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A F R I C A N S T U D I E S I N S T I T U T E

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Title: **Theorising South Africa's Foreign Policy: The Case of Latin America.**

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During recent years local scholarship in the field of South Africa's foreign policy has tended to focus on the structure of state institutions and on the personalities of the decision makers.(1) Whilst I do not wish to underplay the importance of monitoring the transformations occuring within the state apparatus, especially in relation to the militarisation of the top layers of the bureaucracy, it is nevertheless important to draw away from an emphasis on the model of bureaucratic politics if one is to do full justice to an understanding of South Africa's interactions with other social formations.

Theorising the state has long been of interest to those with a materialist perspective, and over the past decade there has been sharp debate between contending schools of thought. Without rehearsing the debates here, let me simply mention a number of the protagonists: Miliband, Poulantzas, Laclau, the "capital logic" school, the "state monopoly capital" theorists, and so on. A number of these debates have been refracted into an analysis of the South African state.

Yet those who have taken it upon themselves to analyse the South African state in relation to other states have comprehensively ignored such debates. In attempting to question the nature of the South African state, it is no longer adequate to rely on descriptive treatments of it as a set of institutions, embodying national power. What is required is a serious attempt to locate the state in relation to other social forces within the social formation. The state's relationship to capital, one of the key themes within the materialist debates, is not seen by most writers on South Africa's foreign relations as very significant. Capital is regarded as one of a number of interest groups, along with the church, the press, the universities and the political parties.

Clearly, this approach obscures the nature of the South African state as being a capitalist state, that is, operating within a social formation in which the dominant mode of production is the capitalist mode. The relationship of state to

capital is thus a crucial element of any political analysis of South Africa.

It has also become increasingly evident that capital, particularly in the form of monopoly capital, is not strictly confined to national boundaries. Capital exports have, from the time of the last century, played a part in determining the nature of historical outcomes in numerous social formations, especially in those with some experience of colonial domination. The internationalisation of capital provides the context in which the South African state has developed. South Africa's special role in the international division of labour, especially with respect to gold (at least until the break up of the Bretton Woods system), deserves detailed appraisal in any analysis of its foreign relations.

But to conflate "international economic relations" with "foreign policy" is to be a trifle economistic. My argument is that the former is an indispensible subset of the latter. It is therefore something of a dereliction to overlook the economic instance, whether it is ultimately determinate or not.

Although the above argument may be familiar to many, it has yet to penetrate the realms of the discipline of "international relations" as taught within most universities, especially in South Africa, where its practice is often too close to the state (2) or to capital to warrant careful analysis of the relationship between them. In either case the discipline serves to provide either government or business with a degree of sophistication in the conduct of its relations with counterparts or other institutions abroad.

Yet even in the least instumentalist of the recent scholarly treatments of South Africa's foreign relations, Deon Geldenhuys, RAU professor and former research director at the South African Institute of International Affairs (SAIIA), allots only five out of 250 pages to analysing the relationship of South African-based capital ("the business community") to the foreign policy making process. His study marks the golden jubilee of and is published for the SAIIA, an institution heavily endowed by the very business community which he treats in so cursory a fashion.(3)

The increasing internationalisation of South African-based capital has begun to receive some attention, notably by D E Kaplan.(4) A specific study of the North American holdings of the Anglo American Corporation conducted by Ruth Kaplan has also found some echoes in the conclusion of Duncan Innes's broader work on the activities of the same corporation.(5) Clearly this area bears further consideration. And since South Africa's international economic relations are receiving little attention from its political scientists and foreign policy analysts, we shall have to expect further research in this area to originate from other quarters.

Where this paper attempts to fill gaps is in its exploration

of the relationship between the internationalisation of South African capital and the foreign policy goals of the South African state. It attempts a contribution to the growing corpus of knowledge about the direct foreign investment of South African-based firms. It does so by drawing on specific examples of direct investment in Latin America, more specifically on the cases of the Anglo American Corporation group in the mining and chemicals sectors (principally in Brazil), and that of the South African fishing industry's recent entry into Chile. These case studies are preceded by an examination of the role of the South African state in preparing the way for and facilitating these investments.

1
Guaranteeing the overall reproduction of monopoly capital

Despite the consolidation of its political projects, the South African state found itself, in the final years of the 1960s, drifting into crisis. The costs to the economy of a high growth rate between 1963-70 (6,3% on average, second only to Japan) were related to the policy of import substitution industrialisation as recommended by the Viljoen Commission in 1958.(6) To manufacture consumer goods at home it had been necessary to import vast amounts of capital goods, whose share of all imports grew from 30% in 1957 to 45% in 1970.(7) This gave rise to acute balance of payment problems. In addition, uneven income distribution meant that the domestic market could not absorb the potential output of manufactured goods. South Africa needed new export markets.

Its natural hinterland, Africa, might have provided a way out. Yet in the 1970s, because of political changes and other factors, there was a sharp decline in the share of South African exports entering other African countries. Official statistics indicate that this decline was from around 16% of all exports in the late 1960s to less than 9% by 1977. These figures presumably included re-exports to Southern Rhodesia. In any event the bulk of South Africa's exports to the rest of Africa comprised of primary products and not manufactured goods. This indicates the failure of the economic underpinning of what was variously known as Vorster's "outward movement", "dialogue" and "détente".

The Reynders Commission on the export trade, which reported in 1972, preferred a policy of export-led growth. It advised that

> "from the point of view of export potential, South Africa should increase contact, assistance and marketing of its goods in respect of certain South American countries...the empty economies of Latin America must be regarded as natural markets for South African exports".(8)

Along with the crisis of markets went the problem of diplomatic isolation. Apartheid became, during the 1960s, a world issue which was raised increasingly by sovereign post-colonial states at the United Nations and in other international institutions. The militarisation of South Africa, a process initiated in the 1960s, and which escalated geometrically in the following decade, took place against the background of growing demands for a mandatory UN arms embargo, which was finally realised in 1977. Even though a number of states refused to adhere to this, Pretoria experienced increased difficulties in arms procurement. It therefore sought to develop a domestic arms industry and to strengthen its links with likeminded regimes such as Israel, Taiwan, the Shah's Iran, and the military dictatorships in the southern cone of Latin America.(9)

Through these links, Pretoria hoped to ease her diplomatic isolation and to forge closer ties with other military establishments in order to offset the effects of the embargo and to procure armaments where necessary.

