

# Bankers Trust Company



# Country Assessment

International Economics

280 Park Avenue, New York, N.Y. 10017 U.S.A.

---

## SOUTH AFRICA: AN OVERVIEW

William H. Overholt  
Vice President  
Head, Political Assessment Group

PAG 4/1-D

03 March 1980

### **DRAFT**

This is a working document and is not in final form; the statements contained in it may need to be revised or corrected. It is reproduced for private circulation only, not for general distribution or publication, and it should not be cited or quoted without the permission of the author.

Drafts are reproduced at the discretion of the author, with no Bank review procedure, and thus no opinions, statements of fact, or conclusions contained in this document can be attributed to the Bank or its clients.

SOUTH AFRICA: AN OVERVIEW  
William H. Overholt  
Vice President

South Africa is one of the world's larger countries, with a surface area (1.22 million square kilometers) about three-quarters the size of Iran. Its unusual endowment of natural resources includes gold, silver, uranium, chrome, vanadium, platinum, copper, iron, nickel, magnesium, diamonds, and extensive reserves of coal. The population, currently about twenty-eight million, is growing more than 2.5 percent per year and is expected to reach 62.5 million by the end of this century. The economy yielded a per capita income in 1979 of U.S.\$ 1,975 (1979 dollars), the highest in sub-Saharan Africa, but this average figure conceals a relatively sharp division between a modern sector, capable of innovative production of nuclear power and nuclear weapon technology, and a large subsistence sector. A growth rate of just under 6 percent in the 1960s has given way since the mid-1970s to much slower growth, insufficient to provide employment for the rapidly growing population, a situation likely to continue despite occasional booms.

The central dilemma of South African society, dominating its economy, its polity, and its international relationships, is that of race relations. The solutions employed elsewhere in Africa have been unavailable to South Africa. In other African countries, the white population has been relatively small and relatively recently arrived and has consisted primarily of people who viewed themselves as citizens of a colonizing power. The white populations in other African states therefore had the options of blending into newly sovereign black states as a numerically insignificant minority or of returning home to the metropolitan power. All other African states have employed these two options in varying proportions. But the South African white population is huge by comparison: over 4 million people. South African whites constitute a permanent community, centuries rather

than decades old, with only the most attenuated ties to the original metropolitan centers. This community views itself as a nation, founded on largely unpopulated territory, rather than as a colonizing superstructure, and the community possesses a degree of socio-economic integration that makes easy "blending" into a black-ruled state impossible. Moreover, the great economic and social divide between the white population and the black has heightened racial antagonisms to an extent unusual elsewhere in Africa.

The solution which the Nationalist Party has attempted to implement consists of progressive deepening and broadening of the social divide through a policy of "separate development" or apartheid. Under this policy, each separate tribe would be assigned a specific homeland and eventually achieve independence. The policy of separate development has, however, become a shambles--because of the way the Nationalists have implemented it and because of the dynamics of the South African economy. Homelands were assigned by whites who did not consult the black majority. Eighty-seven percent of the land was assigned to the whites, who presently constitute less than 17 percent of the population. In an economy dominated by urban manufacturing, all of the urban land was assigned to whites. The black homelands are too small, too poor, and too economically isolated to constitute viable nations or even communities. Some, like nominally independent Bophutatswana, are divided into numerous geographic islands (Bophutatswana consists of seven), each surrounded by a South African sea. Foreign states refuse to recognize the first "independent" black homelands, Transkei and Bophutatswana. The concept of a separate white homeland has broken down, because the dynamic white economy has required ever-increasing proportions of black labor to sustain its operations. Hence the separate development policy has failed in all important details.

Separate development is also failing in a larger sense. Its implementation in the face of black resistance has required a host of repressive and discriminatory practices, including total suppression of virtually all black political organization, denial of black rights to housing near their urban places of work, formation under the Terrorism Act of a non-judicial system for punishing blacks, and a host of formally illegal practices. All this has greatly exacerbated racial tensions in a period of history when demographic, economic and cultural trends make indefinite continuation of a relatively stable repressive system unlikely. Recent years have brought deep changes in the black community and in black-white relations. A new generation of leaders has arisen, more aware of the outside world, more educated, urban-raised, lacking rural habits of deference. This new generation of leaders appeals to a black population more than forty percent of which is under 14 years of age. The new leaders demand change with the knowledge that all the other white-dominated societies in Africa have yielded leadership to blacks and that all the great powers support the principal black demands. These leaders will be spokesmen for a society that by the year 2000 will consist of 7 million whites facing 50.2 million blacks and another 5.3 million Coloreds and Asians. Of the 50.2 million blacks, at least 12 million are likely to live in nominally white areas, and 8 million of those 12 will live in urban white areas. Even now there are more blacks than whites in every city except Capetown and even in Capetown the Colored population exceeds the white.

