

THE POLITICAL ECONOMY OF SOUTH-SOUTH RELATIONS:  
THE CASE OF SOUTH AFRICA AND LATIN AMERICA

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## ABSTRACT

Many factors have inhibited the consolidation of relations between countries of the post-colonial world, the "South". This dissertation aims to explore some of these factors through focusing on a case study of the relations between South Africa and its neighbours across the South Atlantic.

Despite naval and commercial hegemony of the British Empire in the South Atlantic region during the nineteenth century, trade proved minimal and South Africa played a limited role in assisting the indictment of the transatlantic slave trade.

It was only during the Boer War (1899-1902) that South Africa became the destination of Argentine exports in large measure: frozen beef to meet the needs of British troops. With the end of the war, a significant Boer migration to Patagonia was encouraged by the Argentine government. This community served to cement relations with South Africa up to and including the time of its repatriation in the late 1930s.

Brazil's participation in World War Two alongside the Allies opened the way further for relations with South Africa and support for its position inside the new postwar United Nations Organisation. Growing links with the Afro-Asian world did not deter Brazil's military rulers - in power from 1964-85 - from encouraging trade and substantial South African investment.

As right-wing military rule swept the Latin American region in the 1960s and 70s, South Africa, by now

extremely isolated diplomatically, found a number of friends. Moral and military collaboration from the regimes in the Southern Cone - especially Chile - proved very welcome in Pretoria. Its adversarial relationship with Cuba in the context of regional conflict in Southern Africa also proved important.

With redemocratisation in both regions the nature of the relationship will require re-examination. However, in the context of largely dormant South-South relationships, it is unlikely to expand massively under current global conditions of debt, trade competition, and commercial and cultural barriers.

Utilising methodological analysis drawn from disciplines of economic history, social history, foreign policy analysis and international political economy, this dissertation attempts to throw light on a rather neglected corner of international relations.

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## CHAPTER ONE:

### INTRODUCTION

The central question of this dissertation is why relations between countries located in the South have consistently failed to mature. Initially it will outline some of the theories of South-South economic and political relations. A detailed case study of the relations between South Africa and Latin American countries will attempt to illuminate our enquiries.

In this *introductory chapter*, some explanations will be offered for the rationale which motivated the case study. Unlike other trans-regional case studies, this one provided some grounds for speculating that this relationship stood some significant chance of success. In attempting to outline these grounds, the structure of the dissertation will be revealed.

The introduction will go on to explain how the dissertation attempts to grapple with questions of international political economy in relation to foreign policy formation. This has seldom been attempted in previous treatments of South African foreign policy analysis.

The final section of the introduction explain why the case study focuses on the states in the Southern Cone of

Latin America.

## 1. THE CASE STUDY: SOME GROUNDS FOR OPTIMISM?

As a case study I have chosen to focus on the links between South Africa on the one hand and the countries of Latin America on the other. Most studies of South-South links have tended to be concerned with intra-regional relations. This case study aims to explore the dynamics of relations across different regions. It also aims to deal with circumstances in which political and ideological factors are sometimes more salient than economic factors in determining a number of outcomes.

Since the central question is to investigate why the relationship failed to reach its potential, it is necessary to ask a number of subsidiary questions.

### a. The context of South-South relations

Firstly, we need to look at this relationship in the context of theorising about South-South relations in general. For this reason it is important to explore some of the writings on the theory of South-South trade and investment, as well as the writings of advocates of closer political and organisational ties in the South. The record of South-South co-operation also needs examination in order to assess whether and how far the theory is helpful.

These explorations are contained in the *second chapter*.

In general, despite the enthusiasm of the advocates of South-South collaboration, both the theory and practice have, to date, been rather pessimistic. Even so, there

were good reasons why South Africa's links with Latin America seemed exceptional, and likely to expand. Let us examine the grounds for possible optimism.

The first group of reasons are broadly historical. What could be learnt from the early linkages that existed? In order to answer this, the initial focus of the dissertation is on the nineteenth and early twentieth centuries.

b. British hegemony over the South Atlantic

At the turn of the nineteenth century, Britain established maritime hegemony over the South Atlantic. In chapter three this process will be examined, as well as some of its consequences for the development of the transatlantic relationship.

For example, Britain's main regional preoccupation was the ending of the transatlantic slave trade in the face of longstanding Portuguese and Brazilian intransigence. Ending the trade called for the exercise not only of diplomatic pressure, but also of naval power and legal processes on both sides of the Atlantic. How did this draw the regions together?

Britain's commercial interests on both sides of the Atlantic also led to the surmise that this would lead to an integration of the different markets, and the forging of regular economic links between them. One could reasonably expect the establishment of strong trade patterns based on early comparative advantage, especially in primary products. The Cape was a net exporter of wine, wool and wheat, whilst it imported live beasts and tropical commodities such as coffee, sugar and hardwoods. Latin America was both a market for Cape exports and in turn could furnish the necessary imports. Prior to the

steam age, the trade winds ensured that trading vessels operating between Europe and the Orient stopped both in Brazil and at the Cape. Hence there was almost a natural direct trade route linking the two regions. The likelihood of strong commercial ties seemed certain. We therefore need to examine the record of trade relations in order to see whether these promises were borne out.

Thus, *chapter three* explains the establishment of British hegemony in the South Atlantic and assesses the extent, whether through the indictment of the slave trade, or through the extension of commercial links, to which relations between South Africa and Latin America were enhanced.

#### C. An Argentine boom

Further grounds for optimism occurred at the turn of the twentieth century, when there were extensive flows of goods and people occasioned by the effects and after-effects of the South African War (1898-1902).

With the onset of war, hundreds of thousands of imperial troops entered the country. The logistics of feeding the imperial army had altered with the utilisation of new technologies which could freeze meat and transport it for thousands of miles. In South Africa, the disease of rinderpest had decimated cattle herds, and Australia had been severely affected by drought. *Chapter four* looks at the role Argentina played in furnishing the imperial armies with meat, as well as with horses and mules for combat and transport purposes. This occasioned a major boom in Argentina.

Of all the commercial flows between the two regions in over a century, this was the most significant to date. Although stimulated by the needs of war, there were hopes

that the trade might continue into peacetime. Chapter four will show whether this proved to be the case.

d. An emigrant community

Diasporas have the capacity to establish cultural linkages between states, and often also to influence economic and political relations. It is therefore worth examining whether the South African migrants who entered Argentina after the end of the South African War exercised this sort of influence.

Ships that brought mules from Argentina to South Africa returned with new settlers in the aftermath of the war. Mostly drawn from dispossessed Afrikaans tenant farmers based in the depressed north-eastern Cape, the emigrants formed a colony in the Patagonian territory of Chubut. Chapter five describes some of their experiences, and explores the extent to which this community cemented ties between Argentina and South Africa. The significance of the history of this community was as a talismanic representation of these ties in the minds of many Afrikaners. The representation was to outlast the community's distinct coherence and identity, but became useful later to propagandists of closer ties with Latin America.

These examples from the nineteenth and early twentieth centuries demonstrated that any early optimism was misplaced. British imperial interests were never integrated on both sides of the Atlantic, the links established at the time of the indictment of the slave trade were not exploited, the modicum of trade remained largely insignificant, the post-war recession in South Africa in the early twentieth century did not permit an extension of the Argentine boom in trade, and the Afrikaner emigrants in Argentina failed to constitute a

politically articulate interest group which could promote stronger relations.

The discrete and episodic nature of relations before 1945 left only faint traces on which the next generation could build. Nevertheless there were some clear precedents for trade, and the ambiguous legacy of a small diaspora which served to remind later advocates of closer links that certain cultural ties, however limited, were already in place.

Finally, the post-war period also provided political grounds for renewed optimism. In the late 1940s and 1950s, the Latin American republics were still largely untouched by the spirit of collaboration with emergent Asia and Africa. They provided diplomatic support for South Africa, under increasing attack at the United Nations for its racist policies and continued occupation of Namibia.

Particularly from the late 1960s, there seemed strong reasons to predict that political and economic relations between South Africa and the Latin American countries would expand.

#### e. Similar patterns of economic development

Firstly, there were similar patterns of rapid industrialisation. South Africa, along with countries like Argentina, Brazil, Chile, and Mexico experienced high rates of industrial expansion in the post-war period. The initial period of import-substitution industrialisation, in which non-durable goods were produced on a large scale locally from the 1930s, was extended in the post-war period to the production of durable consumer goods and intermediate goods. The move into these new areas of production was accomplished

partly through the increased presence of transnational corporations from the mid-1950s. The steady direct foreign investment contributed to fairly stable growth of the gross domestic product (GDP). For example, in the case of South Africa there was a period of steady growth in GDP from 1946 to 1974 which averaged at 4.9% per year, peaking at 7.8% between the years 1971 and 1974.<sup>1</sup> In the case of Brazil, growth in GDP - albeit aided by foreign loans - reached an average of 12.9% per annum between 1967 and 1973.<sup>2</sup>

Close comparisons could also be made between South Africa's brand of racial capitalism, which reached its maturity in the mid-1960s, and Brazil's so-called "economic miracle", both of which relied on models of income concentration in a section of the population rather than more equitable redistributionist models.

Because of their similar stages of industrial development, they were in a position to extend trade beyond the traditional pattern of exchanging primary commodities. Both South Africa and the larger Latin American economies developed the capacity to export manufactures and processed or semi-processed raw materials. For example, South Africa exported irrigation systems for agriculture and supplied specialised packaging for Chile's deciduous fruit industry. Despite high levels of protectionism it provided Brazil with mining machinery, pulp and paper products as well as

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<sup>1</sup> Stephen Gelb, "South Africa's economic crisis: an overview" in Gelb (ed.), *South Africa's economic crisis*, Cape Town: David Philip, 1991, p. 4.

<sup>2</sup> Fundação Getúlio Vargas, *Conjuntura econômica*. Various issues. See also the discussion in Riordan Roett, *Brazil: politics in a patrimonial society* (3rd edn), New York: Praeger, 1984, pp. 167-8.

organo-phosphates. Latin America supplied South Africa with motor components, canned fish, shoes and leather goods.

In the case of the less industrially advanced countries, such as Paraguay, Uruguay, the Andean group and Central America, South Africa sought to compete with the larger regional producers, like Brazil, Mexico and Argentina.

The official interest shown by South Africa in export promotion, reflected in the report of the 1972 Reynders Commission, recommended that "South Africa should increase contact, assistance and marketing of its goods in respect of certain South American countries (...which) must be regarded as natural markets for South African exports".<sup>3</sup> The state helped to promote the opening up of trans-Atlantic transport routes and the installation of undersea telecommunication cables (in the days prior to the general use of satellite technology). With the extension of a network of South African commercial attachés throughout Latin America, hopes grew that, aided by the improved infrastructure, trade between South Africa and Latin America would expand substantially in future.

Trade was not the only factor in developing economic ties; substantial South African investment took place in Latin American mining and fishing industries. Chapters six and seven focus on the important impact of these investments in Brazil and Chile in particular.

Chapter six explains the history of South African investment in Brazil in the mid-1970s, against the political background of Vorster's diplomatic drive into

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<sup>3</sup> Republic of South Africa, *Reports of the commission of inquiry into the export trade*, RP69/1972, Pretoria: Government Printer, 1972, p. 166.

Latin America, and of the shifting Africa policies of the Brazilian foreign ministry, Itamaraty. There were naturally contradictions thrown up by recognising the MPLA government in Angola on the one hand, and acceptance of the Anglo American Corporation of South Africa as a mining transnational with an important new presence in Brazil on the other. Brazil was able to contain these contradictions, and satisfy contending lobbies, by employing the rhetorical concept of "responsible pragmatism" in its foreign policy praxis. While the Anglo presence was welcomed, Brazil hardened her stance against apartheid. The chapter explores these contradictions, and details the growth of the corporation's activities in Brazil. The rationale for this investment rests with the firm's endogenous needs for resources, for spreading political risk, and for establishing a more secure position for itself in the global marketplace. Although its investment coincided with and took advantage of the drive on the part of the South African state for cementing its links with Brazil, the firm had its own discrete agenda.

Chapter seven turns to South Africa's relationship with the Pinochet dictatorship in Chile. It looks at the foreign policy discontinuities initiated by the dictatorship, creating the space for closer ideological ties between the two regimes. These ties deepened as South African politics became more militarised. The chapter analyses the subsequent growth of trade and investment, highlighting the arms and fishing industries. These flows were eased by the liberalisation of the Chilean economy on the one hand, and by the mutual ideological affinity of the two governments on the other.

#### f. Ideological affinity

The nature of the regimes on either side of the Atlantic, and the ideological affinity between South Africa and the dictatorships, provided another factor encouraging the hope that relationships between them might thrive. From the mid-1960s, the apartheid state was at its most self-confident, having defeated all significant opposition through the use of increasingly exceptional legislative measures and arbitrary police powers. It was beginning to implement the Verwoerdian dream of the establishment of independent "Bantu homelands", to complete the manic logic of the forced removal programme and urban labour controls. Despite the self-confidence of the regime, it was becoming increasingly isolated due to international condemnation of apartheid, especially by Afro-Asian states. Latin America seemed to be less concerned with isolating South Africa.

At the same time, Latin America was experiencing a rolling wave of military interventions in politics. Starting with the Brazilian coup of 1 April 1964, which extinguished the prospect of popular social and agrarian reforms, rightist military states came into being in Bolivia (1968), Uruguay (1973), Chile (1973), and Argentina (1976). Paraguay had languished under a military dictatorship of the extreme right since 1954. The regimes of Central America had experienced intermittent military governments and oligarchic rule by dynasties such as the Somozas in Nicaragua.

Not only were the new dictatorships prepared to turn a blind eye to apartheid, but in general they favoured closer links with South Africa. "We are the same kind of men", said Uruguayan president Bordaberry, fronting a military regime, to South Africa's prime minister B J Vorster in welcoming him on an official visit to Montevideo in 1974.

#### g. The South Atlantic rim

A further reason for predicting a closer relationship was the geographical proximity to each other's markets. The relative distance was far shorter than to Europe or East Asia. Instead of being divided by the South Atlantic, the concept of being united by the South Atlantic could operate in a similar way to the notion of the Pacific rim, perceived as a zone of accelerated industrial growth. Could the South Atlantic rim emulate the Pacific rim?

Although there has been no consolidation of a South Atlantic economic community, much has been suggested about a military relationship. From the late 1960s there was also much speculation about the formation of a South Atlantic Treaty Organisation, to defend the region from any Soviet incursions. The proposals that South Africa and the dictatorships of the southern cone should jointly militarise the South Atlantic are dealt with in chapter eight. The logic of ideological affinity was given scope for expression within a potential military alliance. The most responsive Latin American countries to the proposal were Argentina, Paraguay and Uruguay. This provided an opportunity to explore their respective relationships with South Africa more closely. In many respects the ideological dimension of the relationship is shown to be primary.

The proposal pointed to the potential for cementing a trans-regional identity and spawning institutions of collective security. Any institutional military links would have spin-offs for further trade and investment, expanding existing economic links.

#### h. Renewed possibilities for population migration

In 1977, the Banzer dictatorship in Bolivia offered land for colonisation to persons of German and Dutch descent in Southern Africa. The possibility of the establishment of a new community of such settlers in Latin America held out hopes for cementing existing political, economic and cultural ties and the initiation of new ones between their host and their native countries. There were echoes of the earlier settlement of Afrikaners in Patagonia. Chapter nine thus returns to the theme of population migration, and attempts to trace the history of Banzer's offer.

#### i. Evaluation

The failure to exploit the early linkages during the nineteenth and early twentieth centuries was re-echoed in the later period of expanded relations from the late 1960s. The dissertation will show why, once again, the optimism was not borne out. A small number of powerful South African firms, based on extractive industries, and sensitive to global markets, were able to extend their direct investments in Latin America in a significant way during the 1970s. The relationship between the increasingly militarised South African state and the Chilean dictatorship (1973-90) also flourished, largely for reasons of political and ideological affinity. But apart from these instances, few advances were made in developing transatlantic ties. Neither the proposed South Atlantic Treaty Organisation, nor the schemes to resettle white Southern Africans in eastern Bolivia, succeeded, and with their failure went hopes of cementing the links through alliance or physical settlement.

The dissertation ends with a concluding chapter which attempts to answer some of the questions posed about South-South relations, and about the exceptionality of the case study. It evaluates the evidence against the previously expressed optimism about the expansion of the

relationship. It goes on to make some informed predictions about the development of the relationship between South Africa and Latin America in the transition to democracy and beyond.

## 2. POLITICAL ECONOMY AND SOUTH AFRICAN FOREIGN POLICY ANALYSIS

The ideological affinity at state-to-state level allowed the dictatorships of Latin America to welcome business with South Africa. This raised a question concerning the relative roles of the state and the private sector in developing the relationship. Whilst individual South African firms may not necessarily have endorsed the ideology of apartheid, or shown direct support for the National Party government, is there evidence that they appreciated the new opportunities which the state was making possible for trade and investment in Latin America? In the case of Brazil, which was under increasing domestic and international pressure to condemn apartheid, potential investors had to rely on more oblique strategies to obtain Brasília's endorsement of their investments. By throwing some light on the nature of the relationship between South African business and the South African state, this case study may help to illuminate the more general question of the relative role of state and market in trade relations.

This is particular so because this relationship has generally been ignored in the literature on South African foreign policy.

For example, James Barber, in his 1973 study, *South Africa's foreign policy, 1945-70*<sup>4</sup>, James Barber devotes

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<sup>4</sup> Oxford: Oxford University Press, 1973.

five pages to the economic dimension and makes no mention of South African firms as actors in the determination of South Africa's role abroad. In an updated version, co-authored with John Barrett<sup>5</sup>, three pages out of almost 400 are devoted to an examination of "international economic relations", and a further three pages to consideration of South African economic interests in Africa.<sup>6</sup>

And in a study commissioned for the South African Institute of International Affairs<sup>7</sup>, Deon Geldenhuys identifies "the business community" as a "pressure group" in foreign policy-making, alongside churches, universities and political parties. Once again, only five pages (in a study almost 300 pages long) are devoted to their role, and the relationship of state and private capital is inadequately examined.<sup>8</sup> Geldenhuys redeems himself to some extent in his four-country comparative study of international isolation, in which Chile, Israel and Taiwan are also analysed.<sup>9</sup> Here he does give some coverage to South Africa's international trade, investment, loans, and technology transfer. Even so, these relations are seen merely as statistics. There is little on the international behaviour of South African firms or on the state-capital interface.

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<sup>5</sup> *South Africa's foreign policy: the search for status and security, 1945-1988*, Cambridge: Cambridge University Press, 1990.

<sup>6</sup> pp. 154-7; 131-4.

<sup>7</sup> *The diplomacy of isolation: South African foreign policy making*, Johannesburg: Macmillan, 1984.

<sup>8</sup> pp. 160-65.

<sup>9</sup> *Isolated states: a comparative analysis*, Johannesburg: Jonathan Ball, 1990; see pp. 330-353 and 387-415.

Gerrit Olivier, a former politics professor at the University of Pretoria, who entered the Department of Foreign Affairs as a senior desk official, wrote a study of South Africa's foreign policy. His book became a standard text in the training of diplomats, but ignored the economic dimension almost entirely. Trade is only acknowledged, however, as a general instrument of foreign policy; just over a page is devoted to this topic.<sup>10</sup>

Pretoria's international economic relations are marginally integrated into Gail-Maryse Cockram's somewhat adulatory study called *Vorster's foreign policy*. She devotes a chapter to gold, and the rest of the work consists almost entirely of case studies of bilateral relations, with a focus on the political dimension.<sup>11</sup>

When we look to the economists for studies of South Africa's international economic relations, their work also suffers serious limitations. The work of Matthews et al. adopts a neo-classical perspective, but does not really examine the international behaviour of key firms, or their relationship with the state.<sup>12</sup> This is left to a mere handful of articles. Kaplan has explored the issue of the direct foreign investment by South African firms

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<sup>10</sup> *Suid-Afrika se buitelandse beleid*, Pretoria: Academica, 1977, p. 173-4.

<sup>11</sup> Pretoria: Academica, 1970.

<sup>12</sup> Jacqueline Matthews (et al.), *South Africa in the world economy*, Johannesburg: McGraw-Hill, 1983.

abroad<sup>13</sup>, and Padayachee examines the politics of South Africa's financial relations.<sup>14</sup>

Other writers have looked at the behaviour of individual firms such as the Anglo American Corporation of South Africa Limited in the international arena.<sup>15</sup>

This neglect is not surprising since the new institutional economics has only recently begun to explain the role of firms in market economies, and how rational choice and rational expectations may be affected by imperfect information. Hitherto, the analysis of the behaviour of specific firms in the real world had been left entirely to the business schools.

The Chinese wall between the foreign policy analysts, the economists, and corporate historians needs to be breached, and it is hoped that this dissertation will make a contribution to this process.

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<sup>13</sup> David Kaplan, "South Africa's changing place in the world economy", in Glenn Moss (ed.), *South African Review One*, Johannesburg: Ravan, 1983. See also his *Crossed lines: technological change and the telecommunications sector in South Africa*, Johannesburg: University of the Witwatersrand Press, 1990.

<sup>14</sup> Vishnu Padayachee, "The politics of South Africa's international financial relations, 1970-1990", pp. 88-109 in Stephen Gelb (ed.), *South Africa's economic crisis*, Cape Town: David Philip, 1991.

<sup>15</sup> The best example of this is David Pallister (et al.), *South Africa Inc.: the Oppenheimer empire*, Braamfontein: Lowry, 1987, which deals with Anglo's foreign investments, esp. in pp. 80-101. Bill Jamieson's *Goldstrike!: the Oppenheimer empire in crisis*, London: Hutchinson, 1990, covers more recent abortive attempts by Anglo to extend its foreign holdings. Duncan Innes's *Anglo: Anglo American and the rise of modern South Africa*, Johannesburg: Ravan, 1984, devotes his conclusion to a very brief analysis of Anglo abroad (pp. 229-43) but analyses more adequately the firm's relationship with the South African state.

### 3. DRAWING ON DIFFERENT DISCIPLINES

The interdisciplinary nature of this dissertation requires some defence. The explosion of historical scholarship on South and Southern Africa in the 1970s had a seminal impact on virtually all subsequent work in the social sciences. Simultaneously, there was a trend of scholarship which attempted a structural analysis of the South African economy. The intellectual climate of both these trends has made so strong a mark that it seemed important to utilise their respective strengths to trace both the historical antecedents and the more contemporary contours of the relationship between the apartheid state and the Latin American dictatorships. Drawing on the contribution of the social historians, the dissertation also acknowledges the value of examining the impact of actual and potential migrant communities on international relationships. Some of the material on military alliances drew upon the discipline of strategic studies. The overarching concerns are those of international political economy. The text attempts to see these disciplines as dynamic and interactive, applied flexibly in an effort to understand phenomena which are multidimensional.

### 4. FOCUS ON THE SOUTHERN CONE OF LATIN AMERICA

In some ways, whether as a result of the classic constraints on South-South relations, or as a result of a negative response to South Africa's domestic policies, the development of the relationship has experienced resistance, setbacks and outright failures. My belief is that there are lessons to be learnt from these instances as much as their converse.

Despite the attempt to be as comprehensive as possible in documenting the relationship, there has been a bias in

the coverage of the southern cone of South America. Not only were the countries situated there the largest trading partners and sites of South African investment, but a number of them enjoyed military links and a mutual ideological affinity. Hence the dissertation concentrates on the countries with which South Africa was able to consolidate relations significantly. This means a focus on the countries which languished under military rule during the period 1964-89.

Attention to these links prevented a more thorough treatment of the relationship with the remaining nations of the region. But there were other good reasons for this. Mexico, Colombia, Venezuela, and most of the nations of the Caribbean instituted sanctions in the 1970s, which meant that the relationships South Africa enjoyed with these countries were severely limited. Relations with Central America were, for a considerable time managed from the South African consulate-general in New Orleans. In the late 1970s, a resident ambassador took up his credentials in El Salvador, but was kidnapped by one of the factions that was later to form the Farabundo Martí Front for National Liberation. He died in their captivity. The junta that came to power in 1979 decided to sever all links with South Africa. Honduras, Guatemala, the Dominican Republic, Peru and Ecuador have at times had commercial and contract links, but none of these merited a great deal of attention.

The adversarial relationship with Cuba was not an example of commercial, financial, diplomatic consolidation on South Africa's part and hence was excluded from this study.

## 5. DOCUMENTING THE RELATIONSHIP

Finally, while aiming to address important issues of general theory in international political economy, the thesis incidentally documents a process which has largely been ignored by academic writers. Apart from a short chapter in Cockram (1970), none of the analysts of South African foreign policy pay any substantial attention to the links with Latin America. Although this relationship was by no means central to South Africa's foreign policy, it provided a significant defence against increasing international isolation. The case study therefore not only provides theoretical insight on the political economy of South-South relations, but also provides a systematic analysis of a neglected area of South Africa's foreign relations.

The case study aims to throw light on the general question of why South-South relations have failed to mature. It is therefore appropriate to begin with an appraisal of theories of South-South relations.

## CHAPTER TWO

### THEORIZING SOUTH-SOUTH RELATIONS

This chapter explores theories of South-South relations. It begins with an appraisal of the concept of "South" (section 1) and goes on to assess the nature of South-South relations, examining the questions of trade (section 2) and investment (section 3) in particular. Some of the ideologies of closer South-South relations will also be examined (section 4).

Under certain circumstances, South-South relations have been extended over the past two decades. The examples of oil dependence, the arms trade, regional economic hegemony, and ideological affinity led to the formation of closer ties between countries of the South (section 5).

Despite the optimism of the many advocates of extended co-operation between countries of the South. it will be argued that the numerous constraints have seriously limited the expansion of relations (section 6).

The relationship between South Africa and Latin American countries passed through two historical phases. The first period straddles the nineteenth and early twentieth centuries. It will be demonstrated that links forged

during this early period were largely related to the circumstances of Britain's commercial or military needs on either side of the Atlantic. In the second period, dating from the mid-1960s, trade and investment expanded, but often as a result of ideological affinity between an increasingly militarised South Africa and the wave of military regimes established in the Southern Cone of Latin America.

During the latter period, South Africa's interest in Latin America began to take off autonomously and more seriously. The apartheid state was at the height of its economic growth, yet felt insecure about the negative effect international sanctions might exercise on its trade. The possibilities of new trading and investment partners arose from the political predilection of the Vorster government for the Latin American dictatorships, which were prepared, by and large, to overlook apartheid, and treat his government as normal, despite growing international condemnation. Growing trade and investment opportunities for South African firms became possible through prior establishment of amicable state-to-state relations.

The expansion of the relationship has, it will be demonstrated, always been hampered by constraints that have classically limited the development of South-South relations. It is for this reason that we need to examine first principles.

## 1. CONCEPTUALISING THE SOUTH

The use of the term "South" here refers to the sense adopted in the 1970s as a generic reference to those countries of Africa, Asia, the Caribbean, Latin America

and the Pacific which were not members of the OECD<sup>1</sup> and which were formerly subjected to colonial rule or which were inserted into the world economy in a similar manner to the post-colonial countries<sup>2</sup>. The term "South" came to supplant the terms "underdeveloped", "less developed", "developing" and "Third World" countries, since it was a less perjorative or hierarchical term of reference.

It is a shorthand term which operates similarly to the concept of the "West", sharing its strengths and deficiencies. "West" has been a shorthand signifier for the Atlantic alliance and its supporters, which includes Japan, a country whose geographical and cultural attributes are quintessentially oriental. Likewise, the concept of the "South" strays geographically, at times as far north as Mexico and Mongolia, and simultaneously excludes significant parts of the Southern Hemisphere, like Australia and New Zealand. As a generic term it implies a greater degree of unity, coherence and co-operation than in fact exists. It also implies a degree of homogeneity that cannot easily be substantiated. Countries of the South are extremely varied in terms of levels of physical and population sizes, income and income distribution, level of industrialisation, exports, debt, infant mortality, and all the major economic and social indicators.

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<sup>1</sup> The Paris-based Organisation for Economic Co-operation and Development, comprised of the richest 25 nations, including Turkey and Yugoslavia. At the time of writing, South Korea, Brazil and Mexico are in the process of applying for membership. If they succeed, this definition of "South" will have to be modified. This qualification is included because Australia and New Zealand belong to the OECD but not the "South"; whilst the former CMEA has not merited similar qualification because it included some countries of the "South", namely Cuba, Mongolia, and Vietnam.

<sup>2</sup> This qualification covers the cases of countries like China, Liberia and Ethiopia.

Nevertheless analysts required such a term to differentiate these countries from those of the OECD and the original members of the former CMEA bloc. The development of the South was and remains the object of enquiry for various of the social sciences. Development economics, sociology of development, politics of the developing countries, and development studies in general aim to analyse and address the socio-economic and political problems faced by the countries of the South. International political economists have found it useful to have a generic concept covering the post-colonial world as part of their efforts to probe the changes in the international economic order since the demise of the Bretton Woods structures.

The focus of much academic investigation has been the question of unequal socio-economic development between North and South resulting from the impact of the colonial legacy and other factors. Professional specialists have sought to understand the obstacles to development, and to seek the means to overcome them.

Three major theoretical variants emerged as explanatory devices for the situation of "underdevelopment" in the South.

The first variant, known as "modernisation theory", ascribed the situation of underdevelopment to constraints on the development of capitalism in the South.<sup>3</sup> Remnants of pre-capitalist economic, political and cultural relations acted to inhibit the development of the capitalist market, and were seen as breaks on progress. This variant saw modernisation, or the increased dominance of the capitalist mode of production, as the

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<sup>3</sup> Epitomised in the writings of Rostow (1960), but also see Clark (1957), McClelland (1961) and Hagen (1962).

path to development. The solution to the problem of the distribution of wealth would occur through a process of trickle-down from rich to poor.

A second variant emerged in the 1960s to challenge the first. It arose from a specific analysis of certain Latin American case studies, and analysed North-South relations in terms of "dependency theory". Championed by Prebisch, Frank and others<sup>4</sup>, dependency theory argued that the relationship was based on the exploitation by the centre of the periphery. "Underdevelopment" was not a passive condition, based entirely on endogenous defects, but an active one imposed on the South by the advanced capitalist countries. This took various forms at different levels. The colonial or neo-colonial powers exploited the colonies and former colonies, the domestic metropolis exploited the regions, the regional hub the countryside. Surplus was extracted by the centres at the expense of the peripheries. A new hierarchy of exploitation emerged, with local "comprador" classes acting as intermediaries on behalf of the ruling classes at the centre. The proponents of this theory, known as **dependistas**, argued for the breaking of the chain of dependency, regarded as an undifferentiated experience in the whole of the South, through the development of more self-reliance and for more economic protectionism.

By the 1970s, a critique of the **dependistas** emerged to form a third theoretical variant attempting to explain

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<sup>4</sup> See key texts by Raúl Prebisch (1950), André Gunder Frank (1967), and Cardoso and Faletto (1969); Kay points out that "the identification outside Latin America of dependency theory with the work of Frank has led to a one-dimensional view of it" (1989, p. 157), and feels that Frank's work should be seen mainly as part of the world-systems theory propounded by Amin (1974, 1976) and Wallerstein (1979, 1984).

the nature of North-South relations.<sup>5</sup> Drawing more consistently on Marxist analysis, this variant regarded the solutions of the dependistas as empowering the bourgeois ruling classes of the South. The third variant claimed the deficiency of dependency theory was its failure to give sufficient weight to the nature of class exploitation at the periphery. For this reason it tended to focus on the "social formation"<sup>6</sup> as a unit of analysis. It sought the increased empowerment of the exploited classes in the countries of the South and a break with capitalism as the solutions to the problem of development.

Despite the growing literature on development, and the vigorous debates amongst advocates of the different theoretical variants, the material conditions which had shaped the post-Second World War world were undergoing significant shifts from the end of the 1960s.

Faced with severe modifications of the Bretton Woods system, the temporary success of the oil producers' cartel, and the increasing internationalisation of production, the global political economy had entered a new phase. The shift became known as a "new international division of labour" which had a different impact on North and South, and on their mutual relationships.

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<sup>5</sup> See the Marxist critiques of dependency theory offered by Ernesto Laclau (1971); Ronald Chilcote (1974); Philip O'Brien (1975, 1985); Gabriel Palma (1978); and Colin Henfrey (1981).

<sup>6</sup> The concept of social formation was extensively utilised by French structuralist-Marxist philosopher, Louis Althusser. It coincided with the orthodox concept of "nation-state", but Althusser saw this term as too inaccurate. Following Engels he saw the social formation as a totality whose unity is comprised of interconnected spheres of politics, the economy and ideology, and therefore went beyond simply a notion of the state.

The countries of the North during the 1970s had seen a sharp decline in industrial production and employment levels, accompanied by higher inflation. Industrial firms responded by seeking to build global markets for their products. Banks recycled petro-dollars and made it easier for borrowers in the South to obtain credit.

Under the new international division of labour, the impact on the South was profound. Perhaps the most significant trend was the extension of its internal differentiation, or what certain writers have referred to as hierarchisation<sup>7</sup>, implying the re-ordering of the sub-groups constituting the South in new positions in the global economy. More than ever before, the divisions between three groupings - the oil exporters (PECs), the newly-industrialised countries (NICs), and the least developed or "Fourth World" countries (LLDCs) - became evident. This trifurcation was not an exhaustive taxonomy: countries like China, Chile or Botswana defy easy categorisation. Yet each of these main groupings had a different place in the new international division of labour, and this hampered a consolidated response to the new global conditions.

Analysts were forced to take into account the emergence of the NICs, or what are referred to more accurately as the semi-industrialised countries. Their economic growth was matched by the decline of the "Fourth World" countries, although in some cases periods of high growth have ended as certain NICs have been adversely affected by debt crises.

Nevertheless, the case of the Asian NICs in particular

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<sup>7</sup> See Jerker Carlsson, "The emergence of South-South relations in a changing world economy" in Jerker Carlsson (ed.), *South-South relations in a changing world order*, Uppsala: Scandinavian Institute of African Studies, 1982, p. 10.

has been cause for a rethink on the part of advocates of each of the three theoretical variants. The success stories of Taiwan, South Korea, and Singapore, for example, came about through initial phases of extensive state intervention, and cannot be ascribed to the free functioning of market forces. At the same time, despite a relative absence of political freedoms, standards of living have risen across the board. Capitalism also seemed much more durable than advocates of the **dependista** and Marxist schools had predicted.<sup>8</sup>

The NICs had shifted from being countries principally devoted to the export of primary products, and became large recipients of new investment and loan capital, and, increasingly, exporters of finished and semi-finished industrial goods.

The new international division of labour also had an impact on the development path of those countries of the South which had adopted import substitution strategies for industrialisation. The internationalisation of production posed huge challenges to those countries which had adopted strongly nationalist and protectionist policies since the 1930s. Pressure to liberalise came from a number of quarters: the International Monetary Fund's structural adjustment programmes, conditionality of World Bank loans, Reagan's Caribbean Basin Initiative, and so on. At the same time, advanced capitalist countries sought to maintain and extend protectionist trade barriers to avoid local industries having to compete with low-wage NICs. For example, the United States attempted to limit the import of textiles, shoes and apparel from countries like Brazil. Japan became notorious for its low levels of imports from North as well as South, whilst the consolidation of the European

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<sup>8</sup> See Albert O Hirschmann, *The strategy of economic development*, Boulder: Westview, 1988.

Community - and especially its attempt to construct a single internal market - aimed to control its trade with the South very carefully through instruments like the Lomé Conventions.

Despite growing structural divisions, the South had, as early as the middle 1950s, attempted to organise itself both politically and economically.

Politically, this took the form of the grouping called the Colombo Powers<sup>9</sup>, whose initial success stimulated the calling of a more broadly based conference to include other neutralist and newly sovereign states. This conference took place at Bandung, in Indonesia, in 1955.

The idea of closer political co-operation was raised by a number of heads of government in the South who saw the benefits of treading a path independent of the two major blocs. Inspired by the independent line of Josip Broz Tito and Jawaharlal Nehru, they also included Kwame Nkrumah, Achmed Sukarno, Achmed Ben Bella and Gamal 'Abd el-Nasser.

Bandung was the first of many subsequent conferences, which by the 1970s had evolved into the Non-aligned Movement (NAM). Since its basis was neutralism, it included Yugoslavia - not conventionally regarded as part of the South - as a key member. However, for the most part, the organisation articulated the views of large parts of the South as a political bloc.

Economically, the South coalesced around the "Group of 77" (G-77), named for its original membership size. G-77

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<sup>9</sup> This met in the Sri Lankan capital in April 1954, and consisted of India, Pakistan, Sri Lanka, Burma and Indonesia. Pakistan left after it joined SEATO later that year, but Ghana, the United Arab Republic, and Cambodia became associated with the group.

was formed in 1962 as a loose alliance to represent the interests of the South in the various rounds of international trade negotiations sponsored by the United Nations Conference on Trade and Development, principally aimed at the periodic revision of the General Agreement on Tariffs and Trade (GATT).<sup>10</sup> The alliance forged in the economic sphere was often extended to other arenas of international organisation. For example, in the General Assembly of the United Nations, or in specialised organisations like UNESCO, the International Olympics Committee, and so on, the South, when it acted in concert, formed an increasingly powerful political lobby.

At the regional level, countries of the South combined for largely economic purposes. Organisations like the Association of South-east Asian Nations, the Andean Pact, Caricom, the Central American Common Market, the Southern African Development Co-ordinating Conference and many others emerged to rationalise regional development and political co-operation. Regional bargaining groups also emerged, such as the ACP countries, combining sub-Saharan Africa, the Caribbean and the Pacific, to represent the least industrialised of the post-colonial countries in their dealings with the European Community.

In some cases, countries of the South producing the same commodity established common organisations charged with obtaining better terms of trade in the world market. The most successful commodity organisation, particularly during the 1970s, was the Organisation of Petroleum Exporting Countries, which succeeded in building an oil cartel, and establishing its own pricing structures. Despite early signs of promise, other attempts were

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<sup>10</sup> See for example the work of Gardner and Millikan (eds.) (1968), Diana Tussie (1987), and Mark Williams (1990).

ultimately less successful, combining, for example, the copper, coffee, bauxite and the tin producers of the South.

Apart from the structures of collaboration and consultation, of policy co-ordination and joint lobbying, there is also a need to examine the extent to which South-South economic transactions have expanded. Therefore the following sections aim to analyse South-South investment and trade patterns.

## 2. SOUTH-SOUTH TRADE: SOME THEORIES

Substantial debate has taken place about the costs and benefits of South-South trade. Different theoretical approaches to international trade have come into conflict about the conditions under which South-South trade might thrive.<sup>11</sup>

The neo-classical approach to international trade - drawing on the pioneering work of two Swedish economists, Heckscher and Ohlin - is based on the theory of comparative advantage. It predicts that trade is most likely to occur between unlike economies, and the relative gains will be greatest when conditions (factor endowments of labour and capital) are most dissimilar. The greatest gains will therefore arise from trade between capital-intensive North and labour-intensive South. By extension, gains will also arise from trade between more and less industrialised countries of the South.

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<sup>11</sup> The most cogent outline is to be found in Vivianne Ventura-Dias, "The theoretical background for analysis of South-South trade", pp. 1-24 in Ventura-Dias (ed.), (1989). Also see Adams (1983), Parsan (1992 forthcoming), Raipuria (1987). and Thomas (1988).

Many empirical studies on trade patterns have raised doubts about whether the rigorous simplicity of the static, two-factor Heckscher-Ohlin model could explain them accurately.

Stewart identifies two major flaws in the theory.<sup>12</sup> Firstly, trade flows are larger by far between countries of the North, which are reasonably equivalent in terms of industrial advance. This is evident in statistics provided in Table 2.1. The trade between developed countries (column N-N) has consistently accounted for over half of world trade, and this proportion rises significantly when only manufactured goods are considered.

TABLE 2.1

YEAR	DIRECTIONS OF TRADE: 1955-1985 Percentage of world exports					
	S-S	S-N	Total S	N-S	N-N	Total N
1955	7.09	20.91	27.99	20.46	51.55	72.01
1960	5.65	18.34	23.99	20.21	55.80	76.01
1965	4.86	16.58	21.44	16.95	61.61	78.56
1970	4.11	15.03	19.14	15.64	65.22	80.86
1975	6.66	20.09	26.74	18.72	54.54	73.26
1979	7.17	20.85	28.03	16.69	55.28	71.97
1980	8.07	22.85	30.92	17.07	52.01	69.08
1981	8.87	21.88	30.75	18.38	50.88	69.25
1982	9.28	19.95	29.23	18.70	52.07	70.77
1983	8.80	18.99	27.78	17.57	54.64	72.22
216						
1984	8.24	18.97	27.22	16.62	56.16	72.78
1985	7.81	18.02	25.83	15.96	58.22	74.17
Range	4-10	15-23	19-31	15-21	50-66	69-81

Key: S = South; N = North (market economies only).

Source: UNCTAD data bank; Vivianne Ventura-Dias,  
"Structure of South-South trade", p. 28.

<sup>12</sup> Frances Stewart, "The direction of international trade", in Gerald K Helleiner (ed.), *A world divided: the less developed countries in the international economy*, Cambridge: Cambridge University Press, 1976, p.94-5.

The second flaw in the neo-classical position was identified by Leontief, whose famous "paradox" demonstrated that exports from the United States were labour-intensive in relation to its imports. This weakens the argument that factor endowment is an independent explanation of trade. On the contrary, factor endowment, especially when non-natural resources like capital goods and educated manpower are concerned, may be a product of past trade developments. According to Myrdal, this cumulative causation can have an impact on efficiency: any initial competitive edge will result in further increases in efficiency, leading to a greater cumulative advantage. This may prevent the development of the less advanced economy, even if there had originally been an equal starting point.<sup>13</sup>

In challenging the neo-classical theorists' model of the direction of trade, Linder argues that the direction for manufactured exports is likely to be the opposite of the Heckscher-Ohlin predictions. His argument is that it is greatest between similar countries and least for dissimilar countries.<sup>14</sup> Consumption varies with income level, and will be most similar for countries of equivalent development status. Innovations perfected in the domestic market, will later find consumers in similar export markets. This helps to account for the consistently high level of North-North trade. Yet Linder does not take into account questions of historical North-South linkages (colonial trade, restrictions on South-South trade), nor the technological and innovation gap which encourages transfers from North to South, nor the

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<sup>13</sup> Gunnar Myrdal, *Economic theory and underdeveloped regions*, London: Duckworth, 1957.

<sup>14</sup> Stefan Burenstam Linder, *An essay on trade and transformation*, Stockholm: Almqvist & Wiksell, 1961. Also see Harmon C Thomas, *A study of trade among developing countries, 1950-80: an appraisal of the emerging pattern*, Amsterdam: North-Holland, 1988, pp. 57-9; 67-70.

question of income distribution.

The "product cycle" theory advanced by Raymond Vernon shows that technology transfer has complex consequences for the direction of trade.<sup>15</sup> Vernon demonstrates a sequential national entry into production of certain manufactured goods, with early adaptation of new goods conferring an export advantage, on the basis, say, of lower wages or raw material costs in the South. The new products will flow from North to South in the first instance, but after adaptation in the South, the flow will be reversed for "mature" products. A good example of this product cycle is the export to advanced countries of Taiwanese clones of IBM-style personal computers. The conclusion drawn from this theory is that, of all the flows, South-South trade is least advantageous. The reasoning is that since there is little innovation in the South, and, since wage costs are similar and protectionism more likely, countries of the South do not benefit from importing low cost products from each other. The concentration of innovation in the North is one of the main reasons for refuting Linder's claim that trade is greatest among similar countries, especially when they are poor.

The Linder thesis also ignores differences in income distribution, which in many countries of the South are very wide. Consumption patterns in the South may be distorted somewhat by the importation of products from the North designed for higher income levels than are typical.

The issue of technological linkages accounts for the dominance of North products in many South markets.

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<sup>15</sup> His seminal article is "International investment and international trade in the product cycle", *Quarterly Journal of Economics* 80, May 1966, pp. 190-207.

Importation of a single product from the North may require the consumption of a string of other related or complementary products. For example, in order to raise productivity, a country of the South may import tractors. It simultaneously needs skilled drivers and mechanics, petrol and lubricants; the tractor will enable the owners to make use of new types of seeds and fertilisers as complementary goods. Each new product from the North may carry further linkages.

Thus, for various reasons, but particularly because of the North's dominance of innovation and substantial technological linkages, the tendency for South-South trade to supplant or challenge North-South trade is a very limited one. Neo-classical critics of South-South trade as a panacea to development have pointed to the inefficiencies and featherbedding of protected industries in the South.

In turn, supporters of South-South trade have seen it as one element of the redirection of the economies of the South, and a necessary precondition for more appropriate patterns of development. It would undo somewhat the process of cumulative causation which has largely benefited the North. It would give the South a margin of independence from the wilder oscillations of Northern markets, and raise the South's bargaining strength.

The redirection of the South's trade is fraught with constraints and complications, some of which will be dealt with below. Nevertheless, although the theoretical foundations for explaining why South-South trade remains small have become something of an orthodoxy, growing interest in its promotion has spawned theoretical strategies for how it can be extended.

Leaving aside post-Fordist solutions, rare in the South,

strategies for boosting South-South trade have often been rooted in an industrial base which originated through import-substitution industrialisation.<sup>16</sup> Export goods need to be competitive in price, design and quality, and therefore are likely to be adaptations of technologies and production processes of the North. These goods are "last-phase product cycle" goods, manufactured in the NICs, and traded for primary products from the LLDCs. In a sense this trading pattern conforms with that predicted by the Heckscher-Ohlin model, the exchange of manufactures for primary products. Yet since they are "last-phase product cycle" goods, the neo-classical model is not really equipped to analyse them.<sup>17</sup>

In the case of NICs producing both primary and "last-phase product cycle" goods<sup>18</sup>, trade may consist of a mix of both types of product. The case of South Africa and Latin America is one in which trade in the nineteenth century consisted entirely of primary products; after import-substitution industrialisation had taken place, countries were in a position to trade in "last-phase

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<sup>16</sup> See Chenery (H), Robinson (S) and Syrquin (M), *Industrialisation and growth: a comparative study*, Oxford: Oxford University Press, 1986. Yet Pazos feels that in the long run, the route of import substitution is costly and problematic. See "Have import-substituting policies either precipitated or aggravated the debt crisis?", *Journal of Interamerican Studies and World Affairs* 27, 4, Winter 1985, pp. 57-72.