But the state faced problems in persuading exporters to resolve the crisis of markets through a programme of trade with Latin America. In its role as the guarantor of the reproduction of monopoly capital, it had a clear perception of the overall economic interests of the dominant class fraction. Individual entrepreneurs were slow to realise the potential of their participation in the strategy which the state favoured.

The Secretary of Commerce, G J J F Steyn, had cause in November 1968 to admonish a group of exporters at a seminar organised by the South African Foreign Trade Organisation (SAFTO) to promote Latin America as an export market:

> "I think you will all agree that the efforts of the government to foster the development of expanded trade exchanges between South Africa and the Latin American countries will be fruitless unless the private sector is prepared to avail itself of all possible trade opportunities in those countries created as a result of the government's recent initiatives in this area (see point 1, below). If our exporters are prepared to play their part, and, in particular, to employ more aggressive marketing methods in their attempts to increase their share of the supply of goods and services to Latin American countries, I am convinced that our export trade with the Latin American world will expand appreciably in years to come." (10)

The state was thus already active in creating incentives to the stimulation of expanded economic links.

1. It purchased bonds issued by the Inter American Development Bank (IDB), enabling South African firms to tender for any of the numerous development projects financed by the IDB. This also entitled the general manager of the parastatal Credit Guarantee Insurance Corporation of Africa Limited (CGIC) to attend the annual governors' meetings of the IDB.

2. The state offered Latin American governments generous export credits through the CGIC. The Industrial Development Corporation (IDC) was also involved in financing schemes for exporters of capital goods. These incentives were important for maintaining the competitiveness of South African exports on world markets.

3. The state arranged corporate participation in official government stands at trade fairs in Latin American capitals. In the late 1960s these included San Salvador, Lima and Bogotá. Joint SAFTO-CGIC-IDC delegations visited Latin America to discuss the supply of South African goods and services.

4. The state assisted in the immeasurable improvement of transport and telecommunications facilities. Air routes to Brazil and Argentina were established, and new shipping lines linked South African ports with both the east and west coasts of South America. Submarine cables and satellite links enabled telephonic and other forms of communication to take place with the efficiency and speed expected in normal commercial practice.

5. The state also stepped up diplomatic contact with Latin American governments. Numerous officials crossed the Atlantic. Several new South African embassies were built in Latin America, and representation upgraded to residential ambassadorships. The high point of this policy was the visit by the Paraguayan head of state to this country in April 1974, which was reciprocated by the South African prime minister the following year.

There was also a setback to Pretoria: the kidnapping and assassination of South Africa's envoy to El Salvador in 1979. In the Salvadorean coup of October 1979, the incoming coalition government broke off all relations with South Africa.

The subsequent installation of General Dutton as the first resident ambassador in Chile indicated the close relationship between the security forces of both states.

6. From 1978, access to foreign exchange for the purposes of direct foreign investment was eased through the creation of the financial rand and subsequent more liberal measures of the South African Reserve Bank.

These various infrastructural developments were to smooth the path for South African exporters of manufactured and capital goods to consider Latin America as an appropriate export destination. The details of the new trade relationship have yet to be researched. However, more is know about the export of capital on the part of South African-based firms. It is to the examination of two such case studies that I now wish to turn.

2
The Anglo American Corporation in Latin America

Prior to the enormous diversification of the Anglo American Corporation's empire in the 1970s, it was essentially a mining finance house based on gold, diamonds and copper in Southern and Central Africa. Yet its international entanglements had been present from the start of its operations in 1917. Not only was it founded on the basis of foreign capital investment, reflected in the very name of the corporation, but it was to develop a monopoly position in the worldwide marketing of diamonds.

Wherever diamonds were discovered, the interests of the Anglo empire were aroused. The Oppenheimer family took an almost proprietorial interest in diamonds. Founder of Anglo, Sir Ernest Oppenheimer had started his career on the Kimberley diamond fields, had risen to the chairmanship of De Beers Consolidated, had acquired major holdings in southern Namibia after the South African conquest, and had set up the Central Selling Organisation as the marketing arm of De Beers and the world diamond industry as a whole. Anglo executives have frequent contact with the Soviet Union, whose diamonds are also marketed by the CSO. Whilst Harry Oppenheimer, who replaced his father, has now stepped down as chairman of the Anglo American Corporation, he still retains his position as chairman of De Beers.

One of the strategies which the Anglo American Corporation developed in the early 1970s was that of geographical diversification, particularly into areas where costs were substantially lower than those in South Africa. A further consideration was the potentially volatile political situation in the Corporation's base country and the long term uncertainty over South Africa's future. Harry Oppenheimer, then still chairman, had long been associated with liberalism and advocated the need for social transformation as the best guarantor of the survival of monopoly capital in South Africa.. Yet because the pace of change was negligible, the Corporation's judgement was that the further the risks could be spread, the better.

A number of factors were instrumental in Anglo's serious consideration of a Brazilian investment. The need to maintain a global monopoly in controlling the diamond market was one such factor. Therefore Anglo, through De Beers, had an automatic interest in securing an interest in any significant new diamond finds. In the case of Brazil, prospecting in the late 1960s was beginning to bear fruit in the early seventies. The military regime which took over the country in 1964 was also keen to stimulate foreign investment in the minerals sector.

To maintain the support of the indigenous bourgeoisie, the military government was loath to allow majority ownership by foreign-based companies. But in many cases local capitalists were unable to raise sufficient finance to expand operations; in other cases external participation was seen as a useful way of acquiring advanced technology.

The main incentive for Anglo's entry into Brazil was a clear approach received by a Brazilian industrialist for participation in a diamond prospecting company. Prior to the Kimberley discoveries in the 1860s, Brazil had been the major source of the world's diamonds ranging back to the eighteenth century. Production had all but ceased by the time of the Kimberley discoveries, but changes in technology supported new possibilities for the economic viability of Brazilian alluvial diamonds in the late twentieth century.

To sustain its monopoly on the world market, the Brazilian offer was one which could not be refused. It came from an entrepreneur, Agosto Azevedo Antunes, Brazil's leading private mining financier. Dr Antunes, trained as a mining engineer, had previously been engaged in joint ventures with large US metals and mining corporations such as Bethlehem Steel and Hanna Mining.

His approach to Anglo was sufficiently interesting for the corporation, since it reasoned that the deal would give it a foothold in Brazil and access to local expertise in the legal, financial and fiscal spheres.

