

International Affairs BULLETIN

Smuts House Notes

Symposium

- South Africa's Trade Relations: Foreign and Regional Interdependence
Jacqueline Matthews

- The Implications for the South African Economy of Russia's Foreign Trade Policy
G. Ariovich and H.F. Kenney

Cuba and Africa
Robin Hallett

Great Power Interests in the Indian Ocean
Henry Albinski

Book Reviews

VOL 4 NO 2 1980



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THE SOUTH AFRICAN INSTITUTE OF INTERNATIONAL AFFAIRS

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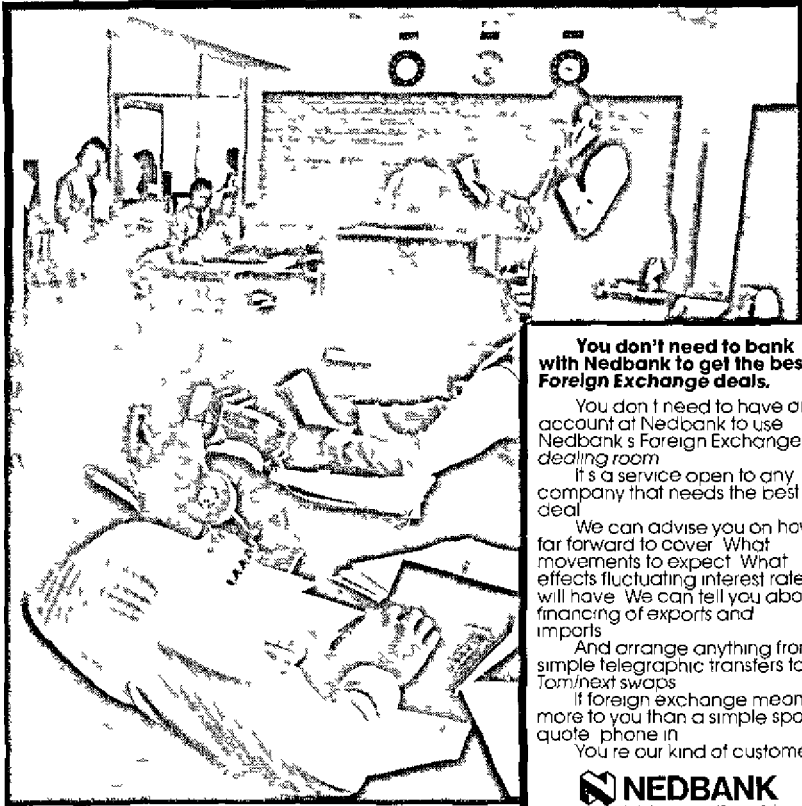
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This article is based on a comprehensive study entitled *Soviet Foreign Trade Policy and Its Implications for South Africa's Mining Sector*, carried out for the Chamber of Mines of South Africa, and, at management's request, confidential material has been omitted.

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The article *Great Power Interests in the Indian Ocean* is a slightly edited version of extemporaneous remarks delivered to a meeting at Jan Smuts House on 27 February 1980.



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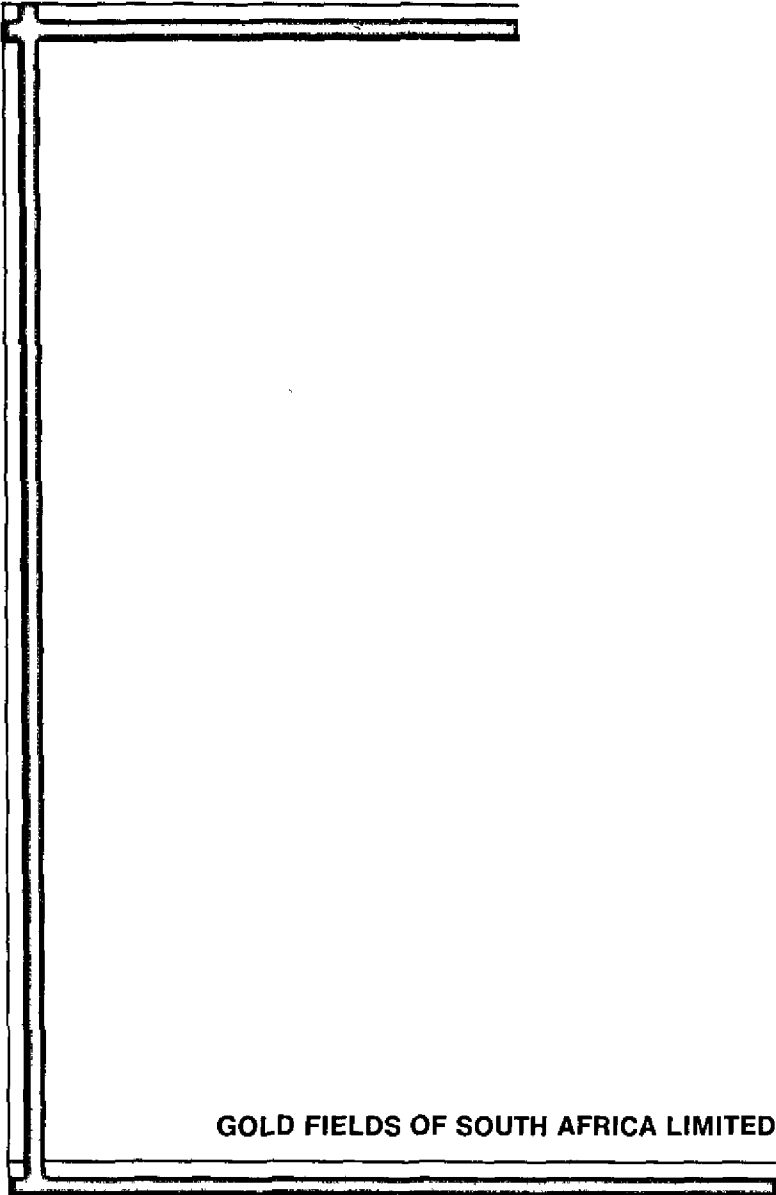
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SMUTS HOUSE NOTES

OLIVER DENEYS SCHREINER †

The Institute records with deep regret the death on 27 July 1980, of its longest serving Honorary President, Mr Justice O.D. Schreiner, at the age of 89 years. He became a member of the Institute in 1941, only seven years after it was founded, and, after serving as Chairman of the Institute's Council, was elected an Honorary President in 1950, a position he occupied for 30 years.

Judge Schreiner was held in high esteem and warm affection by Institute members throughout South Africa. He was a familiar and much-loved figure at Jan Smuts House, where he regularly attended Institute meetings until shortly before his death.

The Institute is proud and grateful to have been associated over so many years with this leading Jurist and great South African. Judge Oliver Schreiner and his contribution to the work of the Institute, through four decades of its development, will not be forgotten.

John Barratt
Director General: SAIIA

SOUTH AFRICA'S FOREIGN POLICY MAKING: A CASE FOR EXTERNAL ADVICE

The use of outside experts to advise governmental decision makers in a formal manner has become a firmly established practice in South Africa. Probably the best known example is that of the Prime Minister's Economic Advisory Council. A more recent addition is the National Manpower Commission, and in July 1980 a so-called constellation committee composed of officials and outside experts was formed. Quite apart from their contribution through official bodies, non-governmental experts no doubt also advise decision makers in an *ad hoc* and informal fashion.

There is however no known formal advisory body involving outside experts specifically designed to advise South Africa's foreign policy makers. This is perhaps understandable given the fact that foreign policy formulation is concentrated in very few hands, together with the virtually universal tendency of governments to jealously regard it as a highly sensitive, complex, confidential and consequently exclusive matter. Yet, despite these considerations, there does seem to be a case for formally involving outside experts in an advisory capacity in South Africa's foreign policy making. The most cogent argument in this regard is undoubtedly the highly problematic situation confronting South Africa in its foreign relations. Such a proposal is no reflection on

the handful of foreign policy formulators and the Department of Foreign Affairs; it is merely a recognition of South Africa's peculiar position in the world and of the need to provide decision makers with the best possible advice available. There are undoubtedly a considerable number of eminent people who are admirably equipped to assist the foreign policy makers in what is a vital area of government.

A formal, standing advisory body has obvious advantages over advice being tendered in an informal and spasmodic fashion. An advisory group, according to American political scientist Bernard C. Cohen, "takes people of standing and of knowledge and experience and makes them an accessory of sorts to decision makers". Members of such a group can be drawn from two broad categories of experts. First, there are "notables" — i.e. eminent figures familiar with the foreign policy process — who would include former diplomats and military officers, and businessmen. Second, experts such as academics attached to universities and "action or program-oriented practitioners" attached to institutes or other non-governmental bodies; these are specialists familiar with the substance of foreign policy.

Members of an advisory group do not become civil servants; they retain their normal professions. In fact, the value of the experts — particularly academics — can probably best be realised if they retain their independence from government. On the other hand, they must of course be drawn into the actual decision making as closely as possible to make a meaningful contribution. The responsibility for the ultimate foreign policy decisions and resultant actions however rests with the decision makers and not the advisers.

Finally, brief reference should be made to the kind of contribution outside experts can make. Their basic role would be to formulate alternative policy guidelines, which *inter alia* involve identifying strategic objectives, possible obstacles and ways of overcoming them, calculating the costs and risks involved, identifying contingencies that might affect the policy, and formulating fall-back positions in the event of failure. Prof. Lincoln P. Bloomfield of M.I.T. stresses the importance of advisers helping to anticipate consequences, given that one of the inherent weaknesses of government predictions in the foreign policy area is "that it too is infected with the reactive nature of policy". He then makes a statement of particular relevance to South Africa: "In an age when failure to judge properly the consequences of a fateful course of action could be calamitous, national survival calls for better advance planning".

Deon Geldenhuys

Note:

The debate on "South Africa and the International Community in the Eighties" continues in this issue of the Bulletin with a *symposium of two articles on South Africa's position in the international community.* (Ed.)

Symposium

SOUTH AFRICA'S TRADE RELATIONS: FOREIGN AND REGIONAL INTERDEPENDENCE

Jacqueline Matthews

Situated at the southern end of the least developed continent and surrounded on three sides by major oceans, the Republic of South Africa is geographically remote from the main streams of economic activity and exchange. Nevertheless, the country has many contacts with other parts of the world: a thriving external trade, membership of numerous international institutions and a significant role in Southern Africa.

Contributory factors are as follows, South Africa has a strong economy based on rich mineral resources that has attracted a substantial amount of foreign capital. Due to the limits of the local market, this economy is highly dependent on foreign trade to find outlets for her products and to obtain the capital goods essential for increasing industrialisation. On the other hand, the Republic provides a valuable market for the industrial products of the Western world and an important source of strategic minerals. The Republic is a member of several international organisations including the General Agreement on Tariffs and Trade (GATT) that aims at the promotion and liberalisation of international trade. In the field of transport, the Cape sea route has regained prominence with the introduction of supertankers and other vessels unsuitable for the Suez Canal. Finally, the growing importance of Africa in world affairs has contributed to an increased awareness of the part South Africa could play in the economic development of this area.

The purpose of this article is to highlight the economic interdependence between the Republic and other countries. It is divided into three parts: A) foreign trade, B) institutional links with world organisations and C) Southern African economic relationships.

A) FOREIGN TRADE

Tables 1 and 2 provide data on South African imports and

TABLE 1 SOUTH AFRICAN IMPORTS BY CONTINENTS AND SELECTED COUNTRIES

	R million											
	1978		1977		1976		1975		1974		1973	
		%		%		%		%		%		%
AFRICA	245,3	3,9	287,5	5,6	305,5	5,2	253,6	4,6	241,2	4,9	190,9	5,9
EUROPE	3 726,0	59,7	2 814,2	55,2	3 201,4	54,8	3 271,0	59,3	2 783,7	57,1	1 839,7	56,6
of which:												
United Kingdom	1 043,4	16,7	842,8	16,5	1 030,0	17,7	1 094,3	19,8	823,1	16,9	632,4	19,4
West Germany	1 274,8	20,4	930,2	18,3	1 057,6	18,1	1 033,8	18,7	925,0	19,0	607,1	18,7
France	475,4	7,6	239,4	4,7	255,4	4,4	244,9	4,4	196,9	4,0	125,3	3,9
AMERICA	1 129,6	18,1	1 086,0	21,3	1 400,4	24,0	1 108,3	20,1	948,0	19,5	609,0	18,7
of which:												
United States	986,5	15,8	974,1	19,1	1 266,6	21,7	984,1	17,8	811,5	16,6	528,3	16,2
Canada	82,8	1,3	64,0	1,3	85,9	1,5	80,0	1,5	69,4	1,4	41,2	1,3
Brazil	31,7	0,5	26,5	0,5	32,4	0,6	26,1	0,5	31,2	0,6	25,3	0,8
ASIA	1 069,5	17,1	842,9	16,6	835,2	14,3	787,9	14,3	806,7	16,6	515,9	15,9
of which:												
Japan	823,6	13,2	625,6	12,3	599,7	10,3	611,5	11,1	600,4	12,3	380,8	11,7
Hong Kong	40,4	0,6	32,6	0,6	48,9	0,8	36,8	0,7	40,1	0,8	25,4	0,8
Taiwan	35,7	0,6	25,2	0,5	27,0	0,5	19,0	0,3	15,4	0,3	8,1	0,2
OCEANIA	73,4	1,2	66,2	1,3	94,9	1,6	95,0	1,7	94,4	1,9	97,2	3,3
of which:												
Australia	67,4	1,1	61,1	1,2	89,0	1,5	86,2	1,6	86,2	1,8	90,9	2,8
TOTAL	6 258,4		5 096,8		5 837,4		5 515,8		4 874,0		3 252,7	
Price Index (a)												
212	194		176		150		127		100			
Total adjusted (1973 \$100)	2 952,1		2 627,2		3 316,7		3 677,2		3 837,8		3 252,7	

Sources:— *Foreign Trade Statistics*, Dept. of Customs & Excise, Vol. 1, Pretoria. Years 1973 — 1978.

(a) S.A. Reserve Bank *Bulletin*, Pretoria, March, 1980. p. S-97. Imported Goods.

exports by continents for the years 1973 to 1978 inclusive. The figures refer to the South African customs territory which includes not only Namibia and independent Homelands but also Botswana, Lesotho and Swaziland. Trade in gold bullion, armaments and oil are excluded, the latter since 1975. For each continent, South Africa's most important trading partners have been added, but unfortunately, a reliable breakdown of trade figures for individual African countries is unavailable.

a) Imports (Table 1)

The apparent increase of total imports into South Africa over the six years under review is mainly due to increased prices. Adjusted to 1973 prices, imports have in fact decreased between 1974 and 1977, then increased slightly in 1978 but not to the 1973 level. The cause is more likely to be the recent recession of the South African economy rather than an expansion of the import-replacement policy which is discussed below, although the exclusion of oil imports since 1975 partially obscures the picture.

The bulk of imports is composed of machinery and other industrial goods and the balance includes consumer goods. An essential import is oil since intensive off-shore exploration has so far been unsuccessful and the country's only source of oil is coal.

With regard to trade patterns, the share of each continent has remained fairly constant except for a slight increase from Asia (mainly Japan) and a decrease from Australia. With regard to Europe, it is notable that West Germany has overtaken Britain as South Africa's main supplier: Germany's share of the total has increased from 18,7% to 20,4% whilst that of Britain has declined from 19,4% to 16,7%. Not shown in the table are increasing imports from rapidly developing Asian countries such as Korea and Sri-Lanka, because their share of the total is minimal.

The Republic follows a policy of import-replacement both to alleviate *balance of payments difficulties* — there has been a recurrent deficit in the current account, although not recently — and to encourage industrialisation. In addition, certain domestic pressure groups advocate self-sufficiency for strategic reasons. For some years, the world community has applied pressure on South Africa to change her policy of separate development and the threat of international economic sanctions is ever present.

Import replacement has had some success but it has increased costs to both consumers and import-using manufacturers and thereby contributed significantly to inflation. The policy is applied through tariffs — where these are not "bound" under the General Agreement on Tariffs and Trade — and non-tariff bar-

riers such as local content rules and import licences.

Pressure for protective tariffs comes mainly from import-competing industries but places a burden on consumers by reducing their freedom of choice, and on import-using industries by increasing the costs of their inputs. In some cases, this tends to create a vicious circle: for example the textile industry may receive protection by the imposition of a tariff on imports; which forces the clothing industry to buy higher-priced materials, whether local or imported; and this industry in turn will ask for protective tariffs because, with costly inputs, they cannot compete against imported garments.

Non-tariff barriers were the subject of lengthy negotiations at the latest Tokyo Round of the GATT. They are more harmful to international trade than tariffs mainly because they are less obvious and difficult to measure. The South African local content programme requires the motor manufacturers, for example, to use at least 66% of local car parts, even if some of these may be obtained at lower cost from abroad.

It is probable that the number of jobs generated by tariffs and non-tariff barriers is less than would be provided by an expansion of industries affected by these measures, should these be reduced or eliminated. Moreover, retaliation by South Africa's trade partners may have serious consequences on local exports.

Import licences have contributed to import control since 1948, originally to restore equilibrium in the balance of payments, although there has been some relaxation in this area in recent years. Finally, a surcharge of 15% *ad valorem* was imposed on all imports in March 1977 for revenue purposes, but this was reduced in subsequent years and eliminated in March 1980.

b) Exports (Table 2)

South Africa depends heavily on exports in order to earn the foreign exchange necessary to pay for essential imports. Available statistics exclude gold bullion but include gold ore and products. The totals in Table 2 have been adjusted to 1973 prices. It is notable that the price index has risen more for imported goods (212) than for local goods (193). In real terms, exports have increased steadily except between 1975 and 1976. Recent estimates for 1979 (not shown in the Table) are in the region of 9 000 R million in money terms and 4 000 R million in 1973 prices.