<sup>17</sup> Jerker Carlsson, "The Brazilian penetration of Nigeria through trade", in Carlsson and Shaw (eds), *Newly industrialising countries and the political economy of South-South relations*, Basingstoke: Macmillian, 1988, pp. 192-3.

<sup>18</sup> Of Brazil's 1989-90 exports, for example, 37.7% were comprised of manufactured goods, including iron and steel products. See *Gazeta Mercantil*, 6 August 1990. Brazil produces "last-phase product cycle" goods such as civilian and military vehicles and components, as well as intermediate technology consumer durables adapted for "tropical" markets.

"product cycle" goods, in addition to primary and intermediate goods. As will be shown, trade is sporadic, and often linked to investment.

### 3. SOUTH-SOUTH INVESTMENT FLOWS

Although notoriously difficult to measure and collate, South-South capital flows are a growing feature of the relationship. To understand these flows we need to disaggregate national statistics and look more closely at the calculations of individual firms in their decisions to invest abroad. With the emergence of the NICs, came the rise of South-based transnational corporations (STNCs), ranging from private firms like South Korea's Daewoo to state-owned firms like Brazil's Companhia Vale do Rio Doce.

Various factors led to the larger South-based firms' decisions to go transnational through participation in direct foreign investments. In his analysis of the internationalisation of South-based firms, Wells identifies five motives:

1. Because of foreign exchange restrictions (e.g. India), governments may insist that local firms find their own sources of foreign exchange to finance imports. This drives them to invest abroad.
2. Anti-trust laws at home may force expansion abroad to ensure further growth.
3. Size limitations of the domestic market may curb growth.
4. The application of established technologies abroad may be more profitable than developing new ones at home.
5. Foreign investment may be a general risk-spreading

strategy.<sup>19</sup>

There are, of course, other motives, and some of these will be highlighted in the case studies presented later.

For example, investment may occur in order to gain access to raw materials. The drive for raw materials is motivated by various considerations. Firstly, it may result when home countries lack strategic resources. Examples of this abound: Brazil's need for petroleum has governed its relationship with Nigeria<sup>20</sup>; the Philippines and South Korea have bought into timber plantations in Indonesia<sup>21</sup>. Secondly, a firm may make an investment solely to maintain a monopolistic or monopsonistic control over a commodity; here, the classic example is De Beers Consolidated, the South African based diamond producer<sup>22</sup>. Thirdly, where resources are depleted in one host country, investments may shift to a third country. Later we shall examine the case of the South African fishing industry shifting its Namibian holdings to Chile after the depletion of the Namibian fish stock.

The emergence of money markets in the South, and the transfer of innovation of technology have led to the maturation of STNCs. Access these and Northern money markets enabled the STNCs to finance expansion, exports

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<sup>19</sup> Louis T Wells jr, "The internationalisation of firms from developing countries", in T Agmon and Charles P Kindleberger (eds), *Multinationals from small countries*, Cambridge, 1977, pp. 135-6.

<sup>20</sup> Jerker Carlsson, "The Brazilian penetration of Nigeria through trade", p. 194.

<sup>21</sup> Louis T Wells jr, "Firms from developing countries", pp. 148-149.

<sup>22</sup> Duncan Innes, *Anglo: Anglo American and the rise of modern South Africa*, Johannesburg: Ravan, 1984, chs 1 and 4; David Pallister, Sarah Stewart and Ian Lepper, *South Africa Inc.: the Oppenheimer empire*, Johannesburg: Media House/Lowry, 1987, pp. 102-121.

and investments abroad.

Another set of motives rests on technological advantages enjoyed by the STNCs, by virtue of their position in relation to the product cycle. This may occur through the STNCs having adapted originally foreign technology, usually based on large-scale technology for a mass market, to what Diaz Alejandro calls "a small scale of operation".<sup>23</sup> Often technological innovations may be originated by STNCs to meet the needs of a domestic market. These adaptations and innovations have also been termed "intermediate" or "tropical" technology, and exported by the NICs to each other or to the LLDCs. Cost advantages ensure they retain a niche in the markets of the South.

Strong trade barriers may encourage firms to set up branches in host countries in order not to lose potential markets. This may extend to STNCs whose home countries are restricted from exporting to third countries. This could be because of sanctions (e.g. relabelling of South African products in Swaziland and Mauritius), tariff barriers (e.g. non-EC producers locating plants in ACP countries to ensure entry to EC markets under the Lomé Convention); or voluntary trade restrictions (e.g. Hong Kong garment producers moving to Singapore to escape voluntary export controls preventing access to the US market).

The welcome accorded by the host country is also a factor. A favourable tax regime, the repatriability of profits, the availability of low-wage local labour (sometimes with the additional feature of being compulsorily non-unionised), all contribute towards the

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<sup>23</sup> Carlos F Diaz Alejandro, "Foreign direct investment by Latin Americans", in Agmon and Kindleberger (eds), *Multinationals from small countries*, pp. 171-3.

decision of STNCs to choose host countries.

In considering what sort of Southern firm might invest internationally, there are a number of pertinent criteria. In line with product cycle theory, it is the STNCs which operate in industries which have mature technologies which have the competitive edge. Many of the STNCs gained their initial advantage through the development of large-scale technologies of the North to smaller-scale domestic needs. In mastering this skill efficiently, the STNCs may export to other countries in the South with similarly small markets.

This niche is retained, especially in price-sensitive markets, because Northern TNCs are more interested in operating where their position is oligopolistic. The STNC retains its competitiveness partly through the lower costs of management and engineering, partly through lower wages to administrators and technicians who may not have expectations of being rewarded like their Northern counterparts.

In the examination of our case studies, we will discover that the investment flows exclusively from South Africa to Latin America and not the other way around. Secondly, the nature of the investment is in the extractive industries (especially mining and fishing) where the STNCs introduce capital goods at a level of technology appropriate to the exploitation of the local resource. Thirdly, the motive for the investment is the acquisition of raw materials, but not necessarily for the domestic market. The South African STNCs in both cases cultivated world markets for their output, and needed to expand internationally in order to maintain or extend their global market share. The Latin American countries, Brazil and Chile in particular, sought to take advantage of the global marketing capabilities of the South African

companies in order to raise export volumes.<sup>24</sup>

The investments of the South African-based TNCs are therefore atypical of the general trends in South-South investments.

The relationship between the interests of STNCs and their home nations is one that needs to be examined.

In the case of public or nationalised firms, there is inevitably some overlap between the priorities of the firm and the national interest. Petrobras will always be concerned to secure Brazil's petroleum supply, no matter what the profit structures may be. For most private firms, however, the bottom line reigns supreme, not a specific national interest. This does not mean that the national interest of the home country cannot be invoked to secure or retain markets or profits. Private firms have been able to mobilise governments into acting in the interests of their firms, under the guise of defending a national interest. The US telecommunications firm ITT, for example, had "dealt regularly with the CIA to try to create chaos in Chile and to encourage a military coup" against Allende.<sup>25</sup> The CIA plotting escalated into the Track 2 policy of the Nixon-Kissinger Committee of Forty, established by the National Security Council to destroy the Allende government.<sup>26</sup>

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<sup>24</sup> A useful model for state-firm relations is that proposed by John Stopford and Susan Strange in *Rival states, rival firms: competition for world market shares*, Cambridge: Cambridge University Press, 1991, pp. 24-9.

<sup>25</sup> Anthony Sampson, *Sovereign state: the secret history of ITT*, London: Hodder & Stoughton, 1973, p. 230; Sampson is discussing revelations made by Jack Anderson in the *Washington Post*, 21 and 22 March 1972.

<sup>26</sup> Confirmed in the US Senate hearings begun on 20 March 1973. See evidence in United States of America, Senate, Select committee to study governmental operations in respect to intelligence activities, *Covert action in*

However, in our case studies, decisions about investment were autonomous intra-firm calculations, rather than responses to newly-articulated national interest, although supportive infrastructures and benign political climates were laid in advance by the state authorities concerned. The investors were not straightforward representatives of the apartheid state, and in the case of the Anglo American Corporation, had even financed opposition parties and activities, although ones which failed to constitute a fundamental challenge to the system. Nevertheless, the corporations had, it could be argued, benefited substantially over a long period of time from employment and other legislation peculiar to the exigencies of apartheid. In the case of investment in Brazil, South African firms emphasised their autonomy and their skills, whilst playing down their nationality, in a country whose official rhetoric condemned apartheid. In Chile, South African firms took advantage of close state-to-state relations in their calculation to make initial investments. The complexities and dynamics of the relationship between the TNC and the home state need careful analysis in any theorising of motives for investment.

It is to the state as unit of analysis that we return in order to examine the obstacles placed in the way of developing more thorough-going South-South links.

#### 4. IDEOLOGIES OF A CLOSER RELATIONSHIP

##### a. Revolutionary internationalism

The period of the Cold War between the major superpowers, 1945-89, saw the simultaneous emergence of the formerly colonial territories in Africa, Asia, the Caribbean and

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*Chile, 1963-73: staff report, 94th Congress, 1st session, 18 December 1975, pp. 12-13, 21.*

the Pacific as politically independent nation-states. The superpowers vied for their loyalty, but some had seen the value of non-alignment and remained independent of the superpower conflict.

The emergence of a group of neutralist countries had a strong impact on China, whose participation in the Bandung Conference was decisive in consolidating the unity of the Afro-Asian countries. China began to distance itself from the former view of neutralism as reactionary, and began to recognise the positive role played by the "national bourgeois leaders" of the South in the anti-imperialist movement.

After China broke with the Soviet Union ideologically in 1961, it began to see its international role in terms of the leadership of the "Third" of the three worlds in the Maoist global trinity. Mao's concept of the "Third World" coincided with that of everyone else. China placed great emphasis on its relationship with the Third World, identifying itself as being an integral member of this grouping.<sup>27</sup>

Whereas Western scholars had seen the "First" and "Second" Worlds" as the West and East respectively, Mao's concept of "First World" consisted of only the two superpowers, and his "Second World" of Europe (East and West), Canada, Japan and Australasia. China's diplomatic strategy, particularly during her years of isolation by both superpowers, aimed not only at consolidating its position as the leading state in the Third World, but also at building alliances with countries of the Second World against the supposed mutually detested impact of

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<sup>27</sup> Lilian Craig Harris and Robert L Worden, "China's Third World role", in Harris and Worden (eds.), *China and the Third World: champion or challenger?*, Beckenham: Croom Helm, 1986, pp. 2-3.

superpower hegemony.<sup>28</sup> After the Nixon rapprochement, China declared that, of the two superpowers, the Soviet Union was the principal enemy.

In the same way that, according to Maoist theory, the revolutionary peasantry based in the countryside were urged to surround the city in order to smash the power of the urban bourgeoisie, so in turn would the revolutionary peoples of the Third World overturn hegemony by the superpowers and their agents by smashing the weak links in the imperialist chain. Revolution in the Third World was seen as a far more likely prospect than in the industrialised capitalist countries.

In practice, China's solidarity with the South extended to support for national liberation movements in Indo-China, South Arabia (Oman and South Yemen), Southern Africa, and Palestine. Regimes that received support for certain periods included Albania, North Korea, Indonesia, Vietnam, and Kampuchea. It spread the notion of Third World solidarity through its influence on many pro-Beijing communist parties around the world.

Ultimately China's own policies belied the political sentiments which had been disseminated. The subjugation of Tibet, the war with India in 1962, the backing of anti-Soviet liberation movements in Angola (FNLA and UNITA), the invasion of Vietnam in 1979, all tended to discredit doctrines of international Third World solidarity which China had earlier espoused.

In answer to the isolation experienced by Cuba as a result of the US and OAS embargos, Fidel Castro

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<sup>28</sup> Lilian Craig Harris, *China's foreign policy towards the Third World*, Washington: Centre for Strategic and International Studies, Georgetown University, 1985, p. 3.

encouraged the establishment of OSPAAAL, the Organisation of Solidarity between Peoples of Africa, Asia and Latin America. Also called the Tricontinental, Castro endowed the organisation with a secretariat based in Havana. The Tricontinental arranged conferences, published journals and agitated strongly in favour of a vigorous response by the South toward US imperialism. Che Guevara played a prominent role in building Cuba's internationalist foreign policy, with visits to the United Arab Republic and the Soviet Union in 1959. Although he retired from the Cuban government to develop the Bolivian revolution, based on theories of guerrilla warfare which he had elaborated, Guevara's martyrdom and internationalist spirit was subsequently utilised in Cuban propaganda as a model for emulation. In practice Cuban internationalism extended beyond simple armed support for other countries: the whole nation became involved in the campaign to assist the survival of the MPLA government in Angola. Other countries which received Cuban support included Allende's Chile, Ethiopia under the Dergue, Grenada under the NJM, and Nicaragua under the FSLN.

b. "Third Worldism" and developmentalism

"Third Worldism" is a semi-derogatory term which encapsulates the notion that South-South relations have less to do with revolutionary internationalism and more to do with the recognition by the new bourgeoisies of the the South of advantages to be gained from their mutual collaboration.

Since the early 1960s, governments and their representatives, academics and journalists have called for South-South co-operation, pointing especially to the commonalities of a colonial past and a continued position of subservience in the international division of labour.

The influence of academic theorists like André Gunder Frank, Samir Amin, and others, had a seminal effect on the thinking of many decision makers in the South. Amin advocated practical steps which the South could take in order to enhance co-operation:

1. direct trade, excluding the transnationals of the North
2. mutual tariff reductions
3. evolving a new direct payments system, avoiding existing international monetary institutions
4. commodity cartels which raise world market prices should make price concessions to consumers in the South
5. free transfer of technology in the South
6. preferential status for South-based transnationals
7. development fund through taxing imports and exports<sup>29</sup>

The ferment coalesced in the mid-1970s into the proposals for a New International Economic Order, put forward in the Brandt Reports<sup>30</sup> and elsewhere. For a time, the notion dominated the thinking of many policy-makers in the South, seduced by the possibilities of a neo-Keynesian solution to international inequality.

Unfortunately for them, the international trend was against any revival of Keynesian economic thinking.

Opposing orthodoxies spread like wildfire, drawing on the neo-liberal examples of Hong Kong, Chile under the Chicago boys, France under Raymond Barre, Britain under Thatcher, and "Reaganomics" in the United States. Periods of global recession and slumps in commodity prices also put paid to the possibility of any implementation of the

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<sup>29</sup> Samir Amin, "Sept propositions pour le Tiers Monde", *Jeune Afrique*, 14 May 1976.

# <sup>30</sup> *North-South: a programme for survival*, London: Pan, 1980; *Common crisis*, London: Pan, 1983; and *Global challenge: from crisis to co-operation*, London: Pan, 1985.

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Nevertheless, there were those who continued to advocate it, and to promote one of its tenets: economic co-operation among developing countries, often shortened to ECDC in UN documents.

The following quote, by Gamani Corea, exemplifies this position:

Today, the process of economic co-operation among developing countries occupies an important place in the economic strategies and policies of developing countries, and, in recent years, with the marked deterioration in the world economic situation and the weakening of international co-operation for development, it has acquired even greater importance and urgency. Indeed, in view of the prospects for the world economy for the coming years, it has become an imperative if the developing countries are going to be able to envisage the transformation of their economies and the growth rates they need.<sup>31</sup>

With the oil shocks and the rise of the STNCs, a new layer of South-based politicians, policy makers and entrepreneurs began to assert their new-found power. The burgeoning bourgeoisies of some of the OPEC countries and the NICs recognised and promoted the mutual benefits of closer ties. One of the manifestations of this was the establishment in the mid-1970s of the London-based Third World Foundation, which sponsored publications such as **South** magazine and **Third World Quarterly**, high-level conferences involving heads of state, and big media and advertising conventions drawing together practitioners from North and South. The Foundation was heavily bankrolled by the Bank of Credit and Commerce International, which had based some of its financial success on its vigorous self-promotion as an assertive

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<sup>31</sup> Gamani Corea, "Foreword", in B Pavlič (et al.), *The challenges of South-South co-operation*, Boulder: Westview, 1983, p. ix.

Third World institution.<sup>32</sup> But, at the end of the 1980s, just as the revelations about the bank's criminality were beginning to mount, the Foundation fell apart.

During its heyday the Third World Foundation co-sponsored a conference with the University of Zimbabwe on South-South co-operation. Bernard Chidzero, Zimbabwe's finance minister, articulated the call for co-operation, saying that it was "more than a desirable object; it is a necessity". After listing the solemn declarations on co-operation (Guyana 1972; Manila 1976; Mexico City 1976; Arusha 1979; and Caracas 1981), Chidzero bemoaned the fact that little progress had been made

due to the complexity of the issues involved, the lack of financing mechanisms, conflicts between national and regional interests, the colonial legacies and hegemonic interests of the North, but "above all, (to) a noticeable dearth of practical political will".<sup>33</sup>

Echoing Amin, Chidzero advocated practical proposals:

1. the establishment of a Third World bank
2. collective research for social transformation
3. collaboration on development
4. collaboration on the application of science and technology
5. a role for South-based NGOs in fostering South-South co-operation
6. creation of a South Commission to investigate further possibilities for co-operation<sup>34</sup>

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<sup>32</sup> "BCCI: behind closed doors", *Financial Times*, 11 November 1991, p. 7.

<sup>33</sup> Bernard Chidzero and Altaf Gauhar (eds), *Linking the South: the route to economic co-operation*, London: Third World Foundation, 1986, pp. ix-x.

<sup>34</sup> *Linking the South*, p. xi.

Chidzero's concerns, as articulated here, are with the enhancement of programmes for popular development rather than the enhancement of the economic power of a South-based bourgeoisie. The flexibility of the ideology of South-South co-operation may enable shrewd development-oriented policy makers to mobilise the bourgeoisies of the South to go along with their projects, instead of the converse.

### c. From Luso-tropicalism to Afro-Latinity

Brazil's special contribution to the ideology of South-South collaboration has emphasised a common colonial past under Portuguese rule with five other African countries, Angola, Cape Verde, Guinea-Bissau, Mozambique and São Tomé e Príncipe.

The demise of Portuguese colonialism in Africa effectively put an end to Brazil's close relationship with Portugal, enshrined in the Treaty of Friendship and Consultation signed in Rio de Janeiro in November 1953. Brazil utilised the provisions of this treaty to gain access to markets, especially in Angola and Mozambique. Brazil sponsored Portugal's entry into the United Nations in 1955, and during the presidencies of Café Filho (1954-5) and Kubitschek (1956-61) voted with Portugal in international organisations. Despite its growing Third World profile, Brazil continued to moderate resolutions condemning Portuguese colonialism. From 1961-64 there was a period of anti-colonialism in Itamaraty, the Brazilian foreign ministry, during which Brazil's foreign policy supported Afro-Asian liberation, but with the military coup of 1964, virtually up until the coup in Lisbon ten years later, Brazil reverted to its international support for the Portuguese dictatorship and its colonial policy.

The treaty with Portugal set up a fictive Luso-Brazilian Community, which was comprised of Portugal, its colonies

in Africa and Asia, and Brazil. It had a legal framework but no institutional existence. Scholars like Gilberto Freyre referred to the axis as "Lusotropicalism". By this was meant the "interpenetration of race, language and culture which is supposedly peculiar to Portuguese colonisation, and finds its highest expression in Brazilian racial democracy."<sup>35</sup> Freyre argued that of all the colonising nations of Europe, Portugal was uniquely able to adapt its values to the tropical regions in a "harmonious process of gradual fusion". This was in contrast to the other colonising nations, who tried to foist their own cultures onto unwilling tropical subjects, or segregated their subjects from full access to their culture. As the most evolved exemplar of this fusion, Brazil had a responsibility to promote the union of Lusotropical peoples to defend their unique form of civilisation. To oppose Portugal's colonial role would be tantamount to a rejection of the valuable heritage which Brazil shared with the other Lusotropical countries.<sup>36</sup>

The notion of Lusotropicalism was deeply conservative, and aimed to justify Brazilian endorsement of Portugal's "civilising mission" in Africa. It mythologised race relations in Brazil as being relatively conflict free, despite the harshness of slavery and subsequent period of racial discrimination, holding Brazil up as a model for the future, especially in Angola and Mozambique. The strength of the pro-Portuguese lobby in Brazil meant that the ideology of Lusotropicalism was reproduced not only in these circles, but also in Brazilian diplomatic practice for some years.

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<sup>35</sup> Wayne Selcher, *The Afro-Asian dimension of Brazilian foreign policy*, Gainesville: University Presses of Florida, 1974, p. 62.

<sup>36</sup> Gilberto Freyre, *Uma política transnacional de cultura para o Brasil de hoje*, Belo Horizonte: Universidade Federal de Minas Gerais Faculdade de Direito, 1960, pp. 45-60 *passim*.

From 1972, though, Brazil began to take its relationships with African countries more seriously. Itamaraty began once again to build on the advances made during the period of 1961-4. Foreign minister Mário Gibson Barbosa toured six African countries. Some of these countries had participated with Brazil in the International Coffee Organisation or the Cocoa Producers' Alliance. Yet it was only after the presidential inauguration of Ernesto Geisel, the general who had run Petrobrás and was aware of Brazil's strategic need for African petroleum, that a concerted effort was made to re-establish stronger links with other African countries. The prompt and controversial recognition of the independence of Angola set the seal on Brazil's new relationship with Africa. Nigeria and Angola became major suppliers of Brazil's oil.

Thus, by the mid-1970s, "Lusotropicality" was dead. In its place came the new concept of "Afro-Latinity", drawing on the affinity, invented or otherwise, between the countries of Africa and Latin America. Brazil still placed a strong emphasis on linguistic, cultural and historical links with Portugal's ex-colonies, but seen within the context of South-South collaboration.

In August 1983, the first Meeting of Afro-Latinity took place in the Candido Mendes University in Rio de Janeiro.<sup>37</sup> Sponsored partly by the UN Industrial Development Organisation, it brought together Brazilian academics, industrialists, and politicians with their African counterparts. The Meeting had, as a central part of its agenda, the promotion of Brazilian appropriate ("last-phase product cycle") technology among African decision makers.

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<sup>37</sup> This university also houses the Brazilian Institute of Afro-Asian Studies.

The ideology of Afro-Latinity has enjoyed a limited existence, and its use still seems confined to a small academic and business lobby keen to improve Afro-Brazilian trade and investment.

(d)

Thus, the multiple ideologies of South-South relations have been motivated by contrasting and inconsistent ambitions. They range from revolutionary internationalism and anti-imperialism, to mobilisation by NICs of broader support for their new position in the global hierarchy, to serious developmentalism. In order to evaluate the nature of the relationship, it is instructive to examine the agenda of its proponents.

## 5. AREAS OF GROWTH IN SOUTH-SOUTH RELATIONS

Despite the generally negative record, there have nevertheless been some advances in the forging of deeper South-South relations. The dynamic areas of South-South relations have included the meaningful expansion of regional economic organisations dedicated to ending protectionism, the expansion of trade in strategic commodities like petroleum and armaments, the burgeoning of NIC "proto-imperialism", and the closer links between the more isolated states. Let us examine these factors a little more closely.

One key area is the expansion of the importance of already mentioned regional organisations. The increasing consolidation of the European Community has served as a model for other regions, including other relatively developed regions like North America. In certain regions of the South, there are attempts by neighbouring states to do away with protectionism. A clear example to emerge in the 1980s is the Preferential Trade Agreement

operating in the frontline states of Southern Africa, as part of SADCC. Another is the Mercosur, a free trade area in the southern cone of Latin America, combining Argentina, Brazil, Chile, Paraguay, and Uruguay. Perhaps it is too early to measure the success of these arrangements, but they certainly aim to allow markets to transcend narrow national boundaries with ease. Whether their achievements will meet these aims remains to be seen.

Since the mid-1970s, the trade in petroleum has been one of the major features of South-South exchange. The Organisation of Petroleum Exporting Countries is wholly comprised of countries of the South, extending beyond the Middle East and North Africa to countries of West Africa (Nigeria and Gabon), Latin America (Ecuador and Venezuela) and South-east Asia (Indonesia). Flows of oil from OPEC and other PECs to consuming countries of the South account for the largest element in South-South trade and counter-trade. Whilst these flows connect the countries of the South, and make for further interdependence, they also have the potential to divide the South in terms of the interests of the oil producers and the consumers.

Another industry that figures high in South-South exchanges is armaments. Brazil, Chile, South Africa, India, Singapore, Taiwan and Israel are all arms manufacturers of significance. Brazil, one of the most successful, is involved in oil-for-arms swaps in a number of counter-trade deals. During the Iran-Iraq war, Brazil refurbished damaged Iraqi tanks, as well as providing Iraq with other weapons. The list of countries which have bought Chilean-manufactured arms includes Iraq, Egypt,

Jordan, Honduras, Guatemala, and El Salvador.<sup>38</sup> South Africa has exported arms to countries like Morocco, Sri Lanka, Iran, Iraq, Argentina, Chile, Paraguay, Guatemala, Taiwan and Israel.<sup>39</sup>

Apart from oil and arms, a growth area in South-South relations has also been the relationships between the NICs and the LLDCs. Part of this has been explained in terms of trade theory, whereby countries higher up in the technological "pecking order" export to those countries that have advanced less rapidly. The NICs constitute sources of investment as well as trade: the rise of the STNC in the post-1970 period is a growing phenomenon in the new international division of labour. As the NICs mature from a position of "associated dependent" development to capitalist powers in their own right, they begin to take on the characteristics of countries whose capitalism matured in an earlier historical phase. Certain NICs may carve out particular spheres of influence for themselves, for example Mexico in relation to Central America, or Korea in relation to the Gulf area. India has asserted itself in a similar way in relation to Bangla Desh, Bhutan, the Maldives, Nepal, Sri Lanka, and so on.<sup>40</sup> In some ways these relationships seem to replicate the traditional North-South relationship; they have even been referred to by Sørensen as "proto-

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<sup>38</sup> Heraldo Muñoz, *Las relaciones exteriores del gobierno militar Chileno*, Santiago de Chile: Prospel-Cerc, 1986, pp. 169-71; *Latin American Weekly Report*, 31 March 1988.

<sup>39</sup> See reports in *Cape Times*, 10 June 1983; *Daily News*, 16 November 1983; *SIPRI Yearbook 1986*, p. 340; *The Star*, 18 May 1988.

<sup>40</sup> Srikant Dutt, *India and the Third World: altruism or hegemony?*, London: Zed, 1984.

imperialism".<sup>41</sup> Thus, although a growth area in terms of South-South relations, the peripheral LLDCs may regard the new hegemony of the NICs as problematic and exploitative rather than the benign manifestation of South-South solidarity.

Another way in which some countries of the South have found themselves in closer contact was as a consequence of diplomatic or economic isolation. Outcast or pariah states have emerged at different times and in different contexts in the postwar period, becoming the object of sanctions, boycotts, moral opprobrium or political non-recognition. Amongst the foremost we can list South Africa (apartheid and Namibian occupation), Rhodesia (illegal independence from Britain, 1965-80), pre-revolutionary Portugal (colonialism in Africa and Asia), Cuba (trade sanctions implemented by USA and most OAS countries), Israel (occupation of Palestinian land), Chile (military overthrow of longstanding democratic state) and Taiwan (non-recognition due to UN one-China policy). Apart from Cuba, which turned to the CMEA countries, Mexico and non-aligned countries for support, the other countries tended to find much in common. Israel, South Africa, Taiwan and Chile formed particularly strong friendships, extending to mutual military support, strong economic ties, diplomatic recognition at a time when this was globally unpopular, and ideological affinities in relation to perceptions of

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<sup>41</sup> Georg Sørensen, "Brazil" in Carlsson and Shaw (eds), *Newly industrialising countries and the political economy of South-South relations*, Basingstoke: Macmillan, 1988, p. 113. He distinguishes it from Marini's concept of sub-imperialism, in which the sub-imperialist power located in the South acts as a direct agent of a traditional imperialist power of the North. Proto-imperialist powers act in their own right, consistent with their own needs.

national security, human rights, communism and terrorism.<sup>42</sup>

My contention in explaining South Africa's relations with Latin America, particularly during the period of military dictatorship (1964-89), is that this ideological affinity, and shared need for mutual support in the face of isolation, were strong factors in the predisposition to extend and enhance links. Whilst international trade theory points some of the way, for example in determining the range of trade and investment that was possible, political factors were often more important in framing many of the decisions made by firms. The freedom of firms to act openly within bounds secured through the existence of ideological affinity at the level of state-state relations, was an immense stimulant to the expansion of economic relations.

The end of the phase of dictatorship in Latin America, the prospects of a post-apartheid South Africa, and moves toward the resolution of the status of Palestine and Taiwan, point to the progressive de-isolation of the pariah states. Yet with the shifts in international power, new pariahs like Iraq have entered the spotlight. Arms dealers have not been slow to utilise the services of the traditional pariah countries to secure Baghdad's supply of offensive weapons, as will be shown in chapter seven.

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<sup>42</sup> The isolation of these four states has been analysed meticulously by Deon Geldenhuys in *Isolated states: a comparative analysis*, Johannesburg: Jonathan Ball, 1990.

## 6. CONSTRAINTS ON THE DEVELOPMENT OF SOUTH-SOUTH RELATIONS

Despite all the attempts at co-operation and collective action, the countries of the South have, in general, been curiously unable to assert themselves at global level in order to challenge and reverse their subordinate economic and political status.

There are a number of reasons for this, but here the focus will be on three factors: the legacy of colonialism and the continued strength of the North; the debt problem; and the competition amongst countries of the South.

Firstly, and most obviously, there is the formidable countervailing pressure of international capital and the advanced capitalist countries. The sophisticated armoury of economic and political mechanisms for extracting surplus from the South have evolved over more than five centuries. The North continues to profit from the South, draw upon its produce and its labour, control its resources, limit its competition and drench its markets. Defiance of the established order, through countries of the South choosing an independent or socialist path, has often met with concerted destabilisation. At times the North has sought to divide the South and thwart the prospect of establishing its potential strength and unity.

Taking advantage of cumulative causation, the North has usually been able to innovate and beat competition from Southern rivals.<sup>43</sup> Significant transfers of technology, knowledge and resources are few. The North still

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<sup>43</sup> There are, of course, important exceptions to this generalisation, such as Taiwanese production of container ships and Korean sports shoes.

monopolises information science, communications, and the sophisticated financial markets. Levels of development aid are derisory.

South-South relations begin their balance sheet with historical liabilities. Traditionally even lines of communication, established during the epoch of colonial hegemony, have followed longitudinal North-South paths. To telephone Yaoundé from Harare, one still has to be linked through Paris and London. The long established trade routes seldom favour South-South intercourse. The infrastructure for South-South trade is weak, and impressive only when a stronger regional power in the South has been something of an entrepôt in relation to its weaker neighbours.

The legacy of colonialism also determined the division of the South into a specific configuration of nation-states, which only in a minority of cases conform to territory associated with a particular ethnic group. In most cases sovereign territory transcends ethnic boundaries and conforms to lines drawn and agreed upon in the chanceries of Europe during past centuries. The new polities have developed new nationhoods, with new national loyalties.

The new nationalisms have inhibited trans-South collaboration, and rivalries often impede greater regional unity. Politicians have tended to seek national rather than regional solutions to problems, thus preventing the development of economies of scale, and of greater bargaining power in relation to international capital. The case of Chile's decision to withdraw from the Andean Pact in 1976 is one such example. Another is the difficulty which each of the Caribbean micro-states has had in putting aside strictly local interests in favour of ensuring the success of Caricom or any of the federal political arrangements which have been mooted as

the answer to regional development.

The form of state in the South has entrenched the power of local ruling classes who have no interest in ceding this power for a wider good. The secession of Singapore from Malaysia in 1965 was due to the perception of the Singaporean leadership of its exclusion from exercising power as part of a Malaysian ruling class. Taiwan's Kuomintang leadership also has little desire to effect reunification with China, for fear of losing all its power. Egypt and Syria were unable to sustain the United Arab Republic. Korea remains the only country divided by the effects of World War Two. More recently, regional divisions have led to the breakup of Somalia into two states conforming to the old colonial boundaries set by Britain and Italy.<sup>44</sup> The form of state in the South also exacerbates regional rivalries, regional arms races, and sometimes open armed conflicts.

Where unity has made advances it is limited. The member nations in ASEAN pay lip service to eliminating protectionism and to encouraging preferential trade between members. But when trade patterns are analysed, trade amongst ASEAN members has grown at a far slower rate compared with the growth in extra-ASEAN trade (See Tables 2.2 and 2.3).

Where members of the Group of 77 have had the chance to develop a common front, back one another up, and develop a united bargaining position, they often failed. In relation to the post-1987 Uruguay Round of international trade negotiations within the GATT, it would have made sense for countries like Brazil and India to combine forces and act in a joint leadership capacity in G-77. In fact Brazil had steadily succumbed to US, IMF and World

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<sup>44</sup> A rare exception was the unification of the two Yemens.

TABLE 2.2

EXPORTS OF ASEAN COUNTRIES (in million ECUs <sup>a</sup> )				
	1970	1975	1980	1984
To other ASEAN	1053.4	2756.5	8357.7	8881.8
To industrialised countries	3007.3	11372.9	31268.9	22063.2
To all non-ASEAN	4023.9	14579.4	41423.7	34772.6

Source: Eurostat, *EC-ASEAN trade: a statistical analysis, 1970-84*, Luxembourg: Office des publications officielles des Communautés Européennes, 1987, Table 2.2.2.2.e, p. 48.

a. 1 ECU (1984 average) = US\$1.0752

TABLE 2.3

IMPORTS OF ASEAN COUNTRIES (in million ECUs <sup>a</sup> )				
	1970	1975	1980	1984
From other ASEAN	959.6	2013.0	6325.5	9101.1
From industrialised countries	4291.1	11979.7	25488.5	25841.6
From all non-ASEAN	5488.4	16916.3	38591.6	41265.1

Source: Eurostat, *EC-ASEAN trade: a statistical analysis, 1970-84*, Luxembourg: Office des publications officielles des Communautés Européennes, 1987, Table 2.2.2.1.e, p. 42.

a. 1 ECU (1984 average) = US\$1.0752

Bank pressures on debt rescheduling, and abandoned its stance on developing stronger South-South ties within the GATT framework. A prominent Brazilian economist admitted that Brazil had, during the course of the Uruguay Round, come to regard the South-South dimension of its trade policy as "unsustainable, and furthermore was detrimental

to its best interests".<sup>45</sup> As a result, the prospective alliance collapsed and the G-77 was left much weaker.

This introduces the second key factor, that of the high levels of international indebtedness experienced by countries of the South, which accelerated significantly from the early 1980s. A large part of the weakness of the G-77 was related to the crippling international debt faced by nations like Brazil with the potential to lead the moves to invigorate South-South trade. The key Latin American and African countries, in their efforts to meet or postpone their obligations, are caught up in financial flows between North and South. Apart from two exceptions, the oil trade and the arms trade, South-South exchanges still cannot compare with the volumes of North-South or North-North exchanges.

The disabling impact of debt has divided the indebted countries rather than fostering common positions on renegotiations and waivers in their relations to the International Monetary Fund, the World Bank, regional development banks and the Club of Paris.<sup>46</sup> When Peru, under the leadership of former president Alain García, decided to declare a moratorium on the repayment of Peru's international debt, he did so without backing from fellow Latin American countries in a similarly desperate

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<sup>45</sup> Interview with Winston Fritsch of the Department of Economics, Pontifícia Universidade Católica do Rio de Janeiro, 20 November 1991. See his paper "Brazil's trade strategy for the 1990s", prepared for the International Forum on Latin American Perspectives, IDB/OECD, Paris, 21-22 November 1991.

<sup>46</sup> The *ad hoc* treatment of debtors by creditors has its origins in the special circumstances of the 1950s. See Christopher Prout, ""Finance for developing countries", pp. 360-404 in Andrew Shonfield (ed.), *International economic relations of the Western world, 1959-71, vol. 2: international monetary relations*, London: Oxford University Press for Royal Institute of International Affairs, 1976.

position. Strategic disunity weakened Peru's position, and simultaneously that of the other indebted Latin American states who might have improved their collective bargaining power by going along with García's position. But this would have been at the expense of the individual interests of debtors who had just successfully rescheduled.<sup>47</sup>

Apart from the debt, weakened currencies and economic immobility inhibit the development of new trade patterns, new investment and technological innovation. Instead of seeking to build trans-South unity, countries with some advantages are seeking closer alliances with the North. The option to join the North American free trade area was enthusiastically accepted by Mexico, and Chile is also keen to associate with this grouping.

A third reason for the low level of South-South economic solidarity is that the countries of the South are, to a large extent, producing similar goods which are competing with one another for international markets. This may not be a barrier to intra-South trade, since if markets are reasonably open, there could be mutual trade in similar goods. For example, when one examines the trade patterns within the OECD countries, one finds that the majority of their trade is in similar manufactured goods. Countries of the South have, however, tended to erect barriers against foreign manufactures competing with local production, and discouraged the import of similar manufactures from other countries, whether located in the North or South. This may be a contributory factor in explaining the low volumes of intra-South trade.

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<sup>47</sup> See Anatole Kaletsky, *The costs of default*, New York: Priority Press, 1985; and Stephany Griffiths-Jones (ed.), *Managing world debt*, Hemel Hempstead: Wheatsheaf, 1988.

In addition to the protectionist commercial policies of certain countries, Thomas identifies a further three structural obstacles to South-South trade: the lack of relevant market information, the lack of sophisticated marketing channels, and transport problems.<sup>48</sup> The last is an important factor in trade: regular sailing schedules may not exist between certain countries of the South; transshipment of goods via distant centres is costly in money and time; and oligopolistic North-based conferences have traditionally set routes and prices.<sup>49</sup>

Thus, for a complex of reasons, ranging from the heritage of colonialism, to nationalism, to the form of state, to protectionism and to the disabling impact of mounting international debt, unity of the South seems illusory. At rare times it has spoken with a common political voice. Perhaps the apogee of its political singlemindedness was the General Assembly's resolution in 1975 equating Zionism with racism, but this also needs to be seen in the context of securing oil supplies. Since then, alliances have loosened, and the fissures deepened. A series of wars and interventions provided the evidence: Indonesia's annexation of East Timor, Vietnam's invasion of Kampuchea, China's invasion of Vietnam, the Moroccan-Mauritanian carve up of the Western Sahara, the Iran-Iraq war, Libya's intervention in Chad, Nigeria's expulsion of nationals of other ECOWAS states, OECS token participation in the US invasion of Grenada, and so on. The 1991 Gulf war demonstrated grave divisions in the unity of the South and especially in pan-Arabism. The collapse, under substantial Northern pressure, of a common G-77 front within the Uruguay Round of the GATT,

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<sup>48</sup> Harmon C Thomas, "A study of trade among developing countries", pp. 72-3.

<sup>49</sup> Although prices may have eased over the past decade and a half, the other problems still remain pertinent.

is evidence that individual countries in the South have begun to abandon any former emphasis on improving South-South relations as a strong foreign policy priority. The effective collapse of the Soviet Union has forced more nations in the South to bargain with the United States over future outcomes, rather than seek deals or alliances with one another.

In some cases, the rhetoric survives, but other pressures, usually emanating from the North, have had the effect of ensuring the increasing participation by countries of the South in regional economic structures or aspiring to setting up free trade arrangements with countries of the North. The diminishing returns reaped from the rest of the South are causing regional consolidation, but this fragments the South as a whole. The countries of the South are increasingly less likely to develop South-South relations as a central priority.

Despite these pessimistic general conclusions, South Africa's links with Latin America seemed exceptional. As outlined in the previous chapter, there were grounds, from the mid-1960s onwards, for believing that these relationships might expand. Some of the historical evidence for this will be evaluated in the next chapter.

## CHAPTER THREE

### BRITAIN, THE CAPE AND LATIN AMERICA, 1806-1910

Our case study is divisible into two historic periods, each consistent with the dominant mode of production at the time. The first period covers the nineteenth century and the first decade of the twentieth century, when both South Africa and Latin America were producing raw materials. During this time, Britain succeeds in displacing the Netherlands, Spain and Portugal, still recovering from the aftermath of the Napoleonic wars, from their position as the pre-eminent maritime and commercial powers in the South Atlantic. The first section of this chapter is devoted to an explanation of how Britain came to be so dominant in the region.

It would be logical to predict that, with the establishment of British hegemony, links across the Atlantic might have been strengthened. In gathering evidence for this, it becomes clear that there are only limited instances of the expansion of these links. One example is the use to which the Cape of Good Hope, along with other areas, is put in the interdiction of the continued and illegal Brazilian slave trade. This example forms the basis for the second section of the chapter.

Trade between the Cape and Latin America is analysed in section three. It will be shown that, despite the proximity of markets, despite the possibility of exchanges of tropical for temperate commodities, and

despite the absence of any political obstacles, transatlantic trade was nevertheless very limited.

## 1. THE ESTABLISHMENT OF BRITISH HEGEMONY IN THE ATLANTIC REGION, 1806-1825

From the turn of the sixteenth century, both Latin America and Africa began to be integrated into the European economy. Latin America was drawn in at first through its mining enclaves and then through its systematic export of tropical produce. The site of production of these tropical commodities was generally the slave plantation. It was through the slave trade that Africa's links with Latin America, including the Caribbean, were indelibly wrought.<sup>1</sup> It was also principally through the slave trade that Africa was integrated into the European market.<sup>2</sup>

The international slave trade linked three regions in a reciprocal economic network, stereotyped as the "triangular trade" [see map 1]. From the late fifteenth century, European traders disgorged their wares on the African coastline. Iron, copper, textiles, glass and weapons were exchanged for captured slaves. The slaves were loaded into the holds of the vessels and transported across the Atlantic. The inhuman conditions of the

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<sup>1</sup> Robin Blackburn claims that by 1810, 40% of the population of Brazil and Cuba was comprised of slaves of African origin. See his *The overthrow of colonial slavery, 1776 - 1848*, London: Verso, 1988, pg. 383. This figure for Brazil is at odds with the statistics for 1823 in Stanley J Stein, *Vassouras: a Brazilian coffee county, 1850 - 1900*, Harvard University Press, 1960, pg. 295, which show that of Brazil's 4 million inhabitants, between 25% and 33% were enslaved.

<sup>2</sup> E J Hobsbawm, *The age of revolution: Europe, 1789-1848*, London: Weidenfeld and Nicolson, 1962, pg. 26.

journey meant that, on average, just under one-fifth of the captives perished before arrival. In the Americas the slave auctions yielded sufficient capital to finance the loading of tropical produce for Europe. The triangular trade yielded a huge surplus: profits were made at each destination, and a percentage of the total profits on each journey was retained by the crew as commission.

The great engine of the triangular trade was the persistence of forced plantation labour in the tropical areas designed to meet the expanding European demand for commodities such as sugar, cocoa, coffee, rum, tobacco, cotton, and indigo.<sup>3</sup>

Although slavery bound Africa to the Americas, the relationship between Latin America and South Africa did not adhere to the norm. South Africa did not export slaves; its colonial economy relied on a mix of coerced and free indigenous labour, and imported slave and indentured labour. Since slaves were the most important traded commodity between the two continents, South Africa figured little in the transatlantic trade. Latin America and South Africa were both net importers of slaves and manufactures, and hence their mutual trade relations were minimal. Instead, they were virtually insulated from each other because of their early ties with separate colonial systems.

In Latin America, Iberian royal monopolies secured the colonial trade and placed a 20% tax (the "royal fifth", or *quinto*) on the primary accumulation processes, especially the mining of silver in Mexico and Peru, and of gold in Brazil. Foreign merchants were disqualified

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<sup>3</sup> See Equipe Cehila-Popular, *A história dos Africanos na América Latina* (Coleção Negros em Libertação 3), Petrópolis: Editora Vozes, 1987, pp. 10-11.

from operating in Spanish and Portuguese America, although some managed to do so in a clandestine fashion, a process which increased especially once metropolitan power had begun to wane in the early nineteenth century.<sup>4</sup>

Similarly, at the Cape of Good Hope, the United Netherlands Chartered East India Company (VOC) enjoyed a monopoly of external trade until midway through the last decade of the eighteenth century. Unlike the Iberians in Latin America, "the Dutch", according to one study, "did not found the Cape Colony in order to produce a supply of cash crops to be sold on the world market."<sup>5</sup> Instead the settlement was established in order to replenish company ships on the Javanese and other oriental trade routes.

As in the case of Latin America, though, some individual merchants attempted to circumvent monopolistic restrictions. Their persistence eventually compelled the VOC to cede some rights to local colonists to provision passing ships on condition that the Company take a share of the harvests.

The continued control exercised by the Company explains why even when a surplus of produce began to be produced from the mid-eighteenth century, exports to the Netherlands were limited, since the Cape produced few

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<sup>4</sup> For further details of the monopoly and taxation system in Spanish America, see John Lynch, "The origins of Spanish American independence", in Leslie Bethell (ed.), *The independence of Latin America*, Cambridge University Press, 1987, pp. 10-11. On the application of the *quinto* in Brazil see A J R Russell-Wood, "The gold cycle, 1690-1750", in Leslie Bethell (ed.), *Colonial Brazil*, Cambridge University Press, 1987, pp. 227-231.

