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by: Bill Martin

No. 202

"South Africa First": State Initiatives Towards the Creation of Regional Economic Networks in the Interwar Period

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I

SANCTIONS! COUNTER-SANCTIONS! Behind the screaming headlines of local papers stands the stark reality of economic interdependence. On the one hand South Africa's dependent position vis-a-vis core areas is sharply etched, notwithstanding the state's bravado. On the other hand, and more pertinent for us here, lie the relationships that tie together economic activity from the Copperbelt to Cape Agulhas. In relation to the latter it is not, of course, simply the burgeoning weight of South African productive activity that underpins the struggle over the resources and wealth of southern Africa. For as is all too apparent to even the casual observer, highly unequal exchanges within production, labour, capital, and transport networks pivot on the South African heartland of southern Africa. Even as South African capital and the South African state stand in a subordinate relationship to core areas of the world-economy, South African domination of southern Africa remains no less evident and no less powerful.

By comparison to other areas of the world such a tightly imbricated set of economic networks is quite distinctive: rarely do contiguous, non-core states encompass such a circumscribed set of unequal economic relationshps. Certainly no "natural" or linear process of capital accumulation leads to such an outcome. At the beginning of this century South Africa like its neighbors confronted the world as a primary producer, with few significant industrial production processes to demarcate itself from other peripheral areas of the world. Yet the assumption of a natural path of regional inequality and integration seems to exist within the literature on the economic development of southern Africa. Despite the long-standing predominance of South African economic forces across the area, and despite a wide variety of studies on more narrowly circumscribed topics such as labour migration, there is a notable lack of substantive attention to regional political economy as a whole. Under the pressure of contemporary political

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struggles this situation is now being reversed, particularly north of the Limpopo. Yet studies of the Southern Africa Development Coordination Conference and the effect of sanctions, for example, proceed from and address the present situation; they understandably do not have as their aim or purpose an explanation of the historical construction of regional inequalities. If we ask such questions such as: "How did South Africa escape from a peripheral position in the world-economy?" or "How did "regional" interdependence emerge over time as part of this process?" there are few if any answers.

This paper represents a modest attempt to redress this state of affairs. In the following pages an examination is made of what is claimed to have been a critical epoch in the emergence of southern Africa as a region of the capitalist world-economy, namely the interwar period. Clearly this period marked out the beginning of South Africa's industrial drive. Yet to construe this as the natural creation of a national economy misses both the driving forces that succeeded in effecting this transformation as well as its meaning for southern Africa as a whole. In this latter area our basic claim may be simply stated: it was during this phase of world-economic depression and rivalry in the interstate system that initiatives by the South African state succeeded in breaking the relationships that bound South Africa within the peripheral zone of the world-economy. Out of this process would emerge the basis for unequal exchange within southern Africa itself. Paradoxically this process entailed a lessening of ties with surrounding territories, a pattern to be reversed in the expansionary post-World War II years.

II

It is widely recognized that the early 1920s marked a period of crisis in the relations within and among capital, labour and the state. The events of the day are all too familiar: a crisis of profitability in the mining sector, a strike wave culminating in the 1920 Black miners' strike and the 1922 White miners' strike, and a markedly adverse shift of market forces against commercial agriculture as well as the nascent industrial sector that had blossomed during the First World War. Out of these events came the Pact government, shattering almost fifteen years of stability and common purpose between capital and the state.

For our purposes neither a replay of the convulsive events of the early 1920s nor an analysis of the shifting forces amongst capital and the state is necessary; these have been well covered elsewhere. What is important to grasp, however briefly, is the extent to which documented outbreaks of class struggle and momentary reversals in price, supply and demand factors were but

indicators of much deeper malaise. At issue was no less than the viability the premises that had underwritten over a half a century of capital accumulation in South Africa.

From the opening years of the century onward there was little dispute amongst both capital and the state regarding the proper role of southern Africa in the world-economy. Following reconstruction after the Anglo-Boer War, both mining and agriculture expanded on the basis of full and open ties to the capitalist world-economy. Such a path of local accumulation presumed favorable access to expanding world markets for primary products, a process underwritten throughout the nineteenth century under the Free Trade System exercised through British hegemony. Great profits along the highly competitive peripheral zone of the world-economy could be, and indeed were, generated by following the primary production strategy. The early post-World War I conjuncture revealed, however, that South African mining and agriculture were, as a result of their commitment to this path, faced with long-term structural difficulties.

It is a commonplace that the formation and development of South Africa's great mining complexes were intricately bound to the forces of international capital. Yet behind the common appellation of "international monopoly capital" stood the structural reality of a peripheral production process. Dependence upon core economic powers was high throughout the circuit of mining accumulation, from the sourcing of investment funds, through the provision of capital goods and technology, to a naked openness to world commodity markets on both the input and outputs side of mining production.

In the heady days of the Rand's birth these factors worked in mining capital's favor, particularly as price deflation during the late nineteenth century depression stimulated gold prospecting and production throughout the world-economy.[1] With the transition after the turn of the century to an expansionary phase in the world-economy, these conditions changed slowly but inexorably against mining capital. Most obvious was the scissors crisis between a flat, internationally-fixed price for gold and inexorably rising

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[1] Throughout the nineteenth - and indeed twentieth - century long-term (or Kondratieff) cycles of expansion and contraction in the world-economy have had an inverse relationship to gold mining production, with exploration and then expansion of production occurring in contractionary phases and decline setting in during phases of economic expansion. See Geoffrey Blainey, "A Theory of Mineral Discovery: Australia in the Nineteenth Century," Economic History Review, 2nd. ser., 23, 2, 1970, 293-313. A partial account in relation to South African mining is contained in William G. Martin, "Cycles, Trends or Transformations? Black Labor Migration to the South African Gold Mines," in Charles Bergquist, ed., Labor in the Capitalist World-Economy (Beverly Hills: Sage, 1984, 157-79).

costs of inputs on the world market, particularly after 1910. By the early 1920s the real value of gold had fallen by approximately 30 to 50 percent from its value in the early years of the century, with the value of South African gold shares suffering a similar fate.[2] The judgement of international finance on these trends was quite clear: despite increased flows of investment capital from core to peripheral areas of the world-economy in this period, capital investment in South Africa's gold mines actually declined.[3]

In the opening decades of the century agriculture shared with mining the process of a deepening integration into the world-economy. Yet here at least the outcome was initially quite different. Far from constraining accumulation, rising world prices opened up opportunities for the expansion of commercial production and its extension into new areas. Critical areas of agriculture such as wool had long been totally dependent on world prices and marketing structures. Areas hitherto quite distant from full commercial consideration now joined in this pattern. Of the latter none was more important than maize production in the interior of the country, where production quite early in the century expanded well beyond the boundaries of local consumption towards international market. As Tim Keegan has argued, "the crucial new variable was the opening up of export markets for maize, which enabled farmers to grow unlimited quantities in the sure knowledge that the internal price would be maintained at a profitable level."[4] By the early post-World War I period up to a third of the crop was exported out of the country.[5] Looking at the first two decades of the century as a whole, rising producer prices throughout the agricultural sector were thus matched by rising production levels.