Further, Brazil seemed an attractive destination for new investment compared to some of the other possibilities under consideration at the time. Restrictive measures in the USA, Australia (then under the Whitlam government) and Canada, coupled with the difficulties experienced in Africa, caused Anglo to regard Brazil with relative optimism. Wages were low, taxes moderate, after-tax profits repatriable and, unlike in Africa, there was a pool of labour with the requisite mining skills. An Anglo executive also pointed to the relative political stability in Brazil after 1964, expressing the view that 1973 marked the "peak of the Revolution (i.e. military rule) in terms of control of inflation" (11)

Yet the factor which clinched Anglo's entry into Brazil was ultimately the opportunity it obtained to purchase existing and potential gold mines.

One of the constraints under which the world gold mining industry operated in the middle third of the century (1934-69) was the constant price of gold, established at US$35 an ounce on the world market. With the rise in fixed costs and the rapid inflation of the latter half of the 1960s, South Africa's gold mining industry was flung into crisis. Forecasters anticipated that the industry might collapse entirely during the 1970s, if the world price for gold remained intact.

As one of the principal mining finance houses and as the owner and operator of numerous gold mines in South Africa, many of which were low-grade producers and hence under risk, Anglo felt the imperative to diversify its holdings geographically. Given the fiscal restrictions operating elsewhere, and the welcome provided to transnationals on the part of its government, Brazil was no longer worth ignoring. Interesting investment possibilities were soon to reveal themselves.

Thus after a detailed six month feasibility study, focusing on the technical financial and legal dimensions of a potential investment, in 1973 the Corporation established a subsidiary in Rio de Janeiro, the **Anglo American Corporation do Brasil - Administração, Participação e Comércio em Empreendimentos Mineiros - Limitada**, known familiarly as Ambrás. This was to become the holding group for most of the Anglo group's Brazilian assets.

Anglo sought to gain maximum advantage from the Brazilian government's partiality to denationalising the country's mining sector. It also took advantage of the fact that Portuguese nationals were allowed the same rights as Brazilian citizens to act commercially, and placed Dr Mário Ferreira, a Portuguese citizen, in the chairmanship of Ambrás. Ferreira had previously headed Anglo's operations in colonial Mozambique, when the Corporation formed part of an international consortium to construct the Cahora Bassa dam on the Zambezi river in the late 1960s. At the time the project was criticised for forming part of a strategic settlement scheme promoted by the Portuguese colonial government to attract white immigrants. Ferreira was also reputed to have close links with Jorge Jardim, a Portuguese businessman involved in breaking oil sanctions against the Smith government and who later helped finance the radio station of the anti-Frelimo MNR movement.

Preoccupied with gold and diamonds, Ambrás showed an interest in prospection and the acquisition of mining investments. At the time, Brazil's gold mining industry was in the doldrums. The major mine, Morro Velho, located about 325 km due north of Rio at Nova Lima, close to the city of Belo Horizonte, had experienced a turbulent history under British control between 1830 and 1960, (12) after which it was acquired by three Brazilians for the token sum of one dollar.

Despite government subsidies, the constant gold price of the 1960s made substantial investment in the mine prohibitive for the Brazilian owners. Productivity declined rapidly, the technology was backward, and the local press exposed the dangerous and unhealthy working conditions. By 1968 a former Morro Velho superintendent declared that 'in the four years necessary for its reconstruction, the mine has virtually been paralysed economically and it is humanly impossible to continue to work it' (13).

Thus it was that the Brazilian owners invited Anglo to purchase a 49% minority holding. Here was a chance to utilise Anglo's economic expertise, vast access to capital and anxiousness to diversify geographically out of South Africa. Morro Velho, the deepest mine in all of Latin America (2.450m), might benefit from Anglo's considerable deep-level experience on the Witwatersrand.

Despite the backing of Mário Henrique Simonsen, Brazil's finance minister, and who later became Anglo's major Brazilian partner, government enthusiasm towards Anglo's entry into Brazil was tempered with apprehension on the part of a number of politicians.

Two parliamentary commissions of enquiry were established in the Chamber of Deputies at this time. One sought to examine Brazil's minerals policy and the other the role of foreign capital in the country. (14) Each had the competence to examine the Morro Velho deal, and the commission on minerals summoned one of its former Brazilian owners to give evidence. Unfortunately for the historian, the key parts of his deposition which dealt specifically with the deal have been excised from the final published report, perhaps in error. No serious critique of the deal resulted, despite the intentions of some of the commission's more nationalist deputies to limit foreign acquisition of Brazilian mineral resources.

In a similar manner, despite close questioning of witnesses, the commission on multinationals failed to tackle fully the question of the entry of South African capital into Brazil.

The Minister of Mines and Energy, Shigeaki Ueki, was cross-examined on the deal, putting forward the technological imperative as an argument for accepting the new South African presence:

> "It's really only Anglo American which has the best knowhow for exploiting gold at this depth...so this Brazilian group thought that this association (with Anglo) was convenient. We hope that, with this association, gold production will increase. The deal was signed a year ago (in 1975). I believe that the Brazilian group made the deal on excellent terms, because gold has since dropped in price from 200 to 130 dollars." (15)

Ueki's evidence, instead of being challenged, was entered piecemeal into the final report of the commission as part of the chairperson's summary, as if it were the considered opinion of the entire commission. No restrictions were placed on Anglo's investments.

Why was this the case? Firstly, substantial ignorance existed in Brazil at the time about the nature of Anglo American and its role in the South African and other national economies. Deputies, although critical, deferred easily to the technological

pretext for approving the admission of Anglo into the most promising areas of Brazilian mining, failing to consider the political implications. Secondly, Anglo's public relations machine had excelled itself. A team of top executives visited Brazil, meeting with senior cabinet ministers such as Simonsen, Delfim Neto, and Dias Leite. The editors of the influential Rio newspapers **Jornal do Brasil** and **O Globo** (the latter being connected to the largest television network in the country) were lavishly entertained. Anglo's diamond partner, Antunes, had been helpful in smoothing the way such that overt opposition to Anglo's entry was not met.

But the coup de grace was Harry Oppenheimer's reception by President Ernesto Geisel. In the context of an authoritarian military state, this signified the automatic official acceptance of the Morro Velho deal. Ironically, whilst Oppenheimer, a direct representative of South African monopoly capital, was able to gain access to the president, it is doubtful whether Geisel would have received any senior apartheid politician. At the time he was pursuing a foreign policy which favoured close relations with African states and a posture hostile to apartheid.