<sup>5</sup> Pieter van Duin and Robert Ross, *The economy of the Cape Colony in the eighteenth century*, Leiden: Centre for the History of European Expansion (Intercontinental Series 7), 1987, pg. 15.

commodities - apart from ivory and Constantia wines - that were in demand in Europe. It served rather to supply Dutch enclaves to the east with the type of produce to which the company's employees and other expatriates had been accustomed to consume in Europe, such as wheat, wine, wax, butter and bacon. Latin America was not yet a destination for Cape exports.<sup>6</sup>

Thus, in each region, exports - significantly more crucial in the economies of Latin America - were largely directed at the needs of the respective colonial power. In the case of Latin America, the destination of the exports was usually the metropolis, whence they were locally consumed or re-exported. In the case of the Cape of Good Hope, production for the home market was paramount, and most exports were destined for the intra-colonial trade. Local produce replenished Dutch ships and reached other Dutch colonial and mercantile entrepôts in Mauritius, India and the East Indies.

The conquest by forces of the Netherlands West India Company of Portuguese territories in the north-eastern Brazilian province of Pernambuco between 1630 and 1654 overlapped with the occupation of the Cape in 1652 by the United Netherlands East India Company, and brought these areas into a common colonial nexus for a brief period.<sup>7</sup>

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<sup>6</sup> *ibid.*, p. 16 and 128-132.

<sup>7</sup> For a full account of the West India Company's occupation see Charles Ralph Boxer, *The Dutch in Brazil, 1624-1654*, Oxford: Clarendon, 1957, and the same author's *The Dutch seaborne empire, 1600-1800*, London: Hutchinson, 1965, pp. 98-99, 274 ff. Also see Pedro Ramos de Almeida, *História do colonialismo português em África: cronologia, século XV-XVIII*, Lisbon: Editorial Estampa, 1978, pp. 285-299, and Mário de Souza Clington, *Angola libre?*, Paris: Éditions Gallimard, 1973, p. 52-3, for more detail on the West India Company's conquest of Luanda and Benguela between 1641 and 1648, whereafter a joint Luso-Brazilian force retook Angola for the Portuguese crown.

In addition, owing to maritime conditions on the sea route to the East, the trade winds drew ships towards the Brazilian coast before they crossed the South Atlantic and rounded the Cape of Good Hope. This led to a regular pattern of direct links between the Brazilian ports and Cape Town during the pre-steam era.

The Middle Passage - the crossing of the Atlantic by slave ships - had one of its strands originating from Mozambique and Madagascar. The slave ships destined for the Americas often called in at the Cape for provisioning on their way.

For these various reasons, therefore, a modicum of cultural and material exchanges between Brazil and the Cape existed, but these were extremely marginal to each other's economic needs and cannot be regarded as having any major significance.

What first drew the two regions into a common mercantile system was the rise of Britain as the predominant power in the Atlantic.

The uneasy birth of the Latin American republics, which culminated in the decade of the 1820s, marked the first phase of the self-emancipation of the South. For most of the new republics, however, the acquisition of political sovereignty was accompanied by new forms of economic submission. Spain and Portugal had merely ceded their title as regional powers to Britain.

Britain had become the world's foremost sea power, possessor of the most advanced industrial base, and weaver of the most entangling commercial webs in Latin America. During the course of the nineteenth century, these webs came increasingly to be rivalled by those of the United States and an emergent Germany. For the most

part, however, the economic preponderance of British interests in the region were assured for the century leading to the outbreak of the Great War.

Britain's pre-eminence in the Atlantic was due to a number of factors.

Firstly, its domination of the slave, cotton and spice trades had necessitated the establishment of entrepôts in the Caribbean, West Africa and the Cape of Good Hope. The loss of the thirteen North American colonies had curtailed British sovereignty but not jeopardised Britain's continued domination of the Atlantic trade. The fortification and colonisation of the remaining entrepôts, although an uneven and precarious process, helped to guarantee British geo-political hegemony in the Atlantic region. We shall shortly see how control of the Cape in particular had an impact upon Britain's relationship with Latin America.

The Cape was of little commercial importance; its value lay in its strategic command of the South Atlantic and of the route to India, Britain's most lucrative imperial possession. From 1652 to 1795, the Cape had been a possession of the United Netherlands Chartered East India Company. By the end of the eighteenth century, the Netherlands had fallen under French control, and Britain, engaged in counter-revolutionary wars against France, feared that France might gain the imperial edge through assuming control of Dutch colonial possessions.

To pre-empt this, the British occupied the Cape in 1795, briefly returned it to the Dutch authorities in 1803 under the provisions of the short-lived Treaty of Amiens, but reconquered it in 1806 in the context of ongoing war with France. British sovereignty over the Cape was finally confirmed in the convention signed on 13 August

1814.

Sir Home Popham, a commodore of the Royal Navy, had led the convoy of British troops sent to seize Cape Town in 1806. In the wake of the decisive defeat of the Franco-Spanish navy at Trafalgar the year before, there seemed less of an imperative for the British fleet to remain concentrated in European waters.

As the fleet dispersed to other theatres of operation, lines of communication became more tenuous, and this gave a degree of autonomy to those commanders outside the European theatre.<sup>8</sup> Britain had no official designs on territorial acquisition in Latin America. Nevertheless, acting without orders, Sir Home Popham, having secured the Cape for Britain, set sail in April 1806 for Argentina, with a view to overthrowing Spanish power in the Viceroyalty of the Rio de la Plata. He saw that there would be extensive financial and commercial advantages to Britain in such a conquest, and sought to take advantage of local discontent and military weakness. It was only once his squadron had reached St Helena that the Admiralty was informed of his plans and reinforcements were commandeered.

Popham was a colourful character, the twenty-first son of a British consul in Morocco, university trained as a naval surveyor, astronomer and navigator. He had worked in Africa, India, Arabia, Malaya and China, where he made his fortune in trading. He survived a court martial for corrupt dealings in the navy, because a select committee of the House of Commons decided that he had been a victim of trumped up charges. He had also been knighted by the

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<sup>8</sup> H S Ferns, *Britain and Argentina in the nineteenth century*, Oxford University Press, 1960, pg. 21 ff.

Czar after a diplomatic mission to St Petersburg.<sup>9</sup>

Referred to as the "enfant terrible of the Spanish American lobby", Popham had pressed the British secretary of war, Henry Dundas, to mount an expeditionary force from the Cape of Good Hope to conquer Buenos Aires as early as 1797. This had been shelved, but in February 1801 Popham attempted to revive the plan. In a dispatch from the Cape (where he was stationed briefly before joining a naval expedition to the Red Sea), he argued the case for conquest on the grounds that the Cape was short of grain and that essential supplies from Buenos Aires could be interrupted in the event of war. But the expedition was not sanctioned by the time that the Pitt cabinet fell in the same month, and the new administration became preoccupied with a settlement with France, so any plans for an expedition were placed in abeyance.<sup>10</sup>

Having discounted the idea of colonising the whole of South America, the conquest of its key points (seen as Venezuela and the Rio de la Plata) became an obsession for Popham, if only to keep out the French. His entreaties to the Admiralty demanding action against Spanish America, joined with those of numerous others, including the pro-independence Venezuelan General Miranda, then resident in Britain. They fell on deaf ears at the Admiralty. In view of such indifference, Popham and Miranda sought to initiate their own separate unauthorised schemes. In 1806 Miranda led an expedition to the Venezuelan coast, but failed to raise revolution amongst the population, despite some naval support from

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<sup>9</sup> Ferns, *Britain and Argentina*, pp. 17-19.

<sup>10</sup> John Lynch, "British policy and Spanish America, 1783-1808", *Journal of Latin American Studies* I,1, 1969, pp. 14-15.

the British authorities in the Caribbean.<sup>11</sup>

The British acquisition of the Cape of Good Hope made it possible for Popham's singular strategy of obtaining key entrepôts in South America to be realised. Cape Town thus became a convenient staging post for the unofficial British conquest of the Argentine.<sup>12</sup>

Despite the initial success of the expeditionary force, the British faced increasing resistance on the part of the populace of the Viceroyalty. The Spanish forces were outgunned and badly trained, but the locally born criollos constituted a force which attacked the British and gave Spain the breathing space to dispatch more disciplined troops. Popham, too, received more reinforcements from the Cape, but the British occupation of Buenos Aires was mishandled by the newly appointed commander-in-chief of the River Plate, Lieutenant-General John Whitelocke.

Instead of turning the British expeditionary force into a prop for the independence movement, Whitelocke sought to press home the British occupation as a permanent initiative. After experiencing increased local resistance, and making numerous strategic mistakes, Whitelocke ordered the evacuation of the River Plate by the British forces under his command. Both he and Popham were later court martialled. Popham once again survived, this time going on to become a rear-admiral, but Whitelocke was cashiered and held up to the navy as an example of ignominious cowardice.

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<sup>11</sup> Lynch, "British policy", pp. 16-19.

<sup>12</sup> Amongst his forces, records show, there was a runaway Cape slave who was present at the capture of Montevideo and Buenos Aires. See Robert Ross, *Cape of Torments: slavery and resistance in South Africa*, London: Routledge & Kegan Paul, 1983, pp. 78-79.

The expedition had proved a failure. British foreign policy, as managed by Castlereagh at the time, sought to undo the harm of the continental system of embargos imposed by Napoleon. Castlereagh's main consideration was to avoid alienating any trading partners on the European mainland, with a view to re-establishing commerce with them. A second, though lesser, consideration was the notion that long-run trade and political advantages lay in British collaboration with the independence movements of Latin America, as "auxiliaries and protectors", to use Castlereagh's own parlance.<sup>13</sup> Popham's expedition had driven home the lesson that in the case of Latin America neo-colonial control would be a far more appropriate strategy than outright conquest.

The abortive conquest of the River Plate was not the only occasion on which the Cape of Good Hope was utilised as a strategic staging-post, as we shall see later when we come to examine the British struggle against the Brazilian slave trade.

### ii. Maritime superiority

Secondly, British dominance of the region arose through having defeated the threat of French and Spanish global sea rivalry. Spain's maritime power was decisively weakened by the Napoleonic invasion and the Peninsular wars. The Spanish Bourbon monarchy, once implacably set against Britain, turned to it for support against French expansionism. The wars of monarchical succession, often called the Carlist wars, preoccupied the Spanish ruling class for long periods in the early part of the nineteenth century.<sup>14</sup>

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<sup>13</sup> Ferns, *Britain and Argentina*, pg. 47-48.

<sup>14</sup> Pierre Vilar, *Historia de España*, Barcelona: Editora Critica, 1978, pp. 85-95.

France's own territorial presence in the New World was drastically curbed after the loss of Canada, the revolution in Haiti and the sale of Louisiana. Yet territorial and trade ambitions persisted. Maritime rivalry with the British was only one component of the series of Anglo-French wars from 1793-1814; its prize was domination of world trade.

At this time, Britain and France were the foremost economic powers, but the war between them had a differing impact upon their economies. For Britain, the war slowed its rapidly expanding economic production only marginally, whereas for France, a decade of revolution and financial disruption had weakened its industrial output substantially.<sup>15</sup>

Although many Latin American patriots looked to French revolutionary principles for inspiration during their independence struggles, this had not led to the cementing of alliances with Jacobin or Napoleonic France. Miranda, Bolívar and Belgrano had been influenced by the ideas of the French encyclo-paedists and *philosophes*, especially those of Montesquieu, Voltaire and Rousseau. But they were also impressed with other political thinkers of the Enlightenment, such as Hobbes and Locke, and by the political order in England.<sup>16</sup> The restoration of the Bourbon monarchy in France did much to alienate the Latin American independence movements from the French.

The post-Napoleonic dispensation in continental Europe had turned France into a political vassal of the reactionary neo-Holy Alliance, led by the absolutist monarchies of Austria, Russia and Prussia. These

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<sup>15</sup> Hobsbawm, *The age of revolution*, pp. 123-4.

<sup>16</sup> Lynch, "The origins of Latin American independence", pp. 41-42.

absolutist powers prompted the French monarchy to suppress constitutionalist uprisings in Naples and in Spain. Furthermore the reactionary Alliance viewed with horror the possibility of the *de facto* independence movement in Latin America adopting a democratic republican form of government. Under neo-Holy tutelage, France was encouraged to press for the formation of a series of Latin American monarchies - whose thrones would be filled with Bourbon progeny - to ensure absolutist control over the continent despite the abrogation of Spanish power.

Yet in order to realise these plans, the neo-Holy Alliance would have to neutralise or challenge British power, ambitions and diplomacy in the region. In this, it failed. As Foreign Secretary, George Canning resisted British incorporation into a European congressional system set up by the neo-Holy powers.<sup>17</sup> Britain's superior sea power in the Atlantic acted as a deterrent against France and Russia being able to expand their interests in the region. Pressure from Canning on his French counterpart, the Duc de Polignac, eventually extracted French guarantees of non-intervention in the region. These guarantees were embodied in the Polignac Memorandum issued in semi-secrecy in October 1823.<sup>18</sup> The Memorandum prevented France from rekindling any of its interests in Latin America with one notable but abortive exception. For a brief period in the 1860s, the French were able to place their candidate, Maximilian, a member

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<sup>17</sup> H W V Temperley, *Life of Canning*, London: James Finch, 1905, pp. 135-151.

<sup>18</sup> For the text of this memorandum see Harold Temperley, *The foreign policy of Canning, 1822-1827: England, the neo-Holy Alliance, and the New World*, London: Bell, 1925, pp. 115-118, especially the phase where Polignac disclaims "any intention or desire" on the part of France "to appropriate to Herself any part of the Spanish Possessions in America, or to obtain for herself any exclusive advantages."

of the Hapsburg dynasty, on the short-lived imperial Mexican throne.

Having ensured that French interests could not challenge its own, British policy centred around how best to eclipse the traditional Iberian hold over the region.

During the Peninsular Wars, it was Britain which had benefited most from the disruption of trade between Spain and Portugal on the one hand, and their colonies on the other. Britain had long engaged in a clandestine trade with the Spanish American colonies and Brazil. The breaking of the Iberian royal trade monopolies was accelerated during the War, and in some cases local temporary exemptions and concessions to "neutral" intermediaries were granted to the satisfaction of both the British and local merchants.<sup>19</sup>

The advantages which accrued to British mercantile interests were considerable, especially in view of the disruption of trade with Europe due to the Napoleonic embargo. "In some of the war years," states Waddell, "Latin America was accounting for over a third of Britain's exports, and was thus offsetting to some extent the loss of markets in Europe and the United States."<sup>20</sup>

This swiftly growing new market was too tempting for Britain to allow the reimposition of the royal monopoly at the end of the war in 1814. Spain had already conceded

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<sup>19</sup> For a full account of the trade in the pre-independence period, see the seminal article by Dorothy Burne Goebel, "British trade to the Spanish colonies, 1796-1823", *American Historical Review* XLIII, 2, January 1938, pp. 288-320.

<sup>20</sup> D A G Waddell, 'International politics and Latin American independence', pp. 195-226 in Leslie Bethell (ed), *The independence of Latin America*, Cambridge University Press, 1987, pg. 198.

that it was in no position to continue to enforce its commercial monopoly.<sup>21</sup> Yet Britain was keen to legitimate its clandestine trade with Spanish America. Over the ensuing decade, pressures arose from the City upon the British government to support the independence movements in Spanish America, and to act as a mediator in securing the recognition of their sovereignty by Spain.

During 1819 and the early 1820s, Mexico, Gran Colombia and Buenos Aires declared their independence.<sup>22</sup> Britain was at first reluctant to grant *de jure* recognition without Spanish and wider European concurrence, which did not seem to be forthcoming. In the interim, a form of *de facto* recognition of the new republics occurred when Britain acknowledged their flags and shipping for trading purposes, and established a string of consulates in Latin American ports. It was only in 1825, partly prompted by the lead of the United States, a potential trade rival, that Britain gave *de jure* recognition to the new states.

Brazil had severed its link with Portugal in 1822, but this was regarded in Europe with more tolerance, since the former colony was still in the acceptable hands of the Portuguese royal house of Bragança.

Britain, a traditional ally of the Portuguese crown, had been instrumental in securing the transfer of the

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<sup>21</sup> Charles K Webster (ed.), *Britain and the independence of Latin America, 1812-1830: Select documents from the Foreign Office Archives*, Vol. 1, Oxford University Press, 1938, pg. 10.

<sup>22</sup> Gran Colombia consisted of the present day Colombia, Venezuela, Ecuador, and Panama until 1830, when the first three of these obtained separate sovereignty. Panama declared its independence from Colombia in 1906. See Anthony McFarlane, "The transition from colonialism in Colombia, 1819-1875", in Christopher Abel and Colin Lewis (eds), *Latin America, economic imperialism and the state*, London: The Athlone Press, 1984, p. 121, n. 1.

Portuguese court to Rio immediately prior to the Napoleonic invasion in November 1807.<sup>23</sup> This ensured that the Brazilian trade would be opened to British merchants, who enjoyed favourable treatment (including extra-territoriality) under the protection of an advantageous commercial treaty. Sixty firms of British merchants were established in Brazil, far outnumbering any other foreign rivals.<sup>24</sup>

Although the Portuguese court returned to Lisbon in 1821, Dom Pedro, the heir to the throne, remained in Brazil as prince regent, and soon fell under the influence of local interests who were determined that Brazil should not resubmit to its former colonial status. Persuaded to declare Brazil independent, Dom Pedro retained power as its first constitutional emperor. Since this non-revolutionary transition to independence was less complicated in terms of European diplomacy, Britain assisted in the process of securing Portugal's recognition, and in obtaining a renegotiated commercial treaty with Brazil, through which she became Brazil's most significant trading partner and source of capital.<sup>25</sup>

Thus, by the 1820s, Britain had completed the process of establishing itself as the pre-eminent power on both sides of the Atlantic. It had done so without establishing settler colonies, except on a small scale in the Eastern Cape, where a series of frontier wars were destabilising continued political control over the area.

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<sup>23</sup> Documented in Alan K Manchester, *British preeminence in Brazil: its rise and decline*, Chapel Hill: University of North Carolina Press, 1933, pp. 54-68.

<sup>24</sup> Judith Blow Williams, *British commercial policy and trade expansion, 1750-1850*, Oxford University Press, 1972, pg. 265.

<sup>25</sup> Leslie Bethell, "The independence of Brazil" in Bethell (ed.), *The independence of Latin America*, Cambridge University Press, 1987, pg. 194.

Britain had achieved this position due to factors largely related to the outcome of political and military struggles in Europe, rather than to any local imperatives.

The next sections of this chapter will gauge the impact of British hegemony on the two regions, in order to assess whether it became a factor in fostering closer economic ties.

## 2. THE CAPE OF GOOD HOPE AND THE ABOLITION OF THE BRAZILIAN SLAVE TRADE, 1810-1860

In this section of the chapter, evidence will be presented describing the role played by the Cape of Good Hope in helping to suppress the remnants of the transatlantic slave trade. This will show how Britain's occupation of the Cape helped it to maintain the hegemony it had developed in the South Atlantic in the early part of the nineteenth century. The Cape was thus drawn into a relationship with Latin America through British involvement in the ending of the slave trade.

### a. Slavery and the Brazilian economy

At the time of Brazilian independence in 1822, Britain had interceded with its former colonial power, Portugal, to persuade Lisbon to recognise the new state and normalise relations. The price Brazil was expected to pay for Britain's intercession and for continued British commercial involvement was the abandonment of the slave trade.

Having put an end to the trade from 1808<sup>26</sup> in its own empire, Britain regarded Brazil, which had no plans to do

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<sup>26</sup> On the basis of legislation passed the previous year.

so, as taking unfair advantage of unfree labour in the production of tropical goods for the world market. In British eyes, the maintenance of the Brazilian slave trade replenished the supply of slave labour at a time when, owing to the end of the trade elsewhere, labour supply had become scarcer and more costly. Hence Brazil was able to undercut production costs of the areas under British sway in the West Indies.

Although desirous of a permanent end to the transatlantic slave trade, British policy had to balance humanitarian motives against the problem of reproducing labour in the colonies. Despite the end of the traffic in slaves, the institution of British colonial slavery was not abolished until 1834, after which, in some instances, other forms of unfree labour persisted. The policy of gradual emancipation coincided with the growing triumph of capitalist relations of production across the globe.<sup>27</sup> Yet, the process was an uneven one, and in some areas, it suited capital to continue to employ earlier forms of exploitation.

British abolitionist aims were in serious contradiction with the powerful economic interests of Brazil's agrarian ruling class. After the opening of the ports of Brazil to international trade in 1808, the exports of tropical produce - sugar, cotton, tobacco and coffee - received a new stimulus. As Brazil became more and more integrated into the world economy, the demand for plantation labour intensified significantly. The landowning class saw this demand in terms of an imperative to acquire more slaves rather than free labour. Brazil remained the principal destination of captive Africans, and it was Portuguese ships which conducted the bulk of the trade in the years immediately following Brazilian independence.

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<sup>27</sup> A thesis powerfully argued by Williams (1944) and Eltis (1987).

For some years Portugal had ceased trading in slaves north of the equator. Pressure from Canning had resulted in the Anglo-Portuguese treaty of 1810. According to the British interpretation, this trade had been outlawed under the treaty. By confirming in January 1815 that the northern trade was no longer legal, Portugal resolved any ambiguities in the treaty: Lisbon was, simultaneously, confirming that trade between its colonies south of the line (including most of Brazil) was still permitted to Portuguese subjects. In extra provisions added two years later, Portugal conceded to Britain the right to search and detain its vessels, and their adjudication before bilateral tribunals.

A number of these tribunals, known as Mixed Commissions, had been set up by the British with judicial commissioners drawn from nationals both of Britain and the relevant second country.

The task of the Mixed Commissions was to adjudicate international disputes about slaving vessels captured by the Royal Navy patrols or, what was more unlikely, by their treaty counterparts. Most of the Mixed Commissions operated in a half-hearted fashion, at best being conciliatory in their approach, and at worst rather lax at deterring any further slaving.

With Brazilian independence, the British argued that the successor state still ought to honour Portuguese treaty obligations. Since none of these obligations covered the trade with any of the Brazilian ports, efforts were made to convince the Brazilians of the need for a new treaty with Britain.

### b. British recognition and abolition

Abolition was not on the immediate agenda of the newly independent Brazilian empire. Yet Britain had demanded that this be one of the preconditions for recognition of Brazilian sovereignty. Later Britain also demanded abolition as a precondition for the renewal of a commercial treaty originally in force between itself and Portugal. British foreign minister George Canning declared:

no state in the New World will be recognised by Great Britain which has not frankly and completely abolished the trade in slaves.<sup>28</sup>

and reiterated that he could not recognise a state

distinguished from all other states in the vast extent of the New World by its solitary adherence to the slave trade.<sup>29</sup>

He held that Brazilian renunciation of the trade would smooth the recognition process.

Recognition by Britain was desirable, since Britain held political sway over Portugal and could influence the latter not to resort to any forms of revanchism in the New World. Moreover, Britain had become the principal economic power in the Atlantic, and Brazil's independence could not fully be secured without ensuring a solid trading relationship with the British.

It was only with the utmost reluctance that, in November

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<sup>28</sup> In an 1822 letter to the Duke of Wellington, then ambassador to the Congress of Verona, cited in J F King, "The Latin American republics and the suppression of the slave trade", *Hispanic American Historic Review* XXIV, 1944, p. 391, and Webster, *Britain and the independence of Latin America*, vol. ii, p. 74.

<sup>29</sup> Canning to Chamberlain (British chargé d'affairs in Rio), no. 5, 15 February 1823, Secret, printed in Webster, *Britain and the independence of Latin America*, vol. i, pp. 220-1.

1826, reacting to considerable pressure exercised by the British and the pro-abolitionist emperor Dom Pedro I, the Brazilian chamber of deputies agreed to the future abolition of the slave trade south of the equator in exchange for recognition of Brazilian sovereignty by Britain. This was to be enshrined in an Anglo-Brazilian treaty.

### c. The demand for slaves

Although the 1826 Anglo-Brazilian treaty allowed for a period of three years' grace from the time of ratification before abolition was legally instituted, a political backlash occurred in the congress and amongst the landowning classes. Accused of accepting too high a price for recognition of independence, the emperor found himself the object of intense criticism and chose to abdicate in 1831. His son and heir, Dom Pedro II, was then six years old, so power passed into the hands of regents drawn from political notables in the court-based aristocracy.

During the period of grace before abolition was finally written into Brazilian law on 7 November 1831, the slave trade actually intensified, in order that sufficient slaves be procured before the traffic became criminalised.

TABLE 3.1

SLAVES IMPORTED INTO BRAZIL, 1822-1830			
Port of entry	Rio de Janeiro	Bahia	Pernambuco
1822-7 (average)	25,000 p.a.	3-4,000 p.a.	
1828	45,000	3-4,000	
1829	45,000	17,000	5,000
1830 (Jan-June)	30,000		

Source: Bethell, *The abolition of the Brazilian slave trade*, p. 71.

By the time of abolition, the slave trade had diminished almost entirely. This was due to the relative over-supply of slaves which had occurred in the previous few years. Yet the sugar and coffee booms of the following decade soon led to a revival in the demand for slaves and the trade began to intensify systematically on a clandestine basis.

TABLE 3.2

COFFEE EXPORTS FROM RIO DE JANEIRO, 1792-1841  
(measured in tonnes)

1792	2
1817	4,573
1820	7,751
1826	18,758
1830	27,499,389
1835	46,550,792
1840-1	71,644,338

Source: Stein, *Vassouras*, p. 53, Table 4, gives figures in their original units of arrobas (each equivalent to 14.38kg or 31.7lb).

The growth in the trade alarmed the British, who realised that the new state and its successive weak central governments were too ill-equipped financially and politically to police the abolished trade. Brazil's naval attention was diverted from patrolling the slave trade to dealing with provincial secession movements in Pará and Rio Grande do Sul at opposite ends of the empire. The judicial authorities were linked at local level to the plantation owners, and where not corruptible, generally turned a blind eye to the illegal landings of slaves. In all, Bethell estimates that 500,000 slaves were illegally imported to Brazil after 1830.<sup>30</sup>

<sup>30</sup> Leslie Bethell, *The abolition of the Brazilian slave trade*, Appendix, pg. 395.

#### d. Palmerston laws

Despite such clear and continuous infringement of Brazilian domestic legislation, it was still illegal for Britain to interfere with Portuguese or stateless ships south of the equator. Treaty law had only allowed for direct British intervention in the North Atlantic.

The clandestine nature of the trade and the potential forfeiture of the illegal cargoes of Brazilian vessels to the naval patrols drove slave prices upward. Various subterfuges were employed by the shipowners to disguise the real nature of their vessels' cargoes if challenged by the British. At this time, the expression **para inglês ver** (loosely meaning "to bamboozle the British") entered the Brazilian Portuguese language and came to be used for any instance of concealment of real intentions.<sup>31</sup>

Lord Palmerston, the British foreign secretary, campaigned at length to put an end to this leakage in the patrolling of the illegal trade. In 1839 he persuaded the British parliament to legislate in favour of naval searches of Portuguese or stateless vessels south of the equator.

If Portuguese or stateless slave ships were apprehended, they would henceforth be tried by courts of the relevant vice-admiralty of the Royal Navy rather than by the Mixed Commissions. Slaves landed in British territories would be set free under certain conditions, and the ships' crews would be handed over to their own countries. The ships themselves would be broken up and sold for scrap, or ownership would pass to the British navy.

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<sup>31</sup> See the explication of this term by social anthropologist Peter Fry in his volume of the same name, *Para inglês ver: identidade e política na cultura brasileira*, Rio de Janeiro: Zahar Editores, 1982.

#### e. Patrolling the seas

These harsh measures caused numerous traders to revert to using the Brazilian flag. Captured Brazilian vessels were still subject to the jurisdiction of the Anglo-Brazilian Mixed Commissions. Normally this might have been less satisfactory to the British because the Brazilian commissioners had a reputation for leniency. However, at the African seats of the Mixed Commissions - in Sierra Leone, on the island of St Helena, and at the Cape of Good Hope - the Brazilians seldom had a resident commissioner. Hence the captures off the African coast were not often challenged in the commissioners' courts.

During the 1840s, however, the clandestine trade increased. The earlier treaties with Britain lapsed and Brazil refused to negotiate a new one on terms satisfactory to Britain. Not only was there resistance to abolition but also to British high-handedness. Britain's demands were interpreted by some politicians as being incompatible with Brazilian sovereignty.

Brazil's continued intransigence swayed the hand of the British foreign secretary, Lord Aberdeen, to draft new and stricter legislation declaring the Brazilian slave trade tantamount to piracy. The legislation received royal assent in August 1845. Known popularly as the Aberdeen Act, the Slave Trade (Brazil) Act allowed for the right to search Brazilian vessels, the unilateral jurisdiction in vice-admiralty courts, the payment of bounties for liberated slaves, and the breakup of captured slave vessels.

British vessels also patrolled the Brazilian coastline. Many slave ships were captured here against the will of a much affronted Brazilian government. Friction between the governments intensified despite the lowering of duties on Brazilian sugar, because there still seemed no intention

on Brazil's part of renewing all the lapsed provisions of the 1827 abolition treaty.

Despite Brazilian protests, about half the ships captured after 1845 were condemned in St Helena, and the rest in Freetown or Cape Town. The protests were formally conveyed by Brazilian consuls or vice-consuls in these ports. Yet with the world boom in tropical commodities like coffee and sugar, plantations had never been busier, with a consequent demand for more slave labour. This was underlined by the failure of free migration schemes to provide paid European labour to the plantation owners.

Despite the increased risks of capture, the clandestine trade expanded beyond the capacity of the British navy to prevent it.

It was only when the Brazilian regime itself resolved to end the trade that more practical measures were adopted to ensure an effective abolition. In 1850 the Brazilian congress passed legislation going beyond all previous provisions in a determined bid to outlaw all forms of the trade. By this date the central government had consolidated its powers relative to the constituent provinces, and the measures to put an end to the trade proved successful: by the late 1850s it had ceased entirely.

#### f. The Cape and the trade

The Cape of Good Hope was useful to Britain as a strategic point on the route to India and the East. It was far less important to world markets than independent Brazil. Nevertheless its strategic location helped the Cape play a part in the abolition of the transatlantic slave trade. This became one of the few elements of contact between South Africa and Latin America in the

mid-nineteenth century.

Although the relationship was clearly mediated by the role of the British in securing a position of naval and geo-political dominance in the South Atlantic, nevertheless there were certain domestic advantages derived from the British use of the Cape in the suppression of the trade.

The territory of the Cape of Good Hope, straddling two oceans, was a good vantage point from which to patrol both the east and west coasts of Africa. This was especially necessary for most of the first half of the century, because of the role which Portugal and its colonies of Angola and Mozambique played in the transatlantic trade. The port of Cape Town together with the nearby naval facilities at Simon's Town became the base for a new British naval patrol, a fitting location for a vice-admiralty court, and, after 1842, a seat of the Anglo-Portuguese Mixed Commission.

Although these judicial institutions never attained the importance of their counterparts in Sierra Leone, where 528 cases were judged between 1819-45<sup>32</sup>, the courts and mixed commissions at the Cape of Good Hope formed part of a network stretching to the Caribbean.

The mixed or joint commissions were established by treaties signed with Portugal, Spain, the Netherlands, the United States, and later with Brazil and some Spanish American republics. In each case, Britain and its counterpart, say Portugal, would jointly preside over the courts which sat in judgement of sea crews caught trading

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<sup>32</sup> Leslie Bethell, "The mixed commissions for the suppression of the transatlantic slave trade in the nineteenth century", *Journal of African History*, VII, 1966, p. 84.

in slaves. Apart from the Cape of Good Hope and Sierra Leone, these mixed commissions were also seated at Luanda, St Helena, Boa Vista in the Cape Verde islands, Rio de Janeiro, Paramaribo (Suriname), Spanish Town (Jamaica), Havana and New York [see map 2].

Despite the joint jurisdiction, it was the Royal Navy which carried out almost all the business of suppressing the trade.<sup>33</sup> Its naval station at the Cape thus formed one of the strategic points around the Atlantic basin.

In practice, as Christopher Saunders has shown<sup>34</sup>, the work of, for example, the Anglo-Portuguese Mixed Commission at the Cape of Good Hope was not at all rigorous. Adjudication proved extremely difficult, especially when little proof of a vessel's Portuguese nationality was available. The belated institution of this Mixed Commission at the Cape of Good Hope hampered its effectiveness, since at this time the trade began to be dominated by Brazilian and US vessels. The cumbersome workings of the commission meant that only three ships were condemned during the first twenty years of its working life.

The main instrument of justice to which the British submitted captured slaving vessels for adjudication at the Cape of Good Hope was the local vice-admiralty court. This court was under the ultimate jurisdiction of the Chief Justice of the colony.

Since the end of the colonial slave trade in 1807, one of the few sources of additional labour was the landing of the so-called Prize Negroes, those slaves who had been

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<sup>33</sup> Bethell, "The Mixed Commissions", p 83.

<sup>34</sup> "A 19th century farce: the Anglo-Portuguese Mixed Commission", *Quarterly Bulletin of the South African Library*, July 1983, pp. 298-302.

captured by the British and liberated from the Portuguese and other slave vessels by the various local courts during the Napoleonic wars.

The colonists at the Cape of Good Hope thus developed a stake in the freeing of Prize Negroes. Under Cape law, they were released into "apprenticeship" for a fourteen-year period, during which they were treated little better than slaves in Cape Town and on the vineyards and wheat farms of the interior.

After the end of slavery at the Cape of Good Hope, which occurred with formal emancipation on 1 December 1834, all ex-slaves were "apprenticed" to their former masters for a four-year period.

Once this period was over, a number of former slaves left the employ of their masters.<sup>35</sup> The resultant labour shortage at the Cape meant that colonists were in favour of securing supplies of liberated slaves, even from those freed in Sierra Leone or St Helena if necessary, despite opposition from the Colonial Office. However, transport costs ruled out such importations, and the colonists continued to hope that the efficacy of the naval patrols might benefit their supplies of labour.

The passage of the Palmerston Act in 1839 had given the navy the right to search and detain Portuguese slave vessels south of the equator. This coincided with the end of the four-year "apprenticeship" period. It was from this time that the Cape of Good Hope began to receive a new supply of Prize Negroes.

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<sup>35</sup> Although this was by no means a majority. See Nigel Worden, "Adjusting to emancipation: freed slaves and farmers in the mid-nineteenth-century South-Western Cape", in Mary Simons and Winston James (eds), *The angry divide: social and economic history of the Western Cape*, Cape Town: David Philip, 1989, pp. 33-4.

Numerous slave ships were captured off the coast of south-east Africa, and brought to the vice-admiralty court in Cape Town for adjudication. The slaves were released as Prize Negroes to local residents. Although numbering nearly four thousand<sup>36</sup>, there were never sufficient Prize Negroes to redress the labour shortfall. Despite the efforts of the colonists to finance imports from St Helena and further appeals to the government of the Cape, few Prize Negroes were landed after 1846. Slave vessels captured on the east coast were landed in the new colony of Natal or, from 1861, in the Seychelles.

The fate of the Prize Negroes was not far removed from the shackles of slavery from which they had, with great effort, been liberated. Once freed by mixed commission or vice-admiralty courts, they were assigned to colonists as "apprentices". In practice, this did not mean any form of induction into a skilled profession. Instead, they were given household tasks or unskilled farm labour or municipal maintenance work for the duration of the apprenticeship contract of fourteen years. No longer slaves, they were indentured to a single employer and hence remained unfree. There were many desertions, but few attempts to return to their countries of origin.

The added dimension of colonial race relations placed them in a position of permanent subservience: after the expiry of their fourteen years of indenture, they were subjected to the provisions of the Master and Servants Ordinance of 1841, which governed their working lives and ensured their assimilation into the servile underclass of colonial Cape society.<sup>37</sup>

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<sup>36</sup> Cf. the figure of 36,000 slaves formally emancipated in 1834.

<sup>37</sup> For insights on the Prize Negroes at the Cape, I have drawn extensively on the work of Christopher Saunders, especially his articles entitled "Between slavery and

The British attempts to end the transatlantic slave trade - primarily aimed at curbing supplies to Brazil and Cuba - therefore had some unintended consequences at the Cape. Unlike the liberated slaves in Sierra Leone, many of whom set up free rural communities, and who became a dominant element in the society over time, at the Cape of Good Hope the freed captives were integrated into the labour force as indentured workers. Ironically they remained unfree labour. This helped solve some of the problems of the colonial labour shortage, but was an outcome not freely chosen by the captives. The dominant agrarian and mercantile interests at the Cape thus benefited directly from the conflicts between Britain and Brazil over the continuance of the slave trade.

Through its attempts to sever the transatlantic trade in Africans, Britain also managed to ensure that Brazil's material interests in the African continent were terminated. Britain vigorously opposed any aspirations on the part of the newly independent Brazilian empire to colonise Angola or Mozambique. Britain had its own aspirations in the continent, and preferred a weak Portuguese rival to a potentially more vigorous Brazilian one.

Thus Britain's occupation of the Cape of Good Hope not only served its principal function as a strategic way-station on the route to India, but also became indispensable to the establishment and maintenance of British hegemony within the region of the South Atlantic. The Cape served as a useful naval station for the wider policy of terminating the transatlantic slave trade. In this sense Britain's first Southern African colony was drawn into the nexus of its relations with the independent Latin American republics and the colonial

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freedom", pp. 37-40, and "Liberated Africans at the Cape", pp. 220 ff.

remnants in the Caribbean.

### 3. SOUTH AFRICA'S TRADE WITH LATIN AMERICA BEFORE 1910

Trade between Latin America and South Africa was not especially significant in the nineteenth century.

There were a number of reasons for this. One overriding factor was the **North-South axis** in trade relations and trade routes. The principal sea route linking Europe with the Orient and the Antipodes - prior to the opening of the Suez canal in 1868 - passed around the Cape of Good Hope. Before the advent of steam, vessels would generally be drawn across the Atlantic by the trade winds. This meant that they would stop in Salvador or Rio de Janeiro before recrossing the south Atlantic and rounding the Cape. Trade served to enrich the mercantile interests based in the northern metropoles.

Where there was south-south trade between Africa and Latin America, it was dominated by the one-way trade in slaves. This trade did not involve exports of slaves from the South African territories, since these areas perennially experienced scarcities of labour and were also net importers of slaves until the trade ceased within two years of permanent British occupation of the Cape in 1806.

Another factor was the fact that both regional economies were devoted to **agrarian production**. Although there was some complementarity, since the Cape did not produce tropical commodities, for the most part the produce of the two regions competed on world markets. Where there were shortages of commodities at the Cape, usually due to droughts or diseases, preference was granted to imports from Britain and its overseas possessions, or to the East

India Company which held the monopoly on British trade with China. Neither Latin America nor South Africa produced any manufactured goods for export at this time.

Regular trade routes across the South Atlantic were not developed until the twentieth century, nor were there transatlantic cable links. This lack of infrastructure impaired the growth of significant and systematic trade relations. This was compounded by the fact that in the trade between the Australasian colonies and the Latin American republics, goods tended to be shipped across the Pacific route rather than the Atlantic and Indian oceans.<sup>38</sup> This meant that there was less opportunity for a passing trade with the Cape.

A further factor which inhibited the growth of trade was the small size of the money or exchange economy in South Africa prior to the mineral revolutions which occurred in the last third of the nineteenth century. Communications networks were slow and arduous, with poor roads and steep mountain passes. Settlements were few, and most settlers in the interior lived fairly isolated farming existences. Although their consumption of commodities obtained on world markets structured their lives on the colonial frontier in important ways, the volume of these imports was limited and erratic.<sup>39</sup>

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<sup>38</sup> T W Keeble, *Commercial relations between British overseas territories and South America, 1806-1914: an introductory essay*, London: The Athlone Press, 1970, pp. 92-3.

<sup>39</sup> Susan Newton-King, "Commerce and material culture on the Eastern Cape frontier, 1784-1812", *Collected seminar papers 37: Societies of Southern Africa in the 19th and 20th centuries*, Institute of Commonwealth Studies, University of London, vol. 14, 1988, pp. 1-32. Also see Leonard Guelke, "Freehold farms and frontier settlers, 1652-1780", in Elphick and Giliomee (eds), *The shaping of South African society, 1652-1840*, Cape Town: Maskew Miller Longman, 2nd edition, 1989. p.88.

The primitive and exposed nature of the harbours at the Cape did not facilitate the growth of trade. Serious development of the harbour at Table Bay only began to occur from the 1850s, and the Eastern Cape ports lagged behind in construction until the 1890s.<sup>40</sup>

The Cape had a precarious position in world markets before the 1860s. The chief export of the colony, wine, began to decline after 1830. Slowly its predominance waned in favour of wool, which by 1850 was the colony's principal export. Even so, the export of wool provided an insubstantial part of the colony's total revenues.<sup>41</sup>

TABLE 3.3

EXPORTS FROM THE CAPE OF GOOD HOPE 1822 - 1850				
YEAR	1822	1830	1840	1850
wine	47 %	43 %	7 %	5.6%
wool	0.65%	0.7%	4.1%	44.8%
rest	52.35%	56.3%	89.9%	49.6%
total	100 %	100 %	100 %	100 %
value	£240,853	£224,392	£1,095,809	£637,353

Source: Cape of Good Hope, *Blue Book*, 1822-1850

In the context of the growing British dominance of world trade, South Africa was of marginal importance before the mineral revolution. Not only was commodity production rather limited, but there was also **no local merchant marine**. Most of Brazil's export trade across the South Atlantic was dominated by British export houses in Rio de Janeiro.

The trade that was generated was therefore dependent upon

<sup>40</sup> See David William Rush, *Aspects of the growth of trade and the development of ports in the Cape Colony, 1795-1882*, MA thesis, University of Cape Town, 1972, p. 6 and 83 ff.

<sup>41</sup> Rush, *Aspects of the growth of trade*, p. 35.

British imperial monetary and financial requirements, rather than being generated by autonomous local interests seeking to expand markets for domestically produced commodities.

This meant that such trade was largely incidental to the fact that most of the sea traffic between Britain and her possessions in the East was routed via Brazil and the Cape of Good Hope.

The only significant exception was the trade undertaken by the British merchants based in Rio de Janeiro. The records show that they dispatched their own vessels on round trips to the Cape prior to 1820.<sup>42</sup>

During the second half of the century, when more trade records were kept, there was evidence of some importing from the River Plate countries and from Chile. However the value of these imports remained relatively modest until the turn of the century, and there were no significant amounts of South African exports.

TABLE 3.4

Year:	<u>1853</u>	<u>1860</u>	<u>1870</u>	<u>1880</u>	<u>1889</u>	<u>1899</u>
<u>Source</u>						
Brazil	66.0	135.6	115.8	217.0	341.1	
Uruguay		5.5		3.0		
Chile		7.5	9.7	19.0		
Argentina			19.6		76.7	
Sources: Cape of Good Hope, <i>Blue Book or Statistical Register</i> for the relevant years.						

<sup>42</sup> See Keeble, *Commercial relations*, p. 65, n.1

a. Exports to Latin America

The Cape's records of exports to Latin America for the same period consisted of two entries only, both recording amounts destined for Brazil. In 1853, exports reached the value of £12,000, but much of this comprised goods from the East which were being re-exported, and there was only £2,000 worth of local produce. In 1870, an amount of £800 worth of horses and mules were sold to Brazil, and an unspecified quantity of Cape wine.

These figures indicate that imports from Latin America were far in excess of Cape exports, and that therefore the balance of trade which evolved during the last century was to the advantage of Latin America; that the Cape exports were occasional or verged on the insignificant; that the entrepôt nature of the Cape had meant a more significant role for oriental re-exports; and that any conclusions about the trade are expressed on the basis of incomplete data collected in decennial intervals.

b. The entrepôt trade

That the Cape should be a centre for re-exports within the British trading network is an unsurprising function of her geographical situation.

The Cape was a way station for British trade with the East. The traffic generally flowed between Europe and India, the East Indies or China. In cases where British merchants wished to dispose of oriental produce in the Americas or Europe, without their fleets performing the entire journey each time, the goods were often warehoused or bonded at the ports of the Cape peninsula for subsequent transshipment to more westerly or northerly destinations.

*The Report of the Commissioners of Inquiry upon the trade*

of the Cape of Good Hope of 1829 noted that

the largest portion of this trade has consisted of the re-exportation of cotton goods, of Indian manufactures, spices and drugs to Great Britain and South America, and in smaller proportion to the Netherlands, and of articles of British manufacture to the East Indies and the colonies of Mauritius and New South Wales.

and recommended that obstacles in the way of this transit trade be diminished.

TABLE 3.5

EXTENT OF THE TRANSIT TRADE FROM THE CAPE OF GOOD HOPE  
1820-1826  
In Rixdollars (Rds.)<sup>43</sup> (Rd. 1 = £0.075)

Year	<u>Value of re-exports</u>	<u>Re-exports as % of total exports</u>
1820	Rds. 349,968	16.33
1821	Rds. 369,782	16.88
1822	Rds. 725,649	23.24
1823	Rds. 234,112	8.20
1824	Rds. 231,055	7.65
1825	Rds. 336,907	10.52
1826	Rds. 195,746	8.48

Source: Cape of Good Hope, *Report...upon the trade of the Cape of Good Hope*, 2 June 1829, Appendix 3, pp. 38-39. Figures furnished by Collectors of Customs at Cape Town and Simon's Town, except for 1825-6 when exports from Simon's Town were not recorded. Figures for 1825 not disaggregated by destination.

Re-exports thus oscillated in the area between 8%-25% of total exports in the 1820s, and the Commission was keen

<sup>43</sup> Rixdollars, the currency introduced by the United East India Company of the Netherlands, were legal tender at the Cape until demonetised in 1841. Originally equivalent to a value of 4s., by 1821 it had been devalued to the equivalent of 1s 6d or the decimal 7.5p. I am grateful to Lalou Meltzer, former numismatic curator at the South African Cultural History Museum, for this information. Further details are available in Brian Kantor (1970); Robert Ross (1989); and Vivien Solomon, whose chapter on "Money and banking" in Coleman (ed.), 1983, includes a history of the rixdollar.

to ensure that this portion of the Cape's trade be stimulated. It recommended the improvement of harbours and the removal of customs duties on commodities whose ultimate destination was not the Cape itself. It also argued that despite earlier British legislation, foreign ships should be admitted to Cape harbours "without reference to the performance of the condition of reciprocity".<sup>44</sup>

The spirit of free trade was very much in the minds of the commissioners when they wrote

A (profitable) intercourse may be expected to take place with Brazil and other States of South America....we see no just ground for jealousy or apprehension in the free admission and the exportation of articles of its produce to and from the Cape.