Where trends in agriculture crossed those in mining was in the immediate post-World War I years. In the mining sector long-term structural pressures came to a head, particularly as the "gold premium" was eliminated and foreign investment dried up. Dire predictions of the end of the industry

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[2] Calculation of real gold prices varies according to whether one adjusts by imported or local prices; see S. H. Frankel, Investment and the Return to Equity Capital in the South African Gold Mining Industry, 1877-1965 (Cambridge, MA: Harvard University Press, 1967), Table 2, p.90 for gold prices and p.20 on rate of return to mining shares.

[3] Ibid, graph B, 20.

[4] Tim Keegan, "Restructuring of Agrarian Class Relations in a Colonial Economy: the Orange River Colony, 1902-1910," Journal of South African Studies, 5, 2, April 1979, 245.

[5] See S. H. Frankel, Co-operation and Competition in the Marketing of Maize in South Africa (London: P. S. King, 1926), 11-20.

were matched by the closure of three mines, while 21 other mines were working at a loss or at a profit of less than 2s. per ton.[6] In agriculture sharp price reversals on the world market led many to fear for the long-term prospects of the farming sector.[7] As the Farmers Weekly of March 2, 1921 argued,

> The South African farmer to-day [sic] is faced with the difficulties of the present and doubts about the future... He has made large commitments on the basis of prices established for farm produce when farm produce, too, shared in the general inflation; he has to meet those commitments with realisations on a greatly deflated market. No wonder he regards the future with dismay, and turns hither and thither in search of a plank that will bridge him over the gulf of ruin in his path.

Tracing the problem to its origins the author continued, "unfortunately the fortunes of the farmer of this country, as regards his staple products, are absolutely dependent upon the consuming capacity of the open markets of the world".[8] As in the case of mining, agriculture had become locked into a set of markets which had turned against producers. As the citation suggests, there was little local producers could do to effect relief from these conditions.

South African primary producers were hardly alone in facing the chilly winds blowing off the world market. Yet what gave particular emphasis to the South African situation was not only the depth of the formal economic crisis, particularly in mining, but accompanying class struggles. These were most serious in mining, where attempts by mining capital to restore profitability resulted in a strike wave by Black and White miners that culminated in the well-known 1920 and 1922 upheavals. Agriculture's contribution in this conjuncture was no less important. Here the greatest challenge to state and capital was posed by the long-term transformation of South Africa's class structure that accompanied the commercialisation of agriculture. Behind rising production levels stood not only a deepening process of class struggle in the countryside, but the generation of a large strata of unemployable and

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[6] Leo Katzen, Gold and the South African Economy (Cape Town: A. A. Balkema, 1964), 29.

[7] Price trends for South Africa's major exports may be found in South Africa, Official Yearbook, No. 12, (Pretoria: Government Printer, 1930), 427, and South Africa, Handbook of Agricultural Statistics 1904-1950 (Pretoria: Government Printer, 1960), 183. A sustained, world-wide fall in primary product prices commenced in the early 1920s, well before the fall in manufactured goods prices that occured in the early 1930s; see the data in Charles P. Kindleberger, The World in Depression (Berkeley: University of California Pres, 1973), 88-89.

[8] Farmers Weekly, March 2 1921, 3255.

yet politically-enfranchised Whites. By the early 1920s both accumulation and the legitimacy of the political order were thus placed in danger.

Faced by this conjunctural crisis the South African state proved increasingly unable to maintain acceptable levels of accumulation and the social peace required to sustain the polity as a whole. Following the state's open alliance with mining capital in the brutal events of 1922, the path was opened to a new political coalition in the 1924 elections. The question for us here is simple: How did the Pact coalition move towards effecting the transition to industrial production in its attempt to resolve what may be called a crisis of peripheral development?

III

The election of the Pact government signalled a new era in the relationship between the state and the accumulation process. It soon became apparent that the new government would seek a resolution of the country's problems through the promotion of industrial production processes. Such a course held forth the promise of not only new national centers of accumulation to replace mining, but also the opportunity to quell White labour militancy and resolve the "poor white" problem. State initiatives soon ranged across a broad spectrum, from the reorganization of the transport system, through the establishment of ISCOR, to attempts to extend the autonomy of the Reserve Bank. Any fully adequate assessment of the transformation of economic face of southern Africa would have to cover these key areas. In the limited space available here we shall focus our attention upon one critical domain: the restructuring of inter-sectoral and inter-industry linkages through the regulation of commodity flows. Of all the fronts the Pact acted upon none was so thoroughly swiftly tackled as that of the regulation of commodity trade. Within one year of its election, the government had reorganized policy-making bodies, carried forward an investigation of tariff policy, and formulated and passed a revolutionary new tariff. Such early action signalled to contemporaries both the shape of things to come as well as the important role this area held in the struggle to alter the pattern of South African economic activity.

Most accounts to date of these events focus upon the changing relationship between "fractions" of capital, the state, and white workers.[9]

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[9] For direct examination of tariff policy see as examples Ralph Horwitz, The Political Economy of South Africa (London: Weidenfeld and Nicholson, 1967), 245ff, and David Kaplan, "The Politics of Industrial Protection in South Africa, 1910-1939" Journal of Southern African Studies, 3, 1, Oct. 1976, 70-91. The famous debate in the late 1970s over state/capital/labour relations also bears attention; see Review of African Political Economy, nos. 7 (1976)

Our interest is rather narrower, namely the extent to which such struggles around state policy were directed at, and effected, radical transformations in the networks that supported existing and prospective production processes. In this realm the Pact was initially constrained by a well-entrenched set of state agreements, institutions, and practices. From the earliest days of colonial intrusion in the area that would become known as South Africa, tariffs closely followed those of the dominant colonial power. The transition from early nineteenth century British mercantilism, to mid-century free trade, was fully reflected in changing colonial tariff schedules in southern Africa.[10] With the decline of British hegemony and heightened imperialist rivalry in the late nineteenth century, changes in British policy were once more imposed on colonial possessions. Free trade was to be increasingly restricted within the Empire, particularly through the application of preferential trade agreements.

In southern Africa these developments came to a head in the years immediately after the Anglo-Boer War, when Britain confronted bitterly antagonistic colonial governments which threatened the free flow of commodities so essential to British domination of the mineral and agricultural riches of the area. The solution was clear: to create a free trade zone that would allow uninhibited and open flows of commodities across the region and hence to and from Great Britain. This was achieved soon after the war with the imposition of a customs union, including preferential duties for British goods, among the Cape, Natal, the former Afrikaner Republics, Basutoland, Southern Rhodesia, Swaziland, and Basutoland.

Continued inter-colonial squabbling, especially after the establishment of Responsible Government in the Transvaal in 1907, seriously threatened the existence of the customs union.[11] One of the major impetuses behind the creation of the Union of South Africa was precisely the advantages it offered in ensuring the harmonious flow of commodities within and across its constituent units. How this aim was achieved became apparent in the years after 1910, as the new state turned its attention to organizing state policy on a Union-wide basis.

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and 11 (1978).