Trade patterns have not greatly altered except for an increase of exports to America; the share of the United States has increased from 6,8% to 18,5% of the total. As regards Europe, Britain still leads as the main buyer of South African goods although her share has decreased from 29,3% to 17,3%, partly

TABLE 2 SOUTH AFRICAN EXPORTS BY CONTINENTS AND SELECTED COUNTRIES

	R million											
	1978		1977		1976		1975		1974		1973	
		%		%		%		%		%		%
AFRICA	537,8	7,4	519,8	8,9	453,9	10,1	423,8	10,7	452,3	13,6	341,7	14,2
EUROPE	3 668,0	50,3	3 115,0	53,5	2 514,1	55,8	2 161,1	54,7	1 755,9	52,9	1 388,9	57,9
of which:												
United Kingdom	1 263,8	17,3	1 329,7	22,8	1 001,3	22,2	928,1	23,5	793,7	23,9	699,9	29,2
West Germany	682,2	4,1	529,4	9,1	489,7	10,9	455,1	11,3	337,6	10,2	189,7	7,9
France	295,5	4,1	228,1	3,9	158,7	3,5	115,1	2,9	88,4	2,7	68,9	2,9
AMERICA	1 615,7	22,2	1 079,6	18,5	704,5	15,7	630,7	15,9	444,0	13,4	268,7	11,2
of which:												
United States	1 350,7	18,5	790,6	13,6	459,7	10,2	434,9	11,0	285,1	8,6	163,7	6,8
Canada	115,1	1,6	116,8	2,0	124,8	2,8	132,9	3,4	86,4	2,6	56,5	2,4
Brazil	77,8	1,1	88,4	1,5	27,0	0,6	15,9	0,4	14,1	0,4	9,0	0,4
ASIA	1 398,3	19,2	1 057,3	18,2	781,2	17,3	701,8	17,8	626,6	18,8	371,8	15,5
of which:												
Japan	766,0	10,5	646,4	11,1	526,9	11,7	491,7	12,4	430,9	13,0	264,4	10,3
Hong Kong	151,5	2,1	95,6	1,6	49,8	1,1	49,0	1,2	53,2	1,6	47,6	2,0
Taiwan	85,4	1,2	57,4	1,0	50,8	1,1	50,6	1,3	24,9	0,8	18,6	0,8
OCEANIA	68,5	0,9	53,6	0,9	47,8	1,1	35,2	0,9	41,6	1,3	28,3	1,2
of which:												
Australia	53,5	0,7	44,1	0,8	40,9	0,9	19,4	0,7	33,1	1,0	23,6	1,0
TOTAL	7 288,3		5 825,3		4 501,5		3 952,6		3 316,4		2 399,4	
Price Index (a)	193		176		154		135		117		10	
Totals adjusted to base yr 1973	3 776,3		3 309,8		2 923,1		2 927,9		2 834,5		2 399,4	

Sources: *Foreign Trade Statistics*, Dept. Customs and Excise, Vol. I. Pretoria. Years 1973 — 1978.

(a) S.A. Reserve Bank *Bulletin*, Pretoria. March, 1980. p. S-97. Goods produced in S.A.

due to British entry into the European Economic Community and the consequent gradual removal of tariff preferences between the two countries.

South Africa's main exports are mineral and agricultural products and a large proportion of these in semi-processed form. The country is a major producer of gold (about half of the world production and 70% of the Western world), diamonds, platinum, manganese, chrome, asbestos, coal, iron-ore, wool and sugar. Other agricultural products include fruit, wine, maize, raw hides and skins, and the Republic also exports some consumer goods.

Gold is of course the most important of South African exports, especially today when the world is moving away from demonetization of the metal. Fluctuations in the gold price make it difficult to calculate gold exports as a percentage of the total, but it has contributed significantly to the stability of the Republic's terms of trade and placed her in a more advantageous position than countries who depend on a few primary products for their export earnings. On the other hand, dependence on gold exports is one of the structural weaknesses of South Africa's economy, causing a vulnerability to international financial arrangements and to variations in the gold price. Consequently, efforts have been made to lessen this dependence by increasing exports of other products.

In July 1971, the Reynders Commission was set up to enquire into the export trade of South Africa partly because during the period 1950-71, exports of merchandise and services had declined from 20% of the Gross Domestic Product to 15%. This was attributed to the poor conditions of international commodity markets, poor agricultural harvests, the increasingly weak competitive position of manufacturing industry in foreign markets, increasing domestic demand for local products leaving less for exports and finally, political factors.¹ It was concluded that (a) import replacement had taken precedence over export promotion and should be corrected; (b) probable British entry into the EEC necessitated a search for new markets; and (c) individual local producers should be encouraged to become more export-oriented.

The two-volume Report of the Commission was published in 1972.² It recommended, *inter alia*, that

- to improve the balance of payments, exports had to increase;
- the existence of subsidized exports from other countries and the lack of preferences enjoyed by South Africa rendered unavoidable the granting of countervailing export incentives to South Africa exporters;
- there should be an improvement of infrastructure and export awareness both by Government and producers, especially where the country had a comparative advantage.

A number of the Commission recommendations were accepted and led to measures such as fiscal incentives for market development expenditure and other exports costs, transport subsidies, export finance subsidizing such as the facility of borrowing finance at reduced rates of interest to build up industrial export capacity.

The dilemma is that to increase industrial productivity, foreign exchange must be used to import capital goods and raw materials not available in South Africa. On the other hand, the two components of the Republic's foreign trade policy — export promotion and import replacement — conflict with each other and lead to a misuse of scarce resources; since protection leads to the growth of inefficient producers it does more damage to export industries by increasing costs than it encourages import replacement industries. It is often thought that protection creates employment, but theoretically, it is trade expansion that leads to increased incomes and job creation. Both imports and exports are therefore essential to South Africa's economic growth and valuable to her trade partners. This economic interdependence is maintained by a number of international organisations.

B) INSTITUTIONAL LINKS WITH WORLD ORGANISATIONS

South Africa is a member of the United Nations and several specialised agencies such as the International Monetary Fund (IMF) and the World Health Organisation (WHO). She takes part in about twenty inter-governmental organisations — for example, the General Agreement on Tariffs and Trade (GATT) and the Customs Cooperation Council (CCC) — and in commodity agreements for sugar, wheat, lead and zinc. Following the Tokyo Round of the GATT, she has agreed to certain arrangements such as that regarding dairy and bovine meat products. South Africa was a member of the British Commonwealth until 1961 and was party to the Ottawa agreements of 1932. The country has also entered into trade agreements with Paraguay in 1974, Taiwan in 1975 and with a number of African countries, as mentioned below. Moreover, several multinational companies have subsidiaries in the Republic.

For the purpose of this paper, discussion will be limited to certain aspects of South Africa's relationship to a) the GATT; b) the Commonwealth; and c) multinationals.

a) Membership of the GATT is an important factor of the Republic's foreign trade policy. South African exports receive most-favoured-nation (mfn) treatment from the majority of GATT members, and South Africa has taken part in rounds of negotiations for tariff reductions and other aspects of international trade.

GATT rules extend various benefits to developing countries and it is sometimes suggested that when South Africa became a founder member in 1947, the status of a "developing" country should have been obtained. At that time, however, most members were industrialised countries and problems of development had not been considered to any significant degree. It is only in the 'sixties when the "winds of change" led to the dismantling of colonial empires, that new nations began to ask for special concessions on the grounds of under-development. In 1965, Part IV was added to the General Agreement to deal with the special needs of Third World countries.

Development can only be considered in relation to other countries. Table 3 provides some data on Gross Domestic Product per capita for selected countries.

TABLE 3
GROSS DOMESTIC PRODUCT PER CAPITA (1975 U\$)

	Selected countries
United States	7 148
Australia	6 920
Libya	5 395
New Zealand	4 414
United Kingdom	4 096
Greece	2 300
Hong Kong	1 677
Argentina	1 537
South Africa	1 342
Brazil	1 158
Nigeria	399
Zaire	148
	<u>Region (averages)</u>
Africa	430
Asia: East and South-East	590
Middle-East	1 560
Caribbean & Latin America	1 160

Source: *Yearbook of National Accounts. Statistics 1977*. Vol. II. International Tables. New York, United Nations Statistical Office, 1978. pp. 3-9.

At first glance, it would appear that there is a case for including South Africa among developing countries, since her GDP per

capita is lower than that of Hong Kong and Argentina. However, it is well above the average for Africa and Asia, except for the Middle-East which includes oil-producing countries.

In addition, the world community feels that the domestic policy of separate development prevents a full contribution to the national product by all racial groups and that the elimination of apartheid would increase the total.

It should be acknowledged that the development of the Republic's human resources has lagged far behind that of her material resources. Education and training, though improving slightly, are not up to the standard of a country with South Africa's potential. There is, as yet, no free and compulsory education for the majority group and it is significant that, in spite of a perennial shortage of skilled labour, it is reported³ that there are only a few black apprentices today.

There is little chance that South Africa would be considered a developing country by GATT members, not only because of her wealth but also because Third World countries form the majority of GATT membership and any concession to South Africa would be politically unacceptable. The Republic is usually placed in a special category with Australia and New Zealand.

As a GATT member, South Africa is bound by the rules of the Agreement designed to liberalise international trade. Simultaneously, local industries are fostered through protective tariffs, as is the case in a number of other countries. In April 1972, a Committee of Enquiry was appointed to consider whether membership of the GATT conflicted with the need for protection,⁴ and it concluded that the benefits outweighed costs and that South Africa should remain within the organisation. Many tariffs are not "bound" and the flexibility of the rules makes it possible to take necessary measures, and on the whole the Republic has benefitted from tariff concessions made by other countries in successive rounds of negotiations.

b) Past membership of the Commonwealth is another institutional link which has had a lasting effect on South Africa's foreign trade. Although she left the Commonwealth in 1961, the reciprocal preferential agreement entered into with Britain at the Ottawa Conference of 1932 remained operative because it was not conditional upon membership of the Commonwealth. Britain's entry into the European Economic Community in 1973 however finally ended the agreement and the preferences were gradually phased out. This has contributed to the reduction of Britain's share of South Africa's foreign trade.

When it became clear that Britain was going to give up Commonwealth preferences, South Africa became concerned about

her exports to Britain, especially in fruit, vegetables and wine. The common external tariff of the EEC is low for industrial tariffs but higher for agricultural goods. Being neither a Commonwealth country nor a developing country, the Republic could not expect to receive the special benefits offered to other African countries. However, exporters in these fields appear to have adapted themselves to the new situation.

c) A substantial amount of foreign capital is invested in the Republic and the existence of multinational companies is another illustration of the economic interdependence between South Africa and the world. An interesting development is the recent adoption of codes of employment for multinationals operating in South Africa such as the Sullivan and the EEC codes. The terms are well-known: broadly, they call for an improvement of wage rates and fringe benefits for African workers, desegregation of the work place, recognition of African trade unions, equal pay for equal work and a mitigation of the effects of the migrant labour system. At regular intervals, subsidiaries must report to the parent company on the progress made in these fields. There is no doubt that codes of employment have had a salutary effect on the labour position in South Africa, even though they are not always enforced and the recent publicity given to some infringements of the EEC code may lead to better wages for some workers.

This is not the place to consider the effect of increased wages on unemployment and on the adoption of capital-intensive methods of production. However, it is illogical for certain groups to press for higher wages and at the same time to call for disinvestment of overseas capital. A large withdrawal of funds would obviously hurt the lower income groups more than others, not only in South Africa but also beyond her borders, because of the special position of the Republic in Southern Africa, as examined below.

All things being relative, it is interesting to compare the EEC code of employment for South Africa with that proposed by the European Community during the negotiations between the EEC and associated African, Caribbean and Pacific (ACP) countries prior to the second Lomé Convention. The EEC wanted to include the following "fair-trade" conditions in the preamble to the Convention:—

- no child under 14 to be employed in heavy industry;
- no racial or religious discrimination in employment; and
- no working week longer than 72 hours.

The final text of the Convention makes no mention of these conditions.

C) SOUTHERN AFRICAN ECONOMIC RELATIONSHIPS

Despite obvious political differences, there are positive

economic links between South Africa and neighbouring territories. The Republic cooperates with African countries in soil conservation, medical and health services, famine relief and veterinary science, and she is involved in projects such as the Cabora Bassa (Mocambique) and the Kunene Basin (Angola) hydroelectric schemes. However, the most important aspects of South Africa's economic relations in Southern Africa are: (a) the Customs Union between the Republic and Botswana, Lesotho and Swaziland (BLS); (b) trade with other African countries; (c) the monetary agreement with Swaziland and Lesotho; (d) the employment of a substantial number of foreign workers in South Africa, (e) the Lomé Convention; and (f) Transkei.

(a) South Africa established a customs union with BLS when the Union of South Africa was established in 1910, although there had been trade arrangements with those territories before that date. In view of the geography of the region, customs duties are mainly collected at South African ports and border posts, and the method of sharing the customs revenue is therefore of great importance to the smaller members of the Customs Union. Until 1969, it was divided according to fixed percentages based on each territory's consumption of imported goods. Since then, a different formula has been used, increasing the share given to the BLS States.⁵ The part accruing to each territory is increased by a factor of 1.42 to compensate for the fact that decisions on customs matters are made by South Africa and the tariffs are devised to protect her industries. In 1978/79, customs revenues for Botswana, Swaziland and Lesotho were approximately R52 million, R54 million and R56 million respectively.⁶

Economists differ about the advantages of economic integration between countries at different levels of development. The argument is that, in the case of a common market, for example, capital and labour will tend to move towards the dynamic region where returns are highest, thus accentuating the weak position of the other regions. It must be noted, however, that this polarisation may happen even in the absence of formal integration, and it cannot be assumed that the poorer areas would benefit by maintaining barriers to trade and movement of production factors. The final result of economic integration will depend on the balance between the out-flow of resources and the benefits accrued to each member of the common market.

In any case, the South African Customs Union provides for the free movement of goods only. It is not a common market, since it has no provision for the free movement of labour and capital, apart from that included in the monetary agreement with Swaziland and Lesotho.

A dismantling of the South African Customs Union would be

economically disadvantageous to all parties, for it would reduce the South African market and deprive the BLS states of a substantial income. They might be able to compensate for this by imposing their own tariffs, but bearing in mind the present formula for the division of the customs revenue, it is unlikely to result in similar benefits. Protection of infant industries in the BLS states would not improve since the present agreement already allows them to impose tariffs for this purpose. The only advantage would be political since it would be interpreted as a gesture of independence *vis-à-vis* South Africa, but this may affect the employment of migrant workers in South Africa's mines and industries, which could be disastrous, particularly for Lesotho.

(b) In addition to the customs agreement with the BLS states, South Africa has agreements with Malawi, Zimbabwe, Mocambique and Angola, dealing with trade, labour and railway traffic. Tables 1 and 2 show that trade between South Africa and the continent as a whole has not increased in recent years. Imports have remained steady at around 5% of the total whilst exports have declined from 14,2% to 7,4%. Recent estimates for 1979 and the first half of 1980 show an important increase in exports to the rest of Africa, but it is too early to determine whether this will be a permanent improvement or whether it is simply due to poor harvest in those countries, since most of these exports are food products.

The low share of Africa in South Africa's foreign trade, compared to other continents, is due to:—

- lack of development in African countries;
- competitiveness of South African and other African exports, i.e. primary products;
- increase in trade between Africa and the EEC, following the Lomé Convention;
- political differences.

Increase in trade between South Africa and the rest of the continent in the near future is doubtful. Zimbabwe, long dependent on South Africa, is looking elsewhere for trade partners and has become the 60th member of the Lomé group. The Republic's "Constellation of States" has been rejected by other countries and a southern African common market is unrealistic since it implies not only an extension of the customs union to antagonistic neighbours but also freedom of movement of capital and labour, both unlikely in the present political climate. There is, as yet, no mobility of labour *within* the boundaries of South Africa.

Nevertheless, given the economic dependence of surrounding territories on the Republic, trade might expand if South Africa made a meaningful offer in the field of trade, such as the

establishment of Generalised Preferences for African countries. Many developed and middle-zone countries grant tariff preferences to manufactured and semi-manufactured products from developing countries. The original plan of asking all developed countries to grant the same preferences to all developing countries was abandoned for practical reasons and today several schemes are selective both with regard to products and beneficiaries. South Africa could therefore offer preferences to African countries' products only. As argued elsewhere,⁷ should these preferences increase imports from African countries, it would stimulate South African exports to those areas and enhance trade relations generally.

(c) South African has entered into a monetary agreement with Swaziland and Lesotho. Botswana was in the Rand area until August 1976 when she established her own currency. Swaziland and Lesotho established separate currencies, the Lilangeni (1974) and Maloti (1979) but these remain linked to the Rand which has legal tender in those countries. The monetary agreement provides for the free transferability of funds within the area (subject to the right of Swaziland and Lesotho to impose restrictions in case of outflow of funds to South Africa), harmonized exchange control in the event of Swaziland or Lesotho establishing their own currencies, and free access to the South African money market.

(d) As the only industrialized area in Southern Africa, the Republic has for many years attracted workers from neighbouring territories. The majority are employed in mines, others find jobs in the manufacturing, agricultural and service industries. In June 1978, the numbers were⁸

From Angola	341
Botswana	34 664
Lesotho	155 623
Malawi	38 525
Mocambique	49 108
Swaziland	14 052
Zambia	843
Zimbabwe	27 494
<hr/>	
Total	320 650
<hr/>	

Proposals are sometimes put forward to curb foreign migrant workers in order to alleviate unemployment in South Africa. However, since Black unemployment in the Republic is about 1,5 million — estimates vary according to the definition of “unemp-

loyment" — closing the borders to about 300,000 workers would only help marginally, but it would certainly damage South Africa's tenuous political relations with her neighbours.

The question of whether it is beneficial for a developing country to be a "sender" of migrant labour to a more advanced area, is outside the scope of this paper. It is possible that in the long-run, keeping the more enterprising members of developing countries within national boundaries would lead to a better allocation of human resources and development. However, there are several drawbacks: first, it would necessitate drastic measures such as the curtailment of individual freedoms. Moreover, overpopulation in African areas is the stumbling block to agricultural development due to over-grazing and over-cultivation, with the attendant results of erosion and devitalization of the soil. Finally, there is no doubt that to prevent foreign workers from being employed in South Africa would, in the short-term, lead to severe deprivation in countries such as Lesotho and Mocambique.

(e) Southern African economic relationships have been affected by two fairly recent developments: the Lomé Convention and the establishment of Transkei. The Lomé Convention of 1975 was signed by the enlarged European Community and 46 African, Caribbean and Pacific countries (ACP). It replaced the Yaounde Convention of 1969 between the six founder members of the Community and the ex-dependencies of France, Italy and Belgium and also provided trade benefits for Commonwealth countries who were losing tariff preferences in Britain due to her entry into the EEC. In February 1980, Lomé II was enlarged to 59 ACP countries.