TABLE 3.6

CAPE OF GOOD HOPE EXPORTS TO LATIN AMERICA  
AND THE CARIBBEAN  
1820-1826 (in Rixdollars)

Year	A Exports of local produce to Latin Am (Rds.)	B Re-exports to Latin Am (Rds.)	A+B Total exports to Latin Am (Rds.)	B/A+B (%)	B as % of total re-exports (%)
1820	95,880	40,020	135,900	29.4	6.5
1821	67,540	39,440	106,980	36.9	10.7
1822	119,162	16,762	135,924	12.3	2.3
1823	99,794	2,120	101,914	2.1	0.9
1824	222,445	36,395	258,840	14.1	15.8
1825	-----	-----	-----	-----	-----
1826	95,467	2,666	98,133	2.7	1.4

Source: As Table 3.5. 1825 figures do not reflect destination of exports and 1826 figures do not include returns from Simon's Town.

<sup>44</sup> Cape of Good Hope, *Report...upon the trade of the Cape of Good Hope*, 2 June 1829, p. 11.

Whilst in the 1820s, re-exports were a varied but not dominant component of total exports to the various Latin American countries, by the mid-1850s, re-exports became a significant (83.3%) part of the Cape's total exports to Brazil. This indicates the reinforced rôle of *entrepôt* which the Cape of Good Hope played in the context of British imperial trading interests.

#### c. Nature of the trade commodities

Apart from the re-exports of oriental products to Latin America, the rest of the trade consisted of non-complementary commodities in relatively small quantities, with some exceptions.

The 1829 Commission of Inquiry into the trade of the Cape of Good Hope reported in 1829 that imports from Latin America consisted mainly of tropical produce such as coffee, sugar, and tobacco, and recognised that the Cape was exporting wine, wheat, wool, horses, hides, ostrich feathers, salted meat, corn, preserved fruit, medicinal herbs and aloes, ivory and gum.

The trade of the latter half of the century consisted more or less of the same commodities, with two innovations: the import of wheat, barley and flour from Chile; and that of horses, mules and fodder from Uruguay and Argentina.

It is worth looking more closely at a number of the more staple commodities involved in the trade.

#### c. 1. Coffee

Unlike the tea trade at the Cape, which was dominated by the monopolistic East India Company with its exclusive investments at Canton, the structure of the coffee trade was not only more important, but also less controlled. There were multiple suppliers, and no price controls. By

the 1820s, the main supplier was the Indonesian island of Java, still under Dutch rule. Yet the market relied on supplies from other sources, principally from Brazil and the Yemen. The sporadic nature of supplies led to wide price fluctuations, depending on gluts or shortages and the attendant speculation on the part of local merchants.

One indication of the levels of fluctuation can be seen in this extract from the **South African Commercial Advertiser** of 13 July 1831:

The panic in the coffee market is tremendous at the present moment. Good Brazil coffee, only 14 days ago, was sold readily for 35-40 rixdollars [£2.62-£3 per bag]: for coffee of the same quality more than 20 rixdollars cannot now be obtained. Rumour attributes the fall to the large holders of that article having brought their stock into the market, and also to an unexpected quantity of about 1000 bags being for sale from a vessel now lying at Simon's Bay. This state of things strikingly exemplifies the fluctuating nature of this market.<sup>45</sup>

The growing importance of this commodity in the local market was only part of the reason for the trade. British merchants in the Brazilian empire were aware of the advantages of using the Cape for the re-export of coffee to Britain. By doing so, the goods qualified for lighter colonial import duties. Keeble claims that this triangular trade reached its apex during the 1830s. As the ideology of free trade made inroads into the commercial policy of the British empire, colonial preferences were diminished in the ensuing decade. Thus the triangular element of the coffee trade fell away, and merchants at the Cape concentrated on expanding the domestic market.<sup>46</sup>

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<sup>45</sup> Quoted from Marcus Arkin, *Storm in a teacup: the later years of John Company at the Cape, 1815-36*, Cape Town: Struik, 1973, pg. 124. Own parentheses.

<sup>46</sup> Keeble, *Commercial relations*, p. 66.

In the latter half of the century, as evident in the figures in Table 3.4 above, the Cape's imports from Brazil rose fivefold, from £66,000 to £342,000. The vast bulk of these imports consisted of coffee, indicating not only the extent to which this beverage had become a staple with sections of the local population, but primarily also the practice of re-exporting the coffee to Britain until 1841.

The Cape Town Chamber of Commerce in its 1841 **Annual Report** explained that the fall in exports for that year was due

to the discontinuance of the practice of the bonding of foreign coffee, for transshipment to England for entry at a reduced duty.<sup>47</sup>

After the end of this practice, little coffee was brought to the Cape for re-export.

#### c.2. Wine

This commodity was regarded as likely to be the most important export of the Cape, based on the assessment that in the first two decades of the second British occupation, a "very considerable increase" took place in production and export. This optimism rose, especially after 1811, the year in which the colonial government intervened in the industry in order to raise standards of cultivation.<sup>48</sup> The exports of Cape wine increased from 236,720 gallons in 1816 to 662,860 gallons in 1826. The Cape Town Custom-house reported in 1827 that in the

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<sup>47</sup> Cape Town Chamber of Commerce, *Annual Report*, Cape Town, 1841. See Cape Archives Depot CC3. The duty had been "4d upon British coffee coming directly from our possessions within the limits of the East India Company's charter; 8d on all coffee of foreign countries." Great Britain, *Parliamentary Debates*, 3rd series, vol. 43, 1843, p. 521.

<sup>48</sup> Cape of Good Hope, *Report*, 1829, p. 17/265.

previous year a quantity of 99,055 gallons of Cape wine had been exported to Rio de Janeiro by seven shippers on four vessels. This amounted to 15% of wine exported from the Cape in that year.<sup>49</sup>

Cape wines were protected in the British market until 1831, but from 1825, when Britain lowered duties on continental wines, the importance of wine as an export diminished.<sup>50</sup> Cape wines lost their protection more easily because for the most part they were considered inferior to the wines of Europe.

Their inferiority and cheapness worked to the advantage of the Cape wine industry in the Brazilian market, where the considerable underclass of slaves was not especially discriminating in its tastes.

According to the trade commissioners:

the quality of the ordinary wine is such as to confine its consumption to the lowest orders of the (Brazilian) population; and we accordingly find that a demand for it has arisen at Rio de Janeiro, where it is consumed by the slaves from being cheaper than the wines of Portugal.<sup>51</sup>

They went on to predict that improvement in the quality of Cape wines would not necessarily cause a change in brand loyalties or consumption patterns:

In South America and the Brazils<sup>52</sup> any future

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<sup>49</sup> *ibid.*: Appendices 6 and 8, pp. 42-3; 290-1.

<sup>50</sup> Rush, *Aspects of the growth of trade*, Table VI, p. 26.

<sup>51</sup> *Cape of Good Hope, Report*, 1829, p. 19/267.

<sup>52</sup> Up to the nineteenth century, the country was often referred to in the plural.

demand will be limited to the consumption of the lowest classes of the population, and it is not probable that even the Cape wine of better quality will supersede the habitual preference which the wines of Spain and Portugal have obtained there, and some of which are sold at lower prices even than the wines of the Cape.<sup>53</sup>

Although records are not consistent, small amounts of wine continued to be exported from the Cape to Brazil. The 1870 figures specifically record an unspecified amount of Constantia wine consigned to Brazil.<sup>54</sup>

#### 4. THE IMPACT OF BRITISH HEGEMONY

The inhabitants of South Africa and Latin America were affected by the assertion of British power in different ways. In Latin America, the established settler societies were able to turn the shift in global power to assert their own claims to independence from Spain and Portugal. Britain had assisted the independence movements financially and reaped the reward through ousting Spain, Portugal and France as important trading powers in the region. It established its predominance as the Latin American region's most powerful trading partner and provider of capital.

At the Cape, colonial settler society was, despite the limited establishment of "patriotic" movements, too weak and dependent to assert itself against the colonising power. Resistance to British rule took the form of northward migration by a section of the settler community, in search of new sovereign territory in the interior. Ultimately the terms on which settler society was granted independence was the unification, on British terms, of the four settler colonies in South Africa,

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<sup>53</sup> Cape of Good Hope, *Report*, 1829, p. 20/268.

<sup>54</sup> Cape of Good Hope, *Blue Book*, 1870: p. \*\*\*

after two independent Boer republics had been defeated in a bitter war at the end of the century.

In an age where political considerations were no obstacle, it is important to analyse what inhibited trade.

In the early part of the century, sailing ships on the way to the east tended to stop both in Brazil and at the Cape, so there was no shortage of opportunity for commerce. In the later steam era, one might have imagined it to be easier for the two sides of the Atlantic to have more economic contacts, especially since steam reduced the comparative advantage in transport. This suggests that technology was not the dominant factor in the relationship, and, of itself, could not be inhibiting trade.

The assertion of British power on both sides of the Atlantic did little to integrate the respective components. Latin America and Africa were treated separately by different sections of the British government bureaucracy. The main commodity flows between the continents consisted of the slave trade, which, over time, Britain did its best to suppress in order to stamp out what it regarded as unfair competition with its West Indian colonies. Very little was done to stimulate other forms of commerce between Africa and Latin America. The British failed to see any benefits in developing such links, and as a result, made no attempts to establish any financial or commercial infrastructure which might service them. Raw materials produced on either side of the Atlantic continued, for the most part, to flow northward. The nature of the international political economy, dominated by Europe at this time, was reflected in the radial links to other continents. The triangular links had become obsolete with the end of slavery.

Any trade that took place did so despite the dominant trend. Apart from small quantities of local produce, principally wine, the Cape had little of value to offer Latin America. The balance of trade which evolved during the last century was to the advantage of Latin America, with Brazil being the major beneficiary. However, as we are about to see in more detail, the turn of the century saw the rise to prominence of an unprecedented wave of Argentine imports to South Africa.

## CHAPTER FOUR

### THE MEAT OF WAR: ARGENTINA AND THE SOUTH AFRICAN CONFLICT, 1899-1907

It is important to recall that the ostensible motive for Sir Home Popham's assault on Buenos Aires in 1806 was his perception of the value of the Platine basin as a source of supply for the British at the Cape of Good Hope. The unauthorised invasion, initially successful, was soon defeated, and the notion of Argentina as a source of supply did not materialise for the rest of the century, until, as Ferns states it, "the abundant opportunities of the Boer War" made it a feasible one.<sup>1</sup>

What were these "abundant opportunities" and how did they arise?

#### 1. THE WAR IN SOUTH AFRICA

The war arose principally over the control of the gold mining areas in the Transvaal (then under the Zuid-Afrikaansche Republiek) which fell outside the political sovereignty of the British.

Contending theories exist to explain the role of the

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<sup>1</sup> H S Ferns, *Britain and Argentina in the nineteenth century*, Oxford: Clarendon, 1960, p. 23.

mineowners in stimulating the war. On the one hand, the argument of historians like Blainey and Denoon is that the mines were, in general, owned by British subjects, who, in alliance with Rhodes at the Cape, preferred to engineer a situation of British control. The mining magnates believed that British rule would be more in harmony with the interests of mining capital than would the Kruger government with its traditional agrarian orientation. They were confident that "through the unkind economic environment which Kruger's policies had created, the high profits which their bold investment would normally have won were being converted into losses".<sup>2</sup> This view has been challenged by Kubicek, amongst others, who argues that the "capitalist mechanisms most engaged in the industry were continental, that is French and German. The last thing the capitalists wanted or needed in 1899 was a war, certainly not one instigated and won by the British (whose) presence Europe's financiers found distinctly unwelcome."<sup>3</sup>

Consensus exists, though, on the fact that the war was stimulated by the imperialist aims of the British High Commissioner for South Africa and Governor of the Cape, Alfred Milner, whose vision was a united South Africa under British rule. The mining camps had attracted a large community of *uitlanders* (aliens), largely British subjects, to whom the Boer authorities had resisted granting the franchise and other rights of citizenship. This gave the British what they regarded as sufficient cause to issue ultimata to president Paul Kruger. When the humiliating British conditions went unmet, hostilities broke out on 10 October 1899.

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<sup>2</sup> G Blainey, "Lost causes of the Jameson raid", *Economic History Review* 18, 2, August 1965, p. 359.

<sup>3</sup> Robert V Kubicek, *Economic imperialism in theory and practice: the case of South African gold mining finance, 1886-1914*, Durham: Duke University Press, 1979, p. 204.

The British fought the war largely by conventional European military means, while the Boer republics made extensive use of mounted guerrilla bands (commandos). The British despatched large armed columns into the interior, and, despite some serious defeats and reverses, they were able to capture the Boer capitals of Bloemfontein and Pretoria by June 1900, and to end the Boer sieges of Mafeking, Kimberley and Ladysmith. From then onward a policy of attrition against the recalcitrant Boer forces was mounted. Farms were burnt in a scorched earth policy, crops and livestock were destroyed or confiscated, women and children were herded into abysmally unsanitary concentration camps, and large numbers of ex-combatant captives were exiled to remote British colonies. By mid-1902 the Boer forces were exhausted and ready to sue for peace.<sup>4</sup>

#### PROVISIONING

The British and Imperial armies in South Africa amounted to a total of 450,000 troops during the war.<sup>5</sup> Their columns travelled large distances into the interior. They required constant remounts and replenishment of food supplies. In addition, the British army was responsible for provisioning the many concentration camps, whose inmates numbered a further 200,000 at the war's end, 80,000 of whom were Africans.

To add to the problems of provisioning, there was a severe wartime shortage of local livestock due to the rinderpest, which had swept southwards across the Zambezi

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<sup>4</sup> For more detailed accounts, see Thomas Pakenham, *The Boer War*, London: Weidenfeld and Nicolson, 1979, and Peter Warwick (ed.), *The South African War*, London, 1980.

<sup>5</sup> 256,000 British regulars, 109,000 British volunteers, 53,000 South African colonists, and 31,000 from Canada, Australia and New Zealand. Enumerated in E Holt, *The Boer War*, London, 1958, p. 293.

from 1896.

According to the prime minister of the colony, stock losses between 1 June 1897 and 31 May 1898 amounted to 410,000 cattle and 1,895,000 sheep, with considerably more lost in the rest of the sub-continent.<sup>6</sup>

During the first part of the war, contractors had to resort to imports of Australian beef and New Zealand lamb. But, as the war progressed, so did a series of droughts in the antipodes, and the costs of importing Australasian meat became prohibitive.

The fear of the rinderpest and the potential of further livestock disease and human contagion also meant that the army columns preferred not to travel accompanied by herds of cattle ready for the slaughter. For provisioning the War Office turned to private companies who had invested in the new technology of meat freezing and could contract to provide supplies on a regular basis within reasonable access from any railhead.<sup>7</sup>

Provision of frozen meat was seen to obviate a number of problems. There was an absence of the filth and disease associated with large live herds, no disease-breeding offal in the makeshift battlefield slaughterhouses, no need for feed, water, herders and butchers, and the likelihood that the frozen beef would taste better than that produced from scrawny cattle exhausted from following the armies and from insufficient grazing.

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<sup>6</sup> S P Cronwright-Schreiner, speech, Cape of Good Hope, *Debates in the House of Assembly*, 1st session, 10th parliament, 28 November 1898, p. 322.

<sup>7</sup> This section owes much to the work of Simon G Hanson, historiographer of the Argentine meat industry, and especially ch. V of his *Argentine meat and the British market: chapters in the history of the Argentine meat industry*, Stanford University Press, 1938.

Cold storage facilities were pioneered by Combrinck & Company, one of the oldest supply houses in South Africa, only a few years before the outbreak of war.

Founded by J A Combrinck, a prominent Cape Town butcher, the firm took on David de Villiers Graaff, Combrinck's 11-year-old nephew, in 1870. As he matured, Graaff developed a technical and economic interest in the meat trade and became Combrinck's trusted associate. Together with his brother Jacobus, who had joined the firm in 1875, Graaff took over Combrincks after his uncle's retirement.

Changes in technology meant that from 1873, chilling processes were employed to help meat survive long journeys. It is no accident that the technology was first implemented in Australia, enabling it to develop the UK as its principal market. Realising the potential of using this technology in South Africa, Graaff paid inspirational visits to Smithfield market, abattoirs in Britain and meat packing plants in Chicago.

On his return he set up links with the Union and Castle shipping lines to establish the first cold storage company in South Africa. Union and Castle introduced shipping services which included cold storage holds for the use of Combrincks.<sup>8</sup>

Cold storage depots were established by the firm in Cape Town, Durban and Johannesburg. In May 1899, the South African Supply and Cold Storage Company was founded to take over the interests of Combrinck and Company.

It was the South African Company which successfully

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<sup>8</sup> Basil Leverton, "David P de Villiers Graaff", *Dictionary of South African biography*, vol. 2, Pretoria: Human Sciences Research Council, 1972, p. 267-8.

tendered in October for the contract to provide the War Office with meat at the rate of 11d per pound (4.6p/lb). At the War Office, Colonel W D Richardson had taken charge of supplies and transport for the army. It was he who had been persuaded of the advantages of the Company providing frozen meat in place of cattle on the hoof.

Richardson had discovered that on the outbreak of the war local supplies were being rapidly consumed by the civil population so that everything was at a famine price; merchants in the ports had let their stocks run down; rinderpest had eliminated 50 to 75 percent of the herds; thousands of trek oxen would be needed for transportation and thus would be unavailable for food; the Dutch farmers were not inclined to help feed hostile soldiers; and meat, both locally killed and frozen, was selling at 1s. per pound (5p/lb).<sup>9</sup>

The South African Company was initially able to land frozen meat from Australasia at a wholesale price of 3 to 3½d (1.25-1.45p). It risked being able to cover its distribution costs within the framework of 11d. No army in the field had ever before been supplied with frozen meat. The infrastructure for delivery would have to be improved: storage facilities at Cape Town enlarged, a network of inland depots established, and refrigerator wagons hired from the railways. Even so, the Company calculated that 8d was an excessive premium for delivery, and in a patriotic gesture lowered its price on frozen meat to 9d per pound (3.75p/lb).

The contract system was highly profitable to the Company, which successfully tendered for the provision of meat until 31 March 1902. The chairman announced that "the results were unique in the history of industrial

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<sup>9</sup> United Kingdom, *Parliamentary Papers* 1903, Cd 1790, Questions 3367-3403.

companies" - the shareholders had received more than their original investments within a period of 18 months and the Company had accumulated over £1 million in reserves.<sup>10</sup>

#### RENEWAL OF THE CONTRACT

These huge profits persuaded the War Office to call for new tenders in the hope that other companies might be able to offer a more competitive deal. Companies were canvassed as widely afield as England, Australia and New Zealand. In South Africa there were several new possibilities, including registered subsidiaries of the South African Company, as well as some independent firms.

One of the latter was De Beers, the diamond monopoly controlled by former Cape prime minister, Cecil John Rhodes. In the Kimberley mines, De Beers had pioneered the labour compound, a series of enclosed hostels in which migrant workers subsisted at the company's behest. The company took on the task of feeding its 10,000 workers in the hostels. Pre-war meat prices had been extremely high, partly due to herds being decimated by rinderpest. Rhodes also pinned blame for the high prices on the South African Company's exercise of a monopoly in the provision of chilled beef. In a debate in the Legislative Assembly, Rhodes urged the government to provide grants to municipalities for the setting up of cold storage depots in the interior and increasing the capacity of the storage available at the ports. He urged that "the question of spending (only) £50,000 in dealing with the growing evil of the monopoly in frozen meat was not too much."<sup>11</sup>

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<sup>10</sup> *The Financial News*, 31 October 1901.

<sup>11</sup> C J Rhodes, speech in Cape of Good Hope, *Debates in the House of Assembly*, 1st session, 10th parliament, 1898, p. 328.

Realising that the government planned no action against the monopoly, Rhodes assessed that it would be in De Beers' interests to establish its own cold storage depots in Cape Town and Kimberley.<sup>12</sup> The monopoly offered imported Australian frozen meat at 10d and 11d/lb, yet Rhodes knew that he could trade directly with the Australian suppliers and buy frozen carcasses at 2.625d/lb. With added duty of 2d, the price would amount to 4.625d/lb, a saving of at least 53.75%.

Rhodes's competitors must have relished the irony of the colony's most unashamed monopolist fulminating against the monopoly power of the South African Company and its government support. Rhodes gave orders at the end of 1898 for De Beers to enter the cold storage business.<sup>13</sup>

With its captive market on the diamond mines, the Kimberley plant of De Beers Cold Storage soon proved profitable, with the Cape Town plant breaking even only in 1900. Some business was won away from the Graaff brothers, and gradually local sources of meat replaced Australian imports.

Disgraced, and forced out of prime ministerial office in the aftermath of the Jameson raid, Rhodes retained his substantial business interests during the war. These included the De Beers company, which had amalgamated many of the Kimberley diamond claims and had become one of the colony's wealthiest firms.<sup>14</sup> Rhodes had become impressed

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<sup>12</sup> Debates, 1898, p. 386.

<sup>13</sup> Robert I Rotberg with Miles F Shore, *The founder: Cecil Rhodes and the pursuit of power*, New York: Oxford University Press, 1988, pg. 643.

<sup>14</sup> See Robert Vicat Turrell, *Capital and labour on the Kimberley diamond fields*, Cambridge: Cambridge University Press, 1987, and William Hewlett Worger, *South Africa's city of diamonds: mine workers and monopoly capital in Kimberley*, New

by the huge profits which the South African Company had made from the army meat contract.

The key directors of the Company, the Graaffs, were prominent supporters of the largely loyalist Afrikaner Bond, the opposition party in the Cape legislature. They were pillars of civic respectability: David de Villiers Graaff had been mayor of Cape Town in the period 1891-2, coterminous with Rhodes's premiership. Yet Rhodes felt cynical about their loyalty and accused them of being "pocket patriots" with pro-Boer sympathies.<sup>15</sup> This type of pronouncement may have been part of a ploy to ensure that the South African Company lose its military contract.

Rhodes's anger, tempered with some admiration, was based less on blind jingoism than on resentment of the Company's monopoly position in the industry. Given his assessment of the depletion of the herds as the result of disease and war, he predicted that the demand for frozen meat would remain substantial for some time after the war's end. He urged De Beers to expand its frozen meat business in order to be able to offer meat to the market at reasonable prices.

The result of Rhodes's vision was the formation in February 1902 of the Imperial Cold Storage Company. Having sold its cold storage installations to Imperial, De Beers became the principal shareholder in the new firm. Imperial made a successful bid for the new army contract in February 1902, defeating an Australian competitor, M Bergl, as well as the South African Company, with which it merged six months later.

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Haven: Yale University Press, 1987.

<sup>15</sup> See Rhodes, *South Africa*, 23 February 1901, p. 432.

Until this time, Australia had been the principal supplier of meat (to the value of over £50 million in 1901). The problem of drought on that continent was beginning to raise stock prices. Since 1892 Australia had experienced increasingly bad years, with major herd losses of sheep (25%) and cattle (19%) in the worst year, 1902, alone. Australia could no longer serve its three major markets, Britain, South Africa and the Philippines, as before. Its British market was particularly badly eroded for most of the first decade of the twentieth century.

It was for these reasons that the "abundant opportunities" provided by Argentina came into play.

#### ARGENTINA'S ROLE

The meat industry in Argentina was well established, accepting substantial British investment from the 1890s. It was abreast of the new technology and could provide frozen meat on a reasonably large scale for the world market. Its produce was cheap, and, for South Africa, arrivals were speedier, and freight costs significantly lower than those from the Commonwealth Pacific.

Records of imports originating from Argentina reflect the degree to which that country profited during the boom years of the Anglo-Boer War. Argentina was well placed to fulfil these requirements and supplied large quantities of cavalry and pack horses, cattle and sheep, frozen meat, fodder and dairy produce.

TABLE 4.1

IMPORTS TO THE CAPE OF GOOD HOPE (\*) FROM ARGENTINA  
(IN £'000S)

1880	19.6
1899	76.7
1900	257.4
1901	350.8
1902	1,347.8
1903	1,814.8
1908	148.9
1910-14	76.0 average p.a.

Sources: *Cape of Good Hope, Blue Book, 1880;*  
*Statistical Register, 1890, 1900, 1903, 1908;*  
*Union of South Africa, Official Year Book 7, 1910-14.*

(\*) From 1910 the statistics are for the whole of the Union of South Africa.

Despite strong pro-Boer sentiment prevailing in Argentina, the substantial British investment and the presence of a large British merchant class in that country facilitated the development of trade.<sup>16</sup>

From early on in the war Argentina provided large numbers of horses and mules. A British Remount Commission remained for some time in the republic with the object of purchasing horses for South Africa. During the first ten months 24,008 horses were sold to the British for a sum of £6 each.<sup>17</sup>

In South Africa, the mounted soldiers found most of these horses of unacceptable quality. In response to one report by the 'Special Commissioner' in South Africa of *The Sportsman*, who had written that "(w)e are now remounted on Argentines, and as most of them have never had a saddle on their backs before, we have had some

<sup>16</sup> Roger Gravill, *The Anglo-Argentine connection, 1900-1939*, Boulder: Westview, 1985, esp. ch. 3.

<sup>17</sup> *The South American Journal*, 29 September 1900, p. 342.

rough work breaking them," an Anglo-Argentine breeder W H Langley retorted:

I was in the Argentine Republic when most of those horses were purchased; 500 of them were selected at my estancia in my presence. The remount officers were most particular in seeing each horse ridden, and if he was not quiet, or did not obey the rein, he was rejected... the Argentine horse is noted for being surefooted, and for his capacity of doing work in what he can pick up for himself.<sup>18</sup>

Other breeders concurred that the animals were of inferior quality, but placed the blame on the Remount Commission which had been reluctant to pay the prices of the better animals.

Nevertheless, of half a million horses used during the war, 25,000 originated from Argentina. The mules served to increase the stock of draft animals in South Africa, and forage imports were also considerable.

The boom experienced by Argentine producers was reflected in the remarks of a patriotic British merchant in Rosario, a major port on the Paraná river:

The war in South Africa has affected many interests, and opened up many new markets, and here in Rosario it has been the means of developing an extensive and lucrative business... If you take a walk along the Central Railway line here you will see on the edge of the barranca or cliff, from which they are shot down into the steamers in the River Paraná below, thousands of bales of compressed alfalfa (lucerne) in endless stacks covered with tarpaulins, each stack being bigger than an average English haystack, while countless trucks are waiting in the sidings to be unloaded. This is what our cavalry horses in the Transvaal live on. One steamer left yesterday for Durban, with a full cargo of this alfalfa, and three others are expected immediately to load, and one firm alone will ship 50,000 bales during the next month. The sight is one to stir the imagination of an

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<sup>18</sup> *The South American Journal*, 24 November 1900, p. 569-70.

Englishman, and to gladden the heart of a Central Argentine Railway shareholder.<sup>19</sup>

It was not only Englishmen whose hearts were gladdened as a result of the boom. The trade with South Africa had taken up the slack created when Britain closed its ports to Argentine cattle on 30 April 1900 after a foot-and-mouth scare. The three Argentine meat-packing houses or *frigoríficos* were in a oligopsonistic position vis-à-vis the meat farmers and fatteners. All three of these companies made large profits during the boom, despite the temporary loss of the traditional British market. Consistently high prices received by the Argentine trade prompted the British meat industry to press for the reopening of British ports to Argentine meat, but it was not until February 1903 that this was finally realised.

Argentine officials expressed great optimism that meat exports to South Africa might continue well after the war. In a newspaper interview for *El Tiempo* in Buenos Aires in 1902, the Argentine consul-general in Cape Town<sup>20</sup> predicted good market possibilities for frozen meat, livestock and grains. Señor Storni also referred to the necessity of chartering entire vessels, which "added to the responsibility to be incurred", and went on to declare that

There will always remain the lost journey one way, since, as regards vessels returning to Argentina, South Africa can send nothing the Argentines do not export themselves.

When South Africa has recovered her trade and is able to export to England, she will no longer require our produce. For the moment she wants everything, pretty well, and Argentina can supply her more cheaply than, and efficiently as, the Australian colonies.

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<sup>19</sup> *The South American Journal* XLVII, 27 October 1900, p. 458.

<sup>20</sup> Argentina had established a consulate in Cape Town in the mid-1880s. See *Great Britain, Colonial Office List*, 1885-6.

Consequently there can be no doubt that Argentina will, practically, have the South African business in her own hands for some years to come. All that is wanted is the conclusion of the war to set about the new trade in earnest; till that happy consummation be a fact, all that can be done is to organise preliminaries and prepare for the business in prospect.<sup>21</sup>

Indeed, the key years, as reflected in Table 4.1 above, were 1902-3, when the peak of the live animal trade was reached. In figures, 172,085 sheep, 12,683 cattle, 63,243 mules, and 12,733 horses were shipped from Argentina to South Africa. Between 1902 and 1906, 132,888 tons of frozen meat were also imported.<sup>22</sup>

The profitability of the meat trade, and the optimistic predictions that it would continue after the end of hostilities, prompted the Imperial Cold Storage company to set up a plant inside Argentina, situated at the port of La Plata.<sup>23</sup> It was not until 1904 that the La Plata plant began to export to South Africa.

Soon after the end of the war, the Argentine Minister of Agriculture made arrangements for a regular monthly cargo service to South African ports. Although livestock and cereals were shipped at market freight rates, the Minister sought to diversify the articles exported by offering free passage for goods "for which the Minister thinks it is desirable to create a market in South Africa". The government decided to employ the *Pampa* and another national ship or merchant steamer for the service. To resolve the problem identified by Sr Storni, that of the empty return passage, the Argentine

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<sup>21</sup> *The South American Journal*, LII, 26 April 1902, p. 465.

<sup>22</sup> *República Argentina, Anuario de la dirección general de estadística, Buenos Aires, 1896-1913.*

<sup>23</sup> *Review of the River Plate*, 22 November 1902, p. 897.

government sought to offer cheap passages to prospective Afrikaner immigrants.<sup>24</sup> We shall soon examine the context and consequences of this migration.

#### DECLINE OF THE MEAT TRADE

Despite the unprecedeted boom, there was a rapid decline in the imports of frozen meat after 1903. With the end of the war in May 1902, the bulk of the fighting forces were repatriated. The economic recession which followed was accompanied by a fall in the demand for imported frozen beef and mutton. Gradually, with the agrarian reconstruction which was initiated under Milner, the local herds were rebuilt. From 1906, the application of import duties, with preference of a farthing ( $\frac{1}{4}$ d or 0.104p) given to Australian meat, put a severe break on the Argentine frozen meat trade.

TABLE 4.2

POST-WAR IMPORTS OF FROZEN MEAT TO SOUTH AFRICA

	(metric tons)	(£m)
1903	80,695	177.9
1906	35,290	77.8
1910	2,585	5.7

Source: Simon G Hanson, *Argentine meat*, p. 128-9, volume figures converted from imperial measures.

Given the decline of the recently booming South African market and the reopening of the steady, but less profitable, British market, the La Plata company gradually switched the destination of its exports. With this shift there was little point to Imperial Cold Storage retaining its interests in Argentina. In 1907 the company realised the assets of the La Plata packing

<sup>24</sup> *The South American Journal* LII, 21 June 1902, p. 697.

company from their sale to a major Chicago meat firm, Swift and Co.<sup>25</sup> United States capital was beginning to move into the lucrative Argentine beef industry after many years of British domination.<sup>26</sup>

South African capital in the industry found it difficult to compete on world markets, but was increasingly able to dominate the local market. Imperial Cold Storage not only grew into the most prominent company in its sector, but also managed to win major contracts on the Witwatersrand gold mines once these had reopened after the war.<sup>27</sup> The expansion of the local cold storage industry was remarked upon in the *Cape Argus*, which indicated that a hundred freezing machines had been installed in South Africa at the time of the Cape Town Industrial Exhibition of 1904-5.<sup>28</sup>

Another index of the end of the boom was the crash of the Sansinena Distributing Syndicate. The Syndicate had been formed in 1906 as a South African subsidiary of the Compania Sansinena de Carnes Congeladas (Sansinena Frozen Meat Co.), one of the three original *frigoríficos*. But the £50,000 investment was ill conceived, because the depth of the post-war recession had been underestimated. Critchell and Raymond describe how "this concern ran shops in the chief centres of South Africa, but the depression which hung over these colonies must have set

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<sup>25</sup> United Kingdom, *Report of the Departmental Committee on combinations in the meat trade, Parliamentary Papers, 1909 (XV)*, p. 15.

<sup>26</sup> Gravill, *The Anglo-Argentine connection*, pp. 70-77.

<sup>27</sup> See Robert Morrell, "Farmers, Randlords and the South African state", *Journal of African History* 27, 1986, pp. 517-9 et seqq., for an analysis of the growth of and challenges to Imperial Cold Storage in the Witwatersrand market of the early 1920s.

<sup>28</sup> *Cape Argus*, 11 January 1905.

the distributing company a heavy task."<sup>29</sup> Indeed within two years the syndicate had failed, and in 1908 the investment was "written off as a dead loss".<sup>30</sup> Thus an early example of the export of South African capital failed. It was not yet the era in which the South was developing its own successful transnational corporations.

Storni's prediction had proved correct. The war had not led to enduring trade relations. The boom had been occasioned largely by metropolitan and not South African requirements. Rhodes and the Combrinck company before him had certainly reaped benefits from the industry, yet without the military contract, the local market in the post-war era of recession proved too weak to support an elaborate meat importation policy. Imperial Cold Storage was also too weak to compete on world markets with the growing number of vertically integrated United States entrants into the frozen and chilled beef industry in Argentina.

The boom had therefore collapsed in the aftermath of the war, and yearly imports from Argentina between the World Wars "seldom approached £500,000 and were generally much lower, while exports from South Africa in return remained minimal."<sup>31</sup>

The relationship between war and trade is one that bears some exploration. Wars create new patterns of mass consumption and hence production, along with new patterns of scarcity. Opportunities are created for the centralisation and concentration of capital, through the issuing of state contracts, the formation of new

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<sup>29</sup> Critchell and Raymond, *A history of the frozen meat trade*, London: Constable, 1912, pp. 82-3.

<sup>30</sup> Hanson, *Argentine meat and the British market*, p. 129 n.

<sup>31</sup> Keeble, *Commercial relations*, p. 74.

syndicates and the emphasis on war production. Financial activities are dedicated to the more centralised war economy. Government contracts are able to provide a platform on which the successful tendering company can build economies of scale and obtain finance. Trade has to be minimised, and conserved for goods essential to the war effort.

Capital needs to be extremely flexible to survive the ending of the war economy. Argentina was unable to secure any advantages for itself in the depressed post-war market in South Africa. Instead it looked longingly to the reopening of the British market to its beef.

The waning trade with South Africa seemed of little importance to Argentina. Having fuelled the bellies of the armies which had attacked Afrikaner sovereignty, now it was found convenient to succour the vanquished by providing them with new land in the wastes of Patagonia.

## CHAPTER FIVE

### THE AFRIKANER MIGRATION TO ARGENTINA, 1902-6

#### 1. EXAMINING THE MYTHS

In the aftermath of the South African War, a few hundred Afrikaner families abandoned their homeland and chose to settle abroad. Many of these emigrants settled in nearby African countries such as the Rhodesias, Kenya, German East Africa, and Angola, where there had been a Boer colony since 1880. A minority was attracted to settle in Argentina. Almost all of those destined for Argentina settled in the Territory of Chubut [see map 3] in the heart of Patagonia, in and around the port of Comodoro Rivadavia.

The Afrikaner colony in Chubut was to form the most enduring cultural link between South Africa and Argentina in the twentieth century, and one which framed the disposition towards mutual economic, diplomatic and cultural ties. In the popular mind of many white South Africans, and especially the Afrikaner community, the country's relations with Latin America are still associated with the historical existence of this colony.

National minorities have often played a part in strengthening or complicating relations between nation-states. Their culture links them to their country of

origin; their political power may be mobilised to lobby for better relations, more aid, military support, or the protection of their own rights as a minority. Politicians in the country of origin may, in turn, use the existence of the community in the country of destination to effect concessions, cultural exchanges, economic agreements or particular political settlements. Some examples include the US Jewish community, the Tamil minority in Sri Lanka appealing to the Indian government, Sudeten Germans in 1938-9, and the Protestant community in Ireland.

In examining the Afrikaner colony in Chubut we need to ask not only how it came about, but also to what extent it was able to cement closer bonds between South Africa and Argentina.

Myths and ideological preconceptions about the foundation of the colony abound. Conventional explanations that the emigrants were seeking to evade British rule will be challenged. Undoubtedly, harsh experiences of martial law and of British policy during the war of 1899-1902 led to considerable disaffection. Yet the evidence shows that the overwhelming bulk of the emigrants had lived under British rule for a century and were longstanding residents of the Cape of Good Hope rather than the Boer republics.<sup>1</sup>

In this chapter it will be argued that the reasons for their emigration were only partly related to political disaffection with British rule and the outcome of the war. Rather, the reasons are to be found in communal strategies of resistance to likely land loss, urbanisation and ultimate proletarianisation in the

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<sup>1</sup> In this chapter the terms Boer and Afrikaner have been used interchangeably without pejorative intent.

aftermath of the war.

Before putting forward this proposition, it is first necessary to examine the attractions of their destination, Patagonia. The chapter will go on to examine the extent of the emigration wave, and the social and economic conditions which engendered it. Finally it will assess the extent to which the existence of the community was able to strengthen ties between South Africa and Argentina.

## 2. PATAGONIA

Afrikaner settlement in Patagonia was the result of two intersecting sets of choices: that of the Argentine government seeking to populate Patagonia on the one hand, and that of the immigrants seeking new economic opportunities on the other.

Let us turn first to the motives of the Argentine government in extending its southern frontier south of the pampas, to cover the wilderness stretching across the three territories - Rio Negro, Chubut and Santa Cruz - which make up Patagonia.

Patagonia itself is named for the indigenous inhabitants whose collective nickname in Spanish, reputedly coined by Ferdinand Magellan in 1520, was *patagones* - the people with big feet.<sup>2</sup>

The original Patagonians were the physically tall Tehuelche people who inhabited the southernmost third of what came to be Argentina, and relied on hunting and

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<sup>2</sup> Although see Chatwin's theory about the word deriving from Greek, in Bruce Chatwin, *In Patagonia*, London: Jonathan Cape, 1977, p.92.

gathering for their economic survival. By the nineteenth century the region also contained Araucanians, an agrarian people of Chilean origin who expanded across the Andean cordillera into the pampas and then south into Patagonia. The Araucanians in Patagonia restricted their agrarian activities to horse-rearing, but in other respects became as nomadic as the Tehuelche people. In some areas there was intermarriage, and the blurring of ethnic and cultural boundaries.<sup>3</sup>

Patagonia was a wild and inhospitable region. Its winds are legendary. The writer and Nobel laureate, Gabriel García Márquez, recalls their fierceness:

In Comodoro Rivadavia, in the extreme south of Argentina, winds from the south pole swept a whole circus away and the next day fishermen caught the bodies of lions and giraffes in their nets.

Is this an apocryphal tale? No, the author is explaining the origins of his magical realist style. He cites the example of the Patagonian winds to show that "everyday life in Latin America proves that reality is full of the most extraordinary things."<sup>4</sup>

Extraordinary things also drew the attention of Charles Darwin to the natural landscape of Patagonia.

In calling up the images of the past, I find the plains of Patagonia frequently cross before my eyes: yet these plains are pronounced by all most wretched and useless. They are characterised only by negative possessions; without habitations, without water, without trees, they support only a few dwarf plants. Why then...have these arid wastes taken so firm a possession of my memory? Why have not the

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<sup>3</sup> Pierre Denis, *La république Argentine: la mise en valeur du pays*, Paris: Librairie Armand Colin, 1920, p. 128.

<sup>4</sup> Plínio Apuleyo Mendoza in conversation with Gabriel García Márquez, *The fragrance of guava*, London: Verso, 1982, pp.35-36.

still more level, the greener and more fertile Pampas, which are serviceable to mankind, produced an equal impression? I can scarcely analyse these feelings: but it must be partly owing to the free scope of the imagination. The plains of Patagonia are boundless, for they are scarcely practicable, and hence unknown: they bear the stamp of having lasted for ages, and there appears no limit to their duration through future time.<sup>5</sup>

Darwin's portrait of Patagonia's transcendental bleakness was overstated. Despite the notion that settlement was "scarcely practicable", within 25 years of his visit to the Patagonian coastline, the region began to be incorporated into the national economy of Argentina.

To understand why and how this integration occurred requires a brief analysis of Argentina's place in the world economy in the late nineteenth and early twentieth centuries.

In the previous chapter we saw the increasing centrality of meat exports in the Argentine economy, particularly stimulated by the development of technologies of refrigeration. Grains and wool were also major export commodities.

The export orientation of the economy was largely due to the second industrial revolution in Europe in the late nineteenth century. The formation of a massive proletariat around the burgeoning urban areas of the North led to demands for food, beverages and textiles in unprecedented quantities. Europe looked to the New World - the Americas and Australasia - as a source of raw materials to enable it to fulfil its requirements for mass consumption.

It was in this context that Argentina became a major

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<sup>5</sup> Charles Darwin, *Journal and remarks*, p. 605.

producer of beef, mutton, wool and grains. Its exports increased dramatically after the 1870s, doubling between 1880 and 1889. The area under grain cultivation increased eightfold during the same period.<sup>6</sup>

Grain and animal production meant that the Argentine economy came to be reliant on extensive agriculture. Landholdings, offered as rewards for military or political loyalty to the state, were extremely large, and this ensured substantial wealth for the owners.<sup>7</sup> As more and more land in the province of Buenos Aires and on the outlying pampas was brought under cultivation, it grew in value. New and marginal producers were forced towards the periphery of the arable zones.

Parallel to the expansion of agricultural production was the admission to Argentina of large numbers of European immigrants. Originally intended to fill the country's growing rural labour requirements, immigration soon began also to boost the booming urban economy of Buenos Aires.<sup>8</sup>

Official policy favoured immigration to Argentina, and the Law of Immigration, № 817 of 1876, facilitated it in a number of ways. The Law provided for the humane transport of potential immigrants, free temporary lodging in an immigrant's hostel in the capital, and free transport to the area of settlement after a few days in

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<sup>6</sup> James R Scobie, *Revolution on the pampas: a social history of Argentine wheat: 1860-1910*, Austin: University of Texas Press, 1964.

<sup>7</sup> Juan E Corradi, *The fitful republic: economy, society and politics in Argentina*, Boulder: Westview, 1985, pp. 21-23; Jacinto Oddone, *La burguesia terrateniente argentina*, Buenos Aires: Ediciones Libera, 1967 (first ed. 1930), chs. V and VI.

<sup>8</sup> Scobie, *Argentina: a city and a nation*, pp. 160-188; Buenos Aires: *plaza to suburb, 1870-1910*, p. 11; Munck, *Argentina*, pp. 24-32.

the hostel. Clothing, domestic effects, tools of the trade and a "sporting gun for each adult" could be brought in free of duty.<sup>9</sup>

TABLE 5.1

IMMIGRATION TO ARGENTINA, 1854-1900			
Year	No of immigrants	Emigrants	Net
mid-1854-59	27,452	n/a	n/a
1860-69	134,325	n/a	n/a
1870-79	264,869	155,386	109,483
1880-89	1,020,907	173,554	847,353
890-99	928,000	552,172	375,828
1900-04	601,682	384,000	217,182
1905-07	781,796	324,687	457,108

Source: Albert B Martinez and M Lewandowski, *The Argentine in the twentieth century*, London: Unwin, 1911, pp. 118-9; *The Times Book on Argentina*, p. 269.

The sharp net downturn in immigration in the 1890s can be ascribed to the recession resulting from the Baring Bros banking crash and the consequent loss of public credit. The further dwindling during the first half of the next decade has a more complex rationale. During this period there were bad harvests, high inflation of land, rent and commodity prices, a continued credit squeeze and the suspension of many important public and private projects. There was a general fear of frontier war breaking out, and insecurity due to neglect by authorities who had no plan to correct these problems.

With the arrival and settlement of the immigrants, agricultural land prices in Buenos Aires province and the remaining pampas region were driven up even further. The rapid expansion of the rail system assisted the boom in land prices. Gradually the pampas region to the north of Patagonia was settled, a process accompanied by military

<sup>9</sup> *The Times Book on Argentina*, London: The Times, 1927, pp. 265-72.

TABLE 5.2

## ARGENTINA: POPULATION GROWTH, 1869-1895

Census year	Total	Foreign born	
1869	1 830 000	219 600	(=12%)
1895	4 044 911	1 014 500	(=25%)

Source: *Second National Census, 1895* as quoted in Munck, *Argentina: from anarchism to Peronism: workers, unions and politics, 1855-1985*, London: Zed, 1987, p. 26.

defeat for the indigenous inhabitants. Once this had occurred, it was only a matter of time before the land boom necessitated further southward expansion. The Argentine government began to regard Patagonia, with its low population density, as a promising new site for European settlement.

This perspective was not one automatically arrived at, since the rudeness of the climate and fear of the indigenous people had made such settlement unthinkable. However, when a colony of Welsh settlers made a success of their Chubut sheep farms in the 1860s, this seemed proof to the authorities that European settlement in Patagonia was indeed feasible.<sup>10</sup>

Settlement of the almost unoccupied region became a political priority for the Argentine government when it was realised that Chile might preempt Argentina's claim to sovereignty over the region by populating Patagonia with Chilean nationals.