[10] The best summary account, despite its angry anti-British cast, remains A. J. Bruwers Protection in South Africa (Stellenbosch: Pro Ecclesia, 1923). Bruwer later played a significant role in eliminating the colonial cast of the tariff structure (see below).

[11] Even within the Transvaal dissension existed on the customs union. See the majority and minority reports of the Report of the Customs and Industries Commission (Pretoria: Government and Printing and Stationery Office, 1908), T.G. 6-1908.

In a world divided into primary producers and wealthy industrial nations South Africa's place was all too clear. With the emergence of Union nascent manufacturers turned their increasingly cohesive voices towards rectifying this state of affairs, with particular attention directed towards restructuring tariff policy. If South Africa was to move into the industrial league of nations, it was argued, concerted state action such as that propelling the other Dominions' industrialisation would be required. At first glance the new Union government under Botha and Smuts appeared to heed the call for an industrial policy. The creation of the a Department of Commerce and Industry was thus matched by the appointment of an investigatory commission into trade and industry. Within five years however these developments bore but bitter fruit. Despite the Commission's recommendation that "adequate protection should be given to agricultural and industrial undertakings," its full report solidly advised against the pursuit of an expanded industrial sector in the face of South Africa's small, widely-dispersed home market, high levels of world competition, and the high cost of labour.[12] In short order the Department of Commerce and Industries was also transformed into the Department of Mines and Industries, with the concerns of industry severely subordinated in terms of staff and resources to the mining sector. Manufacturers, led by the energetic W. J. Laite, quickly saw through this course of events and launched a counter-attack, calling for a new Department devoted to industry, a protective tariff, and a permanent tariff board.[13] All these efforts, however, came to nought.

With the advent of World War I and associated disruptions between South African producers and overseas suppliers the issue of industrial policy was reopened as the government appointed an honorary Industries Advisory Board. It soon became clear, however, that the scope of the Board's mandate was to be severely restricted: it was precluded from investigating the tariff question and even touring the country to take evidence. Examination of tariff matters did eventually take place, although the Board was warned in private session by the Secretary of Mines and Industries that this was not an area that the government considered open for new initiatives.[14] Like the

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[12] Report of the Commission into the Conditions of Trade and Industries (Pretoria: Government Printer, 1912), U.G. 10/12, 12.

[13] See for example W. J. Laite, The Union Tariff and its Relation to Industrial and Agricultural Development. The Case for Manufacturers. (Cape Town: South African Manufacturers Association, 1913).

[14] See the Minutes of the Second Meeting of the Tariff Committee of the Board, National Archives Pretoria (henceforth NA), Board of Industry and Science files (henceforth BIS), 410, 8.

report of the 1912 Commission, the Board's final report rejected any significant aid to industry although it did propose the further investigation of protection by a permanent and fully empowered Board.[15] Weak as it was, even this report was attacked by the Minister of Mines and Industries, F. S. Malan, and at no less a venue than the Annual Convention of the South African Federated Chamber of Industries.[16] Subsequent state actions in the tariff field followed these well-established lines. Appointment of a new Board of Trade and Industries was complete with severely restricted rights of inquiry, a lack of any link to the manufacturing community, and admonitions by Ministers that protection for industry was not to be considered.[17] Board members' subsequent threat to resign in the face of these difficulties led to but minor enhancements of their power to take evidence.[18] With the end of World War I, and the reemergence of fierce competition from overseas manufacturers, pressure to assist nascent manufacturers increased. Yet the government held firm, rejecting the Board's recommendations of substantive assistance to those industries, such as textiles and footwear, in most danger of collapse.[19]

The state's rigid commitment to primary production and free trade was radically changed upon the election of the Pact government. Central here was the reorganization of the Board of Trade and Industries. Instructed to recast and revise the Union's customs tariff, the Board's powers were considerably enhanced. Whereas its predecessor had but one fully salaried member, the new Board had four full-time participants (A. J. Bruwer, M. H. de Kock, F. J. Fahey, and H. E. S. Fremantle). Of the latter only one was tarnished by ties with previous Boards (H. E. S. Fremantle) and he would serve less than a year on the new Board. The Board's first report signalled

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[15] Report of the Advisory Board of Industry and Science for the Year 1919. (Cape Town: Government Printer, 1920). U.G. 42/20. Provisions in drafts of the final report which met many of the demands of manufacturers were stripped out by the time the final report was released; compare the final report with draft materials contained in NA BIS 403, part III.

[16] As reported in the state journal, South African Journal of Industries (henceforth SAJI), 3, July 1920, 610.

[17] See SAJI, 4, Sept. 1921, 722-27.

[18] See their report "A survey of the powers and functions of the Board in relation to the economic development of the Union," in NA BIS 355, as well as SAJI, 8, Jan. 1925, 30, and SAJI, 7, April 1924, 253-5.

[19] The boot and shoe industry is a good case in this regard. See H. J. Choles, "The South African Boot and Shoe Industry, An Industry with Great Possibilities in Danger of Extinction," SAJI, 4, March-April 1921, 206-17, and the government's response in SAJI, 8, Jan. 1925, 30-47.

the shape of things to come: it formed a vitriolic attack on Imperial Preference, following the key lines of A. J. Bruwer's University of Pennsylvania Ph.D. thesis.[80] The Board's subsequent recommendations on revising the tariff carried the argument to an expanded conclusion.[81] A two schedule system of maximum and minimum rates was to be constructed, the minimum rates applying to countries giving reciprocal privileges to the Union. Not only was preference to be placed on a quid pro quo basis for all countries, but extensive protective duties were to be granted to manufacturers and potential manufacturers. In addition the material inputs of industrial production were to be placed in a special class of goods subject to free entry or very low duties. The tariff act to be passed in 1925 followed these proposals in all essential details.

Reaction by capital to these fast-paced moves by the Board was equally swift. Mining capital, having lost its privileged access to the state under Botha and Smuts, nevertheless proceeded in time-honored patterns. Representations to the Board reiterated arguments of the previous decade, seeking to show "the adverse effect of a policy of protection on the two great primary industries of South Africa, Agriculture and Mining". Practically this took the form of demonstrating manufacturing's dependence on the health of mining and agriculture, and in turn mining and agriculture's dependence on free and open access to the world market. As the Chamber argued,

> Agriculture...like mining, must look to the markets of the world for the sale of its products. In those markets protective duties in South Africa will only hamper it: directly by increasing the costs of all machinery, implements and stores generally used in production; and indirectly by increasing the cost of labour consequent on the increased cost of living.[82]

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[80] See the Board of Trade and Industries, "South Africa and Imperial Preference," Report No. 46 (Pretoria: Government Printer, Dec. 6 1924). Bruwer's thesis had just been published in South Africa as Protection in South Africa (Stellenbosch: Pro Ecclesia, 1923). The shift in the Board's membership from business/state functionaries to those trained in academia with few ties to capital or the previous government did not go unnoticed. As the lion of commerce J. W. Jagger commented, the Board's members were, "with one exception, young and enthusiastic economists equipped with University degrees but no business experience". See J. W. Jagger, "The Board of Trade and Industries," Journal of the Economic Society of South Africa, 1, 2, August 1927, 53.