Botswana, Lesotho and Swaziland — unlike South Africa — were developing Commonwealth countries and therefore eligible for inclusion in this arrangement. On the other hand, they were part of the South African Customs Union and could not, in theory, give the same treatment to EEC and South African products. To solve the problem, a separate Protocol⁹ was agreed upon by the BLS states and the EEC allowing the former to apply a fiscal duty on EEC products, equal to the most-favoured-nation duty of the South African tariff. This fiction was a concession on the part of the European Community to allow the BLS states to benefit from the provisions of the Lomé Convention, and it was made possible by accepting the premise that the Customs Union agreement was essentially a fiscal arrangement.

(f) The second development relevant to Southern African economic relationships was the establishment of the Transkei Republic in 1976. It is the largest and the least fragmented among independent Homelands and is therefore the only Independent

Homeland that may offer some hope of acceptability to the outside world. However, it has not been recognised by the world community because, as argued, this may be construed as a condonement of the Bantustan policy of South Africa. It is, however, debatable whether this attitude serves best the interests of the Transkei people. This paper is not however concerned with the controversy related to Transkei independence but with the possibility that the country offers to Lesotho which had, until Transkeian independence, been entirely surrounded by the Republic of South Africa. Lesotho now has a common boundary with Transkei and could develop an alternative outlet to the sea. Both Lesotho and Transkei are mountainous areas and the coast is dissected but the establishment of a port with overseas capital is not an impossibility. There is abundant water and hydro-electric schemes are feasible. Yet Lesotho follows the OAU countries in refusing to recognise Transkei, thus depriving herself of a route to the outside world through what could become an allied country.

CONCLUSIONS

South Africa's external economic relationships are varied and complex. Trade is conducted with countries in many parts of the world, especially in Western Europe and the United States, and increasingly with Asia. International organisations provide a useful framework for the conduct of international trade and South Africa's membership of these institutions — the GATT in particular — is most valuable for her external relationships.

A number of multinationals operate in South Africa and an improvement in the conditions of black workers will be enhanced if subsidiaries adhere effectively to the various codes of conduct. Should large scale withdrawal of foreign capital take place, however, such progress will be hampered.

South Africa's role in Southern Africa extends beyond the limits of the South African Customs Union, not only because mines and industries are a source of employment for citizens from neighbouring countries but also in other respects. Although trade with Africa is limited, it could expand with suitable concessions such as a South African scheme of Generalised Preferences and the Republic could become a valuable nucleus of economic development in Africa.

The economic interdependence between South Africa and other countries is such that sanctions would affect not only the local population and neighbours but also many trading partners, who would lose a valuable market for industrial products and a source of strategic materials. Pressure groups seeking to isolate

South Africa exist not only abroad but also within the country. Fortunately, most South Africans are aware that her future is inextricably bound to that of the world community and that her external economic relations are of great importance to all her peoples.

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- 4 J A Lombard (ed.), *op cit*, pp 83-4
- 5 The share of the revenue pool which BLS will receive is

$$\frac{A+B+C}{D+E+F+G} \times H \times 1.42$$

A = Value of imports (previous 2 years) of the territory
 B = Value of the territory's production (and consumption) of excisable goods
 C = Value of the territory's production (and consumption) of sales tax goods
 D = Value of the total customs area imports
 E = Customs duties paid on D
 F = Value of excisable and sales duty goods produced and consumed in customs area
 G = Excise and sales duties paid on F
 H = Common revenue pool

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Symposium

THE IMPLICATIONS FOR THE SOUTH AFRICAN ECONOMY OF RUSSIA'S FOREIGN TRADE POLICY

G. Ariovich and H.F. Kenney

1. INTRODUCTION*

South Africa has an open economy which is heavily dependent on external trade. The ratio of foreign trade to GDP in South Africa is one of the highest in the world. The export sector thus plays a particularly important role in the economy and it accounted for more than a third of GDP in 1979. Some economists believe that South African business cycles are largely due to fluctuations in exports, while it has also been argued that the export sector is the leading generator of growth in the South African economy. As a result of these issues, the Republic's economists have consequently devoted considerable attention to the relations between the economies of the West and of South Africa.¹

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Far less attention has, however, been paid to the relations between South Africa and its trade competitors, of whom Russia is potentially very formidable and already competes with South Africa in many world export markets. Both South African and Russian exports consist substantially of raw materials and natural resources or semi-processed goods derived therefrom. These account for 85% of Russian exports and about 75% of South African exports, with a considerable degree of overlap. This essay investigates the degree of competition between Russian and South African exports and the influence of Soviet foreign trade policy on the South African economy.

Soviet foreign trade is completely under state control and a study of the country's foreign trade statistics should reveal the basic features of its trade policy. Moreover as there are no official Soviet statements about the guidelines shaping their international economic policies, such criteria must largely be deduced from these statistics.

2. ASPECTS OF SOVIET FOREIGN TRADE

2.1 Economic and Institutional framework of Russian foreign trade

2.1.1 The role of foreign trade.

The Soviet economy is centrally planned and based on State ownership of the means of production. A vital feature of the system is the Five Year Plan which outlines the planned outputs the Soviet economy is supposed to achieve during each of the next five years. The Plan is in effect a manifesto issued by the USSR policy-makers concerning their economic targets for the five years ahead. National resource allocation is then fitted into the framework of the Plan. Foreign trade is thus only one of the many means used to achieve the Soviet planned outputs and is not a target in itself.

2.1.2 The institutional framework of foreign trade.

Soviet foreign trade is a state monopoly run by the Ministry of Foreign Trade, which directs and controls overall policy and concludes trade agreements on behalf of the Government. This Ministry is concerned with overall control, but not with its immediate administration. Direct commercial activities are handled by 63 foreign trade associations, each of which is operationally responsible for the import and/or export of a particular commodity sector such as ferrous metals, vehicles, non-ferrous metals, jewellery, mining equipment, aircraft, etc. This means that the foreign trade associations are intermediate bodies between Soviet exporters or importers and Western ones. There

are no direct contracts between producers and consumers.

This artificial separation makes the exchange process more cumbersome and means that inefficiencies arise in foreign trade unless completely standardised and homogeneous commodities are involved, and where flexible and quick marketing decisions are unnecessary.

2.1.3. Price mechanism and foreign trade

Prices in the Soviet economy are determined and controlled by planners. The price of a commodity is decided on grounds such as the amount of labour required to produce that commodity, its historical and present value, and the importance of the commodity in the economy. Only recently have Soviet planners begun to take factors such as interest rates and rents into account when determining prices. Because all prices in a centrally planned economy are determined externally to the market, these prices do not reflect what is happening in the economy — such as the value of the commodity or the cost of production.

Exchange rates are also prices and thus are similarly determined by the Soviet planners. Two situations can arise here: trade between similarly planned economies — where no problems arise — and in the world market. In the world market, Russian traders are price takers and thus Russian exports to, and imports from, market economies are traded at world market prices.

2.1.4 Quality of commodities.

Production in the Soviet system is heavily quantity-orientated and production units are largely geared to supplying required quantities of outputs, even if quality should suffer. As an incentive for quality improvement, Soviet managers are increasingly being judged on their ability to sell what they produce. However, as economic units are not free to change their sources of supply, maintaining product quality is a serious problem in the Soviet economy.

Moreover, this traditional lack of any strong motivation to improve product quality is a basic reason for the poor international competitiveness of many Soviet manufacturers and, as a result, Russian exports to market economies tend to be both highly standardised and homogeneous.

2.1.5 Productivity.

That productivity in the Soviet Union is low compared with that of the developed market economies is therefore no mystery. The absence of the price mechanism — which truly reflects relative scarcities — makes it difficult to

select, assess and apply new technology which would increase productivity, while the dominant quantity-orientation gives Soviet managers an incentive to exaggerate the inputs they need, and to downplay their own production capacity.

2.2. Some features of Russia's external trade

2.2.1 Composition of foreign trade.

Russia's hard currency merchandise imports from market economies consist largely of machinery and equipment, food and manufactured goods. During 1978, according to the most recent available statistics the Soviet Union imported (by value) machinery and equipment: US\$6 billion, chemicals: US\$2 billion, rolled ferrous metals: US\$2,5 billion (of which pipe accounted for US\$1,3 billion), food: US\$3,2 billion (of which grain accounted for US\$2,4 billion). Total Soviet hard currency merchandise imports from the market economies during the same year amounted to US\$17 billion.

Soviet hard currency merchandise exports to market economies consists mainly of natural resources and raw materials. During 1978, for example, Russia exported (by value) petroleum and petroleum products: US\$7 billion, natural gas: US\$1 billion, wood and wood products: US\$1 billion (of which lumber accounted for about half a billion dollars), diamonds: US\$700 million, cotton fibre: US\$350 million, coal and coke: US\$300 million, etc. Total Soviet hard currency merchandise exports to market economies during 1978 amounted to US\$13,15 billion.

2.2.2 Trends in trade.

Two decades ago Russia was a considerable exporter of agricultural products, especially food and livestock. Today however, the position is reversed, with the Soviet Union importing large amounts of food and livestock.

Over the last decade there has been little improvement in the export performance of industrial commodities. Chemicals, manufactured goods, machinery and transport equipment still play only a minor role in Russia's exports, as was the case twenty years ago. The limited improvement that there has been is largely confined to East European markets and is not conspicuous in the developed markets of Western countries. As trade relations between Russia and its Communist allies are not always based on pure economic factors, it is highly plausible that there has been little change over the last two

decades in the main features of Russia's export trade in merchandise because of policy considerations and thus it has remained strongly orientated to natural resources.

Apart from large quantities of food, Russia imports an overwhelming amount of sophisticated and high quality capital goods which they are unable to produce in anything like the amount needed to satisfy the vast domestic market of the country.

2.2.3 Trading partners.

Soviet trade has a strong Eastern European orientation; for instance, in 1978, Russian goods accounted for 20% of Eastern Europe's imports, against only for 1,7% of the imports of developed market economies and 3,1% for those of the developing countries.

Russia's most important exports to the Communist bloc are fuels and, to the developing countries, non-food agricultural materials. Moscow has substantially increased its fuel exports to developed market economies and to Eastern European countries, while the share of her manufactured exports in Eastern European markets has declined substantially and has only increased slightly in the markets of developed countries. It is also worth noting that the Russian share in the imports of developing countries declined between 1970 and 1976.

The Soviet Union's main trading partners are (in descending order) East Germany, Poland, Czechoslovakia, Bulgaria, Hungary and Cuba. Its main trading partners among developed countries are West Germany, Finland, Japan, France and the USA (in order of importance), while amongst developing countries they are India, Iraq, Greece, Algeria, Syria, Brazil, Turkey, Pakistan and Iran.

2.2.4. The Soviet balance of payments account.

2.2.4.1 The current account.

The Soviet hard currency balance of payments provides a useful device for analysing the impact of economic developments in the West on the USSR, as well as the reverse relationship. During 1979, the main sources of Soviet hard currency income came from merchandise exports: US\$13 157 million, sales of non-monetary gold: US\$2 673 million from military sales: US\$1 644 million, net income from services: US\$89 million, net income from tourism: US\$200 million, merchandise freight income: US\$700 million, and net income from other transportation: US\$400 million. The components of Soviet hard currency expenditure consisted of merchandise imports:

US\$16 951 million, and outlays on freight: US\$140 million.

The estimated current account of the balance of payments shows that, in addition to the foreign currency which is derived from merchandise exports, Russia obtains large amounts of foreign currency from gold exports, the sale of military equipment, and transportation services etc. The Soviet Union's current account balance in 1978 was positive and amounted to US\$467 million and it was also positive in 1977.

Sovietologists ascribed this to a new and more conservative debt policy. The authors however believe that the positive balance on current account during these years was rather due to positive external changes in the terms of trade. During 1977 and 1978 the terms of trade moved in favour of Russia as its exports consist mainly of natural resources, with the price indices of minerals rising faster than those of the commodities which the West exported to Russia. Surpluses in the Russian current account could therefore have been due to underestimates of expected export income by the Soviet policy-makers and not because of a new conservative debt policy.

2.2.4.2 The capital account of the Russian Balance of Payments.

The outstanding feature of Russia's capital account is the heavy borrowing it indicates from the West. Thus in 1978, the interest paid on outstanding debt was US\$1 769 million and new borrowing from abroad the same year amounted to US\$1 785 million. Of this, US\$1 041 million was backed by Western credit guarantees. Soviet external investment during the same year amounted to US\$1 612 million, while Russian assets held in Western commercial banks fell by US\$1 512 million.

Gross Soviet debts to the West rose from US\$1,8 billion at the end of 1970 to approximately US\$17 billion by the end of 1978. Much of the increase took place in 1975-76 when the USSR helped cover a cumulative US\$12 billion trade deficit with an US\$8,5 billion increase in net debt to the West. The size and character of the 1975-76 borrowing provoked Western concern over Soviet external financial management. In 1977-78, the rise slackened off considerably in response to a reduction in trade deficits and many Sovietologists believed that Russian policy shifted toward financial conservatism. At present Western banks' willingness to lend apparently exceeds the Soviet demand for

funds, although recent political developments may have altered the situation.

2.3 Features of Russian trade policy

As the fulfilment of the Five Year Plan is one of the central operational goals of the planning authorities, the first step in Russian trade policy is the determination of kinds and quantities of imports needed to meet the requirements of the Plan. For instance, agricultural goods may have to be imported to cover shortages in local outputs, or capital goods to avoid production bottlenecks. Exports must therefore provide the foreign exchange to finance the imports which have been planned. The export of goods and services to the West is not an objective in itself, but only a means to pay for those imports considered essential to the Plan.

Evidence shows that Russia markedly prefers to trade with its Communist allies than with Western market economies. Once the policy-makers have decided on the commodity composition and volume of Russia's trade, they first try to meet their requirements from within the Socialist bloc. It is only when these requirements cannot be met by their Communist partners, that they turn to the West. Russian imports from developed market economies are thus a residual, i.e. goods which could not be obtained from other Communist countries.

Soviet export policy seems to be largely concerned with expanding the export of industrial goods and services, and of renewable natural resources, while limiting the export of depletable raw materials. Apparently it is only the lack of international competitiveness of Soviet industrial products and the limited amounts of foreign exchange which can be raised by exporting services and renewable resources, which have forced the Soviet Union to sell large amounts of depletable raw materials. The recent proliferation of Soviet marketing organisations within the Western countries is one indicator of this effort to expand industrial exports.

It is worth mentioning that while it has been predicted that Russian oil production will have fallen by the mid-1980's, domestic consumption is expected to rise gradually. Oil exports to developed market economies will probably therefore decline in the near future². As the export of oil is Russia's main source of foreign exchange, alternative sources will have to be introduced. Depending on its success, the expansion of industrial exports could to some extent offset the loss in foreign exchange from this source.

Central planning leads to many disequilibrium situations in domestic markets, i.e. where demand does not equal supply. Foreign trade can thus provide a safety valve for the central planners when actual outputs exceed or fall short of those which have been planned. Russian policy-makers can therefore always be expected to maintain some degree of trade contact with the West.

As the appointment of economic policy-makers in the Soviet Union is controlled by the Communist Party, it is subject to political and ideological considerations. It is a truism that, besides its *economic goals*, Russian foreign trade policy is heavily orientated to political objectives and some Soviet import/export transactions are carried out for purely political reasons. The degree of Russia's trading involvement with market economies is strongly influenced by the struggle within the Communist Party between "liberalisers" and conservative Stalinist-orientated hard-liners. Liberalising the Soviet economy will probably intensify Russian involvement in international trade, while *continuation of the present degree of central planning and control by the State* might both reduce Soviet ability to expand exports to developed market economies and limit the expansion of East-West trade.

Recent events seem to indicate that Russia is reverting to a hard line with the West. The most compelling example is the invasion of Afghanistan, while cooling political relations between East and West have already harmed trade between the two blocs, especially the trade between North America and Russia.

Over the past decade much of the effort to rationalise Soviet decision-making on foreign trade has gone into the development of so-called foreign trade effectiveness indices. For exports, Russian policy-makers calculate which domestically produced commodities will earn the largest amount of foreign exchange per ruble of expenditure of domestic resources. For imports, they consider which commodities will save the largest amount of domestic resources per dollar of foreign exchange expended. Thus Russia is understandably reluctant to commit more raw materials to the export sector in view of the increasing costs of extraction, rising internal demand and ideological constraints.

It appears that the recent proliferation of so-called compensation agreements, whereby Western companies establish producing units in the Soviet economy and are paid by receiving part of the output produced, is a new way

of attempting to overcome Russia's economic and institutional disadvantages in trade with developed market economies. The Soviets hope to obtain Western capital goods, technology, knowledge and access to foreign markets without having to finance those imports from their limited reserves. These compensation agreements enable Russia to expand or retain trade with Western countries without the need to compete on world export markets. However, many economists believe that the international competitiveness of Russian products can only be increased by internal, politically unpalatable, changes in the Communist system. Compensation agreements thus help to avoid decisions which could be politically inconvenient for Russia's policy-makers.

3. COMPETITION BETWEEN SOUTH AFRICAN AND RUSSIAN EXPORTS

3.1 Present competition.

There is a large degree of overlap between South African and Russian exports. Both countries are major exporters of a long list of minerals such as asbestos, chrome, coal-anthracite, coal-bituminous, copper, diamonds, ferro-chrome, ferro-manganese, ferro-silicon, gold, iron ore, manganese, platinum group metals, vanadium, etc. Both countries compete in international markets for other natural resources such as fish, wool, furs, pulp, cotton, etc.

Both countries show large similarities in the industrial products they export.

Table One shows the value of South African and Russian export sales of selected minerals, volumes of exported minerals from South Africa and Russia, and their respective shares in world export markets.

This table shows how vigorously South Africa and Russian products already compete with one another in world export markets.

Table One also indicates the South African and Russian shares in world exports. The authors believe that the magnitude of these respective shares shows the degree of competition between similar Russian and South African exports. Larger shares by both countries in world export markets invite stronger competition between their exports. For instance, both countries have a large share in world exports of gold. This means that export sales of gold by South Africa are strongly influenced by Russian sales, with a consequent high degree of competition between South Afri-

can and Russian gold exports in world markets.