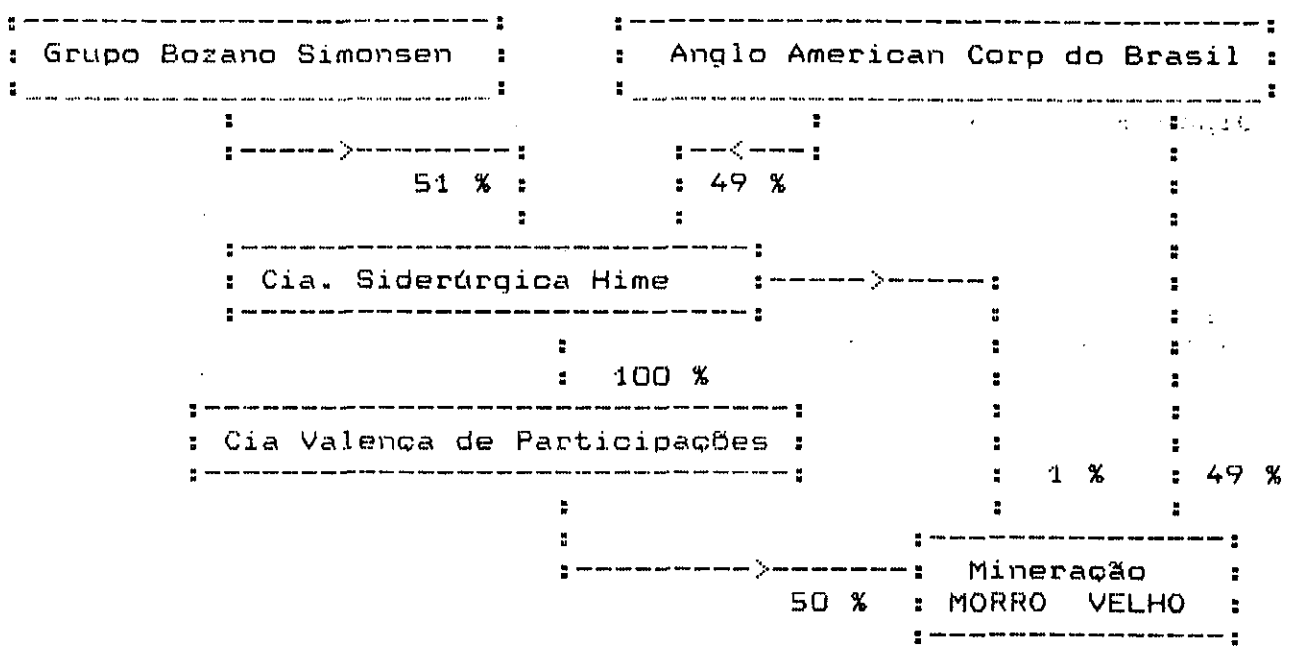
The deal whereby Anglo bought into **Mineração Morro Velho** was to form the springboard for further Anglo investments in Brazil. Anglo also acquired a vast expanse of land in the interior of the north-eastern state of Bahia, close to the town of Jacobina, 1300 km from Rio. This holding, rich in gold, was later consolidated into the Morro Velho company. Capital has been thrust into both mining investments, and will amount to a projected total of US$306,8-m. by the end of 1988. Of this figure $70-m. has already been spent on the Jacobina mine, and $197,5-m. is earmarked for the extention of the Morro Velho project to the nearby Cuiabá-Raposos mines. These figures were announced by Morro Velho's superintendent at a mining industry conference in May 1983.(16) It is likely that the overall total of investment may exceed these projected figures, since in July 1984 Anglo announced that the first phase had cost $161-m., exceeding the superintendant's figures by $62,8-m. or 39 per cent.

The relationship between Anglo and the Bozano Simonsen group has proved important to the Corporation. The link arises from the close friendship between Ambrás president Mário Ferreira and Júlio Bozano. Bozano's partner, Mário Henrique Simonsen, a former finance and planning minister, received a glowing tribute in Anglo's house journal. (17) The Corporation began to announce in its **Annual Reports** an increasing shareholding in the Bozano Simonsen bank as well as in its industrial holding group. Dividends amounted to US$0,7-m. (March 1982), $1,6-m. (March 1983) and $1,9-m. (March 1984).

Ambrás also acquired 49% of **Companhia Siderúrgica Hime SA**, a steel company belonging to the Bozano Simonsen group, in March 1980. The ostensible aim of this acquisition was to extend Anglo's investments into the metalworking field and to have a

research base for prospecting non-ferrous metals. But Hime also possessed 1% of Morro Velho, and in the same year, bought out Moreira Salles' Cia. Valença de Participações, which possessed the remaining 50% of the capital of Morro Velho.