[81] Board of Trade and Industry, "Report No. 51, Report on the Revision of the Customs Tariff together with the Proposed Customs Tariff Bill and the Revised Customs Tariff," (Cape Town: Government Printer, 1925).

[82] Transvaal Chamber of Mines, "Statement of Evidence to the Board of Trade and Industries on the Subject of a System of Protective Duties," Dec. 31, 1924. Contained in NA BTI 67/2.

Buttressing such practical arguments was a plethora of arguments linking the prosperity of the world and South Africa to a free trade sytem.[83] Economists that they were, Board members' attitudes to such preachings were marked by cloaked hostility. Defending its treatment of the Chamber to the Minister of Mines and Industries, the Board depicted the Chamber's representations as an attack on the government:

> The Chamber's Statement of Evidence proceeded on very general and academic lines, and was in effect a treatise on the evils of Protection. It contained copious quotations from the writings of Marshall, the English Economist, and these were especially relied upon to indicate that industrial protection must indubitably lead to political corruption and the undermining of the State.[84]

Whatever the impact of increased costs to the mining industry, the Board hardly was to be swayed by such representations.

Appeals by the Chambers of Commerce, hitherto mining capital's natural allies, did not fare much better. Yet the Chambers of Commerce were themselves split between the Cape Chamber's pursuit of a policy of free trade and preference for Britain, and the interior Chambers' growing sympathy for industrial protection. These divisions reflected the different networks the two parties relied upon, with the Cape representing the big import/export houses tied to London, while commercial capital in the interior was much more closely related to the growth of the domestic market and nascent manufacturing. Bitter battles over tariff policy at the annual meetings of ASSOCOM were common (most notably in 1916-17), and the prospect of significant changes in state policy served to reopen old debates. At the 1924 Annual Congress of ASSOCOM a compromise position was reached whereby recommendations for continued preference for Britain were matched by a very restricted approval of protectionist measures.[85] The lack of unity nevertheless continued: When the Executive Committee of the Southern (Cape) Section sought to express its alarm at rumours of the demise of Imperial Preference in March 1925, the Northern Section vetoed its proposed telegram

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[83] See ibid, as well as articles published in South African Mining and Engineering Journal (henceforth SAMEJ) such as C. H. O. Schaife (of St. John's College, Oxford), "Free Trade and South Africa," SAMEJ, 35, Oct. 11 1924, 109-110.

[84] Letter from Bruwer to the Minister of Mines and Industries, May 6h 1926, NA BTI 67/2. Capitals in original.

[85] "Customs Policy and Dumping Duty: Interesting Debate at Harrismith Congress," Commercial Bulletin, November 1924, 88.

of protest to the government.[86]

Given the clear threat that the new tariff implied for mining and large sections of commerce, the above reactions were hardly surprising. Yet the desires and influence of the remaining key sections of capital, manufacturing and agriculture, were by no means as straightforward as might have been expected. Manufacturing capital, to be sure, hailed the election of the new government. Full confidence was expressed in the new Minister of Mines and Industry, Prime Minister Hertzog's statement that "to develop their [manufacturers'] industries would be in consonance with the motto 'South Africa First'" was enshrined in a flagged box of the July 1924 issue of Industrial South Africa, and Hertzog's remarks at the Eight Annual Convention of the South African Federated Chambers of Industries (SAFCI) were greeted with loud and sustained applause.[87] Meanwhile the editors of Industrial South Africa published guiding articles citing the benefits of protection especially in light of the experience of the other Dominions.

In the battle of support for protection manufacturers were especially concerned to demonstrate the benefits of protection for agriculture. As we have seen, mining capital's case rested on the claim that free trade was crucial to obtain access to export markets and maintain low prices for foreign inputs. Manufacturers countered by holding forth the benefits of growing backward and forward linkages between manufacturing and agriculture. The development of the home market, via industrial development using local materials, would thus expand the market for agriculture.[88] Such efforts in light of passage of the tariff should not be construed, however, as indicating manufacturing's direct hand in the construction of the tariff. Like other sectors of capital, manufacturing had little if any direct access to the independent deliberations of the Board, something that manufacturing capital complained of in private communication to the Minister of Mines and Industries.[89]

The response of agriculture's representatives to this wooing fluctuated

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[86] ASSOCOM (Cape Town) archives, file A 1909, 1/1/5, Minutes of the Meeting of the Executive Committee (Southern Section), Thursday 26th March 1925.

[87] See Industrial South Africa, 19, 207, July 1924, 293 and the "Official report of the Eighth Annual Convention," (Johannesburg and Cape town: SAFCI, 1925).

[88] See for example, E. G. Saunders, "Agriculture and Manufacturing Industries," Industrial South Africa, 19, 207, July 1924, 286.

[89] See the letter from Laite to the Minister of Mines and Industries, June 25 1925, including the appended minutes of SAFCI meetings documenting the Chamber's lack of access to the Board. NA BTI 67/7.

over time. Executive members of the South African Agricultural Union (SAAU) throughout the early 1920s aligned themselves with manufacturing capital. At the 1921 Congress of the SAAU open support was declared for a new industrial policy, and by 1922 the President of the SAAU was writing to the Chairman of the Board of Trade and Industries that the SAUU had "full confidence" in the Chamber of Industries and that the "Agricultural Union has accepted the principle that industries must be fostered in South Africa".[30] Yet only a year later the Executive was forced to remind farmers of this "established" support for manufacturing, arguing in the Farmers Weekly that

> during 1922 South African manufacturers spent 26 and a half millions sterling with the farmers of the country as against 28 millions received from the exportation of produce (exclusive of gold and diamonds). It is therefore obvious that with the extension of industries the home market will absorb a greater volume of the products of the land. This being the case, it is affirmed that it is to the advantage of farmers to support the development of industries.[31]

By the time of the passage of the 1925 Tariff Act other voices in the White farming community expressed quite different views, reflecting divisions and uncertainty as to the costs of the new tariff. Thus the Farmers Weekly expressly editorialized against any alliance between the Chamber of Industries and the Executive of the SAAU, and any extension of duties on "articles essential to the proper conduct of farming".[32] In this regard the tariff was carefully constructed, avoiding increased tariffs on direct inputs into the farming sector.

The deliberations and divisions among capital indicate both the hazards and potentials of moving away from free trade towards industrialisation via closing off selected commodity linkages to core areas of the world-economy. Those producers most deeply entrenched in export production, and most dependent upon seeking inputs at available world prices, properly fought protection as an evil that could only lead to higher local costs and potentially limited access to overseas markets. Mining capital clearly figured predominantly here, yet this was also true of large sections of commercial White agriculture. In a period of prosperity such forces could have been expected to exert proper control over state policy in assuring the continuation of the full set of conditions supporting a primary production. The importance of the structural crisis of the early 1920s in undermining the

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[30] Letter from the President of the SAAU to Sir Howard George, Chairman of the Board, May 11 1922, NA BTI 67/4.

[31] Farmers Weekly, 26, Oct. 10 1923, 494.

[32] Farmers Weekly, 29, May 6 1925, 803.

strength of the opponenets of protection was critical: It both undermined the benefits of long-standing commitment to this path of accumulation and provided in part the political conditions that allowed a fundamental break to occur in state policy.