Table Two shows the values of South African and Russian export sales of those selected natural resources which are not considered as raw materials.

This table illustrates that South Africa and Russia compete with each other not only in raw materials but also in a large variety of natural resources such as fresh fish, prepared fish, furs, rough wood, processed wood, pulp, cotton, crude fertilizers, vegetable oil, etc.

It is worth noting that although South Africa and Russia compete with each other in world export markets with respect to many kinds of natural resources the degree of competition is far less here than in the case of raw materials (as the magnitudes of their respective shares in world exports in Table Two are smaller than those of Table One).

Table Three shows the values of South African and Russian export sales of selected industrial products.

According to this table, there are many Russian and South African industrial products which compete with one another in world markets, but as both countries are only minor exporters of industrial products they only have a negligible effect on one another in this field.

3.2 A comparison between the export performance of Russia and South Africa

The export performance of various Russian or South African commodities can be assessed by applying two well-known measuring indicators³.

Indicator I measures a product's export performance as the ratio between the country's exports of the product and imports of the same product.

Indicator II measures a product's export performance as the ratio between the country's exports of the product and total world exports of the same product.

3.2.1 The export performance of Russian products

Table Four demonstrates the rank position of the export performance of various Russian commodity groups. The measurements are based on statistical data for both 1977 and 1978.

In terms of Indicator I, mineral fuels such as petroleum and petroleum products (SITC section 3) registered the highest value for export performance, while animal and vegetable oils and fats (SITC section 4), and crude materials and inedibles (SITC section 2) registered respectively the second and the third highest values of export

performance.

In terms of Indicator II, mineral fuels also registered the highest value for export performance, while crude materials and inedibles, vegetable oils and animal fats respectively registered the second and third highest values.

In terms of Indicator I, food and live animals (SITC section O), machinery, transport, equipment (SITC section 7) and miscellaneous manufactured articles (SITC section 8) registered the lowest export performance values.

In terms of Indicator II, miscellaneous manufactured articles, food, live animals, beverages and tobacco respectively registered the lowest values for export performance.

3.2.2 The export performance of South African products.

Table Five demonstrates the rank position of various South Africa commodity groups by their degree of export performance. The measurements are based on statistical data for both 1977 and 1978. In terms of Indicator I, South African crude materials registered the highest value for export performance, with manufactured goods and food coming respectively second and third. The results are very similar in terms of Indicator II.

It would appear that South African machinery and transport equipment suffer from relatively poor international competitiveness with low export performance values in terms of both indicators.

3.2.3 The factors underlying Russian and South African export performance

To identify the determinants of Russian and South African export performances on a formal scientific basis, the export performances of Russian and South African goods have been correlated with some of their characteristics by G.C. Hufbauer: *The impact of national characteristics and technology on the commodity composition of trade in manufactured goods*. As expected, those Russian goods with a high export performance were overwhelmingly those containing a large component of natural resources and raw materials (non-competing production factors).

Russian export performance showed a slight positive correlation with the degree of capital intensity of goods, but a slight negative correlation with economies of scale, stages in world technical cycles, stages in world product life cycles and the proportion of industrial buyers as against final consumers. This means that Russian exports consist mainly of natural resources destined for indus-

trial buyers with limited technology inputs into these products.⁴

Generally, the characteristics of Russian foreign trade strongly resemble those of a developing country, i.e. Russia exports raw materials and other natural resources and imports capital goods.

The determinants of the export performance of South African products are much the same as those of the Soviet Union. South African products with a high export performance were largely those which contained a substantial component of raw materials or other natural resources. Similar to Russia, the South African export performance also resembles that of a developing country, i.e. South Africa exports raw materials and other natural resources and imports mainly capital goods.

This means that South African and Russian exports not only overlap to a considerable extent, but that the underlying determinants of their export performance are very alike.

Tables One, Two and Three show that many commodities are strong competitors with their Russian counterparts.

In 1979, these items accounted for 15% of South African GDP and for 80% of South Africa's visible exports. In view of the leading role the raw material and natural resource industries play in South Africa's economic cycle, competition by similar Russian commodities cannot be ignored. In 1977, these commodities accounted for 90% of Russian visible exports excluding military exports. From the Russian point of view South Africa is thus clearly a strong competitor in world markets.

In the circumstances, Soviet trade policy is bound to have a strong influence on South African exports and therefore also on the South African economy as a whole.

3.3 Potential competition in future

The available information on South African and Soviet mineral reserves suggests that potential competition between South Africa and Russia in mineral export markets could continue in the future and may become more intense.

Table Six suggests that competition in world mineral markets between Russia and South Africa could continue for a long time. Andalusite, sillimanite, kyanite, asbestos, coal, gold, iron ore, manganese ore, platinum groups and vanadium are all products which fall into this category.

There are also other South African natural resource ex-

ports which will probably continue to compete with the respective Russian ones. Furthermore, it is probable that because of the close similarity between South African and Soviet raw material and natural resource exports, such a similarity will also apply to their semi-processed minerals and, to some extent to other manufactured products as well.

4. DISCUSSION: IMPLICATIONS OF SOVIET FOREIGN TRADE POLICY FOR THE SOUTH AFRICAN ECONOMY

Those Russian and South African exports which already compete with one another in many mineral and natural resource foreign markets include gold, palladium, platinum, coal, chrome, manganese, asbestos, diamonds, iron ore, titanium, vanadium, copper, silver, fish, furs, cotton, timbers, crude fertilizers and many other minerals and natural resources.

These export commodities crucially affect South Africa's rate of economic growth, the level of employment and the balance of payments. Thus, Russian foreign trade policy influences not only the success of South Africa's exports, but also shapes the performance of the economy as a whole.

As Russia's foreign trade policy determines the composition and quantity of its exports, as well as their prices and the time they are offered for sale, a better understanding of this policy could make Soviet commercial behaviour more predictable. It could also be of considerable value to South African policy-makers in both the public and private sectors for reasons which have already been discussed.

4.1 Unexpected changes in needed imports

It has been pointed out that the function of Soviet exports is to finance the requisite imports. Any unanticipated need to increase or decrease Soviet imports will therefore influence exports in the same direction. For instance, should there be a failure in Russian agricultural yields, then an increase of mineral exports to the West can readily be expected because of the extra foreign exchange needed to finance the import of additional food⁵. Similarly, shortages in the supply of essential means of production could also influence Soviet exports. Theoretically of course, surpluses can lead to reduced exports, but in practice real outputs in the Soviet economy are usually less than planned outputs.

4.2 The total value of imports

As Russian exports have to finance the imports needed to meet the requirements of the Five Year Plan, we must study

the latter if we want to know how to determine the quantity and timing of Soviet exports. For instance, if the recently *announced ambitious planned target* for the production of motor cars is not accompanied by a comparable increase of raw steel production, then only a limited residual amount of raw steel will be left for export to Western countries⁶.

Nevertheless, although a study of the Five Year Plan may help one to understand Soviet export policy and its implications for South Africa's exports, one must be aware of frequent discrepancies between real and planned outputs.

4.3 The prospective composition of the sources of foreign exchange

As foreign reserves are mainly needed to finance imports, any decline in foreign revenue from one source should be offset by an increase in revenue from another source, or by a reduction in the quantity of imports. As Soviet imports consist overwhelmingly of food items, the means of production and Western technology, the prospect of a reduction in imports would imply, at least temporarily, a widening of the gap between real outputs and those planned outputs which are the central operational target of Soviet policy-makers.

Until now, a large part of Soviet imports has been financed by the export of oil and oil products and by loans from Western banks. However, as mentioned, comprehensive and in-depth studies by the CIA and other sources have pointed to an expected decrease in Soviet production of crude oil. If we also consider that there has been a definite increase in Soviet domestic consumption of oil and oil products, then the Soviets will have to curtail drastically their exports of oil and oil products, which are at present the main sources of foreign exchange. Thus, even if only to continue their present level of imports, the Soviet Union would have to find alternative sources of foreign reserves. The present Soviet efforts focus on expanding the export of manufactured goods but the results have been poor until now. Should the Soviet Union fail to increase its industrial exports to the West, and still maintain its conservative debt policy, the export of minerals and other natural resources will have to be stepped up. More of these goods would then find their way to Western markets.

The areas of greatest Soviet potential for the increase of mineral exports are probably gold, platinum group metals, diamonds (only finished gems), silver, copper and asbestos. The Soviets would only be able to increase their exports of coal, iron ore, manganese, titanium, vanadium, chromite

and rough diamonds to a far lesser extent because of growing domestic demand.

Should the Russians succeed in expanding their industrial exports to the West, a different scenario presents itself. A substantial increase in Russian industrial exports to Western countries would mean that world markets will face greater mineral scarcity, while the prices of many minerals will soar dramatically. Russia's ability to expand its industrial exports is therefore a key factor in many international mineral markets and will have important consequences for South Africa's mining sector.

4.4 The future volume of mineral and natural resource exports

As Russian mineral and natural resource exports are closely geared to fulfilment of the Central Plan, with only so much being sold as will raise the required foreign exchange, it is very likely that official policy tries to minimise the amount sold and to maximise revenue from such sales.

If this is correct, unexpectedly high prices for their exports could reduce the amounts the Russians wish to sell. Low prices could again result in more Soviet exports being offered on world markets than otherwise would have been done.

Russian gold sales in 1979 can be seen as a case study of such behaviour. The unexpectedly higher price of gold brought the Soviet Union the required foreign exchange without that amount of gold being offered which would normally have been necessary, with the result that only limited amounts of Russian gold reached the world market. This in turn probably helped to contribute to the high world price of gold.⁷

4.5 Timing of export sales

The Soviets understandably try to sell their goods to the West at the highest possible prices, but, contrary to the experience of Western firms, cash flow problems are less important to Soviet organisations. Soviet sellers consequently are subject to fewer financial constraints than their Western counterparts. The timing of Russian exports is therefore largely determined by their current prices and by expectations of future prices. In addition, the timing of the sales of particular items can be influenced by what happens to other items in the balance of payments, eg. if a natural disaster results in reduced gold production, then other commodities might have to be offered on foreign markets

sooner that they otherwise would have been.

The timing of mineral sales can also be affected by unplanned shortages of supply in the agricultural sector, unexpected bottlenecks in production, and by the failures of other sources to raise the planned foreign exchange.

Whatever the cause, a large time gap between market developments and Soviet response can be expected, as centrally planned systems generally respond far less rapidly to changing economic conditions than do developed market economies.

4.6 The pricing of export commodities

Soviet economic organisations differ from those in the West in that they are not profit-maximisers, i.e. they do not attempt to equate marginal cost to marginal revenue. This explains why Russian traders tend to be price takers, in spite of the fact that they could be price leaders with respect to some minerals.

At present some Russian and South African minerals are sold under what can be described as "collusive price leadership". Russian traders of gold, platinum, diamonds, chrome, vanadium, etc. recognise that they are better off by "co-operating with world prices", than by going their separate ways. Under "collusive price leadership", traders do not formally collude to fix that price which jointly makes them best-off. Instead, they prefer to rely mainly on market prices or on a price leader because they believe this is preferable to the risk of going it alone and charging what the market will bear.

This situation will probably continue in the gold, platinum, diamond and chrome markets, and is only likely to change if non-economic factors make a new policy essential.

4.7 Implications for the further processing of South African minerals

The Soviets have failed to expand their manufactured exports until now. If the Soviet Union's international competitiveness lies in the export of basic minerals, and the further processing of minerals diminishes its international competitiveness, it might then be profitable for South African primary industry to exploit the possible export opportunities presented by mineral-processing when this is feasible.

We believe that South Africa has certain advantages over Russia in the export of semi-manufactured goods because;

- (i) Market economies are generally more efficient at marketing than are centrally planned economies;
- (ii) Market economies generally produce better quality goods;
- (iii) Market economies tend to have very similar structures of demand, so that goods produced by a market economy tend to be more competitive in other market economies;
and
- (iv) The price of Soviet energy seen from the point of view of alternative uses foregone, i.e. opportunity costs⁸ is expected to rise steeply during the next decade. Thus South African energy-intensive goods would find their international competitiveness enhanced⁹

In addition, developed countries are now increasingly importing minerals which are in the higher stages of processing, while the chronic shortage of capital in developing countries limits the processing opportunities open to their mineral resources. South Africa's export opportunities in the field of processed minerals could therefore be significant.

4.8 Implications for the availability of foreign capital to South Africa's mining sector

Russia attempts to attract Western capital in a number of ways, as in the form of (a) compensation agreements; (b) joint ventures; (c) direct industrial co-operation; (d) multi-lateral projects; and (e) scientific and technical co-operation. If the Soviet Union were to succeed in attracting world capital, the availability of such capital for the South African mining sector could be diminished.

The major share of Western investment in Russia is in the mining sector. The size of Western investment in Russia is substantially affected by global political relations, in particular by East-West relations and by Sino-Soviet relations. As the Chinese are now also desirous of attracting Western capital, the Soviet Union will have a heightened incentive to strengthen its economic ties with the West. The competition for Western investment is liable to become more intense, a situation likely to persist as long as the hostility between the two Communist powers lasts. However, it should be emphasised that at present foreign capital is far less important to the South African economy than previously as the Republic's mining sector can finance new ventures from its internal resources.

4.9 Adaptation to client's demands

The Soviet economy suffers from several commercial disadvantages in its trade with the West which can readily be exploited by South African exporters:

- (i) Soviet organisations have greater difficulty, for reasons already discussed, in adapting their exports to the requirements of Western clients than do South African organisations;
- (ii) South African exporters can respond more quickly to market stimuli and developments in Western countries;
- (iii) South African exporters have better commercial information, exchange of information and feedbacks than are available to Russian producers.

Moreover, trade with the USSR involves obvious additional risks. A change in economic circumstances may require an alteration in the conditions of an agreement between *Western businessmen and the Soviet Union*, but this could be immeasurably delayed by the cumbersome decision-making of the Soviet bureaucracy. Moreover, any deterioration in East-West relations could have serious implications for Western businessmen.

South African exporters should therefore make the most of their relative advantage by exploiting the advantages of free enterprise by being more flexible and quicker than the Russians in responding to market stimuli and developments.

4.10 Soviet advantages in the competition

It should nonetheless be remembered that the Soviet Union also has advantages which can be exploited. It can stockpile and accumulate minerals to a larger extent than Western enterprises can, and can thus influence the market intensively in the short term.

The Soviet Union is closer than South Africa to the traditional European and Japanese markets, which reduces transportation costs. The recent establishment of Russian trade organisations in Western countries is an indicator that the exchange of information between Russia and the West, and Soviet alertness to economic opportunities, will be very pronounced. In addition, Russian traders are not bound by profit constraints and can sell minerals at a loss if necessary.

4.11 Internal political development in Russia and its implications for the South African economy.

It has already been suggested that the conflict within the

Russian Communist Party between "liberalisers" and Stalinists could influence the USSR's international involvement. This could increase if the scales were tipped to the former, which would mean sharper competition between South African and Russian exports.

A strengthening (or even the continuation) of the present degree of central planning might reduce both the Soviet ability and motivation to expand exports to developed market economies and thus limit the future growth of East-West trade. If so, many of South Africa's exports of raw materials and natural resources would probably face less competition in world export markets, which would strengthen South Africa's bargaining position with respect at least to these exports.

4.12 Global political development and its Implications for the South African economy

At present, there are four main foci of political powers on the globe:

The USSR, the USA, the EEC and China. It has been stressed that Soviet foreign trade policy is highly subject to political and ideological considerations and the global balance of power between these four conglomerations can influence Russian foreign trade policy in several ways.

For instance, increased hostility between China and the Soviet Union could motivate the Russians to improve their economic relations with the EC and USA so as to neutralise any possible coalition between the Western powers and China.

Russian policy-makers could decide to strengthen their economic ties with one of the Western powers in order to weaken integration with its Western allies. The substantial exports of Russian petroleum products to West Germany and France can be ascribed to this. The creation of strong economic ties with France and West Germany, the dominant members of the EC, would both tend to weaken the unity of interest between the USA and the EC and to slow the growth of close relationships between China and the EEC.

The new compensation agreements between the Soviet Government and American companies to exploit Russian natural gas fields can be partially seen in political terms. By inviting American companies to operate in the Soviet Union, the Russian Government deepens American economic involvement with Russia.

While the supply of Russian petroleum to the West stimulates the economies of these countries and creates a higher demand for South African minerals, the Russian export of other minerals and natural resources to the West competes with South African exports of the products. As this competitiveness is very high, global political developments could strongly influence South African exports and hence the state of South Africa's economy as well.