With the encroachment from the north of Europeans during the last third of the nineteenth century, the economic resources available to the indigenous people of Patagonia diminished. Fertile lands were alienated, and the guanaco

<sup>10</sup> See Glyn Williams' definitive analysis, *The Welsh in Patagonia: the state and the ethnic community*, Cardiff: University of Wales Press, 1991.

- a member of the llama family and a major source of protein for indigenous people - was shot out by the colonists. Driven by growing poverty and land hunger, the Patagonians began a series of devastating military raids on the settlements of the European colonists. In one case during 1876, over 500 colonists and 300,000 cattle were captured by the Patagonians within 60 leagues of Buenos Aires.<sup>11</sup>

Constant raids led the governments of several European countries to place pressure on the government of Argentina to protect their nationals. As shown in Table 5.2, foreign nationals formed a growing proportion of the Argentine population. Many of them were placed in frontier settlements. For example, the British government demanded protection for its nationals after the raids on the Bahia Blanca settlement as well as those on the property of the Central Argentine Land Company at the end of 1872.<sup>12</sup>

Patagonia was thus a frontier region in two respects: firstly in that control on the ground was being contested by the indigenous peoples, and secondly, that it was an area adjacent to and sought after by the neighbouring and land-hungry Chilean republic.

The growing local and international pressures led the Argentine government to seek a military solution to the problem. Through a policy of aggression it hoped to eradicate the threat of the indigenous peoples to encroaching European settlement and to forestall any

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<sup>11</sup> David Rock, *Argentina 1516-1982: from Spanish colonialism to the Falklands war*, London: I B Taurus, 1986, p. 154.

<sup>12</sup> See Andrew Graham-Yooll, *The forgotten colony: a history of the English-speaking communities of Argentina*, London: Hutchinson, 1981, p. 185.

Chilean occupation of the region.

Perpetuating the Darwinian notion of the empty terrain of Patagonia's "arid wastes", the destruction of the indigenous people by the federal Argentine army was subsequently and euphemistically entitled "The Conquest of the Desert".

Led by war minister General Júlio A Roca, the campaign was marked by its brutality and resulted in genocide. Five columns of troops converged on the Rio Negro in 1879. Indigenous camps were raided, their inhabitants slaughtered, and survivors arrested and enslaved. Bounties were placed on the heads of the Patagonians: for each male killed, a federal soldier received a prize of £1 awarded by *estancieros* (landowners). As proof, the troops had to display the bows of their adversaries. Later on, more gruesome proof was demanded: the severed ears of the slaughtered Patagonian warriors.<sup>13</sup>

Roca's expedition had been financed by prior land sales in the newly conquered wilderness. These sales ensured that the traditional Argentine landholding patterns would be perpetuated in its southernmost territories. Through the sales, 8.5 million hectares passed into the ownership of 381 persons. In the share out of the spoils after the expedition was over, 541 officers and soldiers were granted a further 4.5 million hectares in 1885.<sup>14</sup> Social relations in Patagonia would henceforth reflect the

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<sup>13</sup> Reginald Lloyd et al., *Twentieth century impressions of Argentina: its history, people, commerce, industries and resources*, London: Greater Britain, 1911, quoted in Andrew Graham-Yooll, *The forgotten colony*, p. 185.

<sup>14</sup> David Rock, *Argentina 1516-1982*, pp. 154, 179; Guillermo Gasío and María C San Román, *La conquista del progreso, 1874-1880*, Buenos Aires: La Bastilla, 1977, pp. 120-129.

overriding interests of the possessors of large landholdings and the sporadic resistance of the dispossessed.

Roca's expedition sealed off the passes across the Andes to prevent any future Chilean incursions into Patagonia. Reservations were created for the surviving indigenous people. Roca himself translated the glory achieved in his campaign into political currency: he ran successfully for president of the republic in 1880. His initial term of office lasted for six years, and he returned to the presidency for a further term in 1898.

Thus a key co-incidence fell into place. The man who had masterminded the conquest of the desert, and who saw the need to stimulate settlement in Patagonia, found himself exercising presidential power during the South African War. Not only did the war provide Argentina with a minor economic boom, but it also generated a group of dispossessed Afrikaners, who were used to sheepfarming under arid conditions in isolated regions, and who Roca and his ministers recognised as potential recruits for taming the wilderness of Patagonia.

### 3. ATTRACTING BOER SETTLERS

Stripped of its native inhabitants, the Territory of Chubut was sparsely populated by the turn of the century. In Buenos Aires, General Roca, the scourge of Patagonia, was again the incumbent in the presidential palace, the Casa Rosada. His second term of office ran from 1898 to 1904. Acutely aware of the need to populate the southernmost parts of the country for fear of any Chilean incursions, Roca began to pay serious attention to the advice of his Minister of Agriculture, Wenceslao Escalante, who drew up laws to accelerate the

colonisation of Patagonia.

Since the epoch of Bernardino Rivadavia, who created the National Immigration Commission in 1824, Argentina had attempted to attract a stable labour force for its agrarian-based economy. The Law of Immigration was eventually codified in 1876 (as Law Nº 817), and with small modifications, still applied thirty years later to the arriving Afrikaners.

Escalante looked to the successes of the Welsh colony in the northern part of Chubut as a model of colonisation and settlement. He sought to attract similar self-contained communities to the area, assuming that, like the Welsh, their strong community ties would compensate for the lack of an adequate socio-economic infrastructure.

Some international sympathies existed for the plight of the republican Afrikaners who had stood up to British imperialism and became symbolic victims of British greed and duplicity.

The connections were made in Europe, where, after the conclusion of the war in South Africa, a number of Boer exiles had sought refuge. An Argentine delegation, visiting Portugal with a view to recruit settlers, was referred to the small Boer community in Lisbon.<sup>15</sup>

In turn, the delegation was persuaded to visit South Africa as part of a trade mission. It was comprised of a Señor Viedma and a Señor Green, both empowered to offer farmland to immigrants. Green, an Argentine of British extraction, and son of a former Minister of Agriculture,

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<sup>15</sup> For detail see G W J Ormonde, *The Boers in Europe: a sidelight on history*, London: Adam & Charles Black, 1903.

knew English, which assisted with communications. Once in South Africa, Viedma and Green were able to insert advertisements into local newspapers in Bloemfontein, Philipstown and Burgersdorp, and made contact with a number of rural clerics and politicians.<sup>16</sup>

In addition to the normal provisions of the Immigration Law of 1876, prospective Afrikaner settlers were further enticed by President Roca's offer of land in Patagonia. The new incentives were contained in a decree of April 1902 which specified that one legua or league (2,500 hectares of land, equivalent to 6,177.5 acres) be allocated to each family unit in an area along the coast north of the port of Comodoro Rivadavia, where 60 leagues had been reserved for the exclusive use of the South African settlers. The extensive size of the individual holdings was determined "so that the favourable and unfavourable accidents of the ground may be equitably distributed."<sup>17</sup>

A quarter of the property would be granted free of charge to settlers agreeing to accept Argentine nationality at the end of two years' residence. The remaining land would be sold to the settlers at the price of one peso (1s 8d) per hectare plus a surveying fee of six centavos (0s 1.2d). Alternatively the remaining land could be rented for renewable five-year leases at 150 pesos (£12.10.0) per annum.

Colonists were also required to fulfil the provisions of the Homestead Law. These included the personal settlement

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<sup>16</sup> Menendez, "La colonización Boer en la Patagonia", *Boletin de la Academica Nacional de la Historia* XLIII, 1970, p. 5.

<sup>17</sup> *South American Journal*, 31 May 1902, p. 611; Capt Mário Raúl Chingotto, "Boer emigration to Argentina", *Paratus*, November 1971, pp. 29, 31.

of the property, payment of the purchase price or lease in five annual installments, the planting of 100 trees and the introduction of 400 sheep or goats and 80 cattle to the property within the first two years. For its part, the government would arrange free transport not only for the settlers and their goods, but also limited amounts of livestock from Buenos Aires to their farms in Chubut. It would also exempt the Afrikaners from military duties.<sup>18</sup>

These generous terms were designed to attract a viable number of settlers to Patagonia. Let us now see what response they elicited.

#### 4. THE FIRST TREK

Starting in 1902, four groups of settlers made their way to Patagonia. Group migration (the trek) had been a common phenomenon in Afrikaner settlement patterns. In the eighteenth century large extended family groups had moved from the vicinity of Cape Town into the interior of the colony of the Cape of Good Hope. In the late 1830s a number of parties of largely frontier settlers abandoned British jurisdiction at the Cape of Good Hope and ventured across the Orange and Vaal rivers and the Drakensberg range to found new states in those regions. In the 1870s small groups had migrated across the Kalahari and Namibia and settled in Angola. Thus it was not unusual to find that decisions to migrate were taken by significant parts of a community rather than on the basis of individual family units.

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<sup>18</sup> A J Jacobs (pseud. 'n Dominé), *Reisavonture onder die Boere in Argentinië*, Pretoria: van Schaik, 2nd edn. 1934, p. 173- 4; *South American Journal*, 31 May 1902, p. 611; *ibid.*, 15 November 1902, p. 542.

The pioneering group reaching Patagonia did not, however, fit the classic pattern of a communal trek. It comprised in the main of ex-combatants who had fought for the Boer republics in the South African War, some with the commando under the leadership of General Christiaan de Wet. Not all were Afrikaners, and the majority spoke English, although Afrikaans was their lingua franca. There were individuals of British, French, German, Irish, Italian and United States extraction, as well as a number of black servants. There were some family groups, but most of the seventy settlers were young men seeking fortune and adventure.

Louis Baumann, a Bloemfontein farmer, was the first settler to make his home in Patagonia, and was soon joined by others. He became something of a mouthpiece for the first group, which took up the allocated land situated north of Comodoro Rivadavia, as had been outlined in Roca's offer. At this time the port itself consisted only of "65 buildings and 215 inhabitants".<sup>19</sup> The Afrikaner settlement was therefore a significant addition to the area's population. In due course, local people referred to the settlers' land as Colonia Boera, the Boer colony.

One of the settlers later described his first impression of the land as

painfully discouraging: bare ridges, with huge limestone rocks scattered around, threatening to tumble down. Yes, the coast was so unattractive that one might think that this part of the creation was still incomplete, and the bare mountains were heaps of sand which were left over when the Creator - with respect - had completed His task.<sup>20</sup>

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<sup>19</sup> Chingotto, "Boer emigration to Argentina", p. 31.

<sup>20</sup> A J Jacobs ("'n Dominé"), *Reisavonture*, p. 174. Own translation.

Despite the daunting landscape and stormy weather, the settlers established farms and built a road from their "model colony" to the port at Comodoro Rivadavia. Much of the road work was built by the women.

## 5. THE SECOND TREK

On a reconnaissance trip, Coenraad J N Visser, a rich farmer from Barkly East, was so impressed with the land allocated and the hospitality received in Chubut, that he returned to South Africa to stimulate further settlement. Drawing on personal networks in his native region in the north-eastern Cape, he was able to lead a group of thirty families (amounting to over 100 people) to Patagonia on the **SS Cornwall** in September-October 1903. Visser has been immortalised in that the coastal settlement within the new colony was officially named Puerto Visser, a name which still appears on Argentine maps.

Among the 1903 settlers was the family of Stoffel Myburgh, who had been a commandant of the Cape rebels during the war. Another participant was the Rev. Louis Petrus Vorster, **predikant** of the Gereformeerde Kerk in Burgersdorp in the north-eastern Cape between 1893 and 1915. Vorster had been delegated to survey the prospects of settlement on behalf of interested parties in the Burgersdorp area.<sup>21</sup>

The original sixty farms were too small to cater to the needs of the new wave of settlers. Visser made approaches

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<sup>21</sup> See "Reisrapport van Ds L P Vorster, *Ons Land*, 26 January, 6 February and 3 March 1904; G C P van der Vyfer, "Vorster, Louis Petrus", pp. 826-7 in *Dictionary of South African Biography*, Pretoria: Human Sciences Research Council, vol. III, 1977; P J T de Wet, *Eeuwfees-gedenkboek Burgersdorp, 1846-1946*, Burgersdorp: Stadsraad, 1946, pp. 228-30.

to the Argentine government for a further allocation of land. In 1904, after he had held an interview with President Roca on the question of developing the Patagonian wool industry, four hundred farms were added to the already existing colony. In gratitude to the Argentine authorities the colony was renamed Colonia Escalante, after Roca's minister of agriculture, who had taken a special interest in the settlement. The additional land made it possible to recruit more immigrants from South Africa.

A popular Buenos Aires magazine, *Caras y caretas*, commented on the arrival of the second group of settlers, giving some insight into its own preoccupations with the question of class composition:

The ships recently arrived from Cape Town and Durban brought many immigrants who have departed for Chubut to join the 30 odd families of compatriots living in Colonia Escalante. This immigration is even more important as it is not limited to workers, including as it does persons so necessary for integration with our emerging population, persons like Dr Rudolph Krieger, a devoted physician and deserving patriot.<sup>22</sup>

Dr Krieger was a relative by marriage of President S P Kruger of the South African Republic. During the war in South Africa, he had fought at the battles of Spioenkop and Platrand against General Buller, and was taken prisoner in January 1902 despite having advanced under a white flag to seek medicine for the troops of General Louis Botha. He had subsequently been placed in a concentration camp, and after the war decided to emigrate. The enthusiasm of the writer in *Caras y Caretas* is misplaced: for the most part, immigrants were from the dispossessed tenant farmer class, and there were hardly any members of the liberal professions.

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<sup>22</sup> *Caras y Caretas* (Buenos Aires), 31 January 1904.

## 6. THE THIRD TREK

At the end of 1905, by far the biggest group of settlers arrived. Its members had been prompted by further recruitment initiatives on the part of C J N Visser, who had made several return trips to South Africa for this purpose. Visser jointly led this expedition with Matthys Marthinus ("Martiens") Venter, who at the time was member of the Cape parliament for the Colesberg constituency, on the arid north-eastern edge of the colony bordering on the Orange Free State.

Venter's motives for making the move were different from those of the majority of the emigrants, who had been soldiers, dispossessed farmers or tenant-farmers. The exceptional nature of his case is, nevertheless illuminating. It reveals the fissure between rhetorical and real reasons for emigration, which are often conflated by both writers and the trekkers themselves. In the Legislative Assembly of the Cape of Good Hope, Martiens Venter had previously represented the Albert constituency, of which Burgersdorp was the administrative centre. In 1888 he left for Colesberg and soon became its parliamentary representative. He bought a trading store in nearby Philipstown. Politically he supported the Afrikaner Bond and its alliance with Rhodes, with whom he developed a deep political friendship. It was alleged that during parliamentary sessions Venter was more at home in Rhodes's mansion Groote Schuur than in his own lodgings.<sup>23</sup> In 1894 he had even accompanied Rhodes on an expedition to newly-conquered Matabeleland, which lay north of the Limpopo. Infused with enthusiasm, Venter returned to the Cape and held a series of public meetings which were aimed to attract farmers to settle in the territory chartered to Rhodes's British South Africa

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<sup>23</sup> See biography in the London-based journal *South Africa* 74, 15 June 1907, p. 751.

Company.

Having been exposed for engineering an abortive coup against Kruger, known as the Jameson raid, in 1895, Rhodes lost the confidence of his allies in the Afrikaner Bond, and had to forfeit the premiership of the Cape. Despite misgivings about the raid, Venter remained loyal to Rhodes. He represented the interests of the British South Africa Company in London in giving evidence the parliamentary Select Committee on British South Africa.<sup>24</sup> This public alignment with Rhodes proved highly unpopular with Venter's political colleagues in the Afrikaner Bond. At its Malmesbury congress it denounced him as unrepresentative of the Dutch point of view and voted £10 on a cable to the Select Committee in London. His support for Rhodes also alienated his constituents and cost him the Colesberg seat in the 1898 elections.<sup>25</sup>

Venter's anti-Kruger sentiments did not prevent him, once the war had broken out, from assisting former constituents who held republican sympathies. Those who took up arms were treated as traitors to the crown under Martial Law. At times Venter attempted to intercede with the Martial Law administrators, and for his pains was banished from Philipstown as undesirable, detained, and placed on trial for high treason in Kimberley. Defended by advocate Henry Burton, who was later to become a cabinet minister, he was set free after an exhausting trial.

His wartime record reconciled him to his former

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<sup>24</sup> See Great Britain. Parliament. House of Commons. Select Committee on British South Africa. *Proceedings of the committee and minutes of evidence*, London: HMSO, 13 July 1897, pp. 123-4; 128-134.

<sup>25</sup> T R H Davenport, *The Afrikaner Bond: the history of a South African political party, 1880-1911*, Cape Town: Oxford University Press, 1966, p. 171.

constituents, who returned him to parliament in 1903.

In a sense Venter embodied the dilemmas of those Afrikaners who had supported British imperialism, on the one hand sharing and participating in Rhodes's dreams of imperial conquest, on the other hand disgusted at the realisation that the conquest encompassed his own people, who had formerly been in partnership with the conquerors. Even after Rhodes's death in 1902, Venter remained embittered. Contemporary biographers saw this as the reason for his departure for Argentina. More recently it has been suggested that the contradictions of his own position and a desire to distance himself from past collaboration with imperial interests were the underlying causes.<sup>26</sup>

Given the deep roots of both Venter and Visser in the communities of the north-eastern Cape, as well as the active recruitment by Viedma and Green in the local press, it was no surprise that the bulk of the 320 emigrants in the 1905 group originated from the Burgersdorp and Philipstown areas. In addition there was the influence of Rev L P Vorster after his return to Burgersdorp from Patagonia in 1903. One of his parishioners later recalled Vorster's descriptions of Chubut and the province of Neuquén in which he spoke of a rich land to the west of Comodoro Rivadavia. He painted for us a verbal picture of a land with rivers, wonderful forests, beautiful and attractive. At Neuquén the apples grow wild, he said. He strongly advised us to trek, but not to live in the vicinity of Comodoro Rivadavia.<sup>27</sup>

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<sup>26</sup> See Venter's obituary in *Ons Land*, 14 May 1907; L J Coetsee, "M M Venter - zijn loopbaan", *Ons Land*, 23 May 1907; De Bruyn, *Die kerklike lewe*, 1974, pp. 20-23; and Rotberg, *The founder*, p. 423.

<sup>27</sup> P H Henning, 'n Boer in Argentinië, p. 3. Own translation.

These descriptions of a rural idyll contributed to the decision of many Burgersdorp families to make the commitment to a new life in Latin America. They ignored the advice of Advocate Burton that Rhodesia would be a better bet as a destination. Burton claimed that "Argentina is a foreign country with a foreign language and a foreign religion, because it is a Roman Catholic country and the people there have customs different to your own."<sup>28</sup> His approaches to the prospective emigrants proved to be in vain. Over one hundred citizens of the district travelled together on the ship **Highland Fling**, along with over two hundred from other areas. In the following year another forty immigrants joined the earlier groupings in Chubut.

Yet the favourable depictions of the agricultural potential of cheap and plentiful land in Argentina could not on their own have motivated all these migrations.

## 7. REJECTION OF BRITISH RULE

What were the underlying reasons which prompted hundreds of Afrikaner families to leave for Argentina in the first decade of the twentieth century?

Numerous writers held that these families were refusing to submit to British rule after the defeat of the Boer republics in May 1902. For example, a key minister of the NG Kerk, Rev A D Lückhoff, who came to know the community intimately, held the view that

The emigration of the Boer colonists from South Africa to Patagonia should be regarded as a direct result of the Boer War of 1899-1902. Disappointment at the outcome of the war, coupled with the suffering of bitter losses and heavy fines, affected the hearts of the

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<sup>28</sup> *ibid.*, p. 9.

Afrikaners so deeply that it generated a feeling of antipathy towards the fatherland and reawakened their innate wanderlust ("trekgees").<sup>29</sup>

Lest it be felt that these views were cherished exclusively by the Afrikaner community, a British exponent of this position made the following comment in 1910:

At the South of the [Chubut] territory, on the Atlantic coast, is Commodore Rivadavia. Here, there is a Colony of Boers, who, declining to recognise the annexation of the African States to the British Empire, have established themselves as an agricultural colony.<sup>30</sup>

At roughly the same time a Dutch observer, Dr J van Lonkhuijzen, also commented:

The origin of this Boer colony is well known. At the end of the war, which was so unhappy for South Africa, in 1902 there were a number of Boers who would not subject themselves to the British government. The Argentine government offered them land and around 250 families migrated there, most of them men, and these included former members of the Transvaal and Cape parliaments.<sup>31</sup>

The emigrants themselves listed "dissatisfaction" as a major motive, based on examples of maltreatment by the British army and legal system during the war. In the response to Burton's arguments that Argentina would afford them no protection, an older emigrant said

I was jailed on the false evidence of a *meid* (black woman servant) and fined £500. And you

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<sup>29</sup> Rev Augustus D Lückhoff, *Die Afrikaners in Argentinië*, Cape Town: Nasionale Pers, 1926, reproduced in P J Nienaber, "Afrikaans in Argentinië", *Die Huisgenoot*, 31 July 1936, p. 41. Own translation.

<sup>30</sup> A Stuart Pennington, *The Argentine Republic: its physical features, history, fauna, flora, geology, literature and commerce*, London: Stanley Paul & Co., 1910. Own emphasis.

<sup>31</sup> J Van Lonkhuijzen, *Argentinië: Een belangrijk land, ook voor Nederlanders*, Wageningen: Vada, 1908. Own translation; own emphasis.

still talk of protection? And what of our women and children who died in the concentration camps? <sup>32</sup>

Various other writers attribute the motives for the settlement in Patagonia to political objections to the post-war settlement. This settlement was embodied in the Peace of Vereeniging signed on 31 May 1902. It entailed the Boer forces' acknowledgment of British sovereignty over the formerly independent republics in the Transvaal and Orange Free State.

The argument that the emigrants left South Africa rather than accept the settlement implies that the bulk of the emigrants were resident in the Boer republics prior to the war.

Yet, in analysing the geographical origins of the four waves of emigrants (see Table 5.3), it is evident that the overwhelming majority came not from the former Boer republics but rather from various districts of the Cape Colony, which had been under British rule for almost all of the previous century.

Therefore it is necessary to scrutinise the conventional wisdom more intensely, and to consider other possible factors in the decision of the emigrant families to leave.

It is clear from the information in Table 5.3 that the majority of the emigrants originated from districts of the North-Eastern Cape, and other areas of the Cape Colony, like Philipstown, which bordered on the Orange Free State.

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<sup>32</sup> Henning, 'n Boer in Argentinië, p. 9.

TABLE 5.3

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PLACES OF ORIGIN OF THE FAMILIES WHO EMIGRATED FROM SOUTH AFRICA TO ARGENTINA, 1902-06

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1902 GROUP

Consisted of about 70 people, mostly young ex-combatants who fought in the De Wet commando, with very few family groups. Amongst them were citizens of Britain, France, Germany, Ireland, Italy, and the USA. The South African citizens originated from Ladybrand and Bloemfontein (OFS), Oudtshoorn and Beaufort West (Cape).

1903 GROUP (VISSER TREK)

Consisted of 102 people, of whom 40 were adults. Apart from two adult citizens from Vredefort in the Orange Free State, who returned to South Africa soon after arriving, their districts of origin were all located in the Cape Colony: Barkly East (9), Cedarville (10), Ugie (6), Lady Grey (6), Rhodes (6) and Piketberg (1).

1905 GROUP (VISSER-VENTER TREK)

320 persons, of whom 315 survived the journey. Mostly from Cape districts of Burgersdorp (c 100 people) and Philipstown, as well as those of Barkly East, Dordrecht, Maclear, Middelburg, Port Elizabeth, Rhodes, Uitenhage and Venterstad; small numbers from Orange Free State districts of Bethulie, Bloemfontein, Edenburg, Fauresmith, Philippolis, and Winburg; and one family from Potchefstroom in the Transvaal. Eleven African and San-descent servants were also included in this group.

1906 GROUP

Consisted of 40 persons whose districts of origin are not comprehensively recorded. Some were from the Malmesbury area, others from Bushmanland and Namaqualand (all in the Cape). On reaching Argentina, all members of the group made certain to register as British subjects at the British Consulate-General in Buenos Aires. It was also reported to include "Engelsche Afrikaners", English-speaking South Africans.

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Sources: De Bruyn, *Kerklike lewe*, pp. 5-28; A J Jacobs ('n Dominé), *Reisavonture*, p. 187; Henning, 'n Boer in Argentinië, p. 6; Lückhoff, *Afrikaners*, p. 3; NGKA, *Notulen Boek Gemeente Chubut 13.9.03*, G.80/1/1, pp. 3-4; NGKA, *Lidmaatregister, Chubut 1902-38*, G.80, 3/2; NGKA, F C Conradie, "Wat is ons toestand hier?", G.80/10, pp. 54-56; *Ons Land*, 26.1.1904; *South American Journal*, 15 November 1902, p. 542; *De Kerkbode* 23, 29, 27 September 1906, pp. 469-70.

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The course of the South African War in these areas cannot therefore be disregarded. Were there any significant trends in the conduct of the war in these areas which determined the rate of emigration?

During the war the loyalties of Cape Afrikaners were divided between those who supported the crown and those who rebelled against it in offering armed support to the forces of the republics.

Loyal colonists frequently expressed sympathy and moral support for the sovereignty of the republics; in vain they attempted to mediate a settlement of the disputes on the eve of the war. Nevertheless they drew the line at open rebellion. They tended to be part of the conservative settler bourgeoisie, those who remained at the Cape when the dissenting Voortrekkers made their way into the interior in the 1830s, and whose political support went to the Afrikaner Bond which, prior to the 1895 Jameson Raid, had at times collaborated with the arch-imperialist Rhodes.

The Moderator of the majority Afrikaans Calvinist church in the Cape, the Nederduits Gereformeerde Kerk (NGK), appealed at the outbreak of the war to church ministers (*predikante*) and committees to remain loyal to the Queen and to ensure that their congregants did nothing which might be interpreted as disloyal.<sup>33</sup>

In practice, however, as bearers of a developing Afrikaner nationalist consciousness, the **predikante** mostly supported Afrikaner unity and the cause of the republics. Overtly or tacitly they encouraged young men

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<sup>33</sup> J H Snyman, *Die Afrikaner in Kaapland, 1899-1902*, p. 296, citing the church press *De Kerkbode* of 11 October 1899.

in their parishes to join the republican forces. In this they were backed by nationalist politicians, teachers, farmers and small business interests in the rural towns, particularly those which bordered on the Orange Free State. The role of the clergy in stimulating this process was identified by Leo Amery who stated that "For weeks and months past the clergymen of the Dutch Reform Church had been preaching rebellion from its pulpits." <sup>34</sup>

Patterns of patriarchy within rural Afrikaner families also acted as transmission belts of nationalism, and sons were encouraged to flee to the republican commandos.

This was made easier in certain frontier towns which, at different times during the war, were invaded and temporarily occupied by OFS forces.

#### 8. THE NORTH-EASTERN CAPE AND THE WAR

A case in point was that of Burgersdorp, which has been shown to be one of the key places of origin of the Chubut Afrikaners.

Seasonally settled by migrating Afrikaner cattle farmers from around 1815, the district in which Burgersdorp came to be founded was part of the country under the control of the Tambookie people, a related but dissident section of the Tembu, who only used the district to graze cattle in the summer months "but they did not live there on

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<sup>34</sup> Leo Amery (ed.), *The Times History of the War in South Africa, 1899-1902*, London: Sampson Low, Marston, 1907, vol. III, p. 293, also see vol. II, p. 85; Johannes Meintjies, *Stormberg - a lost opportunity: the Anglo-Boer war in the north-eastern Cape Colony, 1899-1902*, Cape Town: Nasionale Boekhandel, 1969, p. 47.

account of the cold and lack of firewood".<sup>35</sup> The mountainous terrain was also utilised by Khoisan refugees who lived as hunters, gatherers and cattle raiders until their final extermination in the 1860s.

Afrikaner migration from the western part of the colony was intensified in the 1820s after the decline of the wine trade and the recession which followed the devaluation of the rixdollar in 1825. By the year 1834 there were around 200 Afrikaner families in the district, a fair proportion of whom were semi-nomadic or working for earlier settlers as stocktenders in exchange for a share in the increase.<sup>36</sup>

By 1848, after much agitation by Boer farmers who desired the extension of British sovereignty over their area of settlement, it was officially proclaimed part of the Cape Colony and given the name of the Albert District. The population of Dutch farmers numbered just under 4000, while no census of indigenous people was undertaken.

In due course the titles to 330 farms which had been carved out previously were largely recognised by the government's Albert Land Commission. Farms averaged at 5200 acres (2104 hectares), and it was not uncommon for established farmers to invite poor relatives or district itinerants to avail themselves of grazing or watering rights on the land.<sup>37</sup> In exchange, these *bywoners*

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<sup>35</sup> W. Mackay, *Landdrost of Somerset East to Secretary of Cape Government, in Records of the Cape Colony, vol. XXIV, p. 464.*

<sup>36</sup> Basil Leverton, "Government finance and political development in the Cape, 1806-1834", *Archives Year Book for South African History*, 1961, p. 340.

<sup>37</sup> See R W Wilcocks, *The poor white (Psychological Report of the Carnegie Commission of Investigation on the Poor White Question)*, Stellenbosch: Pro-Ecclesia, 1932, vol. 2, pp. 7-22.

(literally "those who lived alongside") would provide added protection during frontier wars waged against alliances of the Tambookie and the Khoisan.

Proclaimed in 1846, the town of Burgersdorp became the seat of the Albert District.<sup>38</sup> It also became the theological centre of the Gereformeerde Kerk (GK), a breakaway section of the established Calvinist church, the Nederduitsche Gereformeerde Kerk (NGK). The GK was marked by its fundamentalism, orthodoxy and doctrinal conservatism. It upheld the canon law of the 1618/19 Synod of Dordrecht, which condemned hymn-singing as unbiblical. A minority church, it flourished in the isolated frontier districts where contact with new intellectual currents was extremely limited and held in great suspicion by many frontier farmers.<sup>39</sup>

The Gereformeerde theological seminary was established in Burgersdorp in 1869. On the whole, members of the denomination were said to be loyal to British, although more out of a doctrinal resistance to changing the status quo - rendering unto Caesar - than out of a strong political allegiance. The district consistently returned members of the loyalist Afrikaner Bond as their legislators in Cape Town. It was the Afrikaner Bond which had entered a pro-British alliance with Rhodes until the time of the Jameson raid.<sup>40</sup>

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<sup>38</sup> The details are given in E J C Wagenaar, *A forgotten frontier zone*, pp. 99-105.

<sup>39</sup> J P Jooste lists these districts as Middelburg, Philipstown, Colesberg, Steynsburg and Burgersdorp. See his *Die geskiedenis van die Gereformeerde Kerk in Suid-Afrika, 1859-1959*, Potchefstroom: Pro-rege-pers, 1959, pp. 28-9.

<sup>40</sup> See T R H Davenport, *The Afrikaner Bond: the history of a South African political party, 1880-1911*, Cape Town: Oxford University Press, 1966.

With the raid and increasing tension between the British high commissioner Sir Alfred Milner and President Kruger, a new wave of Afrikaner nationalism developed.

Burgersdorp was seen as a seat of this nationalism, and a contemporary Fleet Street journalist was informed that the dreaded rising of Cape Afrikaners in sympathy with the republics could be anticipated in the town.<sup>41</sup>

After the invasion of the town by Boer troops on 15 November 1899, a telegram was dispatched to Bloemfontein by the commander of the invading force. It read: "The town has been taken by us to the acclamation of the Afrikaners, and the citizens of the Colony were happy to welcome us."<sup>42</sup> The theological seminary closed down "owing to a volunteering of so many students" for the republican cause.<sup>43</sup>

Loyalist farmers were permitted by the occupying Boer forces to remain in the district on condition that they agreed to take an oath of neutrality; those who refused had to leave the district and cross British lines.

Under British martial law it was an act of high treason to join the republican forces. Even so, over 700 men volunteered from the Burgersdorp area, participating in the commando activities led by OFS Commandants Du Plooy and Olivier.<sup>44</sup> The district was annexed to the Orange

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<sup>41</sup> William Steevens, *From Cape Town to Ladysmith: an unfinished record of the South African War*, Edinburgh: Blackwoods, 1900, p. 22.

<sup>42</sup> C J Scheepers Strydom, *Kaapland en die Tweede Vryheidsoorlog*, Cape Town: Nasionale Pers, 1937, p. 102. Own translation.

<sup>43</sup> Johannes Meintjies, *Stormberg - a lost opportunity*, pp. 43-56.

<sup>44</sup> N A J van Rensberg, *Die Tweede Vryheidsoorlog in en om Colesberg*, Colesberg: Rapportryerskorps, n.d., p. 2.

Free State, and republican magistrates were installed whilst the commando travelled southward.

At Stormberg Junction an advancing British column under General Gatacre was routed on 10 December 1899. The Boer forces captured 600 prisoners of war, contributing to the series of defeats of the British which were known as the Black Week. The majority of those who were killed on the Boer side were from the Burgersdorp area, where they were sent for reburial.<sup>45</sup>

Within a few weeks, however, Gatacre's forces defeated the Boer forces and reoccupied the Stormberg and Burgersdorp areas. The British troops set about applying martial law<sup>46</sup>, defending the area from further incursions from the Orange Free State, and commandeering horses, crops, clothing and livestock from the local farmers.

Key figures, including the Rev. Louis Vorster who would later visit Patagonia, were arrested for high treason. Citizens were summoned to the town's market square in order to witness the execution of young men, accused of being rebels. Not all of them had been. The famed Burgersdorp language monument, first erected in 1893 as a symbol of "the freedom of the Dutch language under English rule", was desecrated and dismantled by drunken British troops, and only found forty years later buried in a garden in King William's Town 300 km (180 miles) to the south.<sup>47</sup>

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<sup>45</sup> Meintjies, *Stormberg*, p. 106.

<sup>46</sup> "By April 1901 almost the whole of the Cape Colony was under Martial Law and jurisdiction was handed over to the military." Meintjies, *Stormberg*, p. 186.

<sup>47</sup> Meintjies, *Stormberg*, pp. 47, 177-8. The monument was re-erected by the British and the recovered decapitated original was placed by its side in the Burgerplein in Burgersdorp in October 1957.

Communities like Burgersdorp were divided: a minority of Afrikaners continued to remain actively loyal to the British. An enthusiastic *Midland News*, commenting on a second invasion of the Cape by Free State forces, gleefully spoke of the "cool reception that the invaders are everywhere receiving...From Burgersdorp we learn that farmers, so far from welcoming the invaders, are actually giving information to the military that will help to follow them up."<sup>48</sup>

However, the predominant allegiance of the Dutch-speaking inhabitants of Burgersdorp was not one of loyalty to the crown. There were boycotts of loyal storekeepers as well as attacks on the property of persons associated with the loyalist militia, the Town Guard.

Nevertheless, for republican supporters, the British reoccupation was experienced differently. "On the whole," Meintjies comments, "the occupation of Burgersdorp was a most unpleasant experience, and the savagery of the British displayed there must be ascribed to the deep feelings of hostility on both sides."<sup>49</sup>

Philipstown, too, was not immune from the war. The district was invaded by General J B M Hertzog, a future prime minister of the Union of South Africa, on 17 December 1900, with a commando numbering 350 citizens of the Orange Free State. A number of rebels joined them, but the commando had no interest in occupying the town, instead making its way westward to the sea.

During the course of the war there were a number of skirmishes in the area, rebels were caught and executed,

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<sup>48</sup> *Midland News*, 2 January 1901. Cited in C J Scheepers Strydom, *Kaapland en die Tweede Vryheidsoorlog*, Cape Town: Nasionale Pers, 1937, p. 148.

<sup>49</sup> Meintjies, *Stormberg*, p. 147.

blockhouses were constructed, Boer incursions resisted, and their ammunition dumps exploded by the British forces. Prisoners of war were placed in the Philipstown jail. However the levels of nationalism, rebellion and British retribution never reached the levels of Burgersdorp.<sup>50</sup>

Therefore, whilst the particularly bitter wartime experiences of many of the people of Burgersdorp may have been a factor in their decision to emigrate, the same cannot be said for Philipstown and many of the other small towns in the Cape Colony whose levels of loyalty to the crown were the rule rather than the exception.

## 9. ECONOMIC MOTIVES FOR MIGRATION

The consciousness of the *bitterreinders*, those Boers who would rather continue to fight than to submit to British rule, certainly extended to those inhabitants of the Cape who had backed the republics during the war. The growing Afrikaner national sentiment fed on a contempt for certain war measures imposed by the British: the scorched-earth policy in the Orange Free State; the exile of prisoners of war to St Helena, Sri Lanka and Bermuda; and, most of all, the placing of women and children in concentration camps, in which 26,000 died from epidemic diseases. Such sentiments formed building blocks for the decision to emigrate. But if this is so, why were there so few emigrants from the areas in which the farm-burnings and the mass arrests of prisoners of war had taken place?

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<sup>50</sup> See "Philipstown tydens die Tweede Vryheidsoorlog (1899-1902)" in Eugene van Heerden, *'n Beeld van Philipstown oor 100 jaar, 1863-1963*, [Philipstown, 1963,] pp. 45-49.

It is therefore important to examine more closely the economic motives for the departure of the emigrants. This requires an assessment of the plight of the emigrants against the economic conditions pertaining to the north-eastern Cape immediately after the war years.

In general the boom years of the war were tempered by a post-war recession, a result of departing armies and the devastation of agriculture in the republics. It was felt most acutely from 1903 onwards, and especially during the crisis of 1906-8.

From the limited evidence it is possible to gather that the Afrikaner emigrants to Patagonia, apart from a few notables like Visser, Venter, and Krieger, were of slender means.

Writing in 1940, Henning claims that the 1905 trekkers had amassed a total amount of £23,000 or 278,000 pesos. This averaged out at £73 per capita. However, distribution was not all that equal. According to Henning, "Some of the Afrikaners brought huge sums with them. One who arrived later [than the main 1905 group] had £30,000. Two others, already there, had £7,000 each. Altogether the Boers who arrived in Argentina prior to 1907 changed a total of £80,000 at the foreign exchange houses in Buenos Aires." <sup>51</sup> If one ignores the three exceptional amounts cited by Henning, the average per capita drops to £63. However, because of the legal requirements to settle land with a certain amount of stock, seed, and construction materials, the immigrants were left with very little disposable income.

In a 1931 census of the community conducted by the Rev. Wasserfall, the community's financial standing was

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<sup>51</sup> p. 19, own translation.

summarised. Of 138 households interviewed, 114 claimed that they arrived in Chubut with no money, and 24 with £40 or more.<sup>52</sup>

Apart from the ex-soldiers, who were often men of fortune, the vast majority of the emigrants were comprised of dispossessed landowners and the *bywoners*, or tenant farmers.

Van Onselen has shown how those Afrikaners in the Transvaal countryside - especially *bywoners* - who were dispossessed through "a plague of locusts, intermittent drought, cattle diseases, the upheavals occasioned by the war and the extension of capitalist agriculture", tended to resolve their economic problems by moving into an urban setting on the Witwatersrand goldfields.<sup>53</sup>

The influx into the Witwatersrand was not confined to the displaced farmers of the Transvaal. In his research into the question, Macmillan concludes from his examination of the files of the Johannesburg Public Relief Board that of those receiving assistance from the Board, "There is a quite remarkably high proportion of these men said to come from the North-Eastern districts of the Cape...". In a sample of white unskilled municipal workers, he also finds that all but one originated in the north-eastern Cape and adjoining areas. "I gather that the Southern Orange Free State and the North-Eastern Cape really offer few opportunities to their own people and send more than

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<sup>52</sup> *Statistiek en informasie vir repatriasie na Suid-Afrika van die Boere Kolonie Chubut Argentina, 31 March 1931*, summary, col. E.

<sup>53</sup> See Charles van Onselen, "The Main Reef Road into the working class: proletarianisation, unemployment and class consciousness amongst Johannesburg's Afrikaner poor, 1890-1914", pp. 111-170 in his *Studies in the social and economic history of the Witwatersrand, 1886-1914: Volume 2*, New Nineveh, Johannesburg: Ravan, 1982. Quote taken from p. 114.

their share to the Rand." <sup>54</sup>

Yet the gradual proletarianisation option was not one preferred by the doughty burghers of the north-eastern Cape. Their choice to emigrate to Patagonia was one of resistance to the path of proletarianisation. The possibilities of cheap land, a familiar farming routine, and easy wealth in Argentina, beckoned far more than did the probabilities of political and economic marginalisation in the rough mining towns of the Transvaal.

The plight of the rural dispossessed class of Afrikaners, particularly the *bywoners*, was a problem which Bundy traces as far back as the 1860s in the areas immediately to the south of those which concern us here.<sup>55</sup> Although this phenomenon is a longstanding one, linked to cycles of boom and recession in the Cape economy, the concept of "poor whitism" only emerges in the 1890s.

From the 1890s onwards, recession, mechanisation, and fencing of farms were contributory factors in driving people off the land. It was not only the landless *bywoners* who were affected. In recessionary times, credit became very difficult and many proprietors lost their landholdings.

On losing land, the options were to drift into the nearby rural towns, where jobs were scarce and the chance of entering the condition of vagrancy and "poor whitism"

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<sup>54</sup> W M Macmillan, *The South African agrarian problem and its historical development: lectures*, Johannesburg: CNA for Council of Education, Witwatersrand, 1919, p. 51.

<sup>55</sup> See his "Vagabond Hollanders and runaway Englishmen: white poverty in the Cape before Poor Whiteism", pp. 101-128 in Beinart et al. (eds.), *Putting a plough to the ground: accumulation and dispossession in rural South Africa, 1850-1930*, Johannesburg: Ravan, 1986.

quite high. Most poor whites had no trade skills and extremely limited education. This hampered prospects of a good job. At the same time, South Africa's racially segmented job market meant that unskilled work was largely undertaken by black people at extremely low wage levels. Poor whites declined to accept such "kaffir work". Sociologists declared that this was based on their "false pride". In order to save their dignity, the state responded to pressure from the churches to offer some rural whites unskilled work in white labour colonies, on the railways, in smallholdings on irrigation schemes in arid areas, and in government administration.<sup>56</sup>

Another option was migration to the diamond and gold fields. Alluvial diamond digging required no skills and was open to all, but earnings were erratic, and the overwhelming number of diggers were impoverished. In the gold fields of the Witwatersrand, there was little room in the formal economy for unskilled farmers. Many of the arriving *bywoners* entered the economy as petty commodity producers or providers of services for a few years before larger-scale capitalism could proletarianise them. According to van Onselen, "capital had to conquer many Afrikaners not once, but twice, before they succumbed to the position of wage labour - first in the countryside and then in the towns."<sup>57</sup>

In the absence of credit and state aid to farmers and *bywoners* during this period, the option of emigration and a new start subsidised by the Argentine republic must have had a salutary appeal to many of those who ultimately left for Patagonia. This option, it was felt, would enable them to retain or even improve their status

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<sup>56</sup> For a fuller examination of this process, see Wilcocks, *The poor white*, 1932.

<sup>57</sup> Van Onselen, "The Main Reef Road into the working class", p. 112.

and economic position as small independent landholders. Although on the surface there were many dissatisfactions with the political outcome of the war, these cannot have been the exclusive motives for emigration. The postwar economic crisis in the marginal farming areas of the north-eastern Cape and adjoining areas, the dispossession and heightened social differentiation of white agriculturalists, the dread of proletarianisation of a traditionalist and obscurantist agrarian community, all acted as underlying factors motivating the emigration.

The move to Patagonia was less an exercise in nationalist resistance than one embarked upon in order to obviate the beckoning options of rural destitution or an urban Babylon.

#### 10. THE BOER COMMUNITY IN PATAGONIA

The fate of the emigrants was largely a sorry one.

Only 28 titles to land were ever granted. The rest of the community laboured as tenants on the farms of well to do Afrikaners, like Venter, or on state land. The town of Comodoro Rivadavia lacked water, and the emigrants nicknamed it "Vrek van dors" (death from thirst). When state hydrologists arrived to dig boreholes in 1907, they accidentally discovered that the area was rich in petroleum. Under Argentine law, mineral bearing land is state property. Thus much of the land initially promised to the Afrikaner settlers reverted to the state. Rents were collected at random dates, usually in recessionary years when the state needed all the revenues due to it. This had a deleterious effect on the tenants, impoverishing through sudden, unanticipated demands.

The harshness of the climate also took its toll. In the

winter of 1925, snowstorms decimated the herds of sheep owned by the Afrikaner tenants and landowners. Their black retainers also died as a result of the extremely cold conditions, begging questions about how they were housed and treated.

The level of poverty in Chubut did not help to sustain strong community institutions. Although the emigrants supported a small NG church, much of it was run on subsidies received from the Cape and Orange Free State NG Kerk. The community was too poor and too scattered to sponsor its own educational institutions, and appeals to the Christian National education movement among Afrikaner nationalists in South Africa bore little fruit. At the same time, the emigrants were wary of sending their children to the state schools, where alien Catholic values would be inculcated and the Afrikaans language ignored. The result was a community with almost no formal education, and hence not much upward mobility. One or two exceptional individuals became clerks for Lahusen & Cia, the dominant wool company. But most young men led the life of poor gauchos, herding and shearing sheep, hunting, or breaking in horses. The young women remained in domestic settings. Their potential skills in literacy, numeracy, and the sciences were never developed.

Neither did they develop any political experience. Although endowed with the franchise in the Cape, in Argentina they had none, so played no part in national politics. This was not because they were aliens, but because Chubut was a "territorio" and not a province. The territorios were administered directly by the central government, and the inhabitants considered too few to constitute a viable political unit. The Afrikaner community, despite its early access to President Roca, failed to develop the ability to pursue political demands for schools, for land, or for relief from debt.