Although a properly quantified estimation of the direct economic effects of the 1925 Tariff remains to be established (and none will be attempted here), it is widely acknowledged that the rapid revival and accelerated growth of industrial production rested upon the conditions created by the new tariff. Contrary to most accounts, it bears noticing that industrial growth in the period from the tariff to the Great Crash of 1929 was only but slightly less than the rate achieved in the expansive days after the revaluation of gold in 1933 through the beginning of World War II.[33] This mitigates strongly against the common view that the "miraculous" event of 1933 marked the turning point in the transformation of South African production and labour-force patterns. Since little in the way of tariff reform was achieved after Fusion in 1933, and multiplier effects from the expansion of the mining sector were considerable in the latter period, the achievements of the latter half of the 1920s stand out in considerable relief.

If the new tariff served to restrain competition from more advanced industrial areas overseas, it also broke at one and the same time the long-standing British stranglehold on the import and export trade of the Union. Such transitions in trade patterns reflected a broader range of actions designed to break the colonial link, ranging from the well-known battles over flag and Dominion status, through German backing for ISCOR, to bilateral trade treaties with Britain's competitors in the world market. In areas where action by a weak international actor such as the South African state could have immediate results these efforts could be decisive. In other areas, such as attempts to stimulate more local control over capital markets and the banking system -- an area where the City of London's hold was still strong, particularly on the South African Reserve Bank -- the South African state was far less successful. Overall, however, the fact that these initiatives began in the 1920s gave South Africa a noted advantage over other states which would attempt such policies only after the Great Crash, and thus

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[33] Deflated net indutrial output between 1924/25 and 1929/30 rose by 63 percent, while between 1933/34 and 1938/39 a 60 percent increase was recorded. Calculated from South Africa, Official Yearbook of the Union, No. 18, 1937 (Pretoria: Government Printer, 1937), and No. 24, 1948 (Pretoria: Goverment Printer, 1950), 911 and 970 respectively for output figures, and South Africa, Union Statistics for Fifty Years (Pretoria: Government Printer, 1960), H-15 (for adjusted Union goods deflator).

in much more adverse conditions. Indeed by contrast the boom inspired by the revaluation of gold in 1933 lessened considerably the forces pushing for increased protection, with the result that little if any further advance was achieved in this domain beyond the positions attained during the 1920s.

IV

Attempts to establish industrial production through limiting competing manufactured goods from core countries emerged as common theme in the interwar period. Taking such action, it was argued, would increase both inter-sectoral linkages and create a home market for locally produced goods. In the instance of the South African tariff, however, the applicable arena for such developments remained very much an open question. Raising tariff walls at the coast line did little to demarcate a South African market from that of southern Africa. This was directly the result of already existing agreements over the free flow of commodities, labour and capital across the boundaries of the region. As indicated above, from 1903 onward customs agreements between the constituent parts of South Africa, the Rhodesias, and the High Commission territories assured the relatively unrestrained economic exchanges within southern Africa as well as with overseas areas. British and South African agreements with Portugal, and particularly Mozambique, further cemented this pattern.

The intent behind South Africa's new tariff ran counter however to all of these existing arrangements. On the one hand the continuation of free trade within the region threatened the attempt by South Africans to promote both the consumption of their own resources and the expansion of the home market. On the other hand producers and consumers in surrounding territories, if bound by the regulations of the new South African tariff, faced higher commodity prices, and thus higher production and living costs, without necessarily reaping any of the benefits of the tariff. In the years following the passage of the tariff a series of struggles related to the South African state's new initiatives thus took place throughout southern Africa. The course and outcomes of these struggles reveal not only the strengths of different colonial authorities and sections of capital, but also the manner by which the basis for new forms of regional inequality were being established. In order to illustrate this we examine in this section the relationship between actors in South Africa and (1) Southern Rhodesia, (2) Mozambique, and (3) the High Commission Territories.

Throughout the late nineteenth and early twentieth centuries there was little conflict between Southern Rhodesia and South Africa over tariff matters. Political authorities in both areas desired to maintain the lowest

possible costs for their primary producers, which dictated tariff schedules constructed with only revenue considerations in mind. Southern Rhodesia's first customs duties in 1899 corresponded closely to those of the existing customs union between the Cape Colony, the Orange Free State, Natal, Basutoland, and Bechuanaland.[34] Formal consolidation of tariff structures was finalized in the 1903 South African Customs Union referred to above, an arrangement carried over in both the later customs agreements of 1906 and 1910. Further alterations in the South African tariff, most notably in 1914, were similarly extended through new agreements between Southern Rhodesia and South Africa. In all these cases South Africa's tariff stood for Southern Rhodesia, South Africa collected duties on goods openly destined for Southern Rhodesia, and free trade in the products of the participating parties was guaranteed.

The existence of free trade between the two territories facilitated an expanding exchange of products. In the decade after the 1914 agreement Southern Rhodesia's exports to the Union grew by 600 percent, while imports from the Union increased by 150 percent.[35] Tobacco and cattle accounted for the bulk of Southern Rhodesia's exports, while imports from South Africa were dominated by a wide variety of processed foodstuffs and consumer goods. Incipient inequalities were clearly at work as settler farmers in Southern Rhodesia increasingly looked to South Africa's large urban and mining markets, while Southern Rhodesia in turn rose as an outlet for South Africa's manufacturers.

The South African state's turn to protection and the development of local industries and markets seriously challenged these long-standing arrangements. Following past practice, Southern Rhodesia agreed to the radically new nomenclature and duties of South Africa's 1925 tariff, subject to the right to set Imperial Preference rebates above the levels contained in the Union tariff. In reality Southern Rhodesian merchants bypassed the higher costs imposed by Imperial Preference by simply importing indirectly from warehouses in South Africa; the Union government agreed to pay Southern Rhodesia no less than £ 125,000 in recompense. Throughout such deliberations there was not only a clear sense of growing divergence between the two states over tariff matters but also a declining ability of Southern Rhodesia to

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[34] See D. J. J. Botha, "On Tariff Policy: the Formative Years," South African Journal of Economics, 41, 4, Dec. 1973, 321-55, as well as official accounts in Southern Rhodesia Official Yearbook, nos. 1 & 2, 1924, 1930.

[35] Calculated from Southern Rhodesia, Official Yearbook of the Colony of Southern Rhodesia, No. 2, 1930 (Salisbury: Rhodesian Printing and Publishing Co, 1930), 627-8.

control the pattern and revenues of commodity trade.