NOTES

- 1 See, for instance, *Quarterly Econometric Forecast of The South African Economy*, Johannesburg: Rand Afrikaans University, June 1980
- 2 Although most Sovietologists expect the USSR's oil exports to decrease during the 1980's a different scenario was developed by Petro Studies of Malmo, a Swedish research company. The research institute suggests that the USSR's proved reserves may be twice as large as was considered by the CIA. If this argument is correct, then a different scenario is indeed in order — *Rand Daily Mail*, (Johannesburg), 17 November 1979, also *Financial Times* (London), 23 November 1979
- 3 Indicators of Russia's export performance in a particular year, eg 1976:

$$\text{Indicator I} = \frac{X_R(j)}{M_R(j)}$$

and

$$\text{Indicator II} = \frac{X_R(j)}{X_W(j)}$$

Where

$$\frac{X_R(j)}{R} = \text{Russian exports of product group } j, \text{ in } 1976$$

$$\frac{M_R(j)}{R} = \text{Russian imports of product group } j, \text{ in } 1976$$

$$\frac{X_W(j)}{W} = \text{Total World exports of product group } j, \text{ in } 1976$$

- 4 Detailed results of the correlation tests are available for the interested reader.
- 5 (I) The target for 1979 was 227m tonnes, but Western estimates have put actual Soviet output at around 180m tonnes. See OECD Study on Russian agricultural sector in *The Economist*, 20 October 1979. This predicted output is the lowest since 1975
- (II) Soviet President, Leonid Brezhnev, has announced that the country's harvest dropped from a record output of 237m tonnes last year, to 197m tonnes this year. World Commodity Report, *Financial Times* (London), 28 November 1979
- 6 Russian exports of iron ore, pig iron and scrap steel have recently been declining
- 7 Some other analyses attributed their declining gold sales from October 1979 to technical problems concerning supply, more specifically, a shortage of power which has caused a considerable loss in output. *Rand Daily Mail* (Johannesburg), 20 November 1979
8. Although prices of goods in the Soviet Union are, to a large extent, determined by the policy-makers, the economic concept of opportunity costs is applicable to a centrally planned economy as well
- 9 Assuming that South African energy costs will increase to a lesser extent than those in the Soviet Union

Table One: Degree of overlap between selected mineral exports of Russia and South Africa

Commodity	South African Exports		Russian Exports		Share in World Exports	
	value (R) 1979	volume 1976	value (R) 1979 rough estimate	volume 1976	S. Africa %	Russia %
Asbestos	101,033,000	324,000 tons	200,000,000	630,000 tons	15	30
Chrome	2,204,000	196,434 "	250,000,000	975,000 "	30	27
Coal						
(1) anthracite		1,530,151 "		4,600,000 "	4 (Western world)	na
(2) bituminous	510,110,000	4,430,991 "	2,500,000,000	22,300,000 "	4 (Western world)	na
Copper	169,458,000	230,000 "	200,000,000	277,000 "	3 (Western world)	2
Diamonds	—	640,000 carats	—	700,000 carats	35	8
Ferro-chrome	—	419,000 tons	—	48,777 tons	56	6
Ferro-manganese	—	302,000 "	—	125,273 "	20	7
Ferro-silicon	—	31,500 "	—	160,246 "	na	na
Gold	5,842,555,000	700 "	2,600,000,000	311 "	51	20
Iron Ore	221,004,000	3,535,000 "	2,500,000,000	43,126,000 "	5 (Western world)	20
Manganese	130,123,000	3,472,000 "	50,000,000	1,342,000 "	52	25
Platinum group	—	90 "	—	44 "	57	24
Vanadium	—	6,400 "	1,000,000,000	10,000 "	68	30
Others (mainly platinum & uranium)	866,769,000	—	—	—	—	—
TOTAL	7,893,256,000		9,300,000,000			

Sources: (a) Mineral Production and Sales, 1980
(b) Mining Annual Review, June 1979

Table Two: Degree of overlap between selected natural resources of South Africa and Russia

Commodity	SITC* Section	S. African Exports value US\$ 1977	Russian Exports value US\$ 1977	Share in world exports	
				S. Africa	Russia
Fish -fresh	031	74,619,000	33,698,000	2,6	1,2
Fish -prepared	032	30,751,000	53,323,000	5,6	9,7
Furs, skins	212	147,062,000	75,764,000	39,5	20,3
Wood -rough	242	780,000	701,157,000	0,2	21,1
Wood -processed	243	3,519,000	523,671,000	1,9	27,8
Pulp	251	84,925,000	60,477,000	31,5	22,4
Cotton	263	29,336,000	536,092,000	13,1	23,9
Fertilizers - crude	271	2,174,000	60,147,000	2,6	7,1
Other crude materials	276	216,200	80,388,000	0,3	12,2
Vegatable oil	421	5,896,000	35,606,000	1,0	6,3
TOTAL		379,278,200	2,160,323,000		

Source: OECD, Foreign Trade Statistics, Series C, 1976

* Standard International Trade Classification

Table Three: Degree of overlap between selected industrial products of South Africa and Russia

Commodity	SITC Section	S. African Exports value US\$ 1977	Russian Exports value US\$ 1977	Share in world exports	
				S. Africa	Russia
Organic chemicals	512	5,672,000	64,205,000	7,4	8,4
Fertilizer-manufactured	561	120,000	57,005,000	1,3	17,9
Paper and paper board	631	17,275,000	54,270,000	1,6	2,5
Veneer & Plywood	641	5,407,000	22,226,000	3,0	18,1
Miscellaneous NCA		29,519,000	23,842,000	15,0	12,9
Metal working machines	715	2,185,000	42,950,000	1,0	17,3
Road motor vehicles	732	6,540,000	159,792,000	1,0	22,7
Ships & Boats	735	7,000,000	20,713,000	0,9	2,6
TOTAL		73,718,000	445,003,000		

Source: OECD, Foreign Trade Statistics

Table Four: Ranking of various Russian commodity groups by their export performance

Commodity Group	Export Performance (Indicator I) Rank Position	Export Performance (Indicator II) Rank Position
0 Food and live animals	9	8
1 Beverages and tobacco	6	7
2 Crude materials, inedibles, except fuels	3	2
3 Mineral fuels, lubricants and related materials	1	1
4 Animal and vegetable oils and fats	2	3
5 Chemicals	4	5
6 Manufactured goods classi- fied chiefly by material	5	4
7 Machinery and transport equipment	8	6
8 Miscellaneous manufac- tured articles	7	9

Source: OECD, *Statistics of Foreign Trade, 1977, 1978*

Table Five: The rank position of various South African commodity groups by their degree of export performance

Commodity Group	Export Performance (Indicator I) Rank Position	Export Performance (Indicator II) Rank Position
0 Food and live animals	3	2
1 Beverages and tobacco	5	5
2 Crude materials, inedibles, except fuels	1	1
3 Mineral fuels, lubricants and related materials	7	7
4 Animal and vegetable oils and fats	6	6
5 Chemicals	4	4
6 Manufactured goods classi- fied chiefly by material	2	2
7 Machinery and transport equipment	8	8
8 Miscellaneous manufac- tured articles	7	7

Source: OECD, Statistics of Foreign Trade, 1977, 1978

Table Six: The Role of South Africa, Soviet Russia in World Mineral Reserves
Expressed as a percentage of total World Reserves 1977

COMMODITY	South Africa		USSR		SA and USSR	
	Rank	%	Rank	%	Rank	%
Andalusite/ Sillimanite/Kyanite	1	34	2	25	1	59
Antimony	3	5	4	5	2	10
Asbestos	4	5	2	23	2	28
Chrome Ore	1	81	3	3	1	84
Coal	8	2	2	21	2	23
Copper	13	2	3	10	3	12
Diamonds ²	2	7	5	3	2	10
Fluorspar	1	35	7	4	1	39
Gold	1	51	2	19	1	70
Iron Ore	7	3	1	39	1	42
Lead	5	4	2	11	2	15
Manganese Ore	1	78	2	16	1	94
Nickel	7	6	3	11	2	17
Phosphate	3	9	5	4	2	13
Platinum Group Metals	1	75	2	15	1	90
Silver	6	4	1	24	1	28
Tin	13	1	6	8	5	8
Titanium	6	7	3	12	2	19
Uranium ¹	2	16	—	N/A	high	large
Vanadium	1	49	2	46	1	95
Vermiculite ¹	2	30	—	N/A	high	large
Zinc	5	8	3	14	1	22

1) Free World only

2) Industrial diamonds only

Source: Minerals Bureau, Dept of Mines

CUBA AND AFRICA

Robin Hallett

This article is an attempt by one who has never been to Cuba and is never likely to go there, to see what the world in general and Africa in particular looks like when viewed through Cuban eyes. It would be presumptuous to make such an attempt had there not appeared in the course of the last ten years a number of remarkable scholarly works on Cuba in English, the largest and most readable of which is the richly documented historical study by Hugh Thomas, *Cuba, the Pursuit of Freedom*, a work which covers the last two hundred years of Cuban history.

One should begin by getting one's own prejudices and preconceptions out of the way. Cuba, it has often been said in recent years, is a small country that follows the policy of a great power. To many observers this seems somehow inappropriate. It ill becomes an Englishman to condemn a relatively small island for sending some of its people on dramatic errands to different parts of the world. What else have the British been doing for the last two hundred years?

Cuba is also a country whose national leader, Fidel Castro, has carved out a special position for himself on the world stage. If one is looking for comparisons, one might point to the role of General Smuts, also the leader of a relatively small country yet one who played a large part in the founding of the League of Nations and the United Nations and the evolution of the British Commonwealth. One recalls the pride which some South Africans took in Smuts's achievements: one also recalls the resentment his preoccupation with world affairs caused to his critics who felt he should be devoting more attention to the problems of his own country. These comparisons may perhaps help to lessen the shock with which Cuban activities are regarded. Therefore, to a historian there is nothing basically novel in what Cuba and Fidel Castro are doing. The novelty lies only in the fact that these activities come from a country of which most Europeans, and almost all South Africans, are totally ignorant.

To begin with some basic facts; Cuba is a small country, with an area of 44 000 square miles, not much larger than the Orange Free State, and a population of some ten million souls. This small country has had a tough and brutal history. In the sixteenth century its indigenous Indian population was completely wiped out by the depredations of the Spanish conquistadors and the ravages of the diseases brought with them. For the next three centuries it was a plantation colony based on the most unpleasant

form of slavery, drawing all its slaves from Africa. Africa has thus made a massive contribution both to the genetic make-up and to the culture of modern Cuba. At least half the island's population has some African ancestry, and African religious practices, music and dance forms, are still a part of Cuban life.

Long after the liberation of the mainland of Latin America, Cuba remained a Spanish colony. Today when Cubans look back on their history in the nineteenth century they see its most significant theme as one of anti-colonial revolt, culminating in the war of liberation of 1898, in which, with American assistance, the Cubans finally succeeded in ridding their island of Spanish domination. Modern Cuba must be seen as a country with a long revolutionary tradition, reaching back into the nineteenth century. A powerful echo of this tradition occurred in November 1975 when Castro ordered the dramatic airlift of Cuban troops to Luanda and code-named the operation "Carlota", after an African slave woman, Carlota, who had led a slave revolt in the 1840's. Thus Cubans, like some Frenchmen, can see themselves as the heirs of a long revolutionary tradition.

The next period of Cuban history that needs to be stressed is that from 1898 up to the revolution of 1959, when Cuba was a dependency — *de facto*, if not *de jure* — of the United States. The Americans had no hesitation about intervening in Cuban politics. They possessed a massive stake, through their ownership of land and industries, in the island's economy and they exerted a massive influence on contemporary Cuban culture. "Even our bad taste", one Cuban writer bitterly remarked, "is imported from the United States." This brash American culture was deeply offensive to the Spanish pride of Cuban patriots. The signs of "Yankee Imperialism" were everywhere to be seen. Havana, once a proud Spanish city, had become the "Sin City" for American tourists. What cause could a patriotic Cuban feel for pride even when he looked at his own rulers? Batista, who ruled the island during the 1950's was not the most vicious of contemporary dictators, but he could certainly not be regarded as a President who inspired much respect.

Into this world where Africa, Spain and America met and uneasily mingled, Fidel Castro was born in 1926. His father had come over from Spain after the war of 1898 and had carved out a sugar plantation for himself in one of the remotest parts of the island, so Castro is only a second generation Cuban. However, from his childhood, he must have been aware of the violence that is an endemic element in Cuban life. The eastern province where he grew up was notorious for its violence and at the age of thirteen Fidel himself led a strike of his own father's workers. In

1945 he moved to another violent setting, the University of Havana, where student activists carried revolvers and were always prepared to use them. He threw himself into University politics from the start and also enlarged his political education by visiting other parts of Latin America and observing revolutionary activities from close quarters. The belief, born of this experience, that it was the duty of revolutionaries all over the world to help one another and so develop a spirit of revolutionary international solidarity became one of the cornerstones of his thinking.

Castro made his first really significant appearance on the Cuban political scene on 26 July 1953, a day later regarded as the most memorable in modern Cuban history, by a dramatic gesture against the Batista regime. He collected a personal following of 150 young men — not students but working class people — and launched an attack on the police station of Santiago, one of the largest towns in the interior. The operation was a disaster, many of the rebels were killed and Castro was lucky to escape with his life. But he had achieved what he set out to do, make himself one of the folk heroes of Latin America. Castro was captured and imprisoned, but was released in an amnesty in 1955 — an act which Batista had bitter cause to regret, for Castro immediately returned to the offensive, leaving Cuba for Mexico where he set up a training school for guerrillas. Among those who joined him were his younger brother, Raoul, and an Argentinian medical student, Ché Guevara. With eighty men Castro returned to Cuba in 1956, set up a base in one of the most remote parts of the island, and rapidly attracted so much support that the Batista regime collapsed and Castro and his men were able to enter Havana in triumph in January 1959. One is strongly reminded of that great hero of nineteenth century liberal England, the Italian patriot Garibaldi; charisma, mystery, drama — an intoxicating blend of attributes for a political leader, especially a revolutionary leader. For Castro must be seen as a man obsessed with the concept of revolution — nor was this obsession born in a vacuum. In his two years in the Sierra Maestra, Castro had come closely into contact with the poorest of Cuba's peasants. One did not have to be a Marxist — and Castro in these early days was too eclectic in his ideas to be a Marxist — to conceive the idea of bettering the lot of "the wretched of the earth".

This article's main concern is to look at Cuba's foreign policy over the last twenty years and it is based on "Cuban Foreign Policy", an excellent article by Jorge J. Domínguez, published in the journal *Foreign Affairs*, volume 57, 1978.

Domínguez makes the point that Cuban foreign policy has been based on the pursuit of five goals, which he lists as follows in order of priority:

1. survival, to preserve the revolution intact and maintain the revolutionaries in power;
2. economic development, a necessary prerequisite to survival and one that entails extensive foreign aid;
3. good relations with a range of foreign powers in order to ensure the necessary aid;
4. a significant part in the whole movement of international revolutionary forces;
5. the encouragement of revolution in other countries.

Every political leader has to be a pragmatist once power has been achieved and every political leader has to make choices. For Cuba, as for any "revolutionary" state, survival and economic development are more important objectives than engaging in revolutionary crusades.

From the start the policy of Castro and his associates was dominated by the hostility of the United States, but need Cuban/American relations have soured as quickly as they did? Certainly there were faults, errors of judgment or of behaviour on both sides. Many Americans wrote Castro off as a Communist from the start, yet it is clear that he was not a convinced Marxist-Leninist when he came to power in 1959. Americans were quick to resent the Cuban policy of nationalisation, the taking over of estates and industries usually with inadequate compensation. No doubt the Cubans could have handled nationalisation more tactfully — but Castro had an abrasive manner and he and many other Cubans were smarting under a sense of American exploitation. By 1960 American attitudes to Cuba had moved beyond suspicion and resentment to unremitting hostility. The US Government was influenced by a powerful anti-Castro lobby, which had at its core a group of Cuban political exiles. The number of such exiles increased steadily during the 1960's. By the end of the decade half a million Cubans, 5% of the population, virtually the whole middle class, had left the island.

This American hostility was first expressed through economic sanctions. Until 1959 the Cuban economy had been largely dependent on the sale of sugar to the US. By refusing to buy any Cuban sugar, the Americans placed the new regime in an exceptionally difficult position. Nor did the Americans hesitate to twist the arm of those who sought to have close relations with Cuba. Other Third World countries were told that they would lose US aid if they developed ties with Cuba. Multinationals based in the US were threatened with prosecution if any of their subsidiaries did business with Havana and Washington did not confine itself to economic weapons. They provided Cuban exiles with the assistance needed to launch an invasion of the island — which

culminated in the disaster of the Bay of Pigs. Worse than this, so far as Castro himself was concerned, they made eight attempts to assassinate the Cuban leader, attempts which have now been publicly documented in the report of the Senate Commission set up under the Chairmanship of Senator Church to investigate assassination attempts made by the CIA in various parts of the world. Some of the "dirty tricks" devised by the CIA were totally bizarre: in one of them Castro was to be given an incendiary cigar, which would set fire to his beard and thus destroy his image. The memory of these incidents has clearly bitten deeply into the mind of the Cuban leader, judging from the frequent references made to them in recent speeches.

Ever since 1898 the US had been Cuba's father, protector and patron and now it was the island's most bitter enemy. Cuba could not survive such hostility on its own. It needed a powerful friend and backer; to whom could Castro turn but to the Soviet Union? If Castro became a convinced Marxist-Leninist between 1959 and 1961, the reason is to be found not only in the personal influences to which he was subject — both his brother Raoul and his closest friend, Ché Guevara, were already convinced Marxists, and the stalwarts of the Cuban Communist Party, who had given him no assistance when he was fighting in the bush, had now become his staunchest supporters — but also in the absolute necessity to find a large enough market to absorb the island's sugar crop. The Soviet Union had a great deal else to offer — armaments vital in building up an army to ward off any American invasion, oil, automobiles, machinery for industrialization and so on.

Thus, an alliance with the Soviet Union was almost unavoidable. However, to be an ally of the Soviet Union did not mean, as so many commentators have glibly suggested, that Cuba was nothing more than a puppet of the Kremlin, that Cuban troops could be regarded as Russia's Gurkhas, mercenaries fighting the Soviet Union's battles. The Cuban revolution — unlike the "revolutions" in Eastern Europe — owed nothing to the Soviet Union. Castro himself, as well-informed observers of the Cuban scene have pointed out, is a man of immense pride and with a highly independent nature. On numerous occasions he has followed lines of policy which conflicted with the party line followed by the Soviet Politburo. In Bolivia, for example, where Ché Guevara went to foment a revolution and where he met his death, members of the local Communist Party followed the Moscow line and were deeply critical of the Cuban intervention. All alliances have their uneasy moments. During the Cuban Missile Crisis of 1962, the Russians caused deep indignation by withdrawing their missiles without consulting Castro. Obviously, when the issue

becomes so serious the Russians will call the tune, but what is astonishing is the freedom of action that Castro has enjoyed. It is also astonishing that in a few years Havana should have become one of the revolutionary capitals of the world, for Third World revolutionaries a far more congenial capital than Moscow.

During the 1960's Cuba sought other friends besides the Soviet Union. A good relationship was established with Peking, though this has turned to bitter hostility on both sides. Even Franco's Spain was wooed by the revolutionaries of Havana, a cynical act perhaps — but Cuba was in desperate straits and could not afford to be too choosy about its associates. More natural in ideological terms were the relationships established with countries in Africa. From an early date Castro associated himself with the non-aligned movement which had been launched by Nehru, Nasser and Tito, and used the platforms provided by non-aligned conferences to launch withering verbal assaults on the arch-imperialist enemy in Washington. As for Latin America, Castro was clearly strongly influenced by that frightening character, Ché Guevara, and was anxious to do all in his power to foment revolution. This could be interpreted as a reasonable countermove to the pressure being exerted by the US Government on all Latin American countries to adopt a hostile attitude towards Cuba. In fact, the record of Cuban revolutionary activities in Latin America in the 1960's is one of dismal failure.