These overwhelming trends do not mean that white rule is immediately threatened. White South Africans have enormous economic power and possess the police and military power to maintain their position for many years. The police are powerful, and they are backed by an extensive network of informers. There are no substantial limits on the use of police power:

under the Terrorism Act, the Security Police can act completely outside the court system; under the Internal Security Act, offenses are handled within the courts system but lack of habeas corpus makes possible indefinite detention without charge; and there is a great deal of extra-legal repression, symbolized by the death of Biko and other leaders. The police are strong enough that they handled Soweto without recourse to the military.

The Nationalists have responded to rising pressures from blacks and foreigners by easing some of the rules of apartheid. For instance, black education and black pay have begun to rise. The changes are substantial by South African standards, but they do not address the central issues, namely the homeland system and political power. Suppression of black political organization is ruthless and--excepting Zulu Chief Buthelezi's Inkatha Party--total. Where the government has offered concessions, they have been largely paper and blacks have decisively rejected them. For instance, proffered Soweto town council powers ejected by the voters, and only 5 percent of those eligible bothered to vote. The Nationalists, who disenfranchised Asians and Coloreds, have proposed a parliament for those groups, but the purely advisory role of that parliament is unlikely to evoke enthusiasm from those groups.

Thus an enormously powerful white political/economic/military system persists with a policy of separate development in the face of rising black pressures which cannot triumph at any early date but which have on their side the strongest forces of modern history: education, communications, urbanization, nationalism, anti-racism, superpower competition. The result can only be increasing violence, perhaps after a substantial pause, consisting initially of further outbreaks like the recent ones in Soweto and followed over a period of many years by the beginning of escalation--as

black organizations begin to form and to poke holes in the security system. What appears now as a relatively stable situation is actually a vicious circle of political polarization.

The South African dilemma may well be insoluble. Faster economic growth would increase black education, urbanization, awareness, technical skills, and communication, and thereby bring revolution closer. Slower economic growth would cause massive unemployment and thereby exacerbate racial tensions. A shift to black political power would lead to impoverishment of the whites and dismantling of their society and culture. The whites cannot peacefully stay, but they cannot leave for they have nowhere to go. Repression exacerbates tension, but at this point relaxation of repressive measures might well bring an early explosion. Various suggestions have been made for bridging the unacceptable alternatives of white rule and black rule by some form of federation, but no formula has attracted widespread support from either whites or blacks. Even the white South African opposition has no program.

South Africa's international situation reflects its domestic situation: impressive white power in the short and medium term confronting gathering forces that are almost certain to dominate in the long term future. Militarily, South Africa has large and highly trained forces which could easily seize any capital in sub-Saharan Africa and which could easily dominate any combination of African and Cuban forces. Those forces are backed up by an ability to acquire, produce and effectively employ high technology weapons: South Africa has Mirage aircraft, produces its own armored cars, and has an acknowledged potential for nuclear weapons. Economically, South Africa's position is also strong. Along with the U.S., U.S.S.R., China and Brazil, it is one of the few countries in the world

capable of self-sufficiency. It can feed itself, manufacture its own steel, cars and jets, and produce its own weapons. Although it lacks oil, and is not yet capable of producing its own nuclear power, it has stockpiles of oil adequate for 6 to 18 months, huge reserves of coal, and will soon be able to convert sufficient coal to oil to cover 35 percent of domestic oil requirements. Socially, Afrikaner society is confident, tough, disciplined, and determined to resist foreign pressures. Only China is more capable of withstanding a siege.