Far more serious conflicts arose as the South African government sought to restrict access to its markets and growing industries by surrounding peripheral producers as well as overseas producers. Strains between South Africa and Southern Rhodesia had been growing for some time, as the turn to agricultural production in Southern Rhodesia led to an acceleration of agricultural exports to the Union. The central items at issue were the cattle and tobacco exports of Southern Rhodesia. In 1924 the Union government pressed Southern Rhodesian officials to accept limits on these exports and succeeded: minimum weight limits of 1,050 lbs. for oxen and 750 lbs. for cows were imposed, while the export of lower grades of tobacco (scrap, dust, and stems) were prohibited altogether. Pact Ministers trumpeted such results to South African farmers, proclaiming that 750,000 lbs. of tobacco had been excluded by these measures.[36] Weight restrictions on cattle, however, seemed primarily designed against the smaller cattle of African farmers. As one South African MP put it, he "did not know of a cattle farmer in the Transvaal who would be satisfied with the agreement".[37]

Such restrictions, when placed in light of continued access to Southern Rhodesia on the part of South Africa's growing manufacturing sector, considerably exacerbated the unevenness of the trading relationship between the two territories. This was graphically reflected in an accelerating trade imbalance through the rest of the 1920s:

Southern Rhodesian Trade with South Africa[38]

Year	Exports	Imports	Exports/Imports
1924	738	825	90
1925	540	783	69
1926	836	1197	70
1927	1074	1317	90
1928	894	1550	58
1929	832	1750	48

If invisible imports and exports were included the balance in South Africa's

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[36] Farmers Weekly, 28, March 4 1925, 2602.

[37] Ibid.

[38] Sources: Southern Rhodesia, Official Yearbook, Nos. 2, 1930, and 3, 1932 (Salisbury: Rhodesian Printing and Publishing, 1930, 1932), 617 and 548, 558 respectively. These figures exclude gold movements between the two countries, specifically Rhodesian gold sent to the new Rand refinery.

favor would have been much greater, perhaps even double the official figure.[39] The character of the trade confirmed, moreover, the different bases of accumulation, with Southern Rhodesia exporting primary products to South Africa and receiving manufactures in return. Nothing illustrated this better than the export of Southern Rhodesian tobacco which returned in the form of South African cigarettes.

In face of such trends the Southern Rhodesian government in March 1929 requested a revision of the customs agreement reached in 1925. The Southern Rhodesian government stated its demands quite openly: more tariff autonomy, a closure of tariff loopholes presented by the disguised importation of overseas goods from open stocks in the Union, a securing of Imperial Preference, and the prevention of the automatic extension to Southern Rhodesia of the Union's growing trade treaties with foreign powers. The last two items, and indeed the whole question of revision, was triggered by the South African-German trade treaty of 1929. Meetings between state officials soon ended in complete deadlock. The reason was not hard to discern: Far from recognizing Southern Rhodesian complaints, the South Africans used the occasion to increase their already considerable advantages. In addition to retaining previous limits on lower grades of tobacco and cattle, it was now proposed that tobacco imports were to be limited to a maximum import quota of 2,000,000 lbs. of Virginia leaf and 400,000 lbs. of Turkish leaf. At the same time South African officials expected to retain the applicability of South Africa's protectionist duties as well as free access for South African manufacturers.

On the Southern Rhodesian side of the border expectations that the lack of any agreement would benefit the growth of Southern Rhodesian industry quickly gave way to a recognition of the necessity of maintaining even limited access to the South African market.[40] Reaction in South Africa was mixed, reflecting a greater variety of relationships to Southern Rhodesia and the wider world-economy. Those most immediately affected by the lack of any

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[39] No accounting of these items was made at the time. One Southern Rhodesian Commission in the early 1930s calculated, on the basis of figures supplied by the Controller of Customs and the Government Statistician, that invisible trade items doubled the trade balance in South Africa's favor. See Southern Rhodesia, Ottawa Conference: Report of the Committee Appointed to Investigate and Report to the Government (Salisbury: Government Printer, 1932), CSR 1-1933, 26-7.

[40] Ian Phimister, "Industrialisation in the Periphery: Southern Rhodesian and South African Trade Relations between the Wars," African Studies Institute, Seminar Paper, 28 July 1986, 6-8. Phimister's essay complements our argument here by providing a detailed accounting of trade relations as seen from the Southern Rhodesian side of the border. It also demonstrates the advantages of free access to the appropriate Ministerial archives.

customs agreement, the commercial community, presented a detailed memorandum to the government affirming the just demands of Southern Rhodesia.[41] Representatives of manufacturing capital, defending access to a major market, chided the Southern Rhodesians for expecting to develop secondary industries and pointed out the benefits of a lower cost of living that resulted from free trade with South Africa. Conveniently forgotten was the application of this type of argument in relation to South Africa.[42] Mining capital predictably endorsed the resolution of the Rhodesian Chamber of Mines which called for reciprocity and free interstate trade.[43] In support of this position they raised the spectre of Southern Rhodesia emerging as a competitor to South African industry:

> If Union manufactures are heavily taxed at the border, will not capital be transferred from here to carry on factories in Rhodesia? Many of our manufacturers are said to sell sixty percent of their products in Rhodesia... From all points of view, the Union has everything to lose and nothing to gain by failing to come to terms with Rhodesia.[44]

The Farmers Weekly for its part exposed the duality of the relationship with Southern Rhodesia, pointing out that Union tobacco men might gain the internal market if Rhodesian tobacco was eventually excluded, but would "feel the rebound from the blow that will fall on the Union's tobacco manufacturing industry".[45] In addition the curtailment of access to the Southern Rhodesian market was likely to have "a serious adverse effect upon the Natal sugar trade, as well as upon wine and other agricultural products".[46]

The agreement reached in 1930 once more demonstrated the strength of the South African state's hand: South African producers retained generous access to the Southern Rhodesian market while Southern Rhodesian producers were circumscribed from competing in the South African market. Imports into the Union of Southern Rhodesian beef, scrub cattle, and the lower grades of tobacco were prohibited, while the higher grades of tobacco were limited to 2,400,000 lbs. a year. Southern Rhodesia's increases on a selected group of South African imports (tobacco, spirits, and motor vehicles) were minimal, and duties were set at rates lower then those applied to even Great Britain.

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[41] Commercial Bulletin, 7, 82, Nov. 1929, 201, 203.

[42] Industrial and Commercial South Africa, 24, Oct. 1929, 515.

[43] South African Mining and Engineering Journal, 40, Dec. 14 1929, 403.

[44] South African Mining and Engineering Journal, 40, Oct. 26 1929, 215.

[45] Farmers Weekly, 38, Oct. 2 1929, 205.

[46] Ibid.

Other minor Southern Rhodesian gains, such as the ability to frame its own tariffs in respect of other goods and receive import duties on goods imported from Union stocks (versus the earlier flat 12 percent rate) hardly offset the advantages attained by South Africa.

No sooner had the ink dried on the 1930 agreement than Southern Rhodesians once again began to decry the inequity of their customs relation with South Africa. In the mid-1930s a decisive break finally occurred, with Southern Rhodesia ending its participation in the Customs Union and constructing its own tariff schedules. As Phimister has shown, however, these efforts were undertaken with the aim of defining the Southern Rhodesian market as a basis for bargaining overseas acceptance of Southern Rhodesian exports.[47] While this created some space for Southern Rhodesian manufacturers to expand, it was clear that the protection of primary producers was uppermost in the government's calculations and would remain so throughout the rest of the interwar period. Pressed too far by the South Africans, Southern Rhodesia retreated into the Empire.