The depression dating from 1929, exacerbated by the fall in wool prices, finally broke the back of the community. Large sections of it descended into destitution. A movement was launched for the repatriation of the emigrants. At first the appeals to the state for assistance with passages and jobs went unheeded. Prime Minister General Barry Hertzog and Agriculture Minister Piet Grobler turned down a series of requests, referring them to the NG Kerk's poverty commission for resolution. The state was under pressure to deal with domestic white poverty, and claimed it was not in a position to support those who had once deserted for foreign fleshpots.

To confirm that the community was indeed destitute, the church conducted in 1931 a census complete with financial status reports. The overwhelming majority of families proved to be below the bread line, and of these almost all wished to return to South Africa. The pleas to the state continued to fall on deaf ears. Even the personal visit of Senator F S Malan in 1935 to the community did not effect the necessary change in the state's policy.

But with the resurgence of right-wing nationalism amongst the Afrikaners in South Africa came renewed ideological pressure. The appeal for a gathering in of the Afrikaner diaspora in time for the 100th anniversary of the Great Trek in 1938, and the dedication of the Voortrekker Volksmonument outside Pretoria, began to bear fruit. The church put aside funds for the repatriation, on the understanding that the state and the parastatal corporations would also foot some of the bill.

It was largely through the work of NG dominee A D Lückhoff that the repatriation took place. Lückhoff was the secretary of the NG Kerk's Armesorgskommissie (poverty commission). In this capacity he took a personal interest for many years in the fate of the repatriated

Argentine Afrikaners, helping them to assimilate - often as an alien Spanish-speaking generation - into their new host culture in Africa.

Since the majority of the returnees were destitute, Lückhoff arranged for them to receive food and clothing parcels. He also helped to place them in modest positions of employment on the railways, in the labour camps and on the irrigation schemes in the Vaal-Harts area. The school age students were placed with foster families or in school hostels. The begging letters from the returnees - desperately requesting a pair of shoes, £5, or a sack of dried mealies - continued to reach Lückhoff well after his retirement in the mid-1940s.

The circle was complete. Those who left the Cape soon after the turn of the century, largely to improve their economic circumstances through migration, and to avoid being marginalised and emiserated in industrial areas, were now back in their country of origin at the bottom of the white pile. Their search for status and economic improvement had been a failure: they were reduced to accepting handouts, to begging from the coffers of the church poverty commission, and subjected to its enlightened paternalism. Most had lost access to the land.

Of the few who stayed in Patagonia, cultural assimilation has largely erased their real links with South Africa. In the 1950s, their only self-founded institution, the church, became absorbed into Argentine protestant churches. The liturgy, gradually hispanicised since the 1930s, became exclusively Spanish. The older Afrikaans-speaking generations failed, because they had never founded any formal educational institutions, to reproduce their language or their culture. Learning Afrikaans became a hobby of some of the descendants, a

curiosity, something unusual.

Was it the innate essence of the "wretched and useless plains" identified by Darwin as "scarcely practicable" for human habitation which defeated the Afrikaners in Chubut? Or was it the vain attempt to export their culture in numbers and in a context where it was impossible to sustain?

Instead of apportioning blame to the harsh environment or the community as a whole, perhaps we should look to the motives of the Vissers and Venters, and their compliant supporters like dominee Vorster, who encouraged migration knowing that their personal fortunes were almost guaranteed, and that those without land would be there to perform the role of transplanted bywoners in a region where fortunes could be made from extensive sheep farming. For it was this group which stayed, which prospered, which assimilated.

Of those who returned to South Africa little remains on record. The returnees were scattered, and retained little of their integrity as a community. The poverty commission of the church continued to help individuals in need. The memoirs of Piet Henning were published, but presented an exotic, overromanticised version of the community's history.

The community had never been in a position to influence the South African government about their fate, let alone to build bridges between it and the Argentine government. Nevertheless, the romantic view of this doughty community was perpetuated in the Afrikaans press which portrayed it as keeping cultural symbols of Afrikanerdom alive in this remote part of South America. Notables of Afrikaner stock were flown to South Africa when air routes were established to Argentina in the 1970s. The myth of a

flourishing outpost of the Afrikaner diaspora was emphasised at the expense of the truth about the hardship and misery which the overwhelming part of the community had experienced.

In the Vorster era, and that of the dictatorships in the Southern Cone, the myth of the community was promoted as a talismanic symbol of the brotherhood between apartheid and exotic Latin America, which had once opened its arms to the refugees of an oppressed Volk and, if need be, would do so again to businessmen, arms merchants and settlers in the hour of South Africa's isolation.

## CHAPTER SIX

### SOUTH AFRICA'S PENETRATION OF THE BRAZILIAN ECONOMY

#### 1. OVERVIEW

Up to the 1930s, the nature of the relationship between South Africa and the Latin American countries was tenuous, marginal, and largely dependent on the needs of Britain, the major metropolitan power in the South Atlantic in the nineteenth and early twentieth century. The only community of South African settlers in Latin America was too poor, uninfluential and remote to make much difference to the development of deeper relations.

Prior to this, it cannot be said that the Union of South Africa possessed its own distinct foreign policy.

The Union, although constituted in 1910, only achieved full sovereignty 21 years later, when the Statute of Westminster created free Dominions in the British Empire. Although South Africa participated in the conference at Versailles, had a small corps of its own diplomats, and had a seat in the League of Nations from its inception, it was only felt necessary to create a foreign office in 1926. The foreign affairs portfolio was initially held by whoever was the serving prime minister.

The 1930s also saw the growth of a more independent South

African manufacturing economy. Like the principal countries of Latin America at this time, policies of import-substitution industrialisation were adopted. The infant industries were nurtured through a system of tariffs, which, in some cases survived through to the 1990s. Because this situation was mirrored in the industrialising states of Latin America, trade in many manufactured items was therefore limited, although Brazil began to eye the African market during World War Two.

South Africa's inward-looking economic structure attempted to attract large amounts of foreign investment, and to prevent an outflow of local capital through strict exchange control mechanisms. These made it extremely difficult for South African firms to export capital outside the area of the South African Customs Union.

From the late 1940s, South Africa's racial laws and its continued illegal occupation of Namibia led to increasing isolation. Initially it received some support from the Latin American delegations at the United Nations, which helped ward off the condemnation of the Warsaw Pact and Afro-Asian countries. Brazil, then in support of Portuguese colonialism, helped to organise Latin American votes for the South African position in the UN. It also served, along with Britain and the United States, on the Good Offices Committee, designed to win South Africa back into the General Assembly after the condemnation received on the Namibian question had led to a boycott.

With the intensification of isolation in the 1960s, South Africa began to develop strategies for counteracting economic and political sanctions. One of the key moves in this campaign was the process of "dialogue" undertaken by prime minister B J Vorster and aimed at détente with other African countries. This achieved small success, and

became known as the "outward policy". It was during the development of this policy that Vorster and his more urbane foreign minister, Hilgard Müller, began to look to Latin American countries to help break South Africa's isolation. A series of official visits and exchanges stimulated the South African state to provide a new infrastructure for developing closer relations with Latin America.

By the time this was happening, the South African economy had expanded substantially. High rates of growth were achieved, whilst black workers' wages were held static. Nevertheless the local market grew, and drew substantial amounts of foreign direct investment. The size and sophistication of the economy enabled the creation of a local money market. Liberalisation measures began to allow for controlled export of capital by South African firms, as well as the offshore private borrowing of finance. Often the controls were linked to the propensity of the firm concerned to foil sanctions.

Of the South African firms which had developed the capacity to invest abroad, in the 1970s the mining finance houses and the large life assurance groups began in earnest to diversify internationally. Some had, early in their histories, developed foreign associates or subsidiaries. For example, the Anglo American Corporation held its foreign investments mainly through Charter Consolidated Limited, once Rhodes's British South Africa Company.

The drive for extending global market share, for gaining access to key raw materials, for spreading political risk by diversifying out of South Africa, and for taking advantage of any competitive edge (for example, in deep-level mining technology), caused the South African firms to seek investments in resource-rich areas of the world.

They experienced difficulties breaking into European, North American, East Asian and Australian markets, where there were propensities to sanctions, strict anti-trust legislation, and where the competitive edge was reduced. One region where these factors were not operating was Latin America. Firms like Anglo American began to calculate that this option was increasingly attractive, and would receive support from the government of South Africa because such investments fitted in with the new outward policy. The principal destination for such South African capital investment was Brazil.

This may be surprising in view of the diplomatic distance which Brazil tried to establish in the early 1970s with respect to the apartheid republic. The distance has, amongst other things, put paid to any dreams of a South Atlantic alliance, favoured at times by other states in the Southern Cone, but never by Brazil. Instead, Brazil sought to play on its historical ties with other African states, especially those which shared its common colonial master, Portugal.

Its aim was to establish new markets for Brazilian-produced manufactured goods and services, some of which originated from the Brazilian subsidiaries of foreign transnationals. Yet in the name of a policy of "responsible pragmatism", the Brazilian generals and their diplomatic corps maintained an open door with respect to South Africa.

This chapter therefore aims to contextualise the South African penetration of the Brazilian economy by reviewing the relationship with Brazil during World War Two (section 2) and its aftermath (section 3). It goes on to discuss South Africa's increasing diplomatic and economic isolation (section 4) and the initiatives taken by the South African state to cultivate new links with Latin

America in the late 1960 (section 5). It then contextualises Brazil's shifting Africa policy (section 6), examining in some detail the case of the recognition of Angola (section 7), which set the seal on the policy of "responsible pragmatism" (*pragmatismo responsável*). This policy sought to resolve the contradiction of Brazil building markets in sub-Saharan Africa whilst continuing to maintain links with South Africa.

Once the context is in place, section 8 will document in detail the process whereby the Anglo American Corporation's investment occurred. This example contributes towards a closer understanding of an important dimension of South-South relations: that of capitalist linkages at the semi-periphery.

## 2. WARTIME DIPLOMACY

When Brazil declared war on the Third Reich in August 1942,<sup>1</sup> it found itself in alliance with the Union of South Africa. Brazilian representation had existed in Cape Town since 1925, yet it was not until just before the Union's September 1939 declaration of war that Julio Vieira Diogo arrived in Pretoria to take up his position as commercial counsellor, Brazil's highest rank in the Union. During his period there, Vieira Diogo maintained a personal correspondence with Oswaldo Aranha, Brazil's pro-Allied foreign minister. Aranha and Vieira Diogo both hailed from the same state in Brazil: Rio Grande do Sul.

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<sup>1</sup> Brazil's abandonment of evenhanded diplomacy between the Allies and the Axis has been examined in Gerson Moura, *Autonomia na dependência: a política externa brasileira de 1935 a 1942*, Rio de Janeiro: Editora Nova Fronteira, 1980; see also Frank D McCann, *The Brazilian-American alliance, 1937-1945*, Princeton, New Jersey: Princeton University Press, 1973.

Vieira Diogo was extremely keen to stimulate imports of Brazilian goods into South Africa, taking advantage of the wartime interruption of imports from Europe. Brazil's manufacturing industry - particularly in the fields of textiles and chemicals - had evolved more rapidly than that of South Africa. Witness his enthusiasm:

Today (March 1943) it is easy for us to sell everything we are able to, even at unlikely prices at times, when we have the transport at our disposal. Yet we should remember that this ephemeral phase shouldn't be regarded as typical in future dealings with this country. So, when the war ends, they will assist in re-establishing the prosperity and wealth of the African market, whose exports have stagnated owing to the present world conflict. The countries are eager for our goods, depending on easy, cheap and speedy transport, and on competitive prices... Therefore we have to begin to construct the commercial offensive of the post-war period right now, preparing adequate rapid shipping facilities with convenient freight rates... and adjusting our prices to undercut our competitors. Control should be placed in the hands of an official institute run by technocrats, to regulate the quality of our exports, and to back up our exporters. Only in this way will we be able to advance and protect our real interests in this country.<sup>2</sup>

In the same year, Vieira Diogo persuaded the South African prime minister, Jan Smuts, to install a consulate-general in Rio de Janeiro.<sup>3</sup> His personal contact with Smuts and with the South African Secretary of Foreign Affairs, D D Forsyth, proved effective, and in

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<sup>2</sup> Fundação Getúlio Vargas, Centro de Pesquisa e Documentação de História Contemporânea do Brasil (FGV/CPDOC), Arquivo Oswaldo Aranha (OA), documento OA43.03.23. Own emphasis.

<sup>3</sup> The first such representative in Latin America since the appointment of a consul-general in Buenos Aires in 1938. See Marie Eloïse Muller, *Suid-Afrika se buitelandse verteenwoordiging, 1910-1972*, Pretoria: J L van Schaik, Muller 1976, p. 65. In 1948 a third mission was opened in Chile, but only staffed intermittently, since the representative in Argentina was also accredited to Chile.

November the new resident consul-general, Frans du Plessis, took up his position.<sup>4</sup>

### 3. LATIN AMERICA, SOUTH AFRICA AND THE UNITED NATIONS

In the ensuing two decades the commercial link became the core of Brazil's relations with South Africa. Political considerations seldom obstructed this. Indeed, because of Brazil's close historical and diplomatic ties with Portugal, it was not disposed towards criticising racism and colonialism on the African continent. Brazil continued to provide Portugal with diplomatic support in the UN and to vote on the side of South Africa's supporters when the Union government was attacked, principally by India, for its racist policies and continued administration of Namibia.

With the assistance of the Brazilian delegation, South Africa's UN representative, Harry Lawrence, mobilised eleven other Latin American delegations to oppose the first major anti-apartheid resolution in the General Assembly in 1947. Proposed by India, in an attempt to safeguard the rights of South African Indians, the resolution failed to obtain the necessary support, and a further move to pass a milder resolution was blocked by Oswaldo Aranha in his capacity as President of the 1947 session.<sup>5</sup>

Brazil's pro-colonial policy endured through the 1950s. When South Africa ceased participation in the workings of the General Assembly, affronted by attacks on its continued occupation of Namibia, a Good Offices Committee

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<sup>4</sup> FGV/CPDOC, OA43.11.09, OA44.02.01/1.

<sup>5</sup> Jeremy Lawrence, *Harry Lawrence, Cape Town: David Philip*, 1978, pp. 210-11.

was set up to attempt to reconcile Pretoria to UN interests in the region.

The tripartite Committee consisted of representatives of three countries which enjoyed Pretoria's trust: the US, Britain and Brazil.

Feted by the Strijdom government, the Committee was most reluctant to challenge Pretoria, and when its plan to partition the territory (one part would be permanently incorporated into South Africa) was leaked, its work was aborted.

Brazil's representative had consistently gone along with the British and Americans in conciliating Pretoria, rather than championing the interests of the Namibian people, a fellow Third World nation.

With the assumption by Jânio Quadros of the Brazilian presidency in 1961, a new "independent" foreign policy was promoted.<sup>6</sup> Brazil attempted to distance itself from previous Cold War alignments and to look to Africa, Asia and Latin America, which together made up an emergent force in post-war international politics. After Quadros's brief and erratic administration<sup>7</sup>, the independent stance was continued by incoming president João Goulart, and lasted until military dictatorship was instituted in April 1964.

Despite many innovative gestures in the direction of the

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<sup>6</sup> On the "independent" phase see: A Bezerra de Menezes, *Ásia, África e a política independente do Brasil*, Rio de Janeiro: Zahar, 1961; and Wayne Selcher, *The Afro-Asian dimension of Brazilian foreign policy, 1956-1972*, Gainesville: University Press of Florida, 1974.

<sup>7</sup> M Vitória Mesquita Benevides, *O governo Jânio Quadros*, São Paulo: Editora Brasiliense, 1982.

Third World, Brazil's powerful Portuguese lobby was able to exert a countervailing influence: the Luso-Brazilian Treaty of Friendship and Consultation of 1953 remained intact, obliging Brazil to continue its diplomatic backing for Lisbon's colonial adventures.<sup>8</sup>

The 1964 coup enabled the generals to purge Itamaraty (the Brazilian foreign office) of those officials who had promoted closer relations with Afro-Asian states.<sup>9</sup> Brazil assumed an aligned posture again, assisting in the US operation to occupy the Dominican Republic in 1965. Despite the formal denunciation of apartheid in international organisations, declarations and conferences<sup>10</sup>, Brazil opposed the institution of sanctions, the ejection of South Africa from international organisations, and international support for the liberation movements. Whilst theoretically favouring peaceful change through international pressure, Brazil sought to maintain diplomatic and commercial links with South Africa. The latter continued to be viewed as a potentially lucrative market at a time when trade with the rest of Africa was insignificant.

#### 4. SOUTH AFRICA'S ISOLATION: THE FRUIT OF APARTHEID

Until the 1960s, Pretoria's preoccupation with domestic affairs had meant a devolution of major foreign decisions to fit the needs of London and Washington. This was evident in South Africa's entry into the Second World War and the Korean War, its ready co-operation with post-war Anglo-American uranium procurement programmes, and its

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<sup>8</sup> Brazil, Ministério das Relações Exteriores, *Brasil-Portugal: Tratado de amizade e consulta*, November 1953.

<sup>9</sup> Selcher, *The Afro-Asian dimension*, p. 165.

<sup>10</sup> *ibid.*, pp. 188-90.

provision of facilities to the Royal Navy at Simon's Town. These policies symbolised the Union's compliance and integration with the strategic needs of the former colonial power and its NATO partners. They also enabled the Union to demonstrate its practical usefulness to and ideological affinity with the Western bloc. Foreign capital investment was encouraged, and South Africa enjoyed a privileged trading position and wide diplomatic links within the context of the Commonwealth. Its role as an important source of gold helped underpin the international economic system devised at the Bretton Woods conference in 1944.

Yet this role as an integral member of the Commonwealth gradually collapsed owing to internal and external contradictions. The Afrikaner nationalist regime, which had always resented and opposed the Union's constitutional link with the British crown, used the inclusion of the new Afro-Asian states within the Commonwealth, and their stance against apartheid, as an excuse to declare the Union a Republic outside the Commonwealth in 1961.

Further diplomatic isolation had resulted from the intransigence of the South African government with respect to the political demands of its own majority and the continued occupation of Namibia, later outlawed by the United Nations General Assembly and the International Court of Justice. The massacre at Sharpeville (21 March 1960) had flung the regime's excessive cruelty into international headlines, scaring off enormous quantities of foreign capital, and ascribing a pariah role for South Africa in international politics.

The resulting expulsion from many international organisations and ostracism within the UN sharply reduced the horizons of South Africa's foreign policy, confining

this primarily to regional preoccupations. Support for Ian Smith's illegal UDI in Southern Rhodesia and for Portugal's colonial wars aimed to maintain white domination in Southern Africa in order to provide a strategic perimeter around South Africa and to secure markets for agricultural and manufactured products.

Despite the consolidation of its political projects, the South African state found itself, in the final years of the 1960s, drifting into crisis. The costs to the economy of a high growth rate between 1963-70 (6.3% on average, second only to Japan) were related to the policy of import substitution industrialisation as recommended by the Viljoen Commission in 1958.<sup>11</sup>

To manufacture consumer goods at home it had been necessary to import vast amounts of capital goods, whose share of all imports grew from 30% in 1957 to 45% in 1970.<sup>12</sup> This gave rise to acute balance of payment problems. In addition, uneven income distribution meant that the domestic market could not absorb the potential output of manufactured goods. South Africa needed new export markets.

Its natural hinterland, Africa, might have provided a way out. Yet in the 1970s, because of political changes and other factors, there was a sharp decline in the share of South African exports entering other African countries. Official statistics indicate that this decline was from around 16% of all exports in the late 1960s to less than

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<sup>11</sup> Union of South Africa, *Report of the commission of enquiry into policy relating to the protection of industries*, UG36/1958, Pretoria: Government Printer, 1958.

<sup>12</sup> Official statistics. Compare with Table 12.10 in Martin Fransman, "Capital accumulation in South Africa", in Martin Fransman (ed), *Industry and accumulation in Africa*, London: Heinemann, 1982, pg. 249.

9% by 1977. These figures presumably included sanctions-busting re-exports to Southern Rhodesia, so exaggerating the percentage of exports reaching independent Africa.<sup>13</sup> In any event the bulk of South Africa's exports to the rest of Africa comprised of primary products and not manufactured goods. This indicates the failure of the economic underpinning of what was variously known as Vorster's "outward movement", "dialogue" and "détente".

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

from the point of view of export potential, South Africa should increase contact, assistance and marketing of its goods in respect of certain South American countries ... the empty economies of Latin America must be regarded as natural markets for South African exports.<sup>14</sup>

Other problems faced South African exporters. As Britain gradually integrated into the European Community, South Africa's old Commonwealth trading preferences fell away, closing off significant portions of a traditional export market. Increased protectionism on an international level and the limits which apartheid imposed on the expansion of internal demand added to local manufacturer's headaches.

The South African state realised this situation and took steps to develop closer ties with other unpopular regimes sympathetic to its position. These included Israel, Taiwan, the Shah's Iran, and the military dictatorships

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<sup>13</sup> South Africa, Department of Customs and Excise, *Monthly Abstract of Trade Statistics*, Pretoria: Government Printer, 1966-1977.

<sup>14</sup> Republic of South Africa, *Reports of the commission of inquiry into the export trade*, 2 volumes, RP69/1972, Pretoria: Government Printer, 1972, pg. 166.

in the southern cone of Latin America.<sup>15</sup> One of its major preoccupations in doing so was to secure sources of supply for its growing armaments needs and demand for its arms manufacturing capabilities. The young nuclear industries of Israel, Argentina and Brazil were seen as potentially collaborative, especially in view of South Africa's vast access to uranium supplies.

Numerous overtures were made to Latin American states in the mid-1960s, but Pretoria invested most of its efforts in Brazil, which it saw as the key to South Africa's expansion into Latin America. Not only did Brazil play a major role in the affairs of the continent, but its links with Portugal implied a built-in endorsement for colonialism and racism in Southern Africa, so reinforcing South Africa's regional role in relation to Angola and Mozambique.

##### 5. NEW SOUTH AFRICAN INITIATIVES IN LATIN AMERICA

Thus the first major diplomatic initiative from South Africa since the end of the Second World War received a positive response from Brazil.

In July 1966, Foreign Minister Hilgard Müller and the Secretary for Commerce Hendrik Kotzenberg, visited El Salvador, Paraguay, Uruguay, and Brazil.<sup>16</sup> In Rio they

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<sup>15</sup> Rightist military regimes took power in Paraguay in 1954, Brazil in 1964, Chile and Uruguay in 1973, and Argentina between 1966-72 and 1976-83. All reverted to democracy during the 1980s, except Paraguay, which remains the only South American country awaiting a democratic transition, despite the overthrow of Alfredo Stroessner in 1989.

<sup>16</sup> G J J F Steyn, "Address by the Secretary for Commerce at a luncheon given by the South African Foreign Trade Organisation on the occasion of a seminar on the Latin American market, Johannesburg, 25 November 1968", Pretoria: Department of Information, 1968 (mimeo.), pp. 18-19.

discussed trade expansion with Itamaraty officials, and arranged for a Brazilian trade delegation to make a fact-finding tour of South Africa in September of the same year.<sup>17</sup> On its return from Southern Africa - Angola and Mozambique had also been included in the journey - the delegation's report echoed the optimism about prospects for commercial expansion which underlay the Castelo Branco government's thinking.<sup>18</sup>

Brazil's ambivalent stance was highlighted by the fact that it hosted the UN Human Rights Seminar on Apartheid in Brasília barely a month after Müller's visit.<sup>19</sup> Yet despite this and despite voting in favour of General Assembly resolution 2202A (XXI) the following December, which called on all states to "discourage immediately the establishment of closer economic and financial relations with South Africa", Brazil's growing trade began to outweigh anti-colonial considerations as a criterion for developing relations with South Africa. Itamaraty's schizophrenia was to last well into the next decade.<sup>20</sup>

Brazilian exports to South Africa had increased by 25 per cent in the first two years of military rule, exceeding the combined total of its closest Latin American rivals, Argentina and Mexico, by 62%. In 1967, on the recommendation of the trade delegation, Brazil

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<sup>17</sup> Selcher, *The Afro-Asian dimension of Brazilian foreign policy*, pp. 170, 191.

<sup>18</sup> Brazil, Ministério das Relações Exteriores, *Relatório*, Brasília, 1968, pp. 70-1.

<sup>19</sup> Lewis Nkosi, "Encounter with Brazil", *New African* 5, 9, November 1968, pp. 183-5; Leslie Rubin, "For the record", *ibid.*, pp. 186-7. These are participants' subjective accounts of the seminar.

<sup>20</sup> Roy Glasgow, "Recent observations on the developing southern strategy of Brazil, Portugal and Africa", *Issue* 2, 3, Fall 1972, pp. 3-8. Selcher, *The Afro-Asian dimension*, pp. 191, 194.

participated in South Africa's premier trade exhibition, the Rand Easter Show, obtaining orders for over US\$3 million, mostly for manufactured goods such as lathes. The 1968 Show saw Brazilian firms taking orders totalling US\$3 million in three days for lathes alone, and 40 Brazilian enterprises from seven states displayed their products in 1970.<sup>21</sup>

Trade commissioners were exchanged, and Lloyd Brasileiro initiated a shipping service. In order to redress the trade balance, which was highly favourable to Brazil, South Africa sought to provide incentives for the latter to purchase capital goods and services in addition to the small amounts of gold and asbestos which accounted for most of the bilateral imports. To this end, a US\$5 million revolving credit fund in the Brazilian National Bank for Economic Development (BNDE) was established by the South African government.<sup>22</sup> This facility, it was expected, would place commercial emphasis on growth in primary and capital exports to Brazil, and included the extension of technological co-operation in mining and mineral prospecting.

The Costa e Silva military government, which had succeeded that of Castelo Branco in March 1967, initially sought to play down recent initiatives by Portugal which aimed at extending the Treaty of Friendship and Consultation. There was some short-lived resistance by those opposed to the notion of a community of states comprised of Brazil, Portugal and Portuguese Africa. Nonetheless in March 1968 a new set of treaties, signed

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<sup>21</sup> *Ibid.*, pp. 191-2, based on an interview with J N van Schalkwyk, commercial secretary of the South African legation, Rio de Janeiro, 29 August 1968.

<sup>22</sup> Steyn, "SAFTO seminar on the Latin American market", pp. 15-16.

on 7 September 1966, was finally ratified by Brazil.<sup>23</sup> This gave it free commercial access to all the Portuguese colonies. Angola and Mozambique became markets for Brazilian manufactured goods, sources of raw materials, new areas of investment, and staging-posts for Brazil's entry into the neighbouring South African market. South Africa absorbed nearly twice the amount of Brazil's exports to Portugal in 1966 and 1967.<sup>24</sup>

In its efforts to justify the growing links with South Africa, Brazil sought to separate misgivings about institutionalised racism from strictly pragmatic economic benefits to be derived from further contacts. In turn, South Africa was to make use of Brazil's enthusiasm for the expansion of trade in manufactured goods in order to gain penetration of the Latin American market.

Although the South African state recognised the imperatives behind the need to export, the exporters themselves were slow to respond. Cargo transport to Latin America was underdeveloped, and the financial services available to exporters were limited. Thus the state had to attend to these problems in order to smooth the way for the private sector.

In November 1968, the South African minister of economic affairs, Jan Haak, announced that the South African Reserve Bank was to purchase 1.8 million rands worth of bonds issued by the Inter-American Development Bank (IDB), the World Bank's specialised Latin American arm. The purchase allowed South African contractors and

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<sup>23</sup> An early call for ratification was issued by Lisbon on 27 September 1966. See Franco Nogueira, *Portuguese foreign policy: extracts from statements made by the Portuguese minister for foreign affairs, 1965-1967*, Lisbon: Ministry of Foreign Affairs, 1968, pp. 79-80.

<sup>24</sup> Selcher, *The Afro-Asian dimension*, pp. 173-4.

exporters to tender for participation in any development project financed by IDB in its member countries.<sup>25</sup> Yet by mid-1974, not a single South African concern had taken advantage of these financial arrangements, according to the general manager of the parastatal Credit Guarantee Insurance Corporation of Africa Limited (CGIC), who attended the annual governors' meetings of the IDB.<sup>26</sup>

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

I think you will all agree that the efforts of the government to foster the development of expanded trade exchanges between South Africa and the Latin American countries will be fruitless unless the private sector is prepared to avail itself of all possible trade opportunities in those countries created as a result of the government's recent initiatives in this area. If our exporters are prepared to play their part, and, in particular, to employ more aggressive marketing methods in their attempts to increase their share of the supply of goods and services to Latin American countries, I am convinced that our export trade with the Latin American world will expand appreciably in years to come.<sup>27</sup>

The South African state was thus already active in creating incentives to the stimulation of expanded economic links. Private exporters were notoriously unadventurous in breaking new ground, having little knowledge of markets outside the traditional ones. The state's own Industrial Development Corporation (IDC) had pointed out that South Africa's industrialists were

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<sup>25</sup> *Pretoria News*, 1 November 1968.

<sup>26</sup> *Rand Daily Mail* (Johannesburg), 6 June 1974.

<sup>27</sup> Steyn, "SAFTO seminar on the Latin American market", pp. 18- 19.

estimated to have exported 34 per cent of their total net output. But of this, two-thirds was exported to the industrialised market economies.

Since little information existed in Latin America about South African products, the state undertook certain initiatives in this area. There was wide participation in trade fairs, and in 1966, the Finance Minister, Dr Nico Diederichs announced that the government would make a line of credit available to Latin American states. By late 1968, Brazil and Ecuador had availed themselves of this facility, to a total of R1.07 million.<sup>28</sup> The three parastatal organisations concerned with export stimulation - SAFTO, CGIC and IDC - sent a joint mission to several Latin American states to discuss the supply of capital goods and associated services. SAFTO published a survey on Brazil and Argentina which found that although opportunities did exist for the profitable supply by South African manufacturers, such market opportunities could not be identified "unless manufacturers take the time and trouble to visit the two countries and see for themselves what openings exist for their products."<sup>29</sup>

After considerable preparations, South African Airways inaugurated a weekly flight from Johannesburg to New York via Rio de Janeiro, on 23 March 1969, the first route to link South Africa with Latin America. Foreign Minister Müller travelled on the first flight and paid a three-day unofficial visit to his Brazilian counterpart, José de Magalhães Pinto. Brazil had resisted UN Special Committee on Apartheid requests not to authorise landing rights for the new service, replying to U Thant that although the Brazilian government opposed apartheid, "we do not consider it a good policy to apply sanctions against the

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<sup>28</sup> *Ibid.*, p. 17.

<sup>29</sup> *The Star* (Johannesburg), 4 February 1971.

South African government. We have always abstained from voting in the UN on the sanctions issue and we are not committed to apply them."<sup>30</sup>

In fact, Brazil sent on the return flight a high-level delegation, including the Minister of Commerce and Industry and the Minister of Planning<sup>31</sup>, to discuss trade with South African officials and business leaders likely to make use of the new route. Along with the Brazilians came ministerial delegations from Argentina and Colombia, who, together with diplomats from Uruguay, Bolivia, and Paraguay already stationed there, held a dinner for Müller on his return to Cape Town.

Müller said: "I believe there is no need for any unnatural or hasty attempts to force the pace in our relations with each other. What I envisage is a joint search for common ground or areas in which co-operation between South Africa and her neighbours across the Atlantic will seem logical and mutually beneficial." <sup>32</sup> Such co-operation was evidenced later in that year in the Security Council, where Bolivia and Paraguay refused to condemn apartheid.<sup>33</sup>

The new air route soon became important to Brazil, since nearly 60% of the traffic was disembarking in Rio.<sup>34</sup> This

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<sup>30</sup> *The Argus* (Cape Town), 27 March 1969.

<sup>31</sup> Selcher, *The Afro-Asian dimension*, p. 193.

<sup>32</sup> *The Argus*, 19 April 1969; Republic of South Africa, Parliament, *House of Assembly Debates*, 7 May 1969, col. 5451.

<sup>33</sup> Antoine J Bullier, "La République Sud-africaine et l'Amérique Latine", *Revue Française d'Études Politiques Africaines*, 116, August 1975, pp. 84-5; Gail-Maryse Cockram, *Vorster's foreign policy*, Pretoria: Academica, 1970, p. 87.

<sup>34</sup> *Rand Daily Mail*, 16 April 1970.

prompted the Brazilian airline VARIG to set up a reciprocal flight from July 1970; the rapid growth in traffic in both directions saw an increase in the frequency of flights to four a week in 1972. VARIG's South African manager estimated that 60% of passengers on both airlines were businessmen.<sup>35</sup> The introduction of a service between Cape Town and Buenos Aires was delayed until April 1973, by which time, Argentina, sensitive to potential international criticism, had vacated her seat on the Security Council.<sup>36</sup>

Communications were also enhanced by the completion of a submarine telephone cable between Brazil and the Canary Islands in May 1973, which links up with the Lisbon-Cape Town cable.<sup>37</sup> Formerly South Africa had to rely on a limited number of links with Brazil by communications satellite.

The South African state utilised the increased levels of contact to step up diplomatic relations with Latin American governments. Numerous officials crossed the Atlantic. Several new South African embassies were built in Latin America, and representation upgraded to residential ambassadors. The high point of this policy was the visit by the Paraguayan head of state to South Africa in 1974, a visit which the South African prime minister reciprocated the following year. There was also a setback to Pretoria: the kidnapping and assassination

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<sup>35</sup> *The Star*, 30 October 1972, p.31.

<sup>36</sup> *Sunday Tribune* (Durban), 24 September 1972; *The Star*, 14 February 1973, p. 13; *Die Burger* (Cape Town), 3 April 1973. The reason for the delay was never officially disclosed. The service was scheduled to begin in November 1972, and its postponement required SAA to cancel bookings and Aerolineas Argentinas to withdraw all its publicity material about the route, until the following year.

<sup>37</sup> *The Star*, 16 May 1973, p. 31; *South African Financial Gazette*, 26 March 1970, 25 September 1970, and 30 April 1971.

of South Africa's envoy to El Salvador in 1979; that country, which at the time was experiencing a short period of coalition government, broke off all relations with South Africa. The subsequent installation of Lieutenant-General Dutton, one of the country's highest ranking army officers, as the first resident ambassador in Chile, indicated the close relationship between the security forces of both states.<sup>38</sup>

From 1978, the possibilities of South African trade and investment were increased by a liberalisation of the regulations instituted by the South African Reserve Bank. For the first time in many years, access to foreign exchange for the purposes of direct foreign investment was eased through the creation of the financial rand.

The pro-active role of South African economic diplomacy can be understood in terms of the state's self-perception as the guarantor of the reproduction of monopoly capital. Aware of a looming crisis of accumulation, the state had a clear conception of the overall economic interests of the dominant class. Individual entrepreneurs were slow to realise their potential to resolve the crisis of markets through a program of trade with Latin America. Thus it was the initiatives taken by the state - in offering finance and credit guarantees, easier access to foreign exchange for investment purposes, a better infrastructure for trade, and improved diplomatic relations - that offered incentives for the stimulation of expanded economic links.

Once these infrastructural developments had taken place, the path was smoothed for South African exporters of goods and capital to consider Latin America as an

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<sup>38</sup> This relationship will be explored further in the following chapter.

appropriate destination.

## 6. BRAZIL'S AFRICA POLICIES

Despite the establishment and expansion of direct air, sea and telecommunications links with South Africa from 1967 onwards, there was a simultaneous shift emerging in Brazil's Africa policy.

Foreseeing the imminent collapse of the Portuguese empire under the pressure of liberation wars, and perceiving Brazil's need for Africa's markets and resources, Itamaraty stepped up trade initiatives with West African states and began to distance Brazil discreetly from its former position of support for Portugal.

In January 1974, the Brazilian military regime publicly condemned Portuguese colonialism for the first time. The occasion was a joint declaration signed in Rio by the foreign ministers of Brazil and Nigeria. This agreed on the right of self-determination and independence of the colonies, and repudiated "apartheid, colonialism, and all forms of ... discrimination." <sup>39</sup>

This stand earned oil-hungry Brazil promises of co-operation and association with the Nigerian National Oil Company. It also facilitated a more rapid penetration into West Africa by Brazilian subsidiaries of foreign transnational corporations.<sup>40</sup> Trade with West Africa assumed a new prominence and has been well documented.<sup>41</sup>

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<sup>39</sup> *New York Times*, 27 January 1971.

<sup>40</sup> See *Business Week* (New York), 2456, 1 November 1976, pp. 39-40; 2512, 5 December 1977, pp. 72ff, 138.

<sup>41</sup> *Afrochamber* (São Paulo), information bulletin of the Afro-Brazilian Chamber of Commerce, all editions; Brasil, Ministério das Relações Exteriores, *Como*

The policy tilt was reinforced by General Ernesto Geisel, who was inaugurated as president only ten days before the Portuguese revolution of April 1974. Geisel had formerly headed the state-owned oil corporation, Petrobrás, and well understood the need for Brazil to ensure its energy supply. Brazil's new Africa policy, characterised as *pragmatismo responsavel* (responsible pragmatism) to placate the substantial pro-Portuguese lobby, entailed the rapid recognition of the new People's Republics of Guinea-Bissau, Mozambique, Angola, Cape Verde, and São Tomé-Príncipe.<sup>42</sup>

In a speech given in London in October 1975, Geisel's foreign minister, Antonio Azeredo da Silveira, stated:

The African contribution to Brazilian culture has been remarkable...it is only too natural, therefore, that we should try to develop the warmest and closest relations with the African countries. Of course, a special place in those relations is reserved for the Portuguese-speaking nations whose life as independent states is now beginning. Our willingness to co-operate with them, on the basis of mutual respect and reciprocal advantage, is total, as is the frankness and openness of our intentions.<sup>43</sup>

These intentions soon became clear. Azeredo da Silveira admitted in an interview with *Le Monde* that recognition

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exportar, 1976; "As portas da Nigéria abrem-se para o Brasil", *Comércio Exterior* 33, November-December 1976, pp. 12-27; Federação do Comércio do Estado de São Paulo, *O mundo árabe e o mercado africano*, 1978, pp. 173-9; and articles by Jacques d'Adesky (1980), Williams Hieronymus (1980), Tom Forrest (1982), Helga Hoffman (1982), Wayne Selcher (1984/5), and Jerker Carlsson (1988).

<sup>42</sup> *New York Times*, 19 July 1974. Brazil also recognised SWAPO. See *Prensa Latina* release, Caracas, 14 August 1976.

<sup>43</sup> Antonio Azeredo da Silveira, *Brazil's foreign policy: address to the Royal Institute of International Affairs*, London: Brazilian Embassy, 1975.

of the MPLA government in Angola had perhaps been too hasty, but after consultation with the US and EC countries about whether to rescind recognition, the response had been that Brazil should proceed to maintain relations and represent Western interests in Angola.

Brazil soon offered aid to the oil industry of Angola and the coal industry of Mozambique, assistance in marketing the Angolan coffee crop, and credit of US\$50 million to both states. Petrobrás became the first foreign concern invited by Angola's first President Agostinho Neto to explore for oil in his country.<sup>44</sup> Brazil's exports to Africa rose from US\$70 million in 1971 to US\$400 million in 1977, when South Africa accounted for a mere 9 per cent of Brazil's African market, despite being its largest non-OPEC trading partner on the continent.<sup>45</sup>

During this period, South Africa generally enjoyed a trade surplus in relation to Brazil (see Appendix 1, "South Africa's trade with the Americas", for figures). The rapid decline in Brazil's imports from 1980 is due to the stringencies of the country's foreign debt crisis and is not specific to its trade with South Africa. The decline has little political rationale, reflecting mainly the fall in demand for imported phosphoric acid, South Africa's main export to Brazil in the late 1970s. Brazil's fertiliser industry is now producing its own phosphoric acid in sufficient quantities to offset major demands for imports, and spare capacity in the fertiliser industry is another factor in the decline.

At the same time, Brazil's trade with the rest of Africa decreased rather sharply in view of the recessions

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<sup>44</sup> See coverage of Brazil's mission to Angola in *The Argus*, 8 and 15 April 1976, 17 June 1976.

<sup>45</sup> Patrick Knight, "Brazil looks to Africa for expansion of its trade", *The Times*, 25 January 1978.

affecting most African countries, including the oil producers whose revenues dropped substantially as oil production glutted the world market from the early 1980s.<sup>46</sup> Although arms exports have flourished, especially with Algeria and Libya, the sub-Saharan states have not responded in the same way. On the other hand, because South Africa tends to provide Brazil with more sophisticated products and strategic raw materials, Pretoria maintain its relative position as a trading partner despite selective sanctions.

Brazil began to term its relationship with South Africa as "correct, not cordial", and, in keeping with this, announced the cancellation of the 1979 Cape-to-Rio yacht race, much to the chagrin of the Rio Yacht Club.<sup>47</sup>

South Africa hoped to capitalise on Brazil's new role in Africa. The incoming ambassador to Brasília, Johan Pretorius, described the normalisation of both Brazil's and South Africa's relations with Africa in an interview in January 1976, saying that "this mutual interest in black Africa might provide further points of contact".<sup>48</sup>

The "correctness" of Brazil's attitude to South Africa included an enthusiastic welcome for South African private investment. With a diplomatic base established, the political framework for an expansion of South African capital into Brazil had been provided. Following the policy of denationalising private industries, implemented by Brazil's top technocrats during the Medici presidency, Finance Minister Mário Henrique Simonsen and Planning Minister João Paulo dos Reis Velloso provided the

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<sup>46</sup> See conclusions drawn by Selcher, "Brazil-Black Africa economic relations".

<sup>47</sup> *The Star*, 11 July 1977.

<sup>48</sup> *The Argus*, 13 January 1976.

monopoly sections of South African industry with a useful chance to penetrate the Brazilian economy.<sup>49</sup>

## 7. THE RECOGNITION OF ANGOLA

The watershed in Brazil's Africa policy was its decision to recognise the government of Agostinho Neto, the president of one of the three contending Angolan liberation movements.

By this single act, Brazil was creating a profile for itself in Africa as a supporter of progressive anti-racist politics. The MPLA was actively opposed by the United States, which gave lavish support to its rivals, and by South Africa, which later staged an invasion of the country aimed at the destruction of the MPLA. Although initial attempts proved unsuccessful, in the ensuing thirteen years, South Africa engaged in a war against the MPLA. It was only through severe domestic sacrifices, the intervention of Cuba and countries of the Warsaw Pact, as well as the intermittent technical assistance of Brazil and some Western European countries that the MPLA survived.

Traditionally a supporter of Portugal's colonial presence, Brazil was amongst the first to accept the reality of the MPLA in power. How did this shift occur, and how did Brazil manage the contradiction of support for the MPLA and the simultaneous acceptance of closer economic ties with South Africa?

The Portuguese withdrawal from Angola went ahead as scheduled on 11 November 1975. An embattled MPLA, which controlled Luanda, part of the hinterland, and the

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<sup>49</sup> *Rand Daily Mail*, 14 July 1976; *Business Week*, 2512, 5 December 1977.

Cabinda enclave, was able to declare the independence of the People's Republic of Angola. The opposition guerrilla movements, UNITA and FNLA, in their turn combined in a joint declaration establishing their own provisional government. From Huambo, formerly Nova Lisboa, they announced the formation of the People's Democratic Republic of Angola.

The issue of international recognition of Angola's independence was one of the most complex legacies of Portugal's decolonisation process in Africa. In each of the other former African colonies, political power passed into the hands of a single liberation movement, and recognition of the new states and their governments remained an unproblematic formality for the international community.

In the case of Angola, however, there was substantial international division around the question of which government constituted the legitimate and sovereign authority. These divisions extended to the membership of the Organisation of African Unity, which found itself split in half on the issue (22 votes in favour of recognising the Luanda government to 22 votes against).

The motivations of those who supported the Huambo government were largely based on the desire to exclude the influence of the Soviet Union and its allies from the region. At the time of independence the most active proponents of this position were South Africa and Zaire (whose invasion forces in support of the two movements had reached a point 20 kilometres south of Luanda) and the United States which maintained an active clandestine presence in Angola. China had withdrawn its active support on 24 October.

On independence day, the beleaguered Luanda government was

at its most vulnerable point in the war. The Portuguese High Commissioner had departed with minimum ceremony and independence celebrations were severely restrained. Only the Quifandongo valley separated the invasion forces from control over Luanda. At its Langley, Virginia headquarters, the CIA Angolan Task Force held a cheese-and-wine party, replete with crepe paper decorations, to celebrate independence day and its programme's success.<sup>50</sup> The MPLA was not expected to remain in power for very much longer.

It was in this context that Itamaraty's diplomatic note, which recognised "the government installed in Luanda", came as an unexpected shock. The phrasing of this note was interpreted as an effective recognition of the MPLA's authority.

Although Brazil's posture marked a sudden break with its previous official policy of *equidistância* or neutrality as between the three guerrilla movements, there had been prior indications of an impending shift in position. Itamaraty had maintained a special representative in Luanda since the establishment of the tripartite provisional government on 31 January 1975. The post had been occupied by a career diplomat, Ovidio de Andrade Melo. The tripartite arrangement broke down within months and the MPLA retained control of the capital at the expense of the other movements.

It was at this point that Brazil's *equidistância* was put to the test. The MPLA's control of Luanda, achieved with overwhelming local popular support, became a symbol of the movement's legitimacy. In view of this, Itamaraty's decision to maintain its representation had been tantamount to the expression of a preference for the

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<sup>50</sup> John Stockwell, *In search of enemies*, London: André Deutsch, 1978, p. 224.

MPLA.

Yet the rhetoric of *equidistância* was retained for the purposes of satisfying a certain amount of disquiet within Itamaraty, and in order to avoid alienating Washington or the right-wing domestic press which continued to articulate strong anti-MPLA sentiment. Therefore the act of official recognition of the MPLA government was interpreted as the point at which the break with the *equidistância* policy formally occurred. Thus Itamaraty ensured that any right-wing backlash could only materialise once the policy of preference for the MPLA had become a *fait accompli*.

Brazil's recognition of the government of Dr Agostinho Neto came within two hours of the MPLA's declaration of independence. It did not carry with it the support of the Brazilian armed forces. On the contrary the strongest misgivings emanated not only from expected quarters, the officers of the *linha dura* (ultraconservative "hard line"), but also from the faction which had been the political backbone of the military regime, the Sorbonne group (a relatively more reformist faction), of which President Geisel was an active member.

