. Rosenthal. My question was, Is it not in the American national interest to get into the situation sooner rather than later if the price is very cheap now but may be very dear some years ahead? I do not know if that is the case. I am trying to explore it.

Mr. Wolfe. I think the only way to do this is by complete economic sanctions against South Africa. I do not agree that any half-way steps such as just withdrawing our own investment would bring down the Government of South Africa or change the political complexion of it.

Mr. Rosenthal. It would satisfy our moral outrage?

Mr. Wolfe. It would satisfy much of it; yes, sir.

Mr. Rosenthal. Why is it in the American national interest to do any more than that?

Mr. Wolfe. I think it is in the American national interest to do more than that because in the long run to maintain a system such as they have in South Africa would involve also the spreading of such an exploitative system and it could even affect us back here at home.

Let me give a kind of example which may not seem realistic, there are many companies which have investments both in South Africa and in the United States. In South Africa they can mine successfully and pay miners something like $200 a year. Here, because we have minimum wage laws and because we permit unionization and so forth, collective bargaining, they have to pay miners much more. If they can continue to use that South African plant which seems so efficient in dollar terms, it seems to me that there would be a tendency for them to make it harder on American workers.

Mr. Rosenthal. This is kind of a remote possibility I think.
Mr. GANS. Can I add a couple of things?
Mr. ROSENTHAL. Yes.
Mr. GANS. Most of the world is concerned about the conditions that the Africans are forced to live in. I think it is in the American interest to some extent to be for the types of things that we are theoretically for in our Constitution and in our Declaration of Independence; namely, the equality of all people. If we are one of the detractors from collective action, then we mar our own image in the world and create difficulties.

Secondly, the types of conditions that exist in South Africa are the types of conditions that those very hostile to democracy often use to foment disturbances. In a revolutionary situation that might develop in the forthcoming years from this type of exploitation, which of necessity will foster a type of discontent and may also unite African nations to take some sort of collective action against South Africa, perhaps militarily, we will be in a very embarrassing position if the primary supporters of that type of action are people from other parts of the world such as the Soviet Union or China.

Mr. ROSENTHAL. You mean if a revolutionary situation developed in South Africa, aided and abetted by other black African states, then they received assistance or encouragement from either Russia or China, we might then find the situation much more difficult to resolve?
Mr. GANS. Exactly.
Mr. ROSENTHAL. Mr. Roybal?
Mr. ROYBAL. I am in agreement with what you are trying to do with regard to complete economic sanctions. You are trying to look for a legal reason to take these steps. I think historians are going to be critical, to say the least, of our legal position for our presence in Vietnam and for our intervention in the Dominican Republic.

This in my opinion could result in the same kind of situation. If we take one step we will take the other and finally probably get into a situation where we will intervene not only in the economic affairs of that nation but intervene militarily.

I would like to go on to another question, another field, if the chairman will permit me. That is, that you stated that the Government decrees that only workers whose earnings exceed $754 per year are eligible for unemployment insurance benefits.

You have also stated that the average wage for miners is $213 a year and that those who are working in the manufacturing industry get $500 per year.

Mr. WOLFE. Yes, sir.

Mr. ROYBAL. Does this mean that all these people working in both of these industries are not protected in any way by unemployment insurance benefits?

Mr. WOLFE. Not all of them, but obviously the majority. The figures are all average figures. So if the wage which permits people to come under unemployment compensation laws is higher than the mean wage, then most of the people would be—

Mr. ROYBAL. I thought you made reference to the fact that in these two industries there was this type of discrimination. It is actually based on the earning power of the individual and not the industry to which he belongs?

Mr. WOLFE. Yes, sir, that is right.
Mr. Roybal. I see. One more question.

In regard to the manufacture of military jets for South Africa, how much help do we give them?

Mr. Wolfe. I really do not have any information on that. I imagine that most of that, their help along the military line, has come from France rather than from the United States. I really do not have the information.

I read about the jets in a South African Government publication.

Mr. Roybal. That is all, Mr. Chairman.

Mr. Rosenthal. Thank you very much, Professor Wolfe.