No other territory in southern Africa presented to South Africa as lucrative a market or as large a competitive threat as Southern Rhodesia. Yet relations between South Africa and other territories would suffer the same strains and pressures throughout the interwar period as had emerged between Southern Rhodesia and South Africa. What served to distinguish other territories, however, was both the nature of their economic interchanges with South Africa and the political powers that controlled them. Together these factors carried interstate struggles to quite distinctive conclusions.

In the instance of Mozambique South Africa confronted not a settler power, but rather the political and economic interests of metropolitan Portugal. As one of the most underdeveloped countries in Europe, Portugal was barely able to retain formal control of her African colonies in the late nineteenth and early twentieth century. Subordination to Great Britain, in exchange for support of Portuguese colonial claims, did not always lead to the intended result in Portuguese East Africa. Once Union was established, and Smuts emerged as a confidant of the British establishment, British and South African interests began to override the Portuguese-British alliance. Brazen efforts by Smuts to undermine the Portuguese hold over Mozambique, and deepen its dependence on South Africa, were surreptiously if not always

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[47] Ian Phimister, "Industrialisation in the Periphery," 13.

openly supported by Britain and British capital.[48]

Mozambique's importance to South African capital was to be found in three areas: (1) the provisioning of labour to the South Africa's gold and coal mines and sugar plantations, (2) Lourenço Marque's status as the nearest port to the Rand, and (3) the exchange of commodities produced by the two areas. During the opening decade of the century a series of agreements had cemented the rules regulating these relationships. Particularly important was the 1901 modus vivendi arranged by Milner, which in turn for labour recruiting rights guaranteed both pre-war railway flows and the free entry of Mozambican goods - much to the fury of both the Cape and Natal. Confirmed in 1909 by the Transvaal government, this agreement basically continued through the Union years. When it came up for renewal in 1923 Smuts' demands knew no bounds, with the result that the agreement lapsed. Portuguese officials did however agree to continue to allow the lucrative labour recruiting, viewing South African mining capital as their natural ally.

The Pact government thus confronted a situation where free trade no longer existed between Mozambique and South Africa, where no percentage of the Rand's railway traffic was assured to Mozambique, and where access to Mozambican labour was nevertheless still assured. There were significant advantages to South Africa in having this situation extended, particularly in light of the Pact government's new attitude to foreign trade relations. Indeed attempts to negotiate a new agreement in 1925 and 1926 foundered on the South African demand that protection be upheld and Mozambican goods excluded from free access to the South African market. In the end the Portuguese precipitated hard bargaining by announcing in 1927 the termination of the labour agreement.

Unlike its predecessors, the Pact government approached negotiations without any predatory eye over southern Mozambique.[49] Nationalists had

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[48] Among other efforts Smuts threatened to seize Lourenco Marques, proposed a federation including Mozambique, offered to run the port and railroad under South African auspices, etc. While these came to nought, Smuts' ability to bend to good use the British connection to enforce Mozambique's dependence on South Africa was illustrated by his successful blocking of a badly needed British loan. See among others Malyn Newitt, Portugal in Africa (London: Longmans, 1981), 35ff and Simon Katzenellenbogen, South Africa and Southern Mozambique: Labour Railroads, and Trade in the Making of a Relationship (Manchester: Manchester University Press, 1982).

[49] This reversal of policy is curiously unnoticed and untreated in the literature that covers South Africa's relationships with her neighbors. Ronald Hyam, for example, presents a story of continuity in South African expansionism (see his The Failure of South African Expansionism 1908-1948 (New York: Africana, 1972)). Katzenellenbogen, op. cit., who had access to the South African Prime Minister's archives before they were closed to

little interest in creating a broader British sphere of influence, while Labour Party members took the fierce line that Mozambican labour should be eliminated entirely over a period of four to six years.[50] There was little prospect of the latter line succeeding. The replacement of such a large body of miners in so short a time was impracticable even if one could overlook the crisis of profitability in the mining sector. Negotiations in Lisbon in early 1928 led to a new convention being finalized in Pretoria in September. When the contours of the convention became available it was clear no simple modification of past agreements had taken place. Labour recruitment was assured but took new form: a 25 percent drop in the maximum number of gold miners over the course of the next five years was dictated, only the gold mines were allowed to recruit, and the length of contracts was strictly regulated. Mining capital's reaction was swift:

> It is unfortunately the case that, in place of safeguarding our supply of labour, the new agreement seriously prejudices the position of the mines. The reduction of our maximum number of East Coast Natives form a total of nearly 110,000 to 80,000... over a period of five years in it itself sufficiently serious; but a closer study of the terms as to re-engagement makes it tolerably certain that it will not be possible to maintain even the maximum number laid down.[51]

To such voices were added those of sugar planters in Natal who were excluded from recruiting and who feared increased competition for the remaining pool of South African Black labour.[52] In the case of mining capital the transition to boom conditions after 1933, coupled with the outflow of Black labour from South Africa's countryside, resolved labour supply problems.

Sugar interests by contrast found relief in another quarter. Sugar prices had fallen from £ 30/ton in the early 1920s to £ 21-22 by 1925-26.[53] Whereas previous conventions had allowed the free import of Mozambican sugar the new convention simply guaranteed Mozambique equal treatment to other nations. In ensuing years Mozambican sugar thus became subject to rising duties imposed against all overseas producers.

Other commodity imports from Mozambique fell subject to similar restrictions during the Pact years. Most interesting of all was the case of

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researchers, but briefly captures this change.

[50] Katzenellenbogen, op. cit., 145.

[51] Transvaal Chamber of Mines, 39th Annual Report, 1928 (Johannesburg: Hortors Ltd., 1929), 149. The Chamber continued by calculating a definitive lack of labour supply in South Africa. See also SAMEJ, 39, June 30 1928, 501.

[52] See the South African Sugar Journal, 15, 12, Dec. 31 1931, 763.

[53] South Africa, Official Yearbook of the Union, 12, 1929-30, 427.

cement, where South African interests were poised on both sides of the border. Formed in 1919, the Mozambique Portland Cement Company had an exclusive right to produce cement in Mozambique. The firm was however South African by birthright, being registered in the Orange Free State, headquartered in Johannesburg, and owned by a majority of shareholders of South African origin.[54] In the face of a doubling of imports as a percentage of South African production between 1924 and 1926,[55] the Board of Trade and Industries succeeded in having duties raised against cement imports form twelve countries, including Mozambique.[56] Far from supporting the expansion of South African capital, the state constrained capital within its own borders.

South Africa's actions vis-a-vis the High Commission Territories during the interwar period contrast quite sharply with the treatment rendered to Southern Rhodesia and Mozambique. The reason for this was simple: from the earliest days of the century until the early 1960s South African officials presumed the Territories would be incorporated into the Union. By the First World War the Territories' trade, transport and banking systems were completely integrated with South Africa's. Imports from or through South Africa were largely composed of clothing, household goods, and agricultural supplies, while commodity exports took the form of primary products such as wool (especially from Basutoland), cattle and stock products (especially Bechuanaland), and in the case of Swaziland, cassiterite tin. Above these stood the issue of the supply of migrant labour. The Territories not only offered an alternative source of supply to Mozambique, for example, but also held forth the promise -- if incorporated -- of relieving the pressure for the expansion settler farming and/or the creation of Native Reserves as called for the by 1913 Native Land Act. The experience of South West Africa, within the confines of the mandate given to South Africa after the First World War, illustrated such possibilities: a rapid emigration of White South African farmers took place, with the White population of South West Africa doubling between 1914 and 1925 despite the repatriation of 6,000 Germans.[57]

When Hertzog came to power in 1924 he immediately, and ineptly, pushed

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[54] See Board of Trade and Industries, "Report No. 48: Dumping Duty on Mozambique Cement," SAJI, 8, July 1925, 417-20.