Africa played little part in Cuban foreign policy in the 1960's but the links established in this decade were to become significant in the 1970's, Ché Guevara visited Africa in 1963, met members of the MPLA on his way through Brazzaville and established contact with rebels in the Eastern Congo (now Zaire). More significant is the fact that in the 1960's the tradition of giving aid to Africa was established. By 1979 there were reckoned to be 45 000 Cubans working in Africa, 37 000 were military men, mainly in Angola and Ethiopia, the remainder civilians. Cuban aid followed certain clear lines. It took the form of men rather than money or goods for Cuba is a poor country with considerable resources of skilled manpower. Doctors can be sent to man hospitals, so long as the host country provides the buildings and the equipment. Fourteen African countries now have teams of Cuban military advisers: they act as instructors in the use of Soviet weapons and also engage in practical projects such as road building and Cuban aid has also gone to some countries in Asia, including Laos, Vietnam and Syria.

As practitioners of aid, the Cubans, like the Israelis in the 1960's, have one great asset, they are prepared to live rough. In Luanda in the late 1970's there was a sharp contrast between the Cubans,

dossing down six to a room, and the Russian advisers who demanded air conditioned bungalows for themselves. Cubans have other advantages when compared with technical assistants from The North, whether Americans, Russians or Western Europeans. They are used to life in the tropics and they have been grappling vigorously with the problems of development in their own country. Moreover, service overseas fits in well with the Cuban career structure; overseas experience brings status both for soldiers and civilians and enhanced prospects of promotion. The Cuban revolution has obviously created a great fund of idealism, but there are clearly also practical reasons why Cubans should want to serve overseas.

Aid to Africa was not a major preoccupation in the 1960's; the last half of the decade was marked by growing economic difficulties and at one time relations with the Soviet Union seemed to be turning sour. In 1968, when Soviet tanks went into Prague, Castro was loud in his support of the Russian action. Dependent as he was on Russian goodwill, it was vitally necessary for Castro to reingratiate himself with the Kremlin, no matter how much his action might shock radicals in other parts of the world. By the early 1970's, Castro could feel himself in a more secure position. The price of sugar was going up — a vital point in a country in which sugar is almost a monoculture — the Cuban army was beginning to emerge as a much more efficient fighting force, the Russians were being more generous in their aid, and the Americans, caught up in the traumas of Vietnam and Watergate, were now less adamant in their hostility. By removing some forms of economic sanctions, the Americans in fact allowed Castro a great freedom of manoeuvre.

This is the background to Cuba's most dramatic act in the field of foreign policy — the intervention in Angola in 1975. However, it should be remembered that Cuba's involvement in Angola did not begin in 1975. Links with the MPLA had been established more than ten years earlier. For the Cubans there was probably no party in Africa so congenial. Both sides could draw on an Iberian cultural tradition. Both parties were Marxist-Leninists in ideology, multi-racial in their composition — *mestizos* were prominently represented in the MPLA — and dominated by intellectuals. From 1963 to 1973, the MPLA received a modest amount of aid from Cuba. After 1973, when the Chinese and the Americans began to give more aid to the FNLA, both Soviet and Cuban aid to the MPLA was greatly increased. In April 1975, two or three hundred Cuban military advisers came to Angola. The South Africans were not yet deeply involved in Angola but in the course of the next few months Pretoria made its first tentative moves to

aid UNITA and FNLA. In August Neto, the leader of the MPLA, visited Havana. Shortly afterwards 2 000 Cubans set sail for Angola. They arrived a few weeks before the South Africans launched their task force "Zulu" that was to achieve such dramatic success as it advanced swiftly on the coastal road leading towards Luanda. In desperation, the MPLA appealed to Moscow and Havana for more aid. Of the discussions that must have taken place between the two capitals we know nothing, but at the beginning of November, a week before Angola's formal independence, Castro made the momentous decision to dispatch a Cuban expeditionary force of 12 000 men. To airlift a force of this size in lumbering old Britannias across the Atlantic was at the very least a feat of dramatic audacity.

The Cuban expeditionary force arrived in Angola at a time when news of the South African incursion from the south — a movement shrouded in mystery in its early stages — was just beginning to come out. It is impossible for anyone who views the world solely from the perspective of a white South African to appreciate the intensity of the shock caused by news of the South African incursion in many parts of Black Africa. A personal anecdote will illustrate this point. A friend was teaching at the University of Ibadan at the time. In Nigeria, race relations had always been quite relaxed, but when the newspapers came out with headlines announcing that the South Africans had invaded Angola, the atmosphere changed over-night. For the first time since he had been in the country, my friend said he was made uncomfortably aware that he had a white skin. Since November 1975 the Nigerian Government has taken a very hard line on South Africa. No one with a South African stamp in his passport can now hope to enter the country. By contrast with the enormity of the South African action the Cuban riposte seemed a bold and chivalrous gesture, and its success gained for Fidel Castro a greater measure of prestige in the Third World than he had ever enjoyed before.

By involving themselves so deeply in Angola, the Cubans made it possible for the MPLA to gain an upper hand in the civil war. They also provided desperately needed aid in the form of doctors, engineers and teachers to replace all those skilled personnel who had left the country at the time of the Portuguese collapse. No doubt many Angolans have come to resent this massive Cuban presence, no doubt some of the stories of the Cubans removing equipment from factories abandoned by their former owners are true. Nonetheless, if the Cubans had not involved themselves so deeply in Angola, it is difficult to see how the Angolans would have been better off. The civil war would

have dragged on, other powers would have become involved, chaos and anarchy would have spread even more widely.

At the time of the Cuban involvement in Angola in early 1976 it was widely feared that the Cubans would start giving vigorous aid to revolutionary forces in other parts of Southern Africa. In contrast however, Cuban policy has been marked by an unexpected amount of caution. At the time of the two rebel invasions of the Shaba province of Zaire in 1977 and 1978, the Cubans were accused of having deliberately stage managed the invasions. It is true that the rebels came from Eastern Angola and that they were in fact survivors of the gendarmerie of Moise Tshombe's who had fled from Katanga (the old name for Shaba) after Tshombe's fall. Settled in the remote and empty lands of Eastern Angola, they had made their services available first to the Portuguese, and then to the MPLA. During the civil war they probably received some assistance from the Cubans, but by 1977 neither the MPLA nor the Cubans had any desire to become deeply involved in the morass of Zairean politics. In fact, President Neto was anxious to establish good relations with President Mobutu of Zaire despite the fact that Mobutu had been the consistent supporter of the FNLA during the civil war, and before his death in September 1979, Neto was able to accomplish this objective. Again one is reminded of the limitations that practical politics impose, for while Cuba may regard itself as the harbinger of revolution, it is basically a small poor country with limited resources and it cannot afford to provoke violent disturbances in too many different places.

Meanwhile the civil war still flickers on in Southern Angola, with UNITA maintaining a certain level of guerrilla activity. Ironically, however, the Cubans, whose army glories in its guerrilla origins, now find themselves engaged in counter-insurgency operations. The fact that UNITA receives substantial aid from South Africa enables the Government in Luanda to present the movement as counter-revolutionary in character. But UNITA undoubtedly enjoys some popular support among the Ovimbundu of Southern Angola. How much longer, the Cubans must be asking themselves, are they going to have to go on fighting the MPLA's battles?

The other area of major Cuban involvement in Africa is of course, Ethiopia. To understand the reason for this involvement one must look briefly at recent Ethiopian history. In 1974 the old Emperor, Haile Selassie, was overthrown by a movement that developed into a full scale social revolution. A military regime took over and had come by 1976 to proclaim itself Marxist-Leninist in character. In 1977, Ethiopia was invaded by Somalia. Relations between the two countries had always been bad. A

tradition of Christian-Muslim conflict in the Horn of Africa goes back a thousand years. In the 1890's, an expanding Ethiopia came to dominate and annex the Somali-populated Ogaden. The Ethiopian revolution seemed to Somalis living in Ogaden an ideal opportunity for seeking to liberate themselves from the yoke of the hated Amhara, and they could count on the fervent support of their brothers in independent Somalia. Up to 1977, both the Soviet Union and Cuba had enjoyed close and cordial relations with Somalia. Indeed in the mid-1970's some observers were prepared to describe Somalia as a Soviet satellite, but in the early months of 1977 the Russians did a dramatic *volte face*, abandoned Somalia and began to give whole-hearted support to the Ethiopians.

Shortly before this change in Soviet policy, Fidel Castro visited the Horn of Africa. He hoped to persuade the three radical states of the area, Ethiopia, Somalia and South Yemen to come together in a grand confederation. The scheme was a bold one but one which took no account of the political realities of the area. Castro then swung round to support the Soviet line — but not completely. In 1977 the Ethiopians were fighting two wars — one against the Somalis, the other, a long drawn-out guerrilla campaign, against the dissident Eritreans. Castro was prepared to help the Ethiopians counter the Somali threat. After all, the Somali army had crossed the frontier as an invader. However, in Eritrea where the most effective of the three guerrilla movements was the staunchly Marxist Eritrean Peoples Liberation Front, the situation was very different. The Cubans sent fifteen thousand troops to counter the Somalis. There is no clear evidence that Cuban forces have been employed against the Eritreans, although the Russians have had no hesitation in leading the Ethiopian assault on Eritrean guerrillas.

Cuba now has more soldiers in Africa — 20 000 in Angola, 15 000 in Ethiopia — than any other foreign power. This is an astonishing development and one that no observer would have predicted a decade ago. How long will the troops remain in Africa? Even if the Soviet Union provides most of the equipment the Cubans need, the cost of maintaining such large forces overseas must be a heavy one for the Government at Havana. As the wars in Angola and Ethiopia drag on, there is bound to be a steady trickle of Cuban casualties and this can lead to criticism and disillusionment at home. Nonetheless, foreign adventures can also be a source of pride and there is no doubt that many Cubans derive some satisfaction from the fact that their small country is playing such a large part in African affairs. However, are Cuban activities in Africa likely to increase — and in particular are the Cubans likely to play a significant part in the struggle

over South Africa? The idea that South Africa is a country ringed round by Marxist enemies is one vigorously propagated by the advocates of "total strategy" in Pretoria. This is not a view of the Southern African situation that stands up to critical examination. According to a report issued by the British Foreign Office in 1979, when the guerrilla war in Zimbabwe was at its height, there were 100 Cuban advisers with the ZAPU forces in Zambia, another 200 Cuban soldiers in Mozambique and an equal number of civilians; not a very impressive presence. And one recalls the remark made by Fidel Castro when he visited Mozambique in 1977; "We believe that the struggle for independence is primarily the task of the local people themselves". Of course the ANC and SWAPO will be able to count on the fraternal solidarity of the Cubans and of course, the Cubans will be willing to give advice on the strategy of a guerrilla war, but it seems totally unrealistic to imagine that event in Ethiopia and Angola will repeat themselves on the highveld of the Transvaal.

Nevertheless, there can be no doubt that as long as Fidel Castro remains in power — and he is still a relatively young man in his early fifties — the Cuban voice will be heard in world affairs, for Castro is a man of immense forcefulness, magnetism and political skill. In the course of 1979 he scored two singular personal triumphs; in September a Non-Aligned Conference was held at Havana under Castro's Chairmanship. The Conference was attended by sixty Heads of State from countries as diverse as Lesotho and Nepal, Zambia and Jordan. Whatever tensions and divisions may have appeared in the course of the Conference, the occasion was one that put Havana on the world map more firmly than ever before. A few weeks later Castro addressed the United Nations in New York, where he received one of the most clamorous ovations ever accorded a Head of State.

It is worth quoting Castro briefly from these two speeches:

We don't impose our ideology on anyone. We are radical revolutionaries but we don't try to impose our revolution on anyone else, especially in the Third World. You say we are friends with the Soviet Union — Yes we are. Of course we are friends with the Soviet Union. Look at America, look at the NATO powers — what have they ever done to help the liberation movements? They have never helped a liberation movement. The Soviet Union has, we have — of course we are friends. (Havana)

And again in New York:

I have not come as a prophet of the revolution nor have I come here to ask or to wish that the world be violently convulsed. I have come to speak of peace and cooperation

among its people. I have come to warn that if we do not eliminate our present injustices and inequalities, the future will be apocalyptic . . . We aspire to a new world order, one based on justice, equality and peace, one that would replace the unequal system that prevails today. Wealth is still concentrated in the hands of a few countries whose wasteful economies are maintained by the exploitation of the labour and the exploitation of the natural resources of Africa, Asia and America.

Fidel Castro is certainly not a popular figure in the developed world, nor in white South Africa, but the rapturous applause that greeted his speeches in Havana and New York confirmed his status as a world leader. He has become a legend in his lifetime and though he can be criticized for many of his personal qualities — he is clearly a prickly, abrasive, mercurial, egocentric individual — he possesses the immense asset — an asset totally lacking in most of the world's leading statesmen — of being deeply in touch with the fundamental aspirations of the majority of the world's population. He can talk as he does because he is the leader of a Third World country, painfully conscious of the humiliations of its dependent status, a country that has tackled the problems of development more seriously and vigorously than most countries in the world. Cuban aid to Africa should be welcomed, rather than deplored — for Africa needs all the aid it can get and the Cubans can bring with them a range of practical experience that comes from making do with scarce resources, of a kind not easily found in the richer countries of the developed world. It is an immensely difficult task for anyone who lives in a non-Communist country to gain a balanced view of a Communist state — and the difficulty becomes all the greater when the term "Communist" becomes loaded, as it does in South Africa, with such sinister and dangerous associations. But students of international affairs must deal with hard facts and basic realities not with myths and propaganda. Above all, they must make the effort to look at the world from many different points of view.

For those who are lucky enough to live in the more privileged sections of the world community, to look at the world for a time through Cuban eyes is at once a disturbing and a stimulating experience.

GREAT POWER INTERESTS IN THE INDIAN OCEAN

Henry Albinski

There is understandably a compelling preoccupation in South Africa with the events to the immediate north and how these may affect the future in a very fundamental way, but it is impossible to disentangle regional events from broader events. While one can legitimately speak of everyone's heightened consciousness about the importance of the Indian Ocean — especially since the fall of the Shah — I think a bit of perspective is very helpful. One must remember that the Ocean was there well before Arabs (and OPEC in general) became intransigent about the way they were going to market their petroleum, or the way in which the successor regime to the Shah was going to comport itself.

It is a misconception, or at least an easily-overlooked consideration — not only in Africa, but elsewhere — that a great many nations had interests in the Indian Ocean well before any startling events occurred on its littoral, or before there was such a thing as a super-power competition. These interests tended to be managed in a relatively relaxed fashion, and because for a very long time the management of the Indian Ocean littoral proceeded reasonably smoothly, not a great deal of attention was given to it by those who needed to plan the security or well-being of their nations. Until roughly the Second World War, the Indian Ocean littoral was surrounded by countries that were largely dependent. This dependency meant that there were certain metropolitan powers that were in charge; primarily Britain, and to some extent France, and bearing in mind that four-fifths of the ASEAN nations themselves front on the Indian Ocean, so the Dutch in Indonesia were also involved. In any event, the Indian Ocean was a kind of semi-circle, involving a variety of cultures and levels of economic development and of natural resources, but by and large one that could be reasonably well organised and managed in terms of the international community, because it was overwhelmingly dependent. Those who had political control in the area generally tended to be on agreeable terms one with the other.

It is not unusual to speak of pre-World War II times in various parts of the world as somewhat more harmonious, because the process of decolonisation had not yet begun and therefore differences were essentially differences between metropolitan and governing states. They could be resolved in a somewhat easier fashion than is now possible with the enormously enlarged community of nations, all nominally enjoying sovereign parity.

In any event, the absence of any significant independent state

which could in turn exercise an independent foreign policy in the Indian Ocean littoral tended to be calm the attitudes of most foreign powers, meaning powers that were non-residential — the United States, the Soviet Union, and others — quite apart from those who had direct proprietorship, such as the British.

A second factor that tended to contribute to this relative placidity the Indian Ocean area was that the powers involved were themselves of western origin, concentrated in Europe, and while they had significant trading relationships with the Far East, they tended to use the Indian Ocean largely as a passageway rather than an area where, in a residential sense, there were important interests to be taken. Many parts of the Indian Ocean were construed by them as points to be protected in the event of conflict with others, but that conflict seldom materialised and therefore it was not a major arena of great power conflict. Indeed, projected to contemporary times, the competition of the Soviets and the Americans within the Indian Ocean is being carried out by two powers that are non-residential. This tends to reduce the order of importance that is given to the Ocean.

The Soviets do not have an outlet to the Indian Ocean, although some say they are considerably closer since they occupied Afghanistan, but they have never been an Indian Ocean power. While the United States, in the western hemisphere is geographically far removed from it. This has limited not only attention on the part of the super-powers, but it has also limited their willingness to commit major political and even military resources to the Indian Ocean, since it has been a secondary theatre area rather than a primary one. Brzezinski and others have, within the first months of 1980, in the aftermath of Iran and Afghanistan, stated unequivocally that the United States now considers that it has three major areas that it regards as primal, and that each one not only deserves the continuing and careful attention of American diplomacy, which, if necessary, will be defended because they are of the first order.

This naturally carries very significant implications if American policy, and also perhaps Soviet policy, in any way approximates that kind of a new appreciation of the Indian Ocean area. However, neither side is likely to move so rapidly or in such great force, whether by diplomatic or military means, so as to invite a confrontation with the other, as it might in the primary areas of competition — which remain, Europe and North Asia, particularly Japan. It seems to me that one needs to take into account the new rhetoric and then make some downward adjustment for its actual application in future.