Diagram 1 : Ownership of Mineração Morro Velho SA, 1980

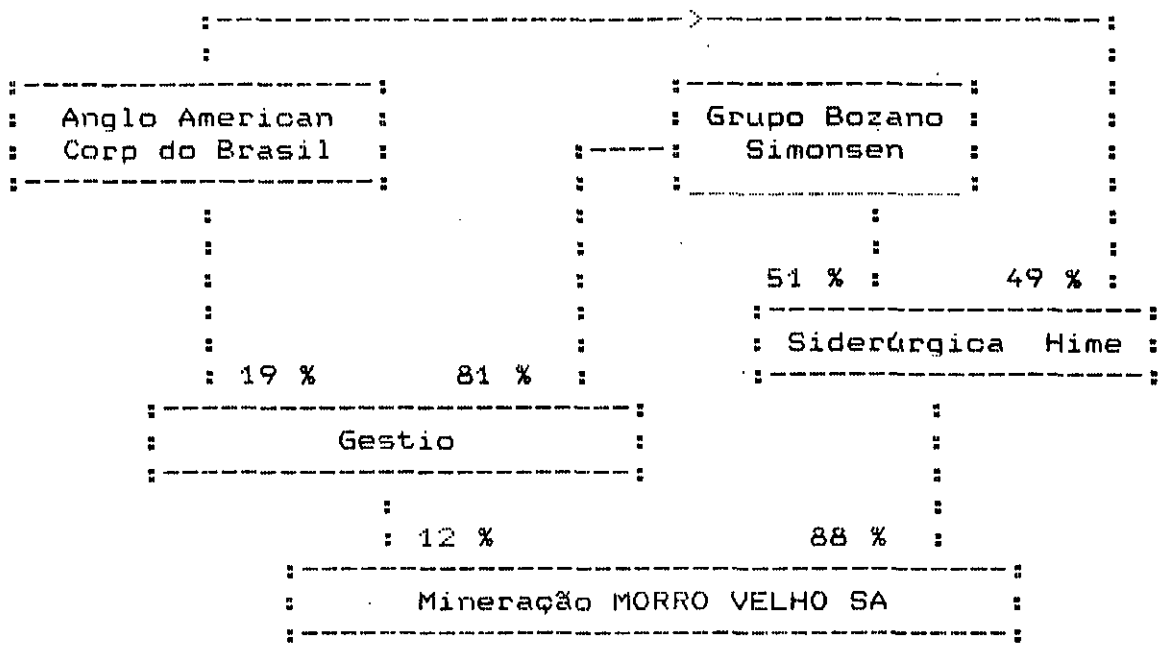


The new ownership pattern reinforced Anglo's control over Morro Velho, owning 49% directly and a further 25% (49% of 51%) indirectly, amounting to 74% in total. The Bozano Simonsen group's holding was reduced to 26% (51% of 51%). Valença was subsequently absorbed and ceased to exist.

Practical objections to this situation, in effect amounting to full denationalisation, have forced the Bozano Simonsen-Anglo partnership to disguise the nature of the ownership even further. In November 1982 it was reported that the Morro Velho company was seeking finance covering 60% of its expenditure on basic engineering, technology and equipment purchases from the Minas Gerais State Development Bank (BDMG), FINAME (an agency of the National Bank for Social and Economic Development) and FINEP (Finance for Studies and Projects, part of the planning ministry). The announcement was swiftly denied by FINEP, which claimed that on 14 October 1982, it unanimously rejected the company's application because BDMG had pointed out that although 51% of Morro Velho's capital was owned by Brazilian nationals, nevertheless effective control of the company was in the hands of a foreign corporation. On these grounds Morro Velho was refused official financing.

The company's ownership structure has undergone some changes in order for it to appear to be, at least on paper, more obviously under national control. The present structure appears to reduce Anglo's holdings even further, but cross-holdings amount to a paper percentage of 45.4%. This leaves out of account the fact that Anglo's holding company in the Americas, Minorco, through other subsidiaries in Liberia, owns significant and growing percentages of the Bozano Simonsen group and its bank.

Diagram 2: Ownership of Mineração Morro Velho SA, late 1982



Working conditions on Anglo-run mines have come under great criticism in Brazil. In Jacobina, the miners complain about dangerous working conditions, bad transport and inadequate food. There is no danger pay or social security supplement. Wages are low and with overtime (normal shifts last 10 hours) the 800 workers receive just over the minimum wage of around $50 per month. The company, according to testimonies of workers, has attempted to cover up the cause of a worker's death in a mining accident in order to avoid having to compensate the family. The company has also threatened workers with dismissal for attempting to form an association. (18)

At Morro Velho average wages are between two and three minimum salaries (between $90 and $140 per month) depending on overtime worked. Because of the deep level of the oldest part of the mine, there are substantial refrigeration problems. Very high temperatures force the miners to work in shorts and sandals and with scarves over their faces instead of protective headgear. Because of the drilling, fine silicon dust enters both through

the respiratory system and through the unclad pores of the skin. The high incidence of silicosis (one in three workers are affected according to union officials) testifies to the poor working conditions. The company has closed down its hospital and workers depend on their union and inadequate state provision for medical services. Although a company town, the mayor, himself a doctor, claims that the company has failed to assist the municipality with any social service payments. He alleged that none of the taxes payed by the company reach the municipality.(19) Social responsibility for the poverty of the community of Nova Lima, dependent on mine incomes since the last century, must lie to a large extent with the company.

From official statistics it is evident that the Morro Velho group is by far the most important source of underground gold in Brazil, providing 97% of total underground production in 1981. Until 1979, underground production was far greater than opencast and alluvial production, but this pattern has changed substantially since then.

BRAZILIAN GOLD PRODUCTION, 1978-1982 (metric tonnes)

Year	Total	Morro Velho	Opencast/Alluvial	Other
1978	8,6	3,8	4,5	0,3
1979	4,3	3,1	0,9	0,3
1980	13,8	4,0	9,6	0,2
1981	24,1	4,2	19,7	0,2
1982	33,8	4,2	29,3	0,3

Source: Brazil, Ministry of Mines and Energy, Departamento Nacional de Produção Mineral, statistics issued to the Instituto Brasileiro de Mineração, Belo Horizonte. (The Anglo American Corporation 1984 **Annual Report** announced that MMV gold production amounted to 5 t for the year 1983.).

Nevertheless whilst Morro Velho has declined in relative importance, the question of gold has become strategically crucial to the Brazilian economy, whose national debt approaches US$100 billion. The escalation of gold production is a key element in paying off the debt. Eager to acquire as much gold as possible, the Brazilian government is offering producers a higher price than is obtainable on the world market. There is also substantial interest in the establishment of a national gold regulating authority, Ourobrás, with the matter being raised in the Senate by Gabriel Hermes, chairman of the Committee on Mines and Energy, as well as in the pages of the national press. (20) The tenor of this debate is critical of any foreign participation and control over gold production. Both these factors are likely

to constrain Anglo expansion into further areas of gold production.

Because of this, Anglo has tended to spread its investments into other areas of mining and industry, as well as the banking field mentioned earlier. Through its De Beers subsidiary AECI, it has acquired interests in a number of explosives companies in Brazil. Its Brazilian partners in this venture used to have formal associations with one of Salazarist Portugal's finance ministers, Prof. Texeira Pinto, responsible for advising the Champalimaud family on their investments in Mozambique. Although public links with Texeira Pinto are no longer acknowledged, AECI's Brazilian partners are backed by a mysterious Swiss company, Dex Holdings, which experts believe is a cover for Texeira Pinto, who transferred his investments out of Portugal before they could be nationalised in the wake of the 1974 revolution.

One of the explosives factories owned by the joint venture is called **Companhia de Explosivos Valparaiba - CEV**. According to the Brazilian specialist defence press, CEV, based at Lorena in the state of São Paulo, supplies the Brazilian armed forces and numerous export customers with 'various types of hand grenades, smoke grenades, smoke markers, smoke gas grenades for anti-riot use, fuses for various types of heavy ammunition, rockets for bazooka-type launchers, aircraft rockets of different types' as well as the M1 submachinegun, soon to be launched.(21) CEV uses the logic of 'security reasons' to avoid divulging the names of countries to whom it sells its products.