[55] See Johannes Hendrikus de Loor, "American and South African experience in Producing and Selling of Portland Cement," unpubl. Ph.D. diss., Columbia University, 359.

[56] See Board of Trade and Industries, "Report No. 48".

[57] See Hyam, op. cit., 31-2.

Great Britain for the transfer of Swaziland, and if possible Bechuanaland, to the Union. Such efforts failed in the face of British intransigence: British officials were ill-disposed to meet the demands of the "anti-imperialist" Hertzog. South African policy towards the Territories during the rest of the interwar period thus vacillated between acceptance of the Territories as full economic partners and resentment at the lack of an immediate ability to bring them under South Africa's direct rule. While labour migration expanded, the exports of the Territories were harried by South African policy. Cattle exports were particularly notable, with the restrictions placed on Southern Rhodesian cattle in 1924 being shortly applied to the Territories as well. As Ettinger has shown in the case of Bechuanaland, such a limitation applied primarily to the lower-weight cattle of African farmers, and did indeed have a significant effect upon cattle exports to the Union.[58]

V

By the end of World War II the Board of Trade and Industry could proclaim that "the Union is clearly not just entering the industrial stage. On the contrary, the industrial development of the country is well advanced".[59] In 1918 manufacturing's contribution to GDP was but 29 percent of the contribution of agriculture and 39 percent of mining; by 1945 manufacturing had surpassed both mining and agriculture as the primary contributer to GDP.[60] Figures advanced by the Board showed that industry and national income grew more rapidly in South Africa than in many countries, including Australia, Canada, and New Zealand.[61]

As elsewhere along the periphery of the world-economy, such achievements rested upon the application of protectionist measures in a climate of rivalry in the interstate system, depression in the world-economy as a whole, and the breakup of the world market after the Great Crash. The reorientation of South African commodity exchanges is well indicated by trade figures. Seeking to establish national autonomy over commodity production, a first step was eliminate open access to the national market. In what was

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[58] See Stephen Ettinger, "South Africa's Weight Restrictions on Cattle Exports from Bechuanaland, 1924-1941," Botswana Notes and Records, 4, 1972, 21-33.

[59] Board of Trade and Industries, "Report No. 282: Investigation into Manufacturing Industries," (Cape Town: Cape Times Ltd., 1945), 19.

[60] South Africa. Central Statistical Services. South African Statistics 1982. (Pretoria: Government Printer, 1982), table 21.5.

[61] Board of Trade and Industries, "Report No. 282," 18-19.

known as British South Africa, the displacement of British hegemony was decisive. South Africa's moves towards protection were thus matched by a necessary break from the philosophy and practices of free trade and Imperial Preference. From the time of the creation of Union through the end of the First World War Britain had encapsulated over fifty percent of South Africa's import trade and fifty to seventy-five percent of the non-gold export trade.[62] These figures steadily dropped throughout the interwar period. By the eve of the Second World War Britain's share of the import trade was headed for less than 40 percent, while exports to Britain had fallen to around a 35 percent share. These trends stood in sharp contrast to the case of Southern Rhodesia, where Britain's import and export shares rose through the interwar period, particularly in the 1930s. A similar development took place in Mozambique after the reassertion of metropolitan control in the early 1930s.[63]

A further outcome of South Africa's resistance to being encapsulated within the colonial embrace can only be termed the end of southern Africa as an area marked by open economic flows. As we have shown above, the pursuit of national productive priorities pushed South African policy in a direction that restricted imports from neighboring states. As the Southern Rhodesian case indicates, this in turn drove neigboring territories towards closer links with colonial powers. If at the beginning of the interwar period southern Africa was marked by a relatively free interchange of labour, capital, and commodities, by World War II these types of exchanges took place within very tight and restricted channels. In this sense actual and potential economic activity in southern Africa became less related and less integrated. At the same time the disparity between the weight and kinds of economic activities undertaken in the region grew larger as South Africa

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[62] Unless otherwise stated these and following figures are compiled from the annual statistics provided by South Africa, Annual Statement of Shipping and Trade, and Southern Rhodesia, Annual Statement of the Trade of Southern Rhodesia. These are provisional calculations, subject to revision. Gold exchanges have been excluded here as we are interested in the extent to which trade figures reveal inter-industry linkages. Similarly we have removed, to the extent possible, specie and re-exports; this makes our figures incompatible with other published series. A comprehensive examination of trade patterns for all the countries of the region, over the course of the whole twentieth century, is in preparation by the author; this forms part of a collective project on the historical formation of southern Africa as a region of the world-economy currently being undertaken by the Fernand Braudel Center's Southern Africa Research Working Group. An outline of this research is contained in William G. Martin, "Southern Africa and the World-Economy: Cyclical and Structural Constraints on Transformation," Review, Summer 1986.

[63] See Alan Smith, "Antonio Salazar and the Reversal of Portuguese Colonial Policy," Journal of African History, 15, 4, 1974, 653-67.

rapidly industrialised. Basic import/export balances indicated this, as neighboring territories imported far more from South Africa than they exported to her.

In retrospect interwar developments laid the foundation for post-World War II South African hegemony in the region. For if the interwar period marked the radical transition from a phase of open economic exchanges to one of restricted and declining linkages across the area, the postwar period was to witness the expanded importance of South Africa for all the territories of the region. In this regard it would be most misleading to extrapolate interwar policies and patterns through the post-war period to the present. The establishment of U.S. hegemony in the interstate system, the re-ordering of the world-economy on the basis of the free penetration of capital (the Free Enterprise System vs. the Free Trade System), and the transition to a long expansionary period throughout the world-economy reposed the conditions and institutions underwriting core-peripheral linkages. At the simplest level such an environment dictated the declining potential of "delinking" from imperial forces as had been undertaken during the interwar period. In short order the South African state's committed itself to all the basic treaties and institutions of this new world order. There were to be significant advantages to this strategy for capital and the state, and this was nowhere more marked than within southern Africa. Moving forward from the basis of the most advanced economic area in Africa, South Africa emerged as the locus, in alliance with multinational captial, for supplying advanced industrial goods, services, and capital for all of southern Africa. Far from the separate parts of southern Africa being linked to individual colonial powers, as was increasingly the case during the interwar period, the postwar conjuncture saw for the first time substantive core-periphery type relations within the area itself. It is in effect this historically-specific construct that underlies the present reality of interdependence in southern Africa today. Whether the region so created can survive both new global forces -- particularly a new phase of global depression and the virulent reassertion of core domination -- and the increasing regional resistance to South African domination, remains to be seen -- and analysed.