It is also important to mention that post-World War II, after

the competition of the two great camps began, and then became more agitated, US and Soviet interests in the Indian Ocean area were perceived and were followed without necessarily linking those interests and the way in which they were managed, to the super-power conflict. It is an oversimplification — almost a distortion — of reality to assume that whenever the Soviet Union or the United States expresses an interest or needs to demonstrate its *bona fides*, that that is *ipso facto* an extension of the global Russo-American competition. The US — long before there was a significant Soviet naval presence in the Indian Ocean, long before there was a worrisome regime in Iran, long before there were problems in Ethiopia — understood the significance of the Indian Ocean for its lines of communication and transport. It was, after all, the site of the principal petroleum deposits, whether the petroleum moved from west to east across the northern tier of the Indian Ocean, and through the Straits of Malacca, or the Indonesian southern straits, or whether it came down the eastern coast of Africa, around the Cape and back up to Europe. For almost the entire post-war period, beginning with European and Japanese economic and political recovery, petroleum clearly was a vital ingredient in that rebuilding process, since these nations had no independent sources of petroleum. It is simply that neither the Europeans nor the Japanese, nor the Americans for that matter, felt that lines of supply were threatened, or indeed that the production would, for political or other reasons intrinsic to the nations where the petroleum was being taken, be made unreliable. However, the fact remained that the maintenance of the regular flow of petroleum was as important then as it is now. It is simply that there now are more questions about its reliability at the point of production, or its transport, because it is felt that the Soviets or their proxies may wish to interdict them in certain circumstances.

The Soviets on their part did not seriously appear as a naval force in the Indian Ocean until the late 1960s. There are various explanations as to why they did appear then and not earlier or later. They are probably all somewhat satisfactory, but it may have something to do with the fact that the British, as of the late 1960s determined that they were going to withdraw from east of Suez, and therefore whatever protective cover there had been in the past across the region was being dismantled. It may have had something to do with the embarrassment suffered by the Soviet regime as the result of the Cuban missile crisis. The Soviets, after Cuba, were inferior in a variety of ways, including their capacity to deploy a meaningful blue water navy. It was at that point, that Admiral Sergei Gorshkov was able to persuade his colleagues that

the Soviet Union should undertake a major naval construction programme and that eventually the deployment of Soviet naval units would assume world-wide proportions.

Most American analysts of Soviet naval policy believe that even now that the Soviet fleet has been immensely increased both in quantity and in quality, and is almost literally deployed world-wide, it still exercises primarily a home defence purpose. It is not quite the kind of force-projection navy that the United States has quite consciously constructed and applied throughout. In this sense, and it is only one sense, Soviet interests in the Indian Ocean, so far as they are visibly manifested by a naval presence, might be construed not as an effort by the Soviet Union to take the first of several steps towards converting the Indian Ocean into a Russian lake, but rather as a form of perimeter defence for the Soviet Union itself. Moreover, there is a serious official as well as academic debate as to what the real meaning of Afghanistan is. It does not necessarily mean that the two principal explanations are mutually exclusive, but all the same they need to be noted separately.

One explanation is that the Soviet Union occupied Afghanistan with a considerable military effort because Afghanistan was crumbling, because it has been historically an important facet on the side of greater Russia; that the Muslim sentiments in that country were beginning to overcome whatever political leadership was governing Kabul; and particularly that in the light of the kind of stimulant given to pan-Islamic sentiment by the Iranian revolution, that example might be taken by the Afghans themselves. Therefore, to avert a commotion on their boundaries and a commotion which indeed might in time create some example to their own Muslim population, the Soviets moved in. This basic explanation, then, is of a limited objective. The other, in a sense polar, explanation is that this was nothing more than part of a calculated campaign stretched over time to enlarge the range of Soviet influence, to move outward in all directions where targets of opportunity presented themselves. It is argued that eventually will come the realisation that the Soviets were by far the most dominant power — if not in the greater Indo-Pacific region, then perhaps world-wide — having either covertly or overtly undermined a sufficient number of resource-wealthy or strategically-placed states so that the United States and its allies would have few options of rejoinder. This is a kind of conspiracy and the explanation, therefore, maintains that the Soviets are bent on world domination, that they are primarily affected by their ongoing conflict with the United States, and this was just one piece in a larger game being played outside the Soviet Union.

My own feeling is that a kind of synthesis is necessary between these two explanations. If there had not been an event or condition in Afghanistan, that to the mind of the Soviets was dangerous to their security, they would not have invaded that country simply because they wanted a stepping-stone to the Arabian Sea. They would not necessarily have taken this step because it was part of an almost ineluctable process of imperialism, or Russian hegemonism.

Naturally, in South Africa as well as in the United States and elsewhere, there are often rather strongly expressed interpretations of Soviet motives. For example, what is happening in Southern and Central Africa insofar as there is a Soviet presence, together with surrogates, such as Cubans and East Germans, is this not simply seen as an effort by the Soviet Union to enhance its influence, and to have entrée into the thinking and behaviour of African nations? It is also insinuated that the Soviet Union is acting in such a way that sooner or later — (and very likely sooner, rather than later) — there would be an absorption of the entire Southern African sub-continent, which would mean among other things the denial of vital raw materials — strategic materials — to the West. Not only would the Soviets have them for their own use, but they would rather use them very effectively as a programme of denial to the industrial and military capabilities of others. The argument is advanced quite apart from the economic and military damage that would be inflicted on the West if, say, Zimbabwe, South Africa and others, somehow fell under the spell of the Soviets and that the United States would have suffered another and perhaps crippling reverse in a way that, given setbacks in recent years, it could not afford; that this would be symptomatic of the bankruptcy of American global security policies. That is an explanation — probably somewhat overstated or turgid — but we are dealing with hypothetical situations. Many explanations of how the Soviets operate, and why, are quite plausible, but there is often a considerable difference between that which is plausible and that which is — or may become — fact. We should remember, whether we are talking about Afghanistan or Southern Africa, that there are different viewpoints as to whether these are entirely conditional or circumstantial actions by the Soviets, or otherwise.

The Soviet Union remains, however, a power which is very seriously handicapped in its ability to project military force. The Indian Ocean as a passageway — not necessarily as a stationing place for the Soviet navy — remains indispensable for the Soviet Union. The United States and others have long recognized that the Soviet Union is an enormously large country; that it is partly

European and partly Asian; that it fronts on both sides of a great land mass; that it understandably wishes to protect its flanks, and that it will maintain forces on both sides. The difficulty is that the Soviet Union cannot traverse its own land mass very easily; it certainly cannot move a navy across its own land mass; it has to come the long way. This imposes a variety of handicaps for it takes much longer for the Soviets to move their forces. They invariably — whether coming out of Europe or into the Mediterranean, and then out through the Suez or through the Straits of Gibraltar and around the Cape; or whether it is in the Far East, coming through the Straits of Tsushima *vis-à-vis* Japan — have to pass through strategic points. These are very carefully monitored by the US and other nations, using quite sophisticated equipment, and are therefore very vulnerable and the Soviets are perfectly aware of this. It could be that what they have done in the Indian Ocean is by way of compensation for these weaknesses. Yet this compensation for an inherent strategic weakness predicated on their own essentially land-based character — Churchill once said of the Russians; “They are a land animal” — cannot entirely be overlooked. It does not necessarily denote the kind of gloomy quality about Soviet intentions that sometimes are ascribed.

The Soviets find it difficult to maintain a major naval force in the Indian Ocean because they do not have any bases of consequence. From Vladivostock down around the Cape is a very long way. They do have some porting rights, they do have some anchorages, they do have some logistical support from the South Yemenis and the Iraqis and others, but these are not overly consequential. It seems indicative not of the strength, but of the weakness of the Soviet Union, as to what happened in the now aborted negotiations between the United States and the Soviet Union on naval limitations in the Indian Ocean. Those conversations were begun in 1977, about half a year after the Carter Administration was installed, and they continued until early 1978, when they were suspended. They were suspended for two reasons: 1) the United States felt the Soviets had misbehaved because of the way in which they had given overt support to Ethiopia, and had transported Cuban troops to assist the Ethiopians, using their privileges in South Yemen as a supply point. 2) They were breaking the spirit of those negotiations. It had been assumed that neither side would undertake any major changes in the deployment of its forces while the negotiations were in progress. So the United States on its part was perhaps not dismayed, but certainly disappointed that the Soviets broke their word. Since it was uncertain what that was going to bring in turn,

those negotiations stood still until the end of 1978, when there was some very real hope that they might be revived. By that time, other considerations intervened — including a change of regime in Afghanistan, (not the present change, of course, but one of the earlier episodes), a new treaty of friendship and co-operation that included security features with Vietnam — ultimately, the climate was wrong for resuming the talks.

Mention has been made of American incentives to suspend the talks but perhaps the Soviet incentives to have begun the talks should be emphasized, and why the Soviets, although they postured somewhat to the opposite, were not thoroughly disappointed that those negotiations were broken off by the United States.

When those discussions were first planned, the Soviet Union did enjoy significant entrée to Berbera in Somalia. By the time the negotiations moved on, they had lost this foothold in Berbera and had in fact been unable to find a satisfactory alternative, either in Ethiopia or elsewhere. Still, one of the integral features of a possible Indian Ocean Agreement was that basically there would be a freeze, rather than a reduction in forces. Neither side would be entitled to enlarge, either in numbers or capability, its forces or its facilities. What that meant for the Soviets was a sudden change from possessing a reasonably reliable springboard from Berbera to having next to nothing. Therefore that element of the package became an embarrassment to them, and put them into a secondary position. They spoke to the American negotiators sometimes a bit obliquely, but still making it known that it was rather unfair that they had been cheated on the Horn of Africa; that the United States continued to enjoy a rather salient position at Diego Garcia in the middle of the Indian Ocean, while they had nothing comparable. It just was not fair that an agreement predicated on a maintenance formula should proceed.

It is also important to note that it was the Soviets who, by and large, were pushing for some kind of a naval understanding. The United States was much more reluctant, certainly under Republican Presidents; and it was only under Jimmy Carter, who was trying to fashion a new foreign policy to dilute the competitive features of détente, that attention was given to a naval agreement. The Soviets were interested in achieving a naval agreement in the Indian Ocean because they were inherently weak in that region. They did not want that weakness to be magnified, and yet there were reasons to believe that it would have been. The package that was being prepared — which had many characteristics that are unnecessary to raise in this context — gave a net advantage to the United States. The Soviets at one time were willing to accept those

kinds of disadvantages because they were very much afraid that there were other, more serious, disadvantages that they might suffer if no agreement were reached. It was, putting it in other terms, a recognition that they were *not* a major Indian Ocean power, were not likely to become one, and they wanted to manage the situation so that it would not overrun them.

Since Afghanistan there have been some very intriguing formulations in Moscow about the rationale that seems to have underpinned that action. To many people this is very ominous. Remember that in 1968 after the Soviets and their Warsaw Pact partners marched into Czechoslovakia, there were official Soviet justifications offered for that action. The *then* Brezhnev Doctrine stipulated that the Soviet Union had an obligation to assist fellow socialist countries on its perimeter in the event of either external or domestic threats to the *vital interest*, that is the preservation of their social and political systems. That is why Czechoslovakia, which was being threatened by a form of liberal democracy, a falling away from a more conventional political and social communist regime, could no longer be accepted.

Afghanistan was *not* one of the members of the socialist community, and yet Brezhnev has apparently, and with the consent of his associates, modified and very considerably amplified upon the 1968 version of when and how the Soviet Union feels it is entitled to use military force, if necessary, for intervention in the affairs of another power. Basically what Brezhnev has said now is that if a developing country, inherently frail, unable to cope for itself, having within it elements — important elements — which are sympathetic to the principles of the socialist community, is threatened, then the Soviet Union again reserves the right to use whatever means are necessary in order to redress the situation. That, of course, is a far greater arc of entitlement than before, and it is indeed an arc of entitlement that has prompted a revival of Brzezinski's previous phrase about "arc of crisis" — that the Soviet Union has, to suit its convenience, expanded on the concept of its own suzerain rights, a kind of new Soviet Monroe Doctrine that is being projected in its environment. It has a great many neighbours, and of course a good many of those neighbours are either not socialist countries or, if they are — with emphasis now on China — they happen to be hostile to the Soviet version of the socialist experiment. The Soviet Union would not lightly enter into an invasion of China, for reasons that are very obvious, but Afghanistan was frail and easily overcome. Perhaps it could not be politically or socially transformed very quickly, but there is no question that it is being secured by the Soviet Union and it is not available either as a non-aligned or indeed as a

Western-oriented country at this time.

Suslov, who is perhaps the principal theoretician in the Soviet hierarchy, has added his own remarks as to how and why the Soviets intervened in Afghanistan. He said nothing about a greater Soviet role of expansion; he said nothing about pushing to the Indian Ocean, which is what many people feel is the eventual Soviet ambition. He did say that because the United States, China and the West European powers had over the past year or two acted in a way that was hostile to the Soviet Union, and abetted the enemies of the Soviet Union — whether in Pakistan, Afghanistan or elsewhere — a certain threshold of tolerance had been passed and therefore the Soviet Union was entirely entitled to intervene. Now, the importance of that particular construction of the Soviet occupation of Afghanistan is that in the last resort the Soviet Union stepped into Afghanistan not because Afghanistan *per se* posed some sort of insecurity to the Soviet Union, but because there was a summation of events in various parts of the world such as the rejection by the NATO powers of the Soviet offer for some force reductions, the warnings given to the NATO powers that they should not deploy a new generation of intermediate range ballistic missiles, the activities of China — in particular its interests *vis-à-vis* the Vietnamese — (friends and allies of the Soviet Union) — and so on.

This version of a Soviet intervention again has very little to do with the Indian Ocean inherently. This was one of the earlier postulations made in this paper, that while we cannot disregard Soviet interests in the Indian Ocean, much of what the Soviets do — and what the Americans do — may only inferentially be directed at the Indian Ocean.

One is mindful that particularly since Afghanistan, the United States has spoken about ominous developments in the region and is making preparations to fortify its military capabilities, such as accelerating preparation of the rapid reaction force, having a far greater naval concentration in the Arabian Sea, and more recently satisfactorily concluding certain agreements with the Kenyans, the Somalis and the Omanis, so that naval facilities, short of actual bases, would be available to the United States and this is serious business. It is not only serious because it means an “in kind” rather than an “in degree” enlargement of American power — particularly naval power — in the region, but it also has important implications for how the United States is going to manage its other interests outside of the Indian Ocean region. The United States has recently deployed three carrier task forces into the Arabian Sea. This means that both of the carrier task groups normally operating in the Pacific are missing. Tradition-

ally, however, American interests were of the first order in the Pacific, particularly for the protection of Japan and generally the North Asian region, and only secondarily in the Indian Ocean. It will take many years before a new naval construction programme can compensate for the deficiencies and enable the United States to have a meaningful presence in both areas — the Pacific and Indian Oceans.

It also means, of course, that the United States has to readjust its focus — or at least feels it must readjust this focus — in its relationship with the Soviet Union. The President himself felt personally hurt — betrayed, is a better word — because Brezhnev had told him one thing about what the Soviets were planning to do in Afghanistan, and then turned around and did the other. The Administration felt that the Soviet Union was really playing a double game with regard to hostages in Iran, claiming that it was an unwarranted violation of established international law to take diplomatic hostages, and yet did very little to use its own diplomatic influence to have them freed. In these circumstances Mr Carter was very disappointed.

There was a whole accumulation of events, including the discovery of the so-called combat brigade in Cuba, which for domestic political as well as other reasons, the President felt he had to reply to. He could not actually chase the Russians out of Cuba, but he developed a new command in the Caribbean, and in part to placate his critics that he was not doing enough — and fast enough — he enlarged a force of American vessels based at Bahrain. They had been there since the 1940s, basically a kind of “showing of the flag” force with very little military capability. Carter, however, said that he was doubling it which was one of the early steps.

The United States has, in the past year, with special attention to developments in the Indian Ocean area, taken a somewhat less sanguine view about the operability of what is still often called the Nixon Doctrine. This is a point which one might expand on for a time, and use in coming to a conclusion.

In 1969, President Nixon announced a doctrine — stated on the island of Guam and thus sometimes known as the Guam Doctrine — one of whose principles was that the United States would increasingly depend on various regional powers acting alone or in combination with one another, for their own protection, rather than using American forces — especially land forces — as a kind of onshore presence. Vietnam was already a very serious political, as well as military, embarrassment for the United States, this was a reaction of an American over-commitment in Vietnam, a commitment of manpower and of treasure which was

depleting American resources in other parts of the world. It was, in other words, a statement that while the United States would continue to provide a strategic canopy over friends and allies in many parts of the world, and would intervene militarily in the event of general crisis, and that it would remain an interested power in attempting to manage crises through diplomatic and other means, more and more responsibility would devolve upon those who were most concerned.

With respect to the Indian Ocean, in a sense the great example of failure was Iran. Quite apart from what were specific precipitant factors in the overthrow of the Shah's regime, what the United States lost was not just a friend, but a surrogate — used here in the technical, not the invidious sense. The Nixon Doctrine, which was mainly pointed at Asia when it was announced, did have, at least by very strong inference, equal application in other parts of the world — including the Indian Ocean littoral. The Iranians, under the Shah, were very welcome assistants in this larger American objective of withholding a direct American presence, and of reliance upon others. Of course there was a great deal of post-mortem thinking: why did the Shah fall, and what did the United States do wrong? Perhaps there was an over-reaction about the meaningfulness of relying on others. But in any event, what the United States has essentially avoided in the past year, following the Iranian event, is an effort to place reliance inordinately on others, not only for their own defence, but in effect for the defence of American interests by proxy — whether those interests are essentially economic in the production and marketing of resources, petroleum or otherwise, or indeed in more strictly strategic terms.

The feeling increasingly developed in Washington, and the President became persuaded of it, that the Mao Tse Tung apparition about power coming from the barrel of a gun had to be respected. Perhaps not in every instance did the gun need to be pointed or even discharged, but the gun had to be available. All too often perhaps Carter himself, as well as his associates in the United States, had mistaken what geostrategic power was all about and that essentially geostrategic power did not come from a mouth, did not come from exhortation to others to pull their weight, to do their share, to join ranks with the United States in common cause. It was particularly upsetting to the United States that Iran fell, because this was a regime that suddenly seemed to be exposed as having been built on quicksand, lacking the kind of political or social foundations that would have enabled it to continue. The transfer of leadership was violent, and indeed it was into totally unfriendly hands.

So, the United States has not tried to enlist the Saudi Arabians, for example, as replacements for the Iranians. It has co-operated with them in different ways, but it has recognized that any effort to even approximate the kind of dependency that was developed on Iran to police the Persian Gulf and the adjoining waters, is simply unavailable and untenable.