Neither Anglo nor AECI have ever made mention of their participation in the Brazilian explosives industry in their annual reports. Shareholders are kept ignorant of the workings of the partnership, **IBEX Participações SA**, which had a capital of 1.4 billion cruzeiros at the end of 1982, according to documentation deposited with the Junta Comercial under Rio de Janeiro state law. Anglo's involvement in the lucrative Brazilian arms export industry raises numerous sensitive questions about the Corportion's image and activities.

Further inroads into the Brazilian mining industry were made in December 1981, when Anglo and its associates purchased a 40% interest in **Empresas Sudamericanas Consolidadas SA**, the holding company for all the South American assets of the Panama-based Hochschild group. Through this deal Anglo extended its Latin American holdings to Peru, Chile and Argentina and has set up its own subsidiary companies in Buenos Aires and Santiago. In Brazil itself the deal enabled Anglo to increase its holding in the CODEMIN ferro-nickel project in the state of Goiás to over 35%. Empresas also has investments in niobium and tungsten production and the manufacturing of industrial furnaces. During 1982 it acquired a 69,7% interestin Copebrás, a major Brazilian producer of fertilisers, industrial phosphates and gypsum. By April 1983 this stake had been raised to 73%, and in December of the same year the company absorbed Fosfago, another phosphate producer. It

is relevant that Brazil's major import from South Africa in the early 1980s was phosphoric and ortho-phosphoric acid.

Other non-mining investments include Ambrás' majority (57,8%) holding in the Iracema cashew nut processing company in Fortaleza, the state capital of Ceará. This investment is not so curious as it appears, since Anglo possessed substantial investments in the Mozambican cashew industry, whose shares it still owns. The transfer of management and technical expertise suited the corporation. In 1982 Iracema exported 350 tonnes of cashew products worth US$1,45-m. to South Africa. In its annual report for the same year, Anglo noted a $250.000 dividend from Iracema and the repayment of $1,9-m. of the company's foreign debts. 1983 profits leapt to $1,1-m. Iracema's products are available in both Brazilian and South African supermarkets.

More recently, in November 1983, De Beers do Brasil started operating its Brazilian industrial diamonds division in São Paulo with the object of marketing its product in the country's industriol heartland. It intends, according to the company president Jorge Saloma Minquell, to market a million carats and do a turnover of US$2-m. during 1984. By the time of its official inauguration at the end of January 1984, it had already acquired a market share of 50 per cent. (22)

Anglo is keen to maintain and extend its Brazilian involvement. In a short period of time it has developed into one of the key mining groups in Brazil, with substantial holdings and diversified interests. By 1982 it had become the largest foreign holder of prospecting rights in Brazil, preceded only by the two large state-owned mining companies. (23) It has provided technical inputs, rescuing the moribund gold mines of Morro Velho, bringing them back to former high levels of production and investing in the opening of various new mines. It has linked its operations to the powerful Bozano Simonsen group and other multinationals such as Hochschild, Schenk and Banque de l'Indochine. By doing so it has secured a permanent and strategic role for itself in the Brazilian economy, and ensured the durability of South Africa's commercial connections with Brazil.

3.
Overseas net profits

Fishing is a predatory industry, somewhat akin to hunting. It is also an industry subject to rapidly oscillating business cycles. As such it involves high risks and occasionally very high profits. In South Africa the industry is highly monopolised,

with half a dozen major fishing corporations (forming a shifting cartel) and a small number of more modest-sized independent companies. Monopolisation means that there are prohibitive costs involved for new companies attempting to enter the industry. Some of the larger fishing groups are subsidiaries of even larger more diversified food sector companies. Marine Products, for example is part of Fedfood in the Federale Volksbeleggings stable. The Ovenstone holdings have become increasingly under the control of Premier, the food/retail group of which Anglo has a substantial share. Other companies which have their origins in family firms, such as Willem Barendz and Kaap-Kunene, have not yet been acquired by the giant corporations.

The fishing corporations have their headquarters in Cape Town, and operate fleets and processing plants along the west coast as far north as Walvis Bay. Until the 1980s the Namibian fishing grounds ranked amongst the most lucrative in the world. They attracted fleets not only from South Africa, but from Eastern and Western Europe, Japan, South Korea, Israel, Iraq and Cuba. In 1976 the fishing resource began to collapse, owing to overfishing and the killing off of plankton due to unusually cold water temperatures. A reduction in quotas controlling the amount of fish caught was applied to the fishing corporations. The quota on pilchards fell to zero by 1981, and the 1982 quota was filled within two months of the opening of the pilchard season.(24)

A number of the corporations had to develop strategies of survival. Some, like Ovenstones, diversified into manufacturing and construction. Yet this strategy did not resolve the problem of idle capital being tied up. The companies had been left with redundant fleets, canneries, processing plants and warehouses in Walvis Bay and Luderitz. Some companies joined forces in order to rationalise their assets in Walvis Bay (for example Ovenstone and General Development Corporation). Other solutions were to put factories into mothballs, or to transfer plant to other installations. A third solution to the Namibian crisis was to establish subsidiaries abroad.

Certain fishing executives were interviewed as to the choices of available investment destinations. Australia was rejected due to its high-tax regime and hostility to South African investment, Britain due to perceptions of a militant trade union movement, and Argentina owing to the 'chaos and instability' prevalent around the time of the fall of Isabel Perón. Ovenstone had encountered problems in attempting to sell its fishing factory-ship to an Argentine group. Peru had decided to nationalise its fishing fleet, thus there were no openings there for capital investment.

The ideal choice for most companies was Chile. Firstly, there had been a historical precedent, in that the Ovenstone group participated in a joint venture with a Chilean company over twenty years ago. In July 1963 a factory was established at Iquique to process 50 tons of fish an hour. Most of the

machinery and equipment for the was manufactured in South Africa, and Ovenstone supplied the technical staff for its construction and for training local workers. South Africans were also brought in to run the small fishing fleet.(25) The Ovenstones were appointed honorary consuls for Chile in Cape Town.

Yet from 1970 there were changes afoot in Chile. The Ovenstone holdings in Chile were nationalised by the Popular Unity government and their former fleet was merged into the state fishing corporation. Once the Allende government had been toppled, however, the military junta invited the Ovenstones to resume their fishing activities in Chile and to increase their investment if they so wished. Ovenstones took up this offer in 1979, shipping a cannery partly to Iquique and partly to Talcahuano.