Both groups were horrified at the prospects for a Soviet-Cuban base on the Angolan coast within a 4,500 kilometre range of the eastern cities of Brazil. Many officers had been exposed to the geopolitical strategising of General Carlos de Meira Mattos, and agreed with the latter's view that:

the moment that a military power hostile to Brazil occupies the Atlantic coast of Africa, at any point from Morocco to South Africa, we will begin to feel a climate of uneasiness and of warlike pressure in our country without precedent in our history. This is because, today, even a base of intermediate-range rockets installed on the West African salient could easily threaten a long strip of our

Northeast bulge.<sup>51</sup>

The *linha dura* officers went as far as to plot Geisel's overthrow. The wily president forestalled this by making secret information, supplied by the SNI (National Intelligence Service), available to these officers. The information outlined contingency plans whereby the CIA would fund joint US-Brazilian military intervention on the side of UNITA and furnishing the latter with black Portuguese-speaking soldiers indistinguishable from Angolans. This information pacified the Brazilian senior officers, but the plan was aborted after the US Congress outlawed all US intervention in Angola.<sup>52</sup>

The pressures on Geisel grew. They spread from the military to include sections of the press<sup>53</sup>, public opinion, intellectual circles and the Congress. The reaction, according to Selcher, had "few, if any, precedents in recent national diplomatic history".<sup>54</sup> In order to redress the conservative outcry against the act of recognition, Geisel withdrew the Brazilian

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<sup>51</sup> Carlos de Meira Mattos, *Brasil: geopolítica e destino*, Rio de Janeiro: José Olympio, 1975, p. 75.

<sup>52</sup> William Darrel Rogers, *Brazilian foreign policy since 1964: from close alignment with the West to assertive independence*, University of Virginia PhD thesis, 1984, pp. 152-3, n. 47, quoting from *Veja*, June 1979, and subsequently confirmed in interviews with military officers in Rio de Janeiro in June 1982. Stockwell claims that the CIA had approached the Brazilians for permission to recruit mercenaries for FNLA and UNITA, but that the authorities "politely declined to permit recruitment." *In search of enemies*, p. 190.

<sup>53</sup> *O Estado de São Paulo*, *Jornal do Brasil* (typical of which is the leader "A ameaça ao Brasil que o Itamaraty não vê", 18 December 1975), and *O Globo* were responsible for a concerted attack on the foreign policy of Azeredo da Silveira, accusing Itamaraty of deserting its alignment with the West in favour of a utopian pro-third world stance.

<sup>54</sup> *Brazil's multilateral relations: between first and third worlds*, Boulder: Westview, 1978, p. 116.

ambassador from Luanda and left the country's interests in the hands of a chargé d'affaires, Alfonso Celso Ouro Preto.<sup>55</sup> The ostensible reason offered for this shift was the inaccuracy of the ambassador's account of the nature of the Neto government and the extent of the influence upon it of Cuba and the Soviet Union. In practice, however, both the president and the foreign ministry remained silent over the issue in the face of mounting public pressure from the conservatives.

The scaling down of the Luanda embassy flew in the face of Itamaraty's strategy. Awkwardly the foreign minister was left to berate the conservative position on his return from the Paris Energy Conference in December 1975. His attack cast the conservative forces as lackeys of Washington:

Brazil is no longer anyone's servant...  
Diplomatic relations are not social relations.  
Our relationship with Angola is government-to-government, and we maintained this relationship during the transitional government. When the transitional government broke up into different groups we continued relations with Angola, and none of these groups has asked us to leave the country. Angola was recognised by all Portuguese-speaking countries and there was no reason for Brazil not to do so.<sup>56</sup>

The foreign minister's observations did not mollify the campaign against Itamaraty in the conservative press. The blame for the continued survival of the Neto government, evidence of "Soviet expansionism", was placed on Washington, and analogies made with a late-thirties Europe vacillating in the face of continued provocation:

(US Secretary of State Henry Kissinger's policy of) détente represents to us what Munich represented to the preparation of the Second World War. The inability of the United States to react in accordance with the gravity of the Angolan situation has resulted in a further

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<sup>55</sup> *O Estado de São Paulo*, 23 December 1975

<sup>56</sup> *Jornal do Brasil*, 21 December 1975.

loss of confidence.<sup>57</sup>

However, in Washington the advice of the Brazilian press was ignored. Instead a post-Vietnam climate prevailed in the US Congress, and all official and unofficial intervention was forestalled by legislative means. Although Washington denied recognition to the MPLA government in Luanda, a modus vivendi was established whereby the US-owned oil major, Gulf, could continue to extract the mineral from its wells in the Angolan province of Cabinda.

Washington's failure to intervene helped pull the carpet from under the South African military invasion of Angola. Watched from Brasília, this débâcle seemed to provide proof of the intention of the United States not to enter the civil war. Most other Western countries followed Portugal in recognising the MPLA government. This indicated to the Brazilian foreign ministry that its decision on recognition was fully in line with the international diplomatic climate.

Azeredo da Silveira ultimately prevailed over the conservative forces, claiming that the national interest demanded that Brazil develop dynamic new links with Lusophone Africa. Given Brazil's new international profile as an "emergent power", it was incumbent upon Itamaraty to extend diplomatic relations with Angola.

The criterion of ideology was legitimately cast aside as a principal factor in the recognition of new governments. He reserved special criticism for "those stereotyped notions which attribute to African liberation movements precise ideologies and clear preferences in the sphere of international politics", and went on to explain that ethnic difference far outweighed ideology as the decisive

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<sup>57</sup> *O Estado de São Paulo*, 14 December 1976.

factor in African politics.<sup>58</sup>

By sweeping aside the criterion of ideology, Azeredo da Silveira was able to sustain Itamaraty's position of the promotion of Brazilian economic interests as having primacy of place in the determination of foreign policy. Apart from taking advantage of the oil and other mineral wealth of Angola, Brazil hoped that its industry might benefit from the country's attempts to reconstruct after a devastating period of colonial and civil war.

Once the atmosphere in the media had calmed down, Brazil resumed its earlier relationship with Luanda by appointing Rodolpho Godoy de Souza Dantas as its new ambassador in May 1976. Brazil's move was officially welcomed by President Agostinho Neto, who spoke warmly of cultural links between the two countries, and the many opportunities for economic co-operation despite political differences.<sup>59</sup>

Since then, the two countries have maintained "correct" relations, while co-operating in the spheres of culture, technology transfer and economic exchange.<sup>60</sup> Brazil and Angola have collaborated in the marketing of coffee, and Petrobrás has obtained oil exploration rights in Cabinda province. Brazil has purchased Angolan oil and assisted road building, telecommunications and agricultural

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<sup>58</sup> *Jornal do Brasil*, 12 August 1976, quoting his speech in the federal Chamber of Deputies to its Committee on Foreign Relations.

<sup>59</sup> "Angola reafirma a união com o Brasil", *O Estado de São Paulo*, 27 June 1976.

<sup>60</sup> Brasil, Ministerio das Relações Exteriores, *Resenha de política exterior do Brasil*, ano III, vol 9, April-June 1976, pp. 97-98.

projects.<sup>61</sup> These exchanges highlighted the triumph of the policy of *pragmatismo responsavel* initiated by the Azeredo da Silveira chancellorship.

Furthermore, a new business lobby developed to endorse the stand taken by the government and to counterbalance the pressure to retain links with South Africa. The strongest argument in the lobby's favour was the changing reality of Brazil's trade with Southern Africa. As customers of Brazil, Angola and Mozambique began to outstrip South Africa's importance.<sup>62</sup> This shift has led to a realignment of Brazilian business opinion. Laerte Setubal, president of the AEB (Brazilian Exporters' Association), condemned South Africa's 1981 invasion of Angola, claiming that Brazil ought end the schizophrenia of *pragmatismo responsavel*: "No-one can serve two masters at the same time."<sup>63</sup> The president of the Afro-Brazilian Chamber of Commerce, and federal deputy in the pro-military ARENA party, Adalberto Camargo also condemned continued relations with South Africa.<sup>64</sup>

Despite the initial reluctance of Brazilian military support for the diplomatic policy of the foreign ministry, in the medium term the opening provided by the recognition of the Luanda government has had an important impact on the image of Brazil in the eyes of the developing countries.

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<sup>61</sup> "Angola: a boa taçada comercial brasileira", *Negócios em Exame*, 28 April 1976, p. 15.

<sup>62</sup> At independence, Angola and Mozambique absorbed less than 20% of Brazil's exports to Southern Africa. This increased to 36,6% in 1978, and further to 61,7% in 1980. Simultaneously South Africa dropped from 78,8% to 33,3% in the same period. Source: Cacex, Banco do Brasil; Secretário da Receita Federal, Ministério da Fazenda.

<sup>63</sup> *Folha de S. Paulo*, 11 September 1981.

<sup>64</sup> *Afrochamber* 8, April-June 1981, p. 30.

In the intervening years, Brazil's military-controlled arms industry has received substantial orders from countries like Iraq and Libya, and Brazilian exporters have made further inroads into other parts of Africa, aside from the substantial technological transfers to Angola and Mozambique. Brazil's stature in the Portuguese-speaking countries of Africa was borne out by the Angolan acceptance of a Brazilian general at the head of the United Nations Joint Monitoring Commission to supervise the demilitarisation of its southern provinces in late 1988.

Thus the gains Brazil made by recognising the MPLA were significant. It raised the profile of Brazil as a country in support of African liberation, and revived its status as a co-operative and industrially more advanced Lusophonic partner. Brazil gained access to markets in Africa and the Middle East, as well as a guaranteed supply of petroleum, at a time of increased oil insecurity. Despite this new profile, it continued to deepen its economic ties with South Africa, and as shall be shown, was simultaneously agreeing to accept large amounts of South African private direct investment. Itamaraty tried to maintain an evenhanded, non-ideological stance - and called it responsible pragmatism, managing to chart a difficult course between military critics and the pro-African lobby at the same time.

## 8. SOUTH AFRICAN DIRECT INVESTMENT IN BRAZIL

Despite the relative increase in trade with the independent Portuguese-speaking countries of Africa, Brazil's link with South Africa was consolidated through substantial imports of South African-based capital. Most of the new direct investment occurred after 1975, when

the Anglo American Corporation of South Africa Limited and its stable-mate De Beers Consolidated began to expand their holdings in the region.

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

Wherever diamonds are discovered, the interests of the Anglo empire were aroused. The Oppenheimer family took an almost proprietorial interest in diamonds. The founder of Anglo, Sir Ernest Oppenheimer, had started his career on the Kimberley diamond fields, had risen to the chairmanship of De Beers Consolidated, had acquired major holdings in southern Namibia after the South African conquest, and had set up the Central Selling Organisation (CSO) as the marketing arm of De Beers in particular and the world diamond industry as a whole. Anglo executives have frequent contact with the Soviet Union whose diamonds are also marketed by the CSO.

One of the strategies of the Corporation was to seek to diversify geographically, particularly into areas where costs were substantially lower than those in South Africa. A further consideration was the potentially volatile political situation in the Corporation's base country and the long term uncertainty over South Africa's future. The chairman, Harry Oppenheimer, had long been associated with liberalism and advocated the need for social transformation as the best guarantor of the survival of monopoly capital in South Africa. Yet because

the pace of domestic change was negligible, the Corporation reasoned that the further the risks could be spread, the better.

A number of factors were instrumental in Anglo's serious consideration of a Brazilian investment. The need to maintain a global monopoly in controlling the diamond market was one. Through its cross-ownership of De Beers, Anglo had an automatic interest in securing control over any significant new diamond finds. In the case of Brazil, Oppenheimer expressed interest in diamond mining as early as 1958.<sup>65</sup> Prospecting, revived in the late 1960s, was beginning to bear fruit by the early 1970s. Kimberlite deposits had been discovered in the interior state of Minas Gerais, the prime world source of diamonds during the eighteenth century. The military regime which took over the country in 1964 was also keen to stimulate foreign investment in the minerals sector.

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

The main catalyst for Anglo's entry into Brazil was a clear approach made by a Brazilian industrialist for participation in a diamond prospecting company. By the time of the diamond discoveries in South Africa in 1866, Brazilian production had all but ceased. But by the late twentieth century, changes in mining technology supported new possibilities for the commercial viability of the

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<sup>65</sup> Personal communication from Ted Eustace, South African foreign service officer in Rio de Janeiro, who received Oppenheimer's enquiry, 26 October 1990.

Brazilian diamond fields.

To sustain the De Beers monopoly on the world market, the Brazilian offer was one which could not be refused. It came from Agosto Azevedo Antunes, Brazil's leading private mining financier. Dr Antunes, trained as a mining engineer, had previously been engaged in joint ventures with large US metals and mining corporations such as Bethlehem Steel and Hanna Mining. His approach to Anglo was of great interest to the corporation, since it reasoned that the deal would give it a foothold in Brazil and access to local expertise in the legal, financial and fiscal spheres.

Further, Brazil seemed an attractive destination for new investment compared to some of the other possibilities under consideration at the time. Restrictive measures in the US, Australia (then under the Whitlam government), and Canada, coupled with difficulties in Africa, caused Anglo to regard Brazil with relative optimism. Wages were low, taxes moderate, after-tax profits repatriable, and, unlike Africa, there was a pool of labour with the requisite mining skills. An Anglo executive also pointed to the relative political stability in Brazil after 1964, expressing the view that 1973 marked the "peak of the Revolution (i.e. military rule) in terms of control of inflation".<sup>66</sup> Yet the major factor which clinched Anglo's entry into Brazil was ultimately the opportunity it afforded to purchase existing and potential gold mines.

A major constraint under which the gold mining industry operated in the middle third of the century (1934-69) was the constant price of gold, established at US\$35 an ounce

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<sup>66</sup> Interview with Abel Gower, head of new mining business, Anglo American Corporation, Johannesburg, 1 February 1984.

on the world market. With the rise in fixed costs and the rapid inflation of the latter half of the 1960s, South Africa's gold mining industry was flung into crisis. Forecasters anticipated that the industry might collapse entirely during the 1970s, if the world price for gold remained intact.

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

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

Anglo sought to gain maximum advantage from the Brazilian government's partiality to denationalising the country's mining sector. It also took advantage of the fact that Portuguese nationals were allowed the same rights as Brazilian citizens to act commercially, and placed Dr Mário Ferreira, a Portuguese citizen, in the chairmanship of Ambrás. Ferreira had previously headed Anglo's operations in colonial Mozambique, when the Corporation formed part of an international consortium to construct the Cahora Bassa dam on the Zambezi river in the late

1960s.<sup>67</sup> At the time the project was criticised for forming part of a strategic settlement scheme promoted by the Portuguese colonial government to attract white immigrants. Ferreira was also reputed to have close links with Jorge Jardim, a Portuguese businessman involved in breaking oil sanctions against the Smith government and who later helped finance the radio station of the anti-Frelimo MNR movement.

Preoccupied with gold and diamonds, Ambrás showed an interest in prospection and the acquisition of mining investments. At the time, Brazil's goldmining industry was in the doldrums. The major mine, Morro Velho, located about 325 km due north of Rio at Nova Lima, close to the city of Belo Horizonte, had experienced a turbulent history under British control between 1830 and 1960.<sup>68</sup>

In 1960, it was acquired by three Brazilians for the token sum of one dollar. The key figure in this acquisition was Walter Moreira Salles, owner of União dos Bancos (now Unibanco), ex-ambassador and cabinet minister.

Moreira Salles and his partners faced enormous problems with their investment. Despite government subsidies, the constant gold price of the 1960s made substantial

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<sup>67</sup> Keith Middlemas, *Cabora Bassa: engineering and politics in Southern Africa*, London: Weidenfeld and Nicolson, 1975.

<sup>68</sup> On the history of Morro Velho, see Marshall Eakin, *Nova Lima: life labour and technology in an Anglo-Brazilian mining community, 1882-1934*, PhD, University of California, Los Angeles, 1982; Douglas C Libby, *O trabalho escravo na mina de Morro Velho*, tese de mestrado, Universidade Federal de Minas Gerais, Belo Horizonte, 1979; and the excellent account of worker organisation researched under conditions of great danger: Yonne de Souza Grossi, *Mina de Morro Velho: a extração do homem, uma história de experiência operária*, Rio de Janeiro: Paz e Terra, 1981.

investment in the mine prohibitive for the Brazilian owners. Productivity declined rapidly, the technology was backward, and the local press exposed the dangerous and unhealthy working conditions.

By 1968 a former Morro Velho superintendent declared that "in the four years necessary for its reconstruction, the mine has virtually been paralysed economically and it is humanly impossible to continue to work it".<sup>69</sup>

Therefore Moreira Salles and his partners hit on the idea of inviting Anglo to purchase a 49% minority holding. Here was a chance to utilise Anglo's economic expertise, vast access to capital and anxiousness to diversify geographically out of South Africa. Morro Velho, the deepest mine in all of Latin America (2450 m), might benefit from Anglo's considerable deep-level experience on the Witwatersrand.

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

Two relevant parliamentary commissions of enquiry were established in the Chamber of Deputies at this time. One sought to examine Brazil's minerals policy and the other the role of foreign capital in the country.<sup>70</sup> Each had

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<sup>69</sup> Guido Jacques Penido addressing the XXth Week of Mining and Metallurgy Studies, September 1968, quoted in Sergio Danilo, "A venda da mina de Morro Velho", *Opinião*, 11 April 1975, p. 9.

<sup>70</sup> Brazil, Congresso, Câmara dos Deputados, Comissão Parlamentar de Inquérito para investigar o comportamento e as influências das empresas multinacionais e do capital estrangeiro no Brasil (CPI/Multinacionais), Relatório e conclusões, *Diário do Congresso Nacional*, (Seção I - Suplemento), 1 July 1976; and Comissão Parlamentar de

the competence to examine the Morro Velho deal, and the commission on minerals summoned one of its former Brazilian owners to give evidence. Unfortunately for the historian, the key parts of his deposition which dealt specifically with the deal have been excised from the final published report, perhaps in error.<sup>71</sup> No serious critique of the deal resulted, despite the intentions of some of the commission's more nationalist deputies to limit foreign acquisition of Brazilian mineral resources.

In a similar manner, despite close questioning of witnesses, the commission on multinationals failed to tackle fully the question of the entry of South African capital into Brazil. The Minister of Mines and Energy, Shigeaki Ueki, was cross-examined on the deal, putting forward the technological imperative as an argument for accepting the new South African presence:

It's really only Anglo American which has the best knowhow for exploiting gold at this depth...so this national group thought that this association was convenient. We hope that with this association gold production will increase. The deal was signed a year ago (in 1975). I believe that the Brazilian group made the deal on excellent terms, because gold has since dropped in price from 200 to 130 dollars.<sup>72</sup>

Ueki's evidence, instead of being challenged, was entered piecemeal into the final report of the commission as part of the chairperson's summary, as if it were the considered opinion of the entire commission.<sup>73</sup> No

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Inquérito destinada a evaluar a política mineral brasileira (CPI/Mineração), *ibid.*, 7 March 1978.

<sup>71</sup> CPI/Mineração, pp. 703 ff.

<sup>72</sup> CPI/Multinacionais, pp. 989-990.

<sup>73</sup> CPI/Multinacionais, p. 6.

restrictions were placed on Anglo's investments.

Why was this the case? Firstly, substantial ignorance existed in Brazil at the time about the nature of Anglo American and its role in the South African and other national economies. Deputies, although critical, deferred easily to the technological pretext for approving the admission of Anglo into the most promising areas of Brazilian mining, failing to consider the political implications.

Secondly, Anglo's public relations machine had excelled itself. A team of top executives visited Brazil, meeting senior cabinet ministers such as Simonsen, Delfim Neto, and Dias Leite. The editors of the influential Rio-based newspapers *Jornal do Brasil* and *O Globo* (the latter being connected to the largest television network in the country) were entertained. Anglo's diamond partner, Antunes, had been helpful in smoothing the way so that overt opposition to Anglo's entry was not met.

However, the *coup de grace* was Harry Oppenheimer's reception by President Ernesto Geisel.<sup>74</sup> Oppenheimer timed his visit to Brazil to coincide with the deliberations of the commission on multinationals. In the context of an authoritarian military state, the audience with Geisel spelt automatic official acceptance of the Morro Velho deal. Ironically, whilst Oppenheimer, a direct representative of South African monopoly capital, was able to gain access to the president, it is doubtful whether Geisel would have received any senior apartheid politician in view of the efforts to nurture relations with other African countries.

"We feel", said Oppenheimer, "that this investment will

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<sup>74</sup> Sérgio Danilo, "A venda", p.9; *Sunday Times* (Johannesburg), 30 March 1975.

provide an important base for the group's activities in Brazil, and that we shall be able to make a significant contribution to the company's operations through our experience and knowledge of deep-level gold mining."<sup>75</sup>

The Morro Velho deal was to form the springboard for further Anglo investments in Brazil.<sup>76</sup> Anglo also acquired a vast expanse of land in the interior of the north-eastern state of Bahia, close to the town of Jacobina, 1300 km from Rio. This holding, rich in gold, was later consolidated into the Morro Velho company. Capital has been thrust into both mining investments, amounting to a total of US\$306.8 million. by the end of 1988. Of this figure \$70 million had been spent on the Jacobina mine by 1983, and \$197.5 million was earmarked for the extention of the Morro Velho project to the nearby Cuiabá-Raposos mines. These figures were announced by Morro Velho's superintendent at a mining industry conference in May 1983.<sup>77</sup>

All sorts of complicated shareholdings have been arranged to disguise the full extent of Anglo's minority ownership of Morro Velho, yet the company is operated by Anglo personnel to all intents and purposes.

Anglo's partner in Morro Velho is no longer the original Moreira Salles group, but has been replaced by the Bozano Simonsen group led by Mário Henrique Simonsen.

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<sup>75</sup> "The Latin American connection", *Sechaba* (Lusaka) 11, 3, 1977, p. 57.

<sup>76</sup> The initial ownership structures are outlined in Appendix 2, diagram 1.

<sup>77</sup> Juvenil Tibúrcio Felix, "Ouro - um bem mineral que se confunde com a história do Brasil. Os 150 anos da Mineração Morro Velho: estágio atual e programa de expansão em curso", Lecture given to the National Meeting on Mining and Brazil 83, Instituto Brasileiro de Mineração, 17 May 1983 (mimeo).

TABLE 6.1

EXPANSION PLANS OF MORRO VELHO EXPRESSED IN  
INVESTMENTS

Project/Area	Investments in US\$mn millions	
	1978-82	1983-85
A. Geological research project	4.9	6.3
B. Re-equipment and modernisation		
B.1. Mining	6.2	1.6
B.2. Metallurgy	2.3	0.6
B.3. Engineering	4.0	1.7
B.4. Administration	2.9	1.1
C. Ecological defence project	5.9	
D. Property and housing projects	0.8	0.3
E. Jacobina project (Bahia) (1980-2)	70.0	
F. Cuiabá-Raposos project		
F.1. Process engineering & viability study (1981-2)	1.2	
F.2. Implementation - stage 1		124.5
F.3. Implementation - stage 2 (1985-8)		73.0
Totals	98.2	208.6
GRAND TOTAL	US\$306.8mn	

Source: Juvenil T Félix, "Ouro", 17 May 1983.

The relationship between Anglo and the Bozano Simonsen group has proved important to the Corporation. The link arises from the close friendship between Ambrás (and later Amsa) president Mário Ferreira and Júlio Bozano. Bozano's partner, Mário Henrique Simonsen, a former finance and planning minister, received a glowing tribute in Anglo's house journal<sup>78</sup> while Bozano himself earned a seat on the Board of Directors of Anglo's Luxembourg-based arm, Minorco. The Corporation began to announce in its annual reports an increasing shareholding in the Bozano Simonsen bank as well as its holding group. Dividends received from the Bozano Simonsen group grew from US\$0.7 million (March 1982) to \$6.1 million (March

<sup>78</sup> "Mário Henrique Simonsen", *Optima* (Johannesburg) 30, 1, July 1981, p. 54-5.

1984).<sup>79</sup>

Ambrás also acquired 49 per cent of Companhia Siderúrgica Hime SA, a steel company belonging to the Bozano Simonsen group, in March 1980. The ostensible aim of this acquisition was to extend Anglo's investments into the metalworking field and to have a research base for prospecting non-ferrous metals. But Hime also possessed 1 per cent of Morro Velho and, in the same year, bought out Moreira Salles's Cia Valença de Participações, which possessed the remaining 50 per cent of Morro Velho.

The new ownership pattern reinforced Anglo's control over Morro Velho, with a direct holding of 49% and a further indirect holding of 25% (49% of 51%). The Bozano Simonsen group's holding was reduced to 26% (51% of 51%). Valença was subsequently absorbed and ceased to exist.

Practical objections to Anglo's effective 74 per cent holding of Morro Velho, amounting to full denationalisation, have forced the Bozano Simonsen-Anglo partnership to disguise the nature of ownership even further. In November 1982 it was reported that the Morro Velho company was seeking finance covering 60 per cent of its expenditure in basic engineering, technology, and equipment purchases from the BDMG (Minas Gerais State Development Bank), FINAME (an agency of BNDES, the National Bank for Social and Economic Development), and FINEP (Finance for Studies and Projects, part of the planning ministry).<sup>80</sup> The announcement was swiftly denied by FINEP, which claimed that in October 1982 it had unanimously rejected the company's application because

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<sup>79</sup> Anglo American Corporation of South Africa Limited, *Annual Reports 65 (1982) - 67 (1984)*, Johannesburg: The Corporation, 1982-4, 1983, pp. 11-12.

<sup>80</sup> *Relatório Reservado (Rio de Janeiro)* 836, 22 November 1982, p. 3.

BDMG had pointed out that, although 51 per cent of Morro Velho's capital was owned by Brazilian nationals, nevertheless effective control of the company was in the hands of a foreign corporation. On these grounds Morro Velho was refused official financing.<sup>81</sup>

In the early 1980s the company's ownership structure was changed in order for it to appear, on paper, more obviously under national control. Ambrás's role was ostensibly reduced, but cross-holdings amount to a paper percentage of 45.4%. This left out of account the fact that Minorco, Anglo's foreign investment arm, through other subsidiaries in Liberia, owned significant and growing percentages of the Bozano Simonsen group and bank.<sup>82</sup>

Further inroads into the Brazilian mining industry were made in December 1981, when Anglo and its associates purchased a 40% interest in Empresas Sudamericanas Consolidadas SA, the holding company for all the South American assets of the Panama-based Hochschild group. Hochschild had been one of the Bolivian tin barons whose assets inside Bolivia were nationalised after the 1952 revolution. His assets outside Bolivia were organised into the Panama-based holding company.

Through this deal Anglo extended its Latin American holdings to Peru, Chile and Argentina and set up its own subsidiary companies in Buenos Aires and Santiago de Chile.

In November 1984, the remaining 60% interest was purchased from Hochschild. Anglo and its associates placed its Brazilian subsidiary, Ambras, under the

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<sup>81</sup> Relatório Reservado 837, 29 November 1982, p. 3.

<sup>82</sup> See Appendix 2, diagram 2.

control of the fully acquired company. Within a year the name of the holding company was changed from Empresas Consolidadas to the Anglo American Corporation of South America Limited (AMSA). Apart from Anglo's existing mining, finance and agro-industrial assets in Brazil, AMSA now included substantial interests in and shareholding control of the Codemin ferro-nickel mine, the Copebras-Fosfago carbon black, phosphate and fertiliser group and the Catalao columbium mine. In 1986, the group also acquired a share in the Crixás gold mine in the central state of Goiás, which Anglo planned to develop by the early 1990s.

Anglo's associate company De Beers, has had a distinct presence in Brazil since the 1970s. It has embarked, through Sopemi, on a substantial prospecting operation, based on its numerous claims, and running training courses in Belo Horizonte and Brasília. De Beers is interested in exploiting the kimberlite pipes similar to those found in South Africa, and part of the same historic geological formation dating back to the time when the two continents were a single one, Gondwanaland.

In November 1983, De Beers do Brasil started operating its Brazilian industrial diamonds division in São Paulo, with the object of marketing its product in the country's industrial heartland. It intends, according to the chairman Jorge Salomã Minguell, to market a million carats and do a turnover of \$2 million per year. De Beers soon acquired a market share of 50 per cent.<sup>83</sup>

Working conditions on Anglo-run mines have come under great criticism in Brazil. In Jacobina, the miners complain about dangerous working conditions, bad transport and inadequate food. There is no danger pay or

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<sup>83</sup> *Istoé*, 1 February 1984, p. 57.

social security supplement. Wages are low and with overtime (normal shifts last 10 hours) the 800 workers receive just over the minimum wage of around \$50 per month. The company, according to testimonies of workers, has attempted to cover up the cause of a worker's death in a mining accident in order to avoid having to compensate the family. The company has also threatened workers with dismissal for attempting to form an association.<sup>84</sup> Strikes over poor conditions in the late 1980s attracted the support of Luís Inácio da Silva, Lula, then president of the Partido dos Trabalhadores (Workers' Party) and the country's most famous trade unionist. Lula visited Nova Lima and joined the picket lines, encouraging the miners to unionise under the banner of the recently-legalised CUT trade union federation.

At Morro Velho average wages are between two and three minimum salaries (between \$90 and \$140 per month) depending on overtime worked. Because of the deep level of the oldest part of the mine, there are substantial refrigeration problems. Very high temperatures force the miners to work in shorts and sandals and with scarves over their faces instead of protective headgear. Because of the drilling, fine silicon dust enters both through the respiratory system and through the unclad pores of the skin. The high incidence of silicosis (one in three workers are affected according to union officials) testifies to the poor working conditions. The company has closed down its hospital and workers depend on their union and inadequate state provision for medical services. Although a company town, the mayor, himself a doctor, claims that the company has failed to assist the municipality with any social service payments. He alleged that none of the taxes paid by the company reach the

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<sup>84</sup> Prof Mauricio Tragtenberg, writing in *Notícias Populares* (São Paulo), 8 September 1982.

municipality.<sup>85</sup>

Social responsibility for the poverty of the community of Nova Lima, dependent on mine incomes since the last century, must lie to a large extent with the company.

From official statistics it is evident that, in the early 1980s, the Morro Velho group was by far the most important source of underground gold in Brazil, providing 97% of total underground production in 1981. Until 1979, underground production was far greater than opencast and alluvial production, but this pattern has changed substantially since then.

Nevertheless whilst Morro Velho has declined in relative importance, the question of gold has become strategically crucial to the Brazilian economy, whose national debt exceeds US \$110 billion. The escalation of gold production is a key element in paying off the debt. Eager to acquire as much gold as possible, the Brazilian government is offering producers a higher price than is obtainable on the world market. There is also substantial interest in the establishment of a national gold regulating authority and growing criticism of any foreign participation and control over gold production.<sup>86</sup>

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<sup>85</sup> Interviews conducted in Nova Lima, 24 June 1983.

<sup>86</sup> Senador Gabriel Hermes, "Uma política e um programa de ouro para o Brasil", speech to the Federal Senate, Brasília (mimeo.), n.d. [1983?]; Aloysio Biondi, "Ouro do Brasil para as multinacionais", *Folha de S. Paulo*, 15 May 1983; Edison Suszczynski, "A importância atual e futura do ouro no Brasil, *Jornal do Comércio*, 21 March 1983.

TABLE 6.2

## BRAZILIAN GOLD PRODUCTION, 1978-1992 (metric tonnes)

<u>Year</u>	<u>Total</u>	<u>Morro Velho</u>	<u>Opencast/Alluvial</u>
1978	8.6	3.8	4.5
1979	4.3	3.1	0.9
1980	13.8	4.0	9.6
1981	24.1	4.2	19.7
1982	33.8	4.2	29.3
1983	53.7	5.0	48.5
1984	61.5	5.8	32.0
1985	72.3	5.6	23.0
1987	103.3		67.5
1988	123.0		100.0
1989	135.0	7.3#	110.0
1990	120.0	11.0	90.0
1991		12.5*	
1992		14.0*	

Source: Brazil, *Ministério de Minas e Energia, Departamento Nacional de Produção Mineral, Anuário Mineral*; Anglo American Corporation, *Annual Reports*; British Geological Survey, *World Metal Statistics 1983-7*; Economist Intelligence Unit, *Brazil country profile and Brazil country report*; David Cleary, *Anatomy of the Amazon gold rush*, p. 4.

# Equal to 32% of all corporately mined gold

\* Projected output

During the debates in the Brazilian Constituent Assembly, charged with the writing of the constitution for the *nova república*, the left parties argued for the nationalisation of the mines owned by transnationals. However, the left was outmanoeuvred by the centre bloc and the transnationals were permitted to retain their investments. Anglo breathed a sigh of relief, and announced to its shareholders that "it is not foreseen from available information published in Brazil that AMSA's Brazilian investments will be affected."<sup>87</sup>

Because of this, Anglo has tended to spread its

<sup>87</sup> Anglo American Corporation of South Africa Limited, *Annual Report 1988*, Johannesburg, p. 7.

investments into other areas of mining and industry, as well as the banking field mentioned earlier.

One of its main acquisitions has been a significant holding in the explosives sector in Brazil, one crucially related to mining. It is worth outlining this in some detail.

The profile of the Brazilian explosives sector at the end of the 1960s, according to market shares, was the following:

Brazilian military industry (IMBEL)	30%
DuPont and other foreign interests	over 40%
Brazilian private companies	under 30%

The private Brazilian firms were coming under increasing strain due to outdated technology, difficulties in access to finance, and severe price competition from DuPont and the military. In addition the military was keen to capture more control over explosives production and could sanction any new entries into the market through a licencing system. These strains caused a number of nationally-owned explosives companies to sell out to bidders, or to sell off explosives interests so as to finance diversification into other forms of chemical production.

One of the key purchasers was the Sociedade Financeira Portuguesa (SOFIN), headed by Professor Texeira Pinto, a former finance minister in Salazarist Portugal, and responsible for advising the Champalimaud family (a key group of Portuguese industrialists) on their investments in Mozambique. Through Empar, its Brazilian subsidiary, SOFIN acquired numerous ailing Brazilian companies, including three explosives firms: Cobrex, Rupturita, and Broca Meirelles, all previously owned by Brazilians and were run down or in financial difficulties.

Another important private explosives company, Indústria Química Mantiqueira (IQM), was also seeking forms of foreign participation in an effort to survive stiff competition from DuPont and Imbel. In 1973 it approached ICI America, the US subsidiary of Imperial Chemical Industries Limited (ICI-UK), the largest public company in the United Kingdom. ICI America, however, was then facing its own problems in coping with its investments in the US, Mexico and Brazil.

The British parent company had for many years been engaged in a joint venture with De Beers of South Africa, owning equal shared (43% each) in the monopoly explosives company, AECI Ltd, formerly the African Explosives and Chemical Industries Limited. AECI produces explosives for the entire South African mining industry, is the largest commercial explosives producer in the world, and an important contributor to the profits of ICI-UK. As such, when Oppenheimer heard of the prospective deal between ICI America and IQM, he pressurised ICI-UK into allowing AECI to replace the role of ICI America in the deal.

But links also existed between the Oppenheimer empire and SOFIN, dating from their mutual association in the Cahora Bassa consortium. At the time they had agreed informally, that any joint venture between the two corporations would be held on a 50/50 basis. Anglo, through AECI, felt it could gain entry into the Brazilian explosives sector by extending its association with SOFIN. Thus AECI entered into a joint venture with Empar. Their joint company, Explo, purchased IQM in March 1974, and consolidated it with the other explosives companies which Empar had acquired earlier. AECI's share was initially limited to 30 per cent, and it was not until May 1979 when Empar honoured the 50/50 arrangement, reputedly selling the additional 20 per cent to AECI for US\$5 million.

Meanwhile the Portuguese revolution of 25 April 1974 created a threat to Texeira Pinto. Before the new government could nationalise SOFIN, he relocated its operations in Luxembourg and Switzerland. Empar ostensibly passed into the control of its Brazilian directors, but still has an important and mysterious Swiss backer in the form of a company known as Dex Holdings, which experts believe is a cover for Texeira Pinto's operations.

Empar's directors include Gustavo Capanema (lawyer to Texeira Pinto and son of a former Brazilian minister of education) and Franco Torresi (an Italian-American enjoying close connections with Oppenheimer through association in a cellulose company in Angola, Celangol).

The Portuguese government subsequently sued Texeira Pinto for selling SOFIN's interest in Empar at far below market value. In a number of interviews, researchers and entrepreneurs expressed the view that neither Capanema nor Torresi possessed sufficient capital to make their numerous financial deals, and felt that they were likely to continue to act for Texeira Pinto. This view was echoed by the Brazilian government, which refused to sell, during a phase of denationalisation, its Federal de Seguros insurance company to the Capanema interests on the grounds of him being compromised with foreign backers. Once Capanema had made a number of readjustments to eliminate the appearance of foreign backing, his company Carmo (which owns 21 per cent of Empar) succeeded in a second bid for Federal de Seguros.

Anglo's bedfellows in the explosives sector were therefore regarded with substantial suspicion by sections of the Brazilian commercial community, as well as by the Portuguese government. Neither Anglo nor AECI has ever made mention of their association with Empar in any

corporate annual reports, and shareholders are kept ignorant of the workings of the joint enterprise Ibex Participações SA, initiated with a capital of Cr\$1.5 million.<sup>88</sup>

One of the explosives factories owned by the joint venture is called Companhia de Explosivos Valparaíba - CEV. According to the Brazilian specialist defence press, CEV, based at Lorena in the state of São Paulo, supplies the Brazilian armed forces and numerous export customers with "various types of hand grenades, smoke grenades, smoke markers, smoke gas grenades for anti-riot use, fuses for various types of heavy ammunition, rockets for bazooka-type launchers, aircraft rockets of different types" as well as the M1 sub-machine gun.<sup>89</sup> CEV uses the logic of "security reasons" to avoid divulging the names of countries to whom it sells its products.

Anglo's involvement in the lucrative Brazilian arms export industry raises numerous sensitive questions about the Corporation's image and activities.

#### 9. EVALUATION

Anglo is keen to maintain and extend its Brazilian and Latin American involvement. In a short period of time it has developed into one of the key mining groups in Brazil, with substantial holdings and diversified interests. By 1982 it had become the largest foreign holder of prospecting rights in Brazil, preceded only by

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<sup>88</sup> See Ibex Participações SA, *Ata de assembléia geral extraordinário em 23 de dezembro de 1.982 na sede social, Praia da Flamengo 200-20º andar, 22210 Rio de Janeiro, 1982.*

<sup>89</sup> *Tecnologia e Defesa* (São Paulo) 3, May 1983, p. 15-17.

the two large state-owned mining companies.<sup>90</sup> It has provided technical inputs, rescuing the moribund gold mines of Morro Velho, bringing them back to former high levels of production, and investing in the opening of various new mines. It has linked its operations to the powerful Bozano Simonsen group and other multinationals such as Schenk and Banque de l'Indochine. It has supplanted the considerable Hochschild interests. By doing all this it has secured a permanent and strategic role for itself in the Brazilian economy, and ensured the durability of South Africa's economic connections with Brazil.

In the field of underground gold mining, other South African corporations have begun to regard Brazil as a potential source of profits. Anglo's rivals, General Mining and Goldfields of South Africa, have invested substantially in prospecting and mining in Minas Gerais and Bahia. This is partly due to the relative ease with which technology, already in use in South Africa, is adaptable to Brazilian usage. Another favourable factor is the premium offered for gold by the monopsonistic Brazilian government above the world market price. Although it may be difficult to remit dividends at first, high Brazilian interest rates, a product of inflation and economic crisis, may help to raise the level of accumulation for the foreign firms. This would assist them if they chose to diversify their investments using gold as a base.

In pioneering larger-scale South African investment in Brazil, the Anglo American Corporation has always received support and encouragement from successive Brazilian governments. Yet Itamaraty, sensitive to Brazil's important export prospects in other African

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<sup>90</sup> DFFM/PROSIG, Tabela 5, Grupos empresariais que detêm maior número de diplomas legais, 10 August 1982.

countries, has sought to distance itself from close relations with Pretoria. Diplomatic relations have been scaled down to a *chargé d'affaires* in Pretoria; Brazil's representation in Cape Town, the legislative capital, has ceased. And in 1985 the new civilian president, José Sarney, in reaction to the numerous police massacres in South African townships and the wave of repression unleashed after the declaration of a State of Emergency by President P W Botha, declared limited sanctions against the apartheid regime.

These sanctions reiterated what had become *de facto* policy towards South Africa: bans on arms sales, cultural and sports exchanges, and oil exports. Foreign Minister Olavo Setubal announced the presidential sanctions decree which saw apartheid as "a flagrant opposition to democratic principles ... against the conscience and human dignity." It condemned the South African government for having "unleashed violent repression against the black population".<sup>91</sup>

Despite the implementation of these sanctions, diplomatic and non-arms, non-oil trade relations remained intact. A combination of factors - recession, disinvestment, civil unrest, the collapse of the rand, and the debt crisis - forced the reintroduction of some foreign exchange control measures by the South African treasury. At the same time Brazil was experiencing hyperinflation, an enormous debt crisis and continued high levels of industrial protectionism. Trade and tourism fell off to the extent that, at one point, South African Airways contemplated the termination of its flights to Brazil.<sup>92</sup>

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<sup>91</sup> *Cape Times*, 10 August 1985.

<sup>92</sup> Interview, South African Airways pilot, 6 February 1986.

Anglo has utilised its Brazilian experience to expand its holdings in other Latin American countries. Through the purchase of the Hochschild company, Empresas Sudamericanas Consolidadas, it has acquired substantial investments in Argentina, Chile, Peru and Panama. Anglo has opened corporate offices in Buenos Aires and Santiago de Chile. The death in a fatal air crash of one of the company's senior geologists, prospecting in the Chilean Andes, was reported in late 1984. Gavin Relly, who took over as the corporation's chief executive when Harry Oppenheimer retired, paid a visit to various Latin American countries to inspect Anglo's operations in 1985, the first visit of an Anglo chairman since Oppenheimer's visit to President Geisel.

In assessing the impact of the Anglo investment on Brazilian-South African relations, it should be recognised that it forms the lynchpin of the whole relationship. Brazil at no stage included withdrawal of South African capital in its sanctions package. It was too seriously committed to the expansion of the gold mining industry, and reliant technologically on the South African companies for the extraction of gold found at deep levels.

The relationship has endured through a period in which the constituent assembly, set up to write the constitution of the *nova república* from 1986. In the assembly there was much talk of nationalising mineral resources, and to curbing the power of foreign transnationals in the minerals sector. These debates made the South African corporations nervous, but ultimately the conservative political settlement upheld the status quo.

For its part, Anglo pre-empted the possibility of including mining in Brazil's anti-apartheid sanctions by

ensuring that the holding companies of its investments in Brazil are technically registered in Luxembourg and Liberia, countries against which Brazil would not contemplate economic sanctions.

Itamaraty's "responsible pragmatism" helped justify the continued tolerance of the presence of South African capital in its mining industry, whilst applying rather ineffectual and rhetorical sanctions at the same time. Official invitations were extended to black South African leaders, first Archbishop Desmond Tutu, and, eighteen months after his February 1990 release, Nelson Mandela. Both the Sarney and Collor governments used these visits to attempt to curry favour with the huge Brazilian black community. Yet the visitors' schedules were hedged in with red tape, and very little contact was allowed to occur with popular organisations or black community activists. The government intended the visitors to be impressed by Brazil's superficial racial harmony; instead their presence drew attention to the question of racial disadvantage and the near-genocide of indigenous Brazilians. Soon after Mandela's visit, the Collor government acted in concert with the US, Japan and Western Europe to do away with sanctions against the de Klerk government, despite Mandela's earlier pleas that they be maintained until the introduction of a democratic constitution.

Brazil's political flexibility meant that the Anglo investment was never likely to be in jeopardy for political reasons. To maintain this status quo it became important for the Corporation to play down its national origins. Nevertheless it was not entirely able to distance itself from its South African profile. A level of collusion with South African diplomats certainly

existed.<sup>93</sup>

Foreign direct investment, more than trade, ephemeral military links, or settlement of communities, has proved the most important element of South Africa's relationship with Latin America in the contemporary period. This proposition will be demonstrated in the ensuing chapters.

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<sup>93</sup> For example, the Corporation admitted to the author that an early draft of this chapter, obtained clandestinely by the South African consulate-general in Rio de Janeiro, had been passed on to the Corporation's head office in Johannesburg.

## CHAPTER SEVEN

### SOUTH AFRICA'S RELATIONS WITH CHILE

The political ambiguity which afflicted the Brazilian generals and politicians was not for long a factor troubling the Chilean junta after it came to power. Although there was some initial wrestling with the idea of strengthening ties with the Afro-Asian bloc, the Chilean government soon decided on an open relationship with its South African counterparts. The generals on both sides understood the same language, shared similar training and ideological formation, and a common ruthlessness with respect to political opposition and human rights. These considerations seemed to predominate in South Africa's links with Chile between 1973 and 1990. Unlike Brazil, where South Africa was tolerated for economic reasons, in Chile the political and ideological considerations cemented the relationship, and economic ties were an acceptable spinoff.

This chapter provides some background on the junta's revision of Chile's traditional foreign policy consensus, the process of its political institutionalisation, its experimentation with neo-liberal economic strategies, and its increasing international isolation. These factors permitted the possibility of a growing relationship with Pretoria, which was itself undergoing the militarisation of its political structures. The two regimes began to collaborate on a series of military and police exchanges,

the concealment of international outlaws, the implementation of states of emergency, and the development of the arms trade. South Africa's armaments industry received the contract to build new naval facilities in Southern Chile. South African direct investment entered Chile's fishing and mining industry. Trade grew to some extent, but was a less significant element of a highly politicised relationship. Links with Chile prompted debate and resistance inside South Africa's growing popular movement.