But South Africa is increasingly isolated. The last white regime in Africa, it faces border states intensely committed to bringing down apartheid. Mozambique, Zimbabwe, Angola and Namibia will provide sanctuaries, training and weapons for opponents of apartheid, and their efforts will be backed, morally and materially, by other African states and by Soviet/Cuban forces. The strength of all these opponents is rising fast. Each opponent is growing stronger, and the unity of the opponents as a group is improving. The West, which once regarded South Africa as an ally, now regards it as an embarrassment. Racial oppression in South Africa is regarded by most of the world, fairly or unfairly, as worse than the dictatorships endemic in the rest of the Third World and worse even than such regimes as Zaire's. This perception is unlikely to change. South Africa will continue to have business relationships with many countries, it will have sporadic security relations with particular Western countries over particular issues, and it may have sustained security/technological relationships with certain countries such as Israel, but increasingly such relationships are regarded as unpleasant and in many cases are being slowly whittled away.

South Africa is often regarded as possessing trump cards with the West due to its mineral resources and strategic position. However, while the substantial value of those cards is not denied, the perception of them

as vital to the West is rapidly diminishing. The vulnerability of oil lines of supply to an adversary operating from Simonstown is a concern, but not an overwhelming one. Interdiction of those lines of supply would be a Pearl Harbor and would provoke effective response elsewhere in the world; for the foreseeable future the Soviet Navy is too vulnerable worldwide to venture such an interdiction. Similarly, the minerals are extremely valuable, but not an asset by which the West could be brought to heel. Gold and platinum are valuable but the South African supplies are not indispensable; over the long run, since the U.S.S.R. has adequate supplies, pressure on any South African government to sell to the West would likely outweigh the West's need to buy. Vanadium is important largely for catalytic converters, and these can be replaced; there are reserves elsewhere which could be developed after an (expensive) interim period of developing reserves and building new processing equipment. Chrome is needed for the making of stainless steel, which in turn is presently irreplaceable in oil refining, food processing, and other industries that must handle acids or be resistant to residual bacteria. Jet engines, power plants, and much medical equipment cannot be constructed without chrome. However, in the period when supply from South Africa might be interrupted, it will likely be available from Zimbabwe, and over time the economic needs of South Africa will argue overwhelmingly for its sale to the West; in this regard it should be recalled that the People's Republic of China sold tungsten indirectly to the Western market even at the height of the Cold War. The requirement for chrome is therefore serious, but it is far more likely to be regarded as a reason to heighten basic research, to conserve chrome, and to stockpile in large quantities, than as a reason for altering the basic Western antagonism to apartheid at the cost of alienating most of Africa and thereby giving the Soviet Union



an immense advantage throughout Africa and the Third World. The dynamics of U.S.-U.S.S.R. competition lead the U.S. away from South Africa, not toward it.

Other U.S. interests increasingly support opposition to apartheid. The change in U. S. policy from one supportive of South Africa to one fundamentally antagonistic to apartheid is not an aberration of the Carter administration and of Andrew Young, but a historical shift initiated by America's master of Realpolitik, Henry Kissinger. Since 1973, U.S. trade with Nigeria alone has exceeded U.S. trade with South Africa and it is now double U.S. trade with South Africa. The U.S. imports far more minerals from elsewhere in Africa than from South Africa. Investments elsewhere in Africa remain low compared with investments in South Africa, but growing opportunities elsewhere in Africa and in the Third World will increasingly shift the balance even in investments. African and other Third World countries are increasingly able to coordinate their policies on an issue as visible and sensitive as South Africa, so American investments elsewhere will increasingly be imperiled by investments in South Africa.

The West is more often united in perspective and in rhetoric than it is in practice, and Western opposition to apartheid is unlikely to achieve unity. Sweden and the Netherlands move quickest and hardest against South Africa. The U.S. and U.K., with the biggest economic stakes, move more slowly, and there are differences even between these two. The French and German economic stakes are actually rising, despite anti-apartheid rhetoric. Nevertheless, the overall pattern of Western disapproval of apartheid and rising political and economic pressure on the South African regime is becoming stronger. In the meantime, U.S. policy is extremely sensitive to South African developments. U.S. moral reactions, from blacks as well as

from numerous white groups, could respond to recurrences of the Soweto riots with sudden Congressional action to terminate business relationships with South Africa. For a U.S.-based firm, this possibility must be a paramount concern.