The American response to Pakistan's security, against what is sometimes portrayed as a Soviet dagger pointing across Afghanistan into that country, again reflects Washington's wish to establish its own presence by providing a very handsome gift of arms to another power. The US is not going to be welcome in Pakistan, she is unwilling to station forces there, but no longer is she being subtle about it. It was only in the middle of 1979 — not very far back — that the United States withdrew all conventional military arms transfers to the Pakistanis because the Americans were displeased with what they believed to be a nuclear construction programme that Pakistan was undertaking. President Carter himself, who has very deeply-felt feelings about non-proliferation of the nuclear armaments, has admitted that an exception now has to be made and he is not really being too apologetic about it. He thinks that, first, Pakistan is in a strategic position in terms of the larger mosaic of the region, and secondly that the United States needs to take a stand. It seems that much of what is happening with American policy — particularly military policy — on the Indian Ocean littoral and in the hinterland of the Indian Ocean is designed to convey a signal to the Soviet Union. It has not a great deal to do with repositioning American forces or American arms in the hands of others and the anticipation of actual confrontation — that *may* happen and if it does, the United States will be better prepared. It is perhaps less likely to happen if the Soviets feel that the United States is now an alarmed country, and perhaps has pulled the *safety catch back* and, in that respect she is willing to enforce her proclamations that the Persian Gulf region and the Arabian Sea have become significant for America's vital interests and those of her allies, as Europe and Asia have been to date.

This notion that the Nixon Doctrine has lost credit in the United States, in part because of Iran and subsequent events, has potential implications for Southern Africa. One possible implication is that the United States will not wish to court South Africa as a kind of regional policeman, quite apart from the resulting political and diplomatic difficulties for the United States in Black Africa if there were some new and endearing gesture made towards South Africa. Even if that factor were swept out of the equation, it appears to me that the United States is now less

prepared — whether with the South Africans, the Saudi Arabians or for that matter nearly anyone else — to put its confidence in others and assume that this will very largely be sufficient, except in times of really great emergency.

Therefore, even though the Americans are far more agitated by the threats that might develop to the supply of raw materials to themselves and to their allies, even though they are much more concerned with the whole geopolitical picture in the Indian Ocean, and by some of their own military deficiencies — (at least as they are now recognized) — there will be less, rather than more, incentive to reconstruct American policy towards South Africa. There, of course, will be other ways in which we could try to construct a version of how the United States would approach either Africa at large or other segments of the Indian Ocean littoral, but one of the really significant impacts of the past year has been not so much that the United States has found a new value to the Indian Ocean, (the value has been there consistently — it is just that the value has been less threatened in the past, or at least the perception of threat has been at a lower order than it is now), but rather that remedy now has taken on different forms. While South Africa in its present stage of foreign policy is not really trying to re-invite the United States or Great Britain to Simonstown or elsewhere, it recognizes that it would have to discharge a largely self-initiated regional role free of the great powers, and in particular its traditional friends, and that there are special constraints placed on the United States.

Taking the argument one step further, (since we are speaking in the context of Southern Africa rather than some other context), it is my tentative judgement that this kind of mutually agreed separation of Western — particularly American — involvement or attachment to South Africa, and South Africa's own sense of what are appropriate diplomatic and security initiatives, may prove to be on balance of great value to the general security position in the Indian Ocean littoral. Let us explore this rudimentary argument.

The United States for some time has been committed to a serious effort toward Black Africa, and that has required almost as a matter of definition a very proper — rather than enthusiastic — attitude towards South Africa, otherwise, American credit in Black Africa would be undermined, perhaps irreparably. The United States has been able in recent times to keep on-side with the Nigerians, who are, after all, important suppliers of oil to the United States and Europe, and the leading force in Black Africa. With diplomatic skill Washington has been able, too, to pull off a promise of arms transfers to both the Somalis and the Kenyans,

(who have been rivals in many respects rather than friends), and has managed to secure promise of significant facilities at Berberá and Mombasa, indicating that the United States is not itself a pariah in Black Africa. These are examples of what can be done if the United States follows a reasonably patient and accommodating attitude towards Black Africa and these are concrete accomplishments for the immediate future. The Nigerians are not displeased with America, they are not threatening any retaliation, they are not doing anything comparable to what they did to Britain before the Lusaka Commonwealth Heads of Government Conference (when they expropriated British Petroleum as a kind of reminder to the British that the British had better behave when they came to Lusaka), and the US has been able to secure significant strategic facilities on the eastern coast of Africa. In other words, this is a reality that the United States hopes to translate into a more effective projection of its own interest in the Indian Ocean.

Perhaps South Africa on its part, as it increasingly loses its enchantment, its fascination, for close relations with the West — particularly the United States — can succeed, through whatever means (whether we call it the Constellation Concept or otherwise), in projecting itself towards its neighbours. Parallel with a fresh and somewhat innovative foreign policy, it might be able to undertake domestic reforms of the sort that have been the object of great criticism in Black Africa, so as to make its foreign policy more credible. If so, then much of the African continent can — whether approached by the United States in the general Black region, and to some extent even in Saharan and Mediterranean Africa, and Southern Africa — in a sense in co-operation with South Africa, create a climate of responsible politics and, a confidence in the West that is precisely of an order that would seem to suit both American and South African interests more widely.

Iran was a symptom of how a poorly underpinned regime — one that lacked root in the public, one that very quickly came to be repudiated by the international community — could lose its role in regional affairs. If this is not to be repeated, and the United States feels that it cannot and should not seek surrogate alternatives to Iran, then it must portray itself as an accommodating power. The South African role in this larger panoramic, continental sense can be significant. The United States is much more engaged now in Black Africa than it was only a few years ago. Many people in South Africa feel that the American policy is misguided, that there is an underestimation of both Soviet intentions and Soviet capabilities. While that may be true, at least the

rationale that underpins American policy is one of those plausibilities referred to earlier and does have a logical foundation. It may prove to be factually defeated — we cannot be certain. But there is a complementarity not only of interests but in fact of styles, by which the United States and South Africa may, not through elaborate naval co-operation, but rather through special diplomatic and economic initiatives continent-wide, be able to provide a kind of climate of East-West relationships and confidence that would make it much more difficult for the Soviets to establish new footholds and therefore to enlarge the range of their options, whether they do have ultimately great, grand and imperial designs on the Ocean or not.

In any event what has here been attempted is to move across a rather wide range of issues that are fairly fundamental to an appreciation of the Indian Ocean. It certainly is an unremovable part of East-West, or Soviet-American, competition and has become re so than it was before. However, American and Soviet interests, as expressed either in diplomatic or economic or military postures, are not always directly linked to the competition between the two. The underlying interests of both the United States and the Soviet Union have been present for a very long time, and have been brought much more sharply into focus now than they were before.

It remains a truth that neither the Soviet Union nor the United States — whatever their satisfaction with their present state of allies, forces, capability or whatever — feel that the Indian Ocean region is one of first importance, the rhetoric of the Soviet or American spokesmen aside. The simple reason is that neither party is present there; both have to project their interests by indirection and both, in their special ways, have great difficulty in maintaining major influence. The entire Indian Ocean littoral has now been converted from being a fairly equable and manageable European domain to housing well over twenty countries of almost kaleidoscopic difference in social, political and economic organisation. It is also a region of extraordinary fluidity. These are factors that have complicated the Soviet-American relationship in the Indian Ocean, perhaps more than comparable factors have complicated the relationship in Asia, in Latin America or in the Caribbean. This notion of the decay and perhaps eventual collapse now of bipolarity, of a reduction of the whole configuration of world politics into many clusters of influence rather than two great clusters around which all kinds of friends and satellites gather, has made conflict management in this world infinitely more difficult. Both sides regret it, but are unable to reverse the tide of events. What happens between the Israelis and the Arabs,

what happens in the Persian Gulf, what happens on the Horn of Africa, may get some stimulation from one side or the other (Washington or Moscow), but much of what has happened and is likely to happen is indigenously propelled. It has its own dynamic, its own momentum, and the hope on the part of both the Soviets and the Americans is that this momentum does not run out of control.

The Iranian situation is a very good example. Iran underwent violent change, not because it was destabilised by either the United States or the Soviet Union, but because there was an accumulation of internal factors. Both sides (the Soviets and the Americans) took immediate notice, both tried either to maximise their advantage on these events or to minimise their losses. By and large, the early interpretation of reading was that the Soviets were able to enlarge their influence, or at least to gain some advantage because the Shah — the friend of the West — was gone, and a revolutionary situation was in progress, and very possibly some of the radical elements in Iran could be manipulated by the Soviet Union. The United States, of course, was in disarray as to what it should do about Iran. But then the Soviet Union — so often regarded as a cold, calculating and usually successful international player — made a diplomatically resented move in Afghanistan. The Iranian Government, whatever its continuing political disorder, took tremendous umbrage at the Soviet Union for what it had done in Afghanistan. Soviet potential for influence was very sharply reduced within the general Islamic world. Soviet influence plummeted, even among states that it regarded as near-allies in the past.

Developments on the littoral of the Indian Ocean — whether in Africa or in the Persian Gulf region, in South Asia or indeed in South-East Asia — (we exempt Australia because for the moment it seems to be rock stable, and is not subject to these kinds of uncertainties and fluctuations) — have become so combustible, unpredictable and unmanageable, that it is, if anything, a deterrent for the United States and the Soviet Union to leap in with proclamations or presence. In a way, if the United States and the Soviet Union were still in a posture of rigid bipolarity, and if the Indian Ocean were not subject to the kind of political turmoil that has come about, to the variety of regimes, to the shifting of alliances — perhaps the Indian Ocean could more exactly become a contact point for Soviet-American competition. However, that would have been done because of the choice of one or the other, or perhaps both, as a kind of a meeting ground.

The great powers lack a truly direct interest, and various necessary resources to deploy into the Indian Ocean in order to exert

and keep influence. They are therefore cautious about over-extension lest they get pulled in through the impetus of Indian Ocean politics, which has proved to be so disconcerting for everyone. (The Soviets were thrown out of Somalia and the Shah fell in Iran.)

The thesis presented here is that the Indian Ocean is important to two sides. It is an area of competition, but there are many reasons why one should not overstate it as a theatre of direct competition. Competition there will be, ultimately there may even be confrontation, however, it is difficult to believe that either side would deliberately choose to engage the other in the Indian Ocean itself.

Correction.

On Page 7 of the last issue of the *Bulletin* (vol. 4 no, 1 1980) reference as made in Professor W.B. Vosloo's article to South Africa's *present* diplomatic and consular representation in the United States. It has been pointed out to us, however, that this is not a correct description of the situation and that, for instance, there has never been a Consulate in Los Angeles, but only an Information Office. The present factual position is that South Africa has, in addition to the Washington Embassy, Consulates General in New York, Houston, Chicago and San Francisco (the latter to be moved to Los Angeles in September), with these offices staffed by South African career officials. There are also honorary consular offices in Boston, Houston, Los Angeles, Mobile, New Orleans, Portland and Salt Lake City.



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BOOK REVIEWS

THE GEOPOLITICS OF INFORMATION: HOW WESTERN CULTURE DOMINATES THE WORLD

Anthony Smith
Faber and Faber, 1980.

Knowledge is power; Smith's book comes at what may be the high water mark of the information flow from the West to the Third World. Although the information industry is the fastest-growing sector in Western economies — in America, broadcasting is by far the most lucrative game — the Third World, under the banner of the New International Information Order, has declared its opposition to this newest form of imperialism; cultural dependency.

In a very readable volume, Smith reviews the empirical history, and hints at the theoretical debates in the various sectors of information: the big press agencies who earlier this century divided the world into "spheres of influence"; informatics (electronic data processing, storage and transmission) and here IBM is king; the politics of satellite control and the assigning of radio frequencies for various uses in different parts of the globe (Africa has peculiarly difficult conditions for broadcasting, and a paucity of assigned wavebands); the cinema industry where even Canada can be classed as an under-developed country; and forecasts a battle between American and British giants for world control of the publishing industry.

This is an essay, not an academic study. Smith reviews the issue, but he does not take sides. So, while the clear style outlines some complex issues, there are several contradictions and omissions. For example, a chapter on development journalism/information should have been included, for that is the next logical point of interest on this Cook's tour — and although Smith hints at some of the problems facing the Third World, he does not get down to the grassroots of the situation. Perhaps he is waiting for the issues to crystallise and for more studies to appear, before reviewing them in his next book. Wise man, but there are plenty of studies available now. For the moment he is dissatisfied with the parameters of the New International Information Order (NIIO). "Perhaps the greatest weakness in . . . the NIIO has been its lack of conception of the primal value of press freedom (and of intellectual freedom as a whole) . . . seldom can the charter of a great political cause have been so mean in spirit, so ungenerous in sentiment, so obsessively petty, so insistent upon the obligations of others and so niggardly in ascribing difficult duties to its own adherents". A humanistic position and one which loses sight of his earlier observation, that intellectual freedom, in its bureaucratic and economic manifestations of the American Dream of "Free

Flow of Information" can only exist between equals. The NIIO is a defensive strategy, formulated by weaker countries.

At other times he drifts to a Marxist viewpoint: "For capitalism was an information system, as well as a financial and productive system; its development necessitated bringing one unexploited part of the world after another into a single market in which social classes, companies, transportation methods and stock markets become inextricably combined into a single, complicated and variegated ever-growing and interdependent system". That smacks of Raymond Williams, yet, (perhaps mindful of the "teachers and friends" to whom the book is dedicated, empiricists Jay Blumler, Elihu Katz, Hilda Himmelweit and Asa Briggs) he pulls up short of Juan Somavia's hard line position that the present system is "a vehicle for transmitting values and lifestyles to the Third World countries which stimulates the type of consumption and the type of society necessary to the transnational expansion of capital". He is, I think quite right. Somavia's determinism falls into the same trap as the cause/effect gang. Media cannot on its own create development, any more than it can create underdevelopment. It is simply one of a number of vehicles for development.

However, Smith misunderstands the call for appropriate technology for those vehicles. His idea of low technology is Super 8 film, lowpower radio stations, small cassette recorders. In this he betrays a lack of understanding of grassroots conditions in the Third World which is not the urbanised, westernising sector. It is the rural poor at the bottom of the pile for whom cassette recorders are as hard to buy, have serviced and operate as "high technology" communication satellites.

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ARAB NATIONALISM : AN ANTHOLOGY

Sylvia G.Haim (ed.)

University of California Press, Los Angeles, 1976. 255pp.

MILITANT ISLAM

G.H. Jansen

Pan Books, London, 1979. 224pp.

Aviniri, in his comparison of Arab and Jewish nationalism was to state that where a vision and praxis of social transformation is missing, the problems and questions raised by nationalism re-

main unsolved. Following thereon it is possible to argue that there exists a causal link between the lack of a social corollary to the political aspect of nationalism and the present social and political malaise within the Arab World. Such an analysis is given support, albeit indirectly, by Dr Haim's Anthology of Arab nationalist writings and directly by G.H. Jansen's recent work on militant Islam.

Haim's book is an important, indeed essential, reader for any student of Arab affairs. Not only is the period covered extensively, the papers are well chosen and reflective and the anthology is preceded by an introduction on the movement which is both analytic and perceptive. Yet it is the essentially political focus of the writings unaccompanied by ideas of social reorganisation which is of prime interest, for it is this characteristic which points to the shortcomings in Haim's analysis and gives Jansen's lesser work its relevance lending support to Professor Aviniri's paradigm. While one cannot fault Haim on her choice of papers, in her analysis she does tend to underrate and leave unexplained this lack of a social dimension and its repercussions in the present-day Arab World. From the analysis it is obvious that Arab nationalism was mobilised on a base, and against a background, whereby a distortion in the relationship between essentially political goals and the cultural and social force of Islam took place.

On the one hand, while Haim acknowledges that historically the relationship between Islam and nationalism has been anything but clear and certain, she goes on to maintain that "the possible tension between nationalist ideologies and the strict observers of Islam has been completely obliterated" (p. ix), while in effect agreeing that the views of Rabbath and al Alayibi are inherently and essentially political and that the *Weltanschauung* of al Afghani is possibly incommensurable with that of al Bazzaz, by claiming that a synergy has been reached she continues to beg the question posed by Aviniri. It is thus obvious that she will attempt to downplay the influences of the early Christian Arabs on the movement as well as refusing to concede a direct link between the writings of al Afghani and al Nadim on modern-day Arab nationalism. For while its Zionist counterpart was imbued with the trappings of Jewish philosophy and socialist thought — hence the basis for the praxis of its resolution — when Rabbath states that "the Arabs existed before Islam and Christianity. The Arabs will remain after Islam and Christianity" (p. 36), the potentially revolutionary social and cultural force of Islam is being relegated to a secondary position.

However, a lack of a sense of social and political cohesion remains in the Arab World and it is from such a starting point that

the rise of militant Islam is to be explained and perceived. For surely militant Islam which by its very nature embodies a social, cultural and political totality is the logical and natural reaction to such a situation. Certainly Jansen hints that it is, and strives to show both historically and comparatively that the present-day Islamic revivalism is an attempt — (though I maintain belated) — at social transformation within Arab (and non-Arab) society. Thus for Jansen the *raison d'être* of militant Islam within the Middle East is this lack of a cultural component; the evidence : the multiplicity of institutions and governments which have proliferated; the immediate cause : their failure.

The *Jansen* book, despite periodic lapses into extended polemic — a failing which the Haim collection avoids scrupulously — does on the whole provide a sound analysis of the relationship between Islam and nationalism and the reasons for the antipathy felt by the former for the latter. *Jansen* shows that not only is nationalism antagonistic to the universalism propagated by the Koran, but that the essentially Westernising character of the national state is a direct threat to Islamic interest and interest groups, Iran of course being the prime example. *Jansen* unfortunately goes on to claim that nationalism has the effect of opening up the Muslim world to the influences of "Christian and Zionist imperialism" (p. 128), thus showing parts of his work to be more interesting in the attitudes reflected than in the profundity and originality of some of the observations. Nevertheless in the Middle East, where attitudes overshadow the importance of words, politics are of equal importance to deeds, which is itself of interest.

Jansen's book nevertheless fills a gap left by *Haim's* analysis, by showing that militant Islam is an attempt to fill this social dimension, but in the form of a religious cultural and political totality. What one can glean from both books is that strife will continue until the relationship between Islam and nationalism has been defined i.e. in terms of the nature of Islam's role in the nationalist state. Until then the Middle East will continue to remain at the forefront of world affairs and a source of international instability. With this in mind, these two books are essential contributions to the literature of an area of considerable interest and concern.

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