Secondly, Chile offered South African investors a favourable investment environment. Unlike other choices, Chile's firm military government had seen to it that there were no inconvenient trade unions demanding high wages or cushy working conditions. The economic nationalism of the Allende period was put aside, and Chile made it easy for foreign firms to obtain local investment finance. The tax regime was favourable, allowing foreign corporations to choose their own level of taxation with only two possibilities for minor upward revision. Profits will be allowed to be repatriated subject to a relatively low tax of 30%, although at present they will be used for loan repayment, reinvestment and offsetting of losses. (26)

Thirdly, Chile's relations with South Africa have been stepped up gradually over the past decade. At first Pinochet attempted to distance himself from contacts with Pretoria in order to create a good impression at the UN and offset the junta's isolation. However this tactic failed, and an approximation to South Africa was made precisely because of the junta's continued isolation. Diplomatic relations were raised to ambassadorial level and, as mentioned earlier, Pretoria dispatched one of its top military men, Lieutenant-General Jack Dutton, as its first resident ambassador in Santiago in 1981. (27) Prior to this the envoy to Argentina had also been accredited to Chile.

General Dutton had previously been Chief of Staff (Operations), the number two position in the South African Defence Force. He had also been an ideologue for what became known as the Total Strategy. (28) Within South Africa, his appointment to Santiago was regarded as something of a sideways promotion, to eliminate him from any further rise to power at GHQ - apparently a common way of dealing with ambitious Anglophones. Outside South Africa, the appointment drew attention to the close military links between the two states.

According to the International Institute for Strategic Studies, South Africa had sold Chile twelve Cactus surface-to-air

missiles, equivalent to the French Crotale system produced locally under licence. (29) Close naval links were manifested in the visits of the four-masted barquentine **Esmeralda**, normally used as a training ship. In 1973, immediately after the coup, this vessel had been used for the internment and alleged torture of sailors loyal to the Popular Unity government. In 1981 its visit coincided with the twentieth anniversary of the Republic. Chilean sailors and midshipmen goose-stepped through the streets of Durban in the official military parade, and visitors to the ship included Mrs Botha who "was visibly moved when the crew sang **Die Stem**" in Afrikaans. (30)

Given this context, the South African fishing companies found a warm welcome in Chile.

Ovenstones' return in 1979 prompted other companies to consider investments in Chile. A deal was stuck between Fedfood (the parent company of Marine Products) and another fishing group Kaap-Kunene, whereby R6 million would be committed to a joint venture with a Chilean fishing company, **Empresa Pesquera Tarapaca**. Investments were made in a cannery at Iquique, **Pesquera del Norte**, and a fish meal concern, **Pesquera Caldera**, at Caldera itself, which received dismantled reduction plant equipment from the General Development Corporation at Luderitz. Trawlers were also sent from Namibia to supplement the fleet at Caldera. However this investment has run into trouble owing to the financial difficulties of the Chilean partner and the general conditions of recession in Chile. Although the canning plant has begun to operate, the fish meal project at Caldera had to be delayed. About R1 million had to be set aside in 1982 to cover anticipated losses. (31)

The same Chilean partner, Humberto Camélio, also struck up a deal with a consortium known as United Fishing Enterprises. This is made up of three shareholders, Swafil, Seaswa (Oceana group), and Sarubar (jointly run by Sarusas and Willem Barendsz). With the bankruptcy of Camélio, Seaswa and Willem Barendsz moved in to acquire the Chilean assets, such that the company, **Pesquera Coquimbo**, is now wholly South African-owned. Coquimbo is the site of a cannery and reduction (fish meal and oil processing) plant, shipped from Walvis Bay, and installed during 1980-81. The 1983 Oceana annual report stated that the company was not anticipating further operating losses but that R220.000 was being set aside to cover possible exchange losses on the outstanding foreign loan. This loan was contracted to assist with the purchase of the company's share of Camélio's assets. In fact this prediction was confirmed in 1984, when the venture showed a profit for the first time (of US$1-m.).(32)

Ovenstone's interests in Chile include **Pesquera Playa Blanca** in Caldera, controlled through its UK-based firm L'Interpeche. Playa Blanca exports fish-meal to EEC countries, mainly UK and Italy. In addition Ovenstone has a 10% interest in **Pesquera Iquique**, reputedly the world's largest pelagic fishing company. In 1983 Ovenstone's operating profits in Chile increased by 47%,

but it is unlikely to grow at the same pace in 1984. Yet Ovenstone's annual report in 1984 termed the Chilean investments "very exciting".

All in all, the total commitment of South African fishing corporations in Chile has been estimated at between R25-30-m., a figure "far exceeding total recent reinvestment in Namibia". (33)

The canned fish and fish meal is sold on the world market and much of it finds its way to South Africa, such that a new shipping line was initiated in March 1982 to cover the Peru-Chile-South Africa route. Peru provides the largest quantities, and the canned fish products are imported through the industry's sole marketing agency Federal Marine, jointly owned by the fishing companies themselves. Imports began in 1978 after domestic production had fallen below public demand. Federal Marine sent quality control personnel to Peru and Chile to upgrade production and packing to South African standards. In Peru this was later formalised when Federal Marine set up a company staffed by nationals of Peru; in Chile South African are still in supervisory roles. (34)

The Peruvian fish canning industry at Chimbote was recently exposed in the world press for its scandalous working conditions by Dr Jenny Amery of the Catholic Institute for International Relations, who works on a health project in the shanty towns surrounding the town. (35)

The boom in the industry has drawn people to Chimbote's 30 canning plants at such a rate that the small port of 5.000 people in 1940 has grown to an urban slum of 300.000. The canneries employ mostly women workers (80%) who are paid less than men, are less aware of their rights, less organised and easier to exploit. Almost all are casual workers, have unstable shifts and compulsory overtime, earning around R2 a day (1.450 soles) regardless of the shift's duration. The factories do not comply with health standards and there is no protective clothing, so that hands are exposed to knife wounds and fish spines during gutting, as well as painful burning for those packing pilchards in hot chilli sauce. Women have begun to organise themselves in a Union of Cannery Workers and are beginning to articulate demands for better paid and healthier work. (36)

The chain from fish to table is one which involves the labour of thousands of people, not simply in our own country, but increasingly from all over the world. A decision to relocate production in other countries has a devastating effect upon local fishing communities and processing workers. But this also applies to the workers in the fishing factories of Peru where minimum wages are inadequate and health and safety legislation is scantily enforced. The South African companies involved in buying cheap Peruvian tinned fish and fish meal for resale in South Africa and Europe do not have any impetus to ensure that these workers receive living wages or that elementary health and safety conditions are met during production. Conditions in Chimbote

would be very familiar to low paid food industry workers in South Africa.

4

This analysis has concentrated on two major South African investments in Latin America, that of the Anglo American Corporation, mainly in Brazil, and that of the fishing industry, mainly in Chile. It has attempted to place these investments in their political and social contexts.

South Africa's entry into Latin America was largely motivated by state policy, creating the conditions for future commercial opportunity. Much of the policy was designed by and linked with former foreign minister Hilgard Muller. Since his departure from the portfolio, there has been a reduction in the emphasis on the importance of developing these relations. Yet there have also been real constraints operating on both sides.

For South Africa's part, the emphasis of official foreign policy formation has shifted, of necessity, to a preoccupation with the immediate Southern African region. Organisationally, the Department of Foreign Affairs has introduced structural changes and has established an entire section to deal with the immediate region. Strategic issues have come to outweigh considerations of trade and foreign exchange balances. Latin America is still regarded, however, as a useful trading area, and a potential source for the procurement of armaments. The setting up of a Centre for Latin American Studies at the University of South Africa in August 1984, funded from the parliamentary vote of the Department of Foreign Affairs, should be seen in this context.

As for the Latin American countries, their attitude to South Africa varies considerably. In recent years, Mexico, Nicaragua, El Salvador, Colombia, and Venezuela have broken diplomatic or commercial relations with Pretoria. Argentina and Bolivia have both reverted to civilian rule and are likely to take a less favourable attitude towards the apartheid state. In particular, Argentina has taken a dim view of South African logistical support for the construction by Britain of a military airport at Port Stanley, and of South Africa's acceptance of the credentials of the torturers Chamorro and Astiz as miltary attachés for Argentina. In Brazil's case the evenhanded commercial relationship will continue despite some African objections, but on a cultural and diplomatic level relations will continue to be scaled down. Much will depend on the shape of the presidential contest in 1985; if this takes the form of a direct election, the first civilian president since 1964 would be likely to adopt a firmer anti-apartheid posture than any of his military

predecessors.

These constraints on the development of political relations seem not to affect the continued expansion of an economic presence for South African corporations which regard Latin America as a challenging new area for profit-taking.

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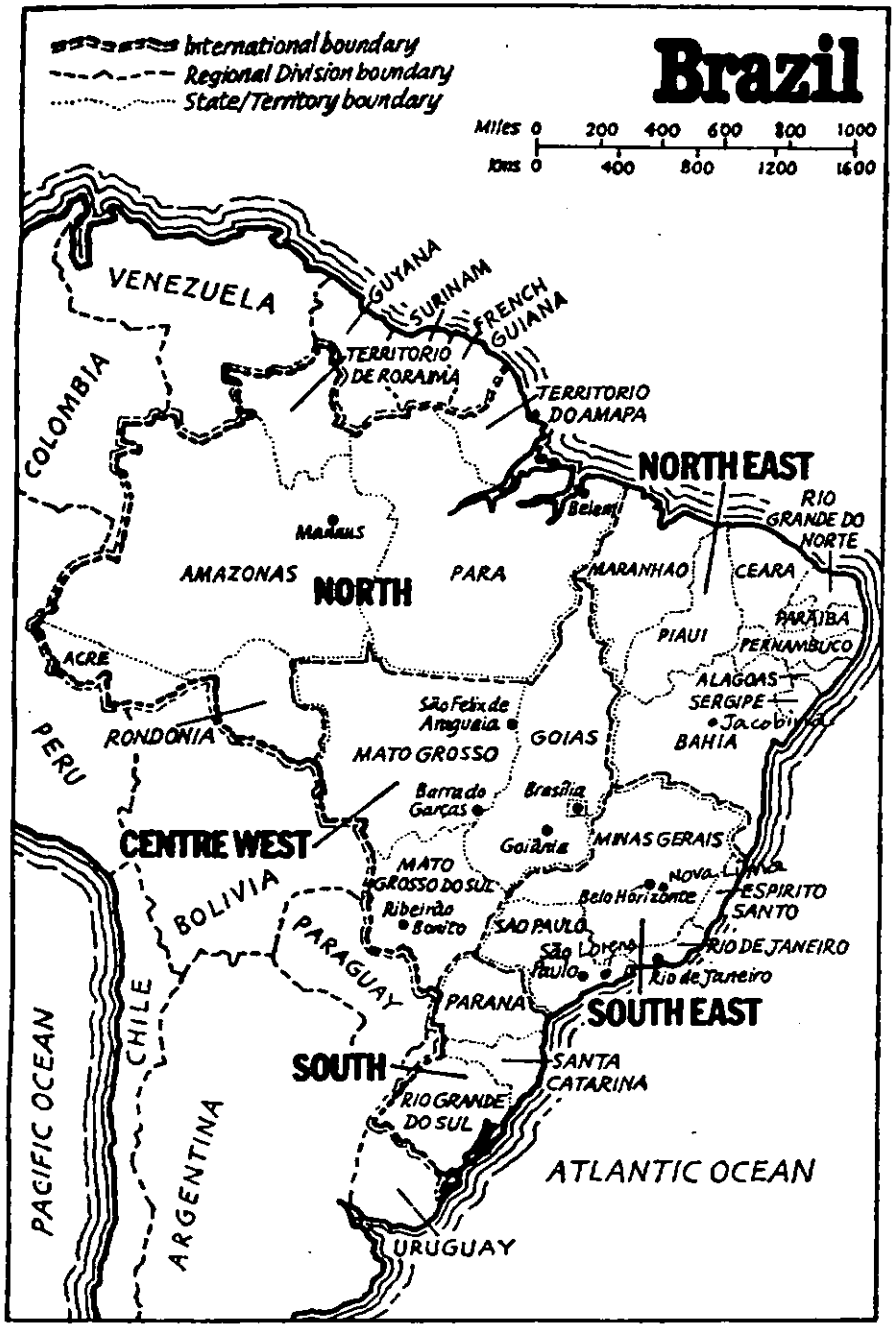



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