The relationship cannot be seen outside the context of political struggle in Chile during the early 1970s. Salvador Allende, the world's first democratically elected Marxist president, attempted redistributionist reforms, but these opened the way to intense social division. The middle classes, whose politicians steadily lost support in the Allende years, increasingly turned to the army to intervene. After staving off a series of political crises, Allende incorporated military officers into his cabinet, but it was already too late. With US support the more extreme officers staged a bloody intervention to eradicate Allende, Popular Unity and the social movement which had underpinned the government.

#### 1. CONTINUITY IN CHILE'S FOREIGN POLICY, 1945-1973

On coming to power in September 1973, the Chilean military junta initiated a significant shift in the country's economic and political life. According to economist Stephany Griffith-Jones, "a clear break with the country's tradition of a 'compromise' democratic state was made."<sup>1</sup>

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<sup>1</sup> Stephany Griffith-Jones, *Chile to 1991: the end of an era?*, London: Economist Intelligence Unit, 1987, p. 48.

In order to demonstrate the extent of this shift, it is worth describing some of the contours of Chilean foreign policy making since the end of the Second World War.

In the period between 1945 and 1973, there was a degree of continuity and overlap between the foreign policies of different Chilean administrations irrespective of their political complexions. This was partly due to the stable constitutional transition from one civilian government to another throughout the period, coupled with the continuity and professionalism of the foreign policy bureaucracy. It was also due to the consensus which developed around the growing assertion of Chilean territorial and economic sovereignty, and a pragmatic attitude towards global realities.

Whilst the country's foreign policy orientation was alignment with the West during the years of the Cold War, there was also a considerable degree of independent action. Against Washington's will, Chile doggedly defended its Antarctic claims, its right to a 200-mile stretch of territorial waters, and the renegotiation of its agreement with the United States-owned copper companies.<sup>2</sup>

Under the conservative administration of Jorge Alessandri (1958-64), autonomy from the United States on the question of Cuba was maintained. Chile did not support moves initiated by the United States in the Organisation of American States (OAS) to condemn, exclude and apply sanctions against the Castro government. At the 1962 OAS meeting at Punta del Este in Uruguay, Chile abstained on the vote to exclude Cuba; it also abstained on the

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<sup>2</sup> Manfred Wilhelmy, "Hacia un análisis de la política exterior chilena contemporánea", *Estudios Internacionales* 48, October-December 1979, pp. 457-58.

sanctions vote in 1964. When the decisions went in favour of sanctions, Chile reluctantly complied with the OAS position.<sup>3</sup>

Within the international framework of détente, Eduardo Frei's Christian Democrat administration (1964-70) re-established diplomatic and trade links with the Soviet Union, Bulgaria, Czechoslovakia, Hungary, Poland and Rumania. Relations improved to the point where in 1968 the Soviet Union provided Chile with loans to the value of US\$42 million for industrial development, and export credits to finance purchases of Soviet machine tools.<sup>4</sup>

At this time also, despite his reputation as the archetypal Latin American partner in the Kennedy-sponsored Alliance for Progress, Frei "Chileanised" the largest American-controlled copper mining companies, bringing them under majority (51%) ownership by the Chilean parastatal mining company.<sup>5</sup> Chile's position as a key copper exporter led it to play an active part in CIPEC, the Inter-governmental Council of Copper Exporting Countries. This brought it into closer relationships with the other copper-producing countries of the Third World, especially with Peru, Zambia and Zaïre. Chile thus began to develop an identity as a country with interests in common with others in Latin America, Africa and Asia. It strengthened its participation in regional and global

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<sup>3</sup> Otto Boye Soto, "Chile y el interamericanismo en las ultimas décadas", *Mensaje 20*, September-October 1971, pp. 494-501.

<sup>4</sup> See Manfred Wilhelmy, *Chilean foreign policy: the Frei government, 1964-70*, Ph D thesis, Princeton University, 1973.

<sup>5</sup> "The story of copper and imperialism: 'They took the copper and left us the holes'", in NACLA Chile Project, *New Chile*, Berkeley: North American Congress on Latin America, 1973, pp. 115-6.

organisations such as the Andean Pact and the Non-aligned Movement. Frei drew Chile closer to other Latin American countries in leading a regional move to develop a common negotiationg position, the Viña del Mar Consensus, in relation to the United States.

Washington's growing disapproval of Frei's foreign policy initiatives led to a withdrawal of aid from Chile. Whereas in 1965 Chile had accounted for approximately 15% of United States economic aid to Latin America, and 5.7% of Eximbank credits to the region, by 1970 these shares had dropped to 4.3% and 0% respectively.<sup>6</sup>

Under the administration of Salvador Allende (1970-73), Chile's non-aligned profile was extended. Relations with the socialist countries were expanded to include new diplomatic links with China, the German Democratic Republic, North Korea and North Vietnam. The decision was taken to reverse compliance with the OAS position on Cuba, and so realign Chile with its original desire to maintain diplomatic and economic links with Havana. Castro undertook an extended tour of Chile in November-December 1971.<sup>7</sup>

Allende also nationalised the copper companies by taking over the remaining share formerly held by US-based companies. This policy was not just that of Popular Unity, but had also been contained in the manifesto of the unsuccessful Christian Democrat rival for the

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<sup>6</sup> Heraldo Muñoz and Carlos Portales, "The United States and Chile" in Robert Wesson & Heraldo Muñoz (eds.), *American views of United States policy*, New York: Praeger, 1986, pp. 131-133.

<sup>7</sup> Carlos Fortín, "Principled pragmatism in the face of external pressure: the foreign policy of the Allende government", in Ronald G Hellman and H J Rosenbaum (eds.), *Latin America: the search for a new international rôle*, New York: John Wiley, 1975, p. 219.

presidency in 1970, Radomiro Tomic.<sup>8</sup>

Thus, prior to military rule, a clear trajectory in Chilean foreign policy becomes visible: an independent pragmatic assertion of national values and economic claims, a heightened identification with regional and other Third World ideological and economic positions, and a growing commitment to non-alignment.<sup>9</sup>

In the form elaborated by Allende, the logic of this position constituted a perceived threat to the regional interests of the United States on the one hand, and to certain sections of the Chilean domestic elite on the other. It became one of the elements in their mutual catalogue of complaints about the Popular Unity government. It also constituted part of the argument they combined to make in favour of the destabilisation and ultimate ousting of Allende.<sup>10</sup>

On taking power, the junta made a fundamental rupture with the post-war trajectory in Chile's foreign relations.

It moved away from the pragmatic diplomatic style of its predecessors, which had involved strict respect for

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<sup>8</sup> NACLA Chile Project, *New Chile*, Berkeley: NACLA, 1973 edn, p. 4.

<sup>9</sup> More conservative scholars, like Pittman, have failed to appreciate these continuities and have portrayed the Allende government as having engineered a break in Chile's traditional foreign policy. See Howard Pittman, "Chilean foreign policy: the pragmatic pursuit of geopolitical goals", in Jennie K Lincoln and Elizabeth G Ferris (eds), *The dynamics of Latin American foreign policies: challenges for the 1980s*, Boulder: Westview, 1984, pp. 127-30.

<sup>10</sup> For an analysis of the role of the United States in Allende's downfall, see James F Petras and Morris M Morley, *How Allende fell: a study in US-Chilean relations*, Nottingham: Spokesman, 1974, esp. pp. 99-117.

international law, support for democracy, recognition of international power realities, and the management of foreign policy by career diplomats.

Instead the military adopted what Muñoz has called a "praetorian-ideological" style. The latter is characterised by a break with past pragmatism, a strong emphasis on anti-communist ideology, a rejection of compromise and negotiation, a suspicion of career diplomats and a preference for using military personnel in the conduct of Chilean foreign policy.<sup>11</sup>

This was accompanied, as in all aspects of Pinochet's rule, by a significant concentration of power in the executive. Pinochet soon developed the capacity to intervene in all significant decisions about the conduct of Chile's international relations.

The consequences of the junta's ideological style included significant international isolation for the regime. This will be examined after looking at the ways in which the armed forces consolidated their political power and embarked, with the support of technocrats, on a major revision of Chile's economic policies.

## 2. INSTITUTIONALISING THE MILITARY REGIME

The death of Allende in La Moneda, the presidential palace, marked the end of Popular Unity and the democratic process for a period of sixteen years.

On taking power the junta saw its primary task as

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<sup>11</sup> Heraldo Muñoz, "Chile's external relations under the military government", in J Samuel Valenzuela and Arturo Valenzuela (eds), *Military rule in Chile: dictatorship and oppositions*, Baltimore: Johns Hopkins University Press, 1986, pp. 310-11.

eliminating all vestiges of the former government's political and economic projects. It aimed to undertake this by destroying all forms of popular mobilisation favouring worker control over the economy, redistribution, nationalisation, radical land reform, and the extension of democratic socialism. Since the popular movement had succeeded in articulating its demands through the traditional democratic political structures, the junta felt obliged to dismantle these structures and to do away with the forms of democratic representation which had been responsive to mass mobilisation. The new junta took over the universities, banned Marxist political parties while declaring the others in recess, restricted collective bargaining, abolished strikes, cancelled local elections, and declared a State of Siege which did away with the rule of law. By 1977 it had also closed down the Chilean Congress.

Simultaneously with taking power it embarked on the brutal persecution of the most prominent supporters of Popular Unity. In a reign of terror, tens of thousands were openly murdered, caused to "disappear" without trace, detained indefinitely, tortured, or forced into internal or foreign exile. These actions aimed at eliminating all traces of Popular Unity politics, and breaking the strength of those trade unions and community organisations which had provided it with support.

Although it possessed no discernable economic project at the outset, the junta was easily persuaded by a group of Chicago-trained economists to implement a new economic model for Chile. These "Chicago boys" were strongly influenced by the ideas of Professor Milton Friedman, who favoured an end to the state sector and strict control of the money supply. The junta gave the "Chicago boys" carte blanche to redesign the economy radically. They set about reversing the land reform, deregulating economic

activities, privatising the nationalised firms and parastatal services, and eliminating protectionism. The junta came to see implementation of the new economic model as a corollary of what it perceived to be its political tasks.

The physical decimation and political destruction of opponents enabled the military to consolidate its power and to introduce such sweeping economic and social changes without encountering any major domestic political challenge.

Garretón has referred to these changes as a coherent "new historical project" <sup>12</sup>, akin to but slightly predating the economic project of the Thatcher government in Britain. It was a project that appealed strongly to the right-wing sectors which had dominated Chilean society prior to 1964, but which had lost their social and political hegemony in the Frei and increasingly in the Allende years. The project was designed to restore their power by demobilising the popular movement decisively.

### 3. ECONOMIC POLICIES

The implementation of the principles of Milton Friedman had a devastating effect on the Chilean economy.

Inflation, bankruptcies and unemployment rose to heights which far surpassed the much-criticised economic record of the Popular Unity administration. Deregulation,

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<sup>12</sup> Manuel Antonio Garretón , "The political evolution of the Chilean military regime and problems in the transition to democracy", in O'Donnell, Schmitter and Whitehead (eds), *Transitions from authoritarian rule: Latin America*, Baltimore: Johns Hopkins University Press, 1986, p. 98.

privatisation and denationalisation led to an unprecedented concentration of capital in the hands of the larger Chilean corporations, which were the only firms of sufficient strength to survive and benefit from the changes.

The junta's economists opened the economy to full international competition, and did away with the last vestiges of the import substitution industrialisation model. As a result, Chile's secondary industry withered away, and stress was once again placed on the export of raw materials. Cellulose and paper, fruit and wine, sea products and minerals became the largest foreign exchange earners. As the largest employer, the state sector, was slowly dismantled, thousands of manual and clerical jobs were shed. Pension schemes and social services were privatised, and many of the private firms were unable to run them on an unsubsidised basis, resulting in their collapse and the subsequent loss and erosion of hard-earned but badly invested individual benefits.

Although Chile came to be regarded by the early 1990s as a paragon of structural adjustment programmes by the International Monetary Fund and the World Bank, indicating these institutions' political support for the former junta's "new historical model", the intensification of poverty, unemployment, inequality of incomes and wealth, class polarisation, deterioration of social services, and curtailment of civil liberties have been a high price borne by the Chilean people.

Escalating poverty, job insecurity, privatisation, punitive new labour laws and systematic repression all combined to weaken popular mobilisation. In the place of high levels of mobilisation of the late 1960s and early 1970s, these processes engendered social atomisation, depoliticisation and the widespread resort to individual

survival strategies. This clearly served the junta's "new historical project", producing a superficially quiescent working class.

This factor, together with the ending of high external tariffs, and the payment of compensation to the copper companies and other firms expropriated by Allende, paved the way for renewed direct and indirect foreign investment in the Chilean economy.

TABLE 7.1

FOREIGN INVESTMENT IN CHILE, 1976-88 (in US \$ million)

1976	150
1977	535
1978	1 293
1979	1 719
1980	233
1981	2 490
1982	525
1983	328
1984	80
1985	421
1986	263
1987	563
1988	1 950

Sources: Deon Geldenhuys, *Isolated states*, Johannesburg: Jonathan Ball, 1990, table 11.2, p. 379, based on *Statistical synthesis of Chile, 1976-80*, Santiago: Central Bank of Chile, September 1981, p. 25; *Statistical synthesis of Chile, 1981-85*, Santiago: Central Bank of Chile, July 1986, p. 42; *Chile: Foreign Investment Report 4*, March-April 1988, p. 2; *Chile Economic Report 204*, July 1988, p. 3; and *ibid.* 210, January 1989, p. 4.

Although the period 1976-88 saw considerable fluctuations (see Table 7.1), Chile received foreign investments totalling US\$ 10.5 billion over 13 years and averaging at US\$ 811.5 million per year. Lows in the mid-1980s occurred when investor confidence began to fall off due to renewed mass mobilisation against the junta. Former high levels of foreign investment only resumed in the late 1980s once the transition to a more stable democracy seemed to be under way.

However the total amount has, relatively speaking, been low and foreign investment has been restricted mostly to the mining sector and to the purchase of local enterprises, the latter adding little to the economy's productive capacity.

#### 4. INTERNATIONAL ISOLATION AND THE CONDUCT OF FOREIGN POLICY UNDER THE MILITARY

The new injections of foreign investment and the opening of the Chilean economy both contrasted with the increasing diplomatic and political isolation which the junta encountered on the world stage.

The gross violation by the Chilean armed forces of the human rights of its citizens and many foreign nationals was the main cause for the junta being ostracised.

Forty thousand Chilean political exiles found homes in countries all over Europe as well as in North America, Australia and Latin America. There they formed strong lobbies which acted with local support to draw attention to the junta's crimes and to press for its isolation.

Supporters of liberal, social democratic and socialist parties outside Chile were outraged that the junta had overthrown a democratically elected president and congress in a country in which peaceful democratic changes of regime had been the political norm.

These pressures were intensified when foreign nationals became victims of the junta and its secret police. The revelation of the torturing of British national Dr Sheila Cassidy led to a rupture in relations with the British government. Similarly both France and Sweden responded to the death at the hands of a Chilean naval officer of a young woman who held citizenship of both countries.

At first the United States gave full support to the junta. Nixon and, after his resignation, Ford backed the rescheduling of Chilean debt in the Paris Club, and encouraged the international financial institutions to provide the junta with large amounts of aid.<sup>13</sup>

But the incoming Carter administration was more sensitive to human rights violations, and Washington began to reconsider its support for the junta.

In response to the 1976 assassination in Washington of a former finance minister of Chile, Orlando Letelier, and his American assistant, Ronni Moffit, the United States suspended diplomatic links, and amongst other measures, dropped all export credits to Chile.<sup>14</sup>

Australia, Colombia, Mexico, Venezuela and Zambia also suspended or downgraded their representation in Santiago on the grounds of human rights violations, while Argentina, Peru and Bolivia temporarily severed or reduced links due to longstanding territorial disputes.

Representatives of Cuba were expelled from Chile and diplomatic relations with the countries of Eastern Europe, the Soviet Union, North Korea and North Vietnam were terminated. China, which at that stage identified the Soviet Union as its chief enemy, retained and extended its relationship with the junta.

In the General Assembly of the United Nations, the junta's human rights record was systematically denounced

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<sup>13</sup> Heraldo Muñoz, "Autoritarismo y política exterior: el caso chileno, 1973-81" (mimeo.), Santiago de Chile: Universidad de Chile Instituto de Relaciones Internacionales, May 1981, p. 9.

<sup>14</sup> These sanctions were all reversed in January 1982, after Ronald Reagan assumed the presidency of the United States.

from the twenty-ninth session (1974-5) onwards, particularly in a resolution in December 1977 condemning continuing violations.<sup>15</sup> A special rapporteur on Chile was appointed to the UN Commission on Human Rights. In General Assemblies of the Organisation of American States (OAS), similar denunciations occurred, and Chile also became a focus of attention of the OAS-sponsored Inter-American Human Rights Commission. The International Commission of Jurists and Amnesty International were both responsible for alerting the world to the continued violations of human rights in Chile.

The junta was placed on the offensive. Initially it became concerned to restore its tarnished reputation in the international community. It spent millions of dollars on a press and publicity campaign abroad justifying its seizure and continued exercise of power. Known as "Operación Verdad" - Operation Truth<sup>16</sup>, this propaganda offensive targeted those it considered its enemies with a crudeness which ignored the international mood of détente and respect for human rights. The campaign only emphasised the junta's record, and served to antagonise world opinion even further.

After the initial condemnation by the General Assembly in December 1974, the Chilean foreign ministry submitted a confidential memorandum to Pinochet designing a strategy for improving the junta's image abroad and ending its isolation. To win allies in the international arena, it argued, Chile would have to return to a situation where career diplomats and trained civilians are added to the

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<sup>15</sup> See Table 9.1, UN Voting Record on Condemnation of the Chilean Human Rights Situation, in Muñoz, "Chile's external relations under the military government", 1986, p. 319, which shows that between 1975 and 1980, over two-thirds of member-states consistently voted to condemn Chile in the General Assembly.

<sup>16</sup> Muñoz, "Chile's external relations", p. 314.

roster of ambassadors and diplomatic representatives. The foreign ministry also argued for attempts to develop closer ties with Third World countries, especially those in Africa and the Middle East.<sup>17</sup>

General Pinochet showed little interest in listening to the voice of the career diplomats of the foreign ministry, and chose to pursue the "praetorian-ideological" path which suited the nature of his regime. Whilst economic relations with most countries were retained, their political friendship was sacrificed on the altar of institutionalising the regime in Chile. Since international political alliances with major trading partners were impossible, Chile turned towards those countries which were similarly isolated for their hardline opposition to Soviet communism, democracy, human rights, and domestic redistribution of resources.

## 5. ESTABLISHING STRONGER LINKS WITH SOUTH AFRICA

South Africa seemed a perfect example of a regime in a similar ideological position. Yet the foreign ministry memorandum favoured escalation of relations with sub-Saharan African countries critical of Pretoria. Chile stood a chance of forfeiting the trust of other African countries, especially of fellow copper producer nations like Zambia, through the improvement of links with Pretoria.

In an extract subsequently leaked to a Mexican newspaper,

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<sup>17</sup> Chile Democrático, *Pretoria-Santiago: a chronology of collusion*, New York: Chile Democrático, May 1976, p. 2.

the memorandum had advised that:

We ought to guard against public demonstration of our links with this country because of the degree of its international isolation.<sup>18</sup>

This indicated no intention to curb the existing links; instead the aim was to disguise them.

Nevertheless the junta responded with muted enthusiasm to overtures from Pretoria for closer economic, cultural, diplomatic and military relations.

In May 1975, Pretoria sent ambassador Hendrik Geldenhuys, accredited to Argentina, on a mission to Chile. After meeting with top officials of the junta, it was agreed that Geldenhuys would also be accredited to Chile, whilst continuing to be based in Buenos Aires. This was to be an interim measure until embassies could be established in each other's capitals. It marked the upgrading of diplomatic relations from the level of honorary consulships to full, but non-resident, ambassadorial links.

Not wishing to jeopardise prospective relationships with other African countries, Chile at first insisted that relations with South Africa be maintained at a low profile. South Africa quietly opened an embassy in Santiago. It provided Chile with a loan of US\$ 450 million in exchange for Chile formalising its diplomatic relations by opening an official legation in Pretoria. Chile's previous reticence about opening the embassy was reputed to be due to the continued influence of the career diplomats and the 1974 secret memorandum.<sup>19</sup>

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<sup>18</sup> *Excelsior* (Mexico City), 21 May 1977. Own translation.

<sup>19</sup> Chile Democrático, *Pretoria-Santiago*, p. 6.

Chile's surprising but more or less consistent voting in support of resolutions which condemned apartheid and South African occupation of Namibia in the General Assembly of the United Nations was also a legacy of this trend towards conciliating international, and especially Third World opinion.<sup>20</sup>

Yet, after the persistent condemnations of the junta's human rights record in the UN General Assembly, Chile put aside any attempts at political posturing. The realities of isolation meant that the junta was unlikely to win support from countries other than those already notorious for human rights abuses. It drew closer to those countries like South Africa whose friendships offered respite against isolation and embattlement in a relatively hostile international system.

For example, Chile refused to attend a UN conference in support of Namibian and Zimbabwean independence held in Maputo, the capital of Mozambique, in May 1977. Its rationale for non-attendance was ostensibly the "offensive terms" used by Mozambican President Samora Machel in referring to the Chilean government as "the bloody Pinochet regime" in a joint communiqué published with Cuba during the previous March.<sup>21</sup> In reality, Chile's growing rapport with South Africa would have made it difficult to attend the Maputo conference without incurring substantial anger from the Frontline states in particular towards Chile's treatment of South Africa.

By October 1978, Chile was playing host to South Africa's Deputy Minister for the Interior, Louis le Grange. During a goodwill visit, le Grange was exposed to counterparts

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<sup>20</sup> Deon Geldenhuys, *Isolated states: a comparative analysis*, Johannesburg: Jonathan Ball, 1990, p. 261.

<sup>21</sup> Associated Press wire published in *The Argus*, 10 May 1977.

in government, as well as industrialists in the state and private sectors of the economy, and experts in constitutional reform.

Le Grange declared his interest "especially in all those areas to do with the reconstruction of the country after the experience of the previous government" and drew attention to "the strategic importance of South Africa considering the dangers posed by those who threaten Western democracy." <sup>22</sup>

## 6. MILITARY DIPLOMACY

In the course of evolving their relationship, the two regimes at first provided mutual support for each other's ideological positions. Later this support was to mature into a strong military collaboration, something which both regimes found useful in the face of arms boycotts and sales embargos. Both countries sought to assist one another in the procurement, manufacturing and distribution of weaponry.

It was also in the realm of counter-insurgency where the two regimes had the potential to exchange useful information and personnel. Claims were made by SWAPO and Chilean exiles<sup>23</sup> that Chilean mercenaries were fighting alongside South African troops against SWAPO forces in Namibia.<sup>24</sup>

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<sup>22</sup> Inter-Press Service wire, "Chile: subsecretario del interior de Sudáfrica en visita de 'buena voluntad'", 20 October 1978. Own translation.

<sup>23</sup> Inter Press Service wire, Maputo, 20 May 1977; *The Times*, 18 January 1978; *The Star* (international airmail edn), 4 February 1978.

<sup>24</sup> Previous reports in *New Nigerian*, March 1976, *Notícias*, December 1976, *Algérie Actualité*, April 1977, and Soviet news agency reports claimed that Chilean troops, trained in the Panama Canal Zone by US forces,

Diplomatic representation came increasingly to be shaped around the militarised nature of the relationship. For example, the first posting of Chile's most senior representative in South Africa, its consul-general, was filled by a naval officer, Captain Carlos Ashton, in January 1976.

Ashton was not only a direct representative of the military junta but had also been a key spokesperson of the traditional ruling oligarchy in Chile. As a right-wing nationalist he had supported the presidential campaign of Jorge Alessandri, the candidate of the National Party, in 1970. During the Allende years, he had been manager of Radio Agricultura, which had been instrumental in organising the oligarchy's political response to Allende and consolidating its links with politically ambitious military officers.

Radio Agricultura became the mouthpiece for those forces later taking part in the overthrow of Allende, and as manager of the station, Ashton participated in setting up radio equipment in the Ministry of Defence which was used on the day of the coup and in succeeding months to broadcast the orders of the junta.

Under the new regime, Ashton was rewarded with a position in the foreign ministry, that of head of the Department of Foreign Publicity. His skills as a propagandist for the dictatorship abroad were acknowledged by the ministry, which felt that he would obtain useful experience in observing Pretoria's own propaganda efforts.<sup>25</sup>

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were sent to Northern Namibia and Southern Angola at the start of 1976. They were identified by their black berets.

<sup>25</sup> Chile-Democratico, *Pretoria-Santiago*, p. 7.

At this time South Africa's ambassador to Chile was non-resident, being based in Buenos Aires. Instead the embassy was filled with a career chargé d'affairs and military attachés for each of the armed services. On 7 August 1975 a round of talks was initiated by the South African army attaché in Santiago, Colonel John Edward Lello, and the Chief of the General Staff of the Chilean Air Force, General José Berdichevsky. Lello was accompanied by naval attaché John Charles Ferris, and air force attaché Pierre François Gouws. Agendas being impossible to obtain, it can only be surmised that these discussions mapped out future military collaboration between the two countries.<sup>26</sup>

By March 1978 Air Force General Gustavo Leigh, one of the four original members of the junta, was playing host to South African Air Force Commander General Robert Rogers. At a ceremony to mark the 48th anniversary of the Chilean Air Force, General Leigh decorated General Roberts with the Chilean Grand Star of Military Merit. In responding to this honour, Roberts stated:

Chile and South Africa face the same problem - the attack of international communism. You have achieved a great victory over it, and we can learn much from your experience because we have decided to prevent the infiltration of international communism.<sup>27</sup>

During September 1979, it was the turn of General Magnus Malan, then Chief of the South African Defence Force, to pay an official visit to Chile, via Paraguay.<sup>28</sup>

Son of a former National Party member of parliament and

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<sup>26</sup> *ibid.*, p. 11.

<sup>27</sup> *Daily Dispatch*, 22 March 1978. As a result of losing a power struggle with Pinochet, Leigh was sacked on 24 July 1978. See Florencia Varas, *Gustavo Leigh: el general disidente*, Santiago de Chile: Aconcagua, 1980.

<sup>28</sup> *Die Transvaler*, 17 September 1979.

scientist, it is significant that Malan is one of the few South African to have graduated from an officer training programme at Fort Leavenworth in the United States. The fact that Fort Leavenworth has produced many of the officers involved in the series of coups in Latin America during the 1960s and 1970s has bearing on the increased political role of the South African Defence Force. The US training emphasised the combating of communism in Latin America and Indo-China, as well as civic and political action by the military as a counter-revolutionary technique.<sup>29</sup>

General Magnus Malan was also the closest military associate of P W Botha, who was chosen as prime minister in 1978. Botha retained his longstanding portfolio of defence, but two years later appointed Malan to succeed him as defence minister. As the key author of the ideology of the "total strategy", given authority in the 1977 Defence White Paper, Malan politicised the role of the South African armed forces in line with his ideology. He reorganised and co-ordinated the military bureaucracy, built strong links between the military and the cabinet, as well as between the military and the private sector (epitomised in the growth of the para-statal arms manufacturers<sup>30</sup>) and was responsible for supporting

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<sup>29</sup> Philip H Frankel, *Pretoria's praetorians: civil-military relations in South Africa*, Cambridge: Cambridge University Press, 1984, p. 65.

<sup>30</sup> On Armscor see Philip Frankel, *Pretoria's praetorians*, Cambridge: Cambridge University Press, 1984, pp. 84-90; Gavin Cawthra, *Brutal force: the apartheid war machine*, London: IDAF, 1986; William Cobbett, "Apartheid's army and the arms embargo", pp. 232-43 in Jacklyn Cock and Laurie Nathan (eds), *War and society: the militarisation of South Africa*, Cape Town: David Philip, 1989; Graeme Simpson, "The politics and economics of the armaments industry in South Africa", pp. 217-31 in Cock and Nathan (eds), *op. cit.*; James McWilliams, *Armscor: South Africa's arms merchants*, London: Brassey's, 1989.

numerous cross-border operations and counter-revolutionary movements.

Malan's visit was therefore regarded as an escalation of the military diplomacy being conducted with Chile. It laid the ground for top level discussions about how Armscor and allied South African arms companies could breach the embargoes placed on weapons sales to Chile by the USA, Britain, France and other advanced producer countries.

Malan's visit was reciprocated in April 1981 by a two-week trip to South Africa by Admiral José Merino, Chief of the Chilean Navy and effectively second only to Pinochet in the junta. Merino was accompanied by his own second-in-command, Rear Admiral Francisco Ghisolfo and three other officers. Merino and his party were treated to extensive access to South African naval facilities.<sup>31</sup>

In 1981 Pretoria took the decision to appoint a resident ambassador to Chile. It is significant that its first choice for ambassador was not, as would otherwise be usual, a career diplomat. Instead Pretoria dispatched one of its top military men, Lieutenant-General Jack Dutton, to the new posting.<sup>32</sup>

General Dutton had previously been Chief of Staff (Operations), the number two position in the South African Defence Force. Like his superior, Magnus Malan, he had also been an early exponent of the ideology which became known as the "total strategy", the South African

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<sup>31</sup> "Links between the RSA and Chile strengthened", *Paratus* 32, 5, May 1981, pp. 24-5.

<sup>32</sup> David Fig, "Chile gets the full treatment", *Third World Review, The Guardian*, 17 June 1981.

variant of the ideology of national security.<sup>33</sup>

Within South Africa, his appointment to Santiago was regarded as something of a sideways promotion, to eliminate him from any further rise to power at military headquarters. This was apparently a common way of dealing with ambitious Anglophones. Outside South Africa, the appointment drew attention to the close military links between the two states.

Dutton's role was not simply that of diplomatic representative, but his brief included the active promotion of strong military collaboration. Having first-hand familiarity with the needs and capabilities of the South African Defence Force as well as state arms manufacturers Armscor, Dutton was well placed to utilise the Chilean connection to acquire, sell and broker arms.

At his first press conference in Chile, Dutton highlighted the fact that relations between the two countries, "the main anti-Marxist stalwarts", were very cordial; bilateral trade had grown by 400% in recent years, surpassing US\$ 400 million in 1980. The Ambassador claimed he was particularly interested in promoting political exchanges, but denied that there was any secret military pact between Pretoria and Santiago.<sup>34</sup>

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<sup>33</sup> Lieutenant-General Jack Dutton, "The military aspects of national security", in Michael H H Louw (ed.), *National security: a modern approach*, Papers presented at the Symposium on National Security, Pretoria, 31 March - 1 April 1977, Pretoria: University of Pretoria Institute of Strategic Studies, 1978, pp. 100-121. Frankel claims that the ideology "appears to have very little intellectual content independent of (the writings of French general and strategist André Beaufre)". See his *Pretoria's praetorians*, p. 46, and Beaufre's *An introduction to strategy*, London: Faber & Faber, 1963.

<sup>34</sup> Santiago radio, monitored on 15 July 1981. *BBC Summary of World Broadcasts*, 17 July 1981.

According to the International Institute for Strategic Studies, the first major deal occurred when South Africa sold Chile 12 Cactus surface-to-air missiles, equivalent to the French Crotale system produced locally under licence.<sup>35</sup>

Argentine suspicions of the arms trade between Chile and South Africa were raised in the disputed Beagle Channel area, when Argentine gunboats intercepted a Greek freighter at the entrance to the Straits of Magellan. Thought to be delivering a shipment of weapons from Durban to Valparaiso, the ship had docked earlier at the Chilean port of Punta Arenas, and no arms were discovered by the Argentine navy.<sup>36</sup>

Close naval links were manifested in the visits of the four-masted barquentine *B.E. Esmeralda*, normally used as a training ship.<sup>37</sup> Immediately after the 1973 coup, this vessel had been used for the internment and alleged torture of sailors loyal to the Popular Unity government.<sup>38</sup> From the mid-1970s, a South African naval officer has been included in the training exercises undertaken by the *Esmeralda*. Official visits to South Africa took place in 1977, 1981, 1985 and 1988.

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<sup>35</sup> International Institute for Strategic Studies, *Military balance, 1981-82*, London: IISS, 1982, p. 94.

<sup>36</sup> *El Mercurio*, 16 July 1980; *Die Beeld*, 17 July 1980.

<sup>37</sup> See the brochure produced by Chile's Naval Publications Centre, Chile: *B.E. Esmeralda Chilean Navy Training Cruise*, Santiago, n.d. (c. 1975).

<sup>38</sup> In a 1976 report, Amnesty International stated: "On the boat *Esmeralda*, anchored off the shore of Valparaiso, prisoners were allegedly left naked and tied to the masts of the boat. At times prisoners were forced to witness the torture and death of others.." Amnesty International, *Report on torture*, London: Duckworth, revised edn., 1976, p. 207.

In 1981 its visit coincided with the twentieth anniversary of the foundation of the apartheid Republic. Chilean sailors and midshipmen goose-stepped through the streets of Durban in the official military parade, and visitors to the ship included Mrs Elize Botha, the prime minister's wife, who was "visibly moved" when the crew sang the Republic's anthem, "Die Stem", in Afrikaans.<sup>39</sup>

Later the same year, General Cesar Mendoza, another member of the junta and director-general of the carabineros (police) visited South Africa for two weeks on the official invitation of the Pretoria government. On his return to Chile he announced that relations between the two countries were "getting better every day and we will improve them even more."<sup>40</sup>

By February 1982, relations had warmed to such an extent that both governments agreed to the appointment of the first Chilean ambassador to South Africa, Major-General L J Ramirez.<sup>41</sup> One of Ramirez's first tasks was to arrange the visit of the Commander-in-Chief of the South African Air Force to Chile. Lieutenant-General Anthony "Mike" Muller met Pinochet on 22 March to discuss military co-operation.<sup>42</sup>

The significant number of diplomatic exchanges between Chile and South Africa were dominated by military

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<sup>39</sup> *Armed Forces*, June 1981, pp. 17-21.

<sup>40</sup> Santiago home service, 16h30 GMT, 31 October 1981, monitored in *BBC Summary of World Broadcasts*, 3 November 1981.

<sup>41</sup> Monitored from South African Broadcasting Corporation, Johannesburg, 1 February 1982, *BBC Summary of World Broadcasts*, 3 February 1982.

<sup>42</sup> Monitored from Santiago home service, 0001 GMT, 23 March 1982, *BBC Summary of World Broadcasts*, ME/6987, 25 March 1982, p. B/7.

personnel. This was an outcome of the extensive militarisation of both societies from the mid-1970s, as well as their increasing ideological congruence. The shift which had occurred since then was one from low-level and low profile contact, with limited diplomatic relations, to a situation of open and broad-ranging contact, and full residential ambassadorial exchanges. Partly as a result of mutual international isolation, and partly because of the possibility of substantial benefits in the relationship, Chile no longer felt the need to disguise or play down the extent of its wholehearted collaboration with South Africa.

## 7. STRATEGIC COLLABORATION

Within a fortnight of Lieutenant-General Muller's visit to Chile, Argentine forces staged an invasion of the British-held Falkland/Malvinas islands and their dependencies. Britain prepared for war. To dislodge the occupying force required a naval operation aimed at ferrying combat troops and weapons. The logistical problems were immense. Britain was faced with long lines of communication and supply, with its base on Ascension Island in the mid-Atlantic being the only staging post on British territory. For backup, Britain found itself with no option but to turn to Brazil (then still under military rule), to South Africa<sup>43</sup>, and particularly to Chile.

Britain had been politically equidistant from Argentina and Chile, enjoying strong historical links with both countries. Together they had turned to Britain as a neutral arbitrator in the territorial dispute over

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<sup>43</sup> South Africa's role during the war will be examined in a later section.

islands in the Beagle Channel.<sup>44</sup> Although Britain had implemented an arms embargo on the Chilean junta between 1976-80, it continued to arm Argentina until the unexpected invasion.

The war itself lasted between April and June 1982, after which Britain garrisoned the islands to preclude any future invasions. The war had also drawn attention to the strategic nature of the South Atlantic/Antarctic region. The presence of off-shore petroleum deposits, rich fishing grounds, and the potential mineral wealth of Antarctica raised the political stakes in the region. The growing tensions between the Panamanian government and that of the United States also posed questions about future use of the canal zone, reviving the prospect of increased traffic through the Straits of Magellan.

From being a marginalised and neglected corner of the world, the South Atlantic began to feature seriously in the calculations of a number of actors. For the Falklands to remain under British control, the islands not only had to be militarised, but would also need to develop economic viability. The oil and fishing industries needed to be attracted to the islands; supplying the needs of the garrison and a small number of tourists would also bring some revenue. Without Argentina as a supply point, the focus on neighbouring Uruguay and Chile as alternatives in this process grew.

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<sup>44</sup> See Artémio Luís Melo, *La cuestión internacional del Canal de Beagle*, Buenos Aires: Depalma, 1979; Guillermo J Fogg, *Soberanía argentina en el área austral*, Buenos Aires: Pleamar, 1983. Britain was unable to resolve the conflict, and the parties turned to the Vatican to mediate it. In 1984 the Vatican finally awarded the islands to Chile, but Argentina was allowed to retain exclusive rights to Atlantic waters. Chile's ambition to become an Atlantic power was thwarted, and the two countries confirmed the verdict in the Treaty of Montevideo signed in April 1987.

The nearest large non-Argentine harbours with shipbuilding and repair facilities, Montevideo in Uruguay and Talcahuano in Chile, were each more than 1500 km distant. Chile realised that there would be substantial advantage in the development of harbour, shipbuilding and repair facilities at the port of Punta Arenas in the Straits of Magellan. The new facilities would serve shipping in the notoriously rough Cape Horn area, providing a repair service which would save shipowners the costs of ferrying damaged ships to long distant ports. The facilities would be placed at the disposal of the British garrison on the Falklands, as well as of the growing off-shore oil and local fishing industries. There would be the added advantage of extra business if the Panama canal was ever closed. Chile's presence in the Straits would be secured, giving extra leverage against Argentine territorial counterclaims in the Beagle Channel islands and Antarctica.

The Chilean government-owned company Astillero y Maestranzas de la Armada (ASMAR), which specialised in naval dockyards and commercial construction, was charged with selecting a partner specialised in shipbuilding engineering. The aim was to award 50% of the equity in the shipyard to the most suitable candidate.

After two years of negotiations to find a partner, the contract to build these new shipyard facilities at Catalina Bay, 4.5 km north of Punta Arenas, was eventually awarded to Sandock-Austral Limited, a South African corporation which has enjoyed strong links with Armscor. A subsidiary of the important mining finance house, Gencor, the company has its headquarters in Randburg, north-east of Johannesburg. Sandock-Austral describes itself as "a leading South African company involved in the design, development and manufacture of

military hardware."<sup>45</sup> Its offer to ASMAR became the most competitive of the available options due to loans offered by South Africa's Industrial Development Corporation, with export credit cover guaranteed by the parastatal Credit Guarantee Insurance Corporation.<sup>46</sup>

The close relationship between South Africa and Chile was also a factor in the choice. Commenting on having secured the contract, Sandock's managing director Pierre de Villiers said: "Our good relations with Chile helped us as well as our relatively close position (in tendering)."<sup>47</sup> The project, worth R13.9 million, was scheduled for a fifteen-month construction period. Three-quarters of the materials required for construction were sourced in South Africa. The steel for the project was fabricated at Sandock's Durban shipyard.<sup>48</sup>

To operate the shipyard, Sandock and ASMAR together formed a new company in which they held equal shares. The Strait of Magellan Shipyard Ltd (SAEM) had Pierre de Villiers as its chair and Chile's Rear Admiral Harald Rosengqvist as its vice-chair.

Later in 1984, Lieut-General Jack Dutton retired from his job as South Africa's ambassador to Chile, as well as from the South African Defence Force after a 35-year military career.<sup>49</sup> His replacement turned out to be the retired Chief of the Air Force, Lieutenant-General "Mike"

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<sup>45</sup> *Sunday Times* (Johannesburg), Business Times supplement, 21 February 1988, p. 26.

<sup>46</sup> *South African Industrial Week*, 8 May 1984.

<sup>47</sup> *Rand Daily Mail*, 3 May 1984.

<sup>48</sup> *Gencorama* 4, 5, June 1985, p. 9; *Financial Mail*, 20 March 1987, p. 87.

<sup>49</sup> *Paratus*, October 1984, p. 23.

Muller, who had met with Pinochet two years earlier.<sup>50</sup>

On his return to South Africa, Dutton's considerable Chilean experience, and corporate links with the military led Sandock-Austral to appoint him as its executive director for exports. Dutton was charged with overseeing the construction of the shipyard and liaison with the Chileans involved in the project. He took up this job on 1 October 1984.

In an interview conducted in mid-1985 by Sandock parent company Gencor's in-house magazine, *Gencorama*, Dutton made the following observations:

Chile is very pro-South Africa and considers us a very good friend. We have good relations both politically and economically and trade between the two countries has grown considerably over the last five years. Chile is one of the least volatile countries in South America and one of the most stable. Although it has a non-democratic government, it is well run and has an economy which is much sounder than many of the other countries in South America.

Dutton went on to outline the economic leverage that Sandock-Austral might gain from participation in the project: supplying the copper industry, the direct involvement of Gencor in copper mining, a share in future shipbuilding contracts. He also hinted that there was a "strong possibility" that Sandock might manufacture arms in Chile, noting that exports of armaments from South Africa were controlled by Armscor.<sup>51</sup>

Clearly, although Sandock's involvement in the Punta Arenas dockyard was a purely commercial project, the military spinoffs for both countries were important. For the first time there was direct involvement of the South African military-industrial complex with the Chilean navy

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<sup>50</sup> *South African Digest*, 9 March 1984.

<sup>51</sup> *Gencorama* 4, 5, June 1985, p. 23.

over an extensive period. The use of senior military men from both sides opened the way for future collaboration around other projects. Both countries needed one another to offset the most difficult effects of political and military isolation.

At the shipyard's opening ceremony, Rear Admiral Rosenqvist emphasised the "dramatic rise" in shipping in the area had made the ship repair facility an absolute necessity. Admiral José Merino spoke of

the vital necessity of the West to control the seas in the southern hemisphere. The three legs of the tripod on which this control rested were South Africa, Chile and New Zealand. Friendly ties between these countries are thus vital to all the countries of the West.<sup>52</sup>

#### 8. A PLACE OF REFUGE

The West, and particularly the United States, may not have looked upon these friendly ties as being as vital to its interests as Merino was claiming. During 1985 a fugitive from United States justice, Colonel Pedro Espinoza, joined the Chilean embassy in Pretoria as an administrative counsellor. Both Espinoza and his former chief, General Manuel Contreras who headed DINA, the Chilean secret police, had been indicted and found guilty by an American court in 1978 for the car-bomb murderers of Orlando Letelier and Ronni Moffit in Washington.

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<sup>52</sup> *Third World* 8, May-June 1987, p. 23. Although the glaring omission of Argentina from the list is something one might expect the admiral to do, it is difficult to know why he privileged New Zealand above the more important contributions Australia and Brazil could have made. Perhaps it demonstrated his approval of the series of right-wing National Party administrations in New Zealand.

The United States had sought the extradition of Espinoza and Contreras from Chile. The response of the Chilean authorities was to transfer Espinoza away from temptations to give evidence to the US courts. South Africa seemed a country well disposed towards the Chilean junta and its needs, and also faced the prospect of sanctions applied by Washington. Hence there would be no natural desire by Pretoria to satisfy the process of justice in the US courts.

When US embassy officials in Pretoria discovered the presence of Espinoza in South Africa, there was little it could do to extradite him because of the diplomatic immunity which protected him.

Officials of the South African Department of Foreign Affairs were non-committal. They claimed that South Africa had no good reason to question the good faith of the Chilean embassy when it employed the officer. In any case, the staffing of relatively junior posts such as that occupied by Espinoza were considered "normal embassy staff" whose credentials were never questioned by the Department.<sup>53</sup>

Colonel Espinoza returned to Chile suddenly in May 1987, under escort by a special security detail when President Pinochet began to fear that he would surrender to United States authorities. The US State Department believed that he was under protective custody in Chile to prevent him from giving evidence linking Pinochet directly to the Letelier assassination.<sup>54</sup>

By August 1991, a Chilean supreme court judge, Adolfo Banados, banned Espinoza, Contreras and a third accused

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<sup>53</sup> *The Argus*, 18 December 1987.

<sup>54</sup> *Cape Times*, 17 December 1987.

in the Letelier case from leaving Chile pending a full investigation of the assassination. Pinochet, still commander-in-chief of the army, was reported as being fearful of confessions linking this and other assassination bids to the former military head of state.<sup>55</sup>

Espinoza's diplomatic career in South Africa was not the only such example. Another Chilean officer suspected of political murder found refuge temporarily in the Chilean embassy in Pretoria. He was air force Squadron Leader Roberto Fuentes, alleged to have been responsible for the disappearance of 14 Chilean opposition political activists. Fuentes spent between March 1985 and August 1986 in South Africa.

Chile officially denied that it had shielded alleged murderers by transferring them to its Pretoria embassy. The embassy itself claimed that the cases against Colonel Espinoza and Squadron Leader Fuentes had been dropped by an official Chilean court of enquiry in Santiago in the late 1970s.<sup>56</sup>

South Africa's willingness to harbour a top level Chilean intelligence officer implicated in assassination and an air force officer suspected of multiple murder as diplomats illustrated how close the relationship with Chile had become. Shielding wanted fugitives from justice and thereby protecting top echelons of the junta from revelations about their role in these crimes was a useful favour Pretoria could offer.

## 9. STATES OF EMERGENCY

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<sup>55</sup> *The Guardian*, 24 August 1991.

<sup>56</sup> *Cape Times*, 18 December 1987.

Both countries at this time were labouring under States of Emergency imposed by their respective governments in response to a co-incidental upsurge in popular oppositional political activity. The acceptance of wanted murderers and violators of human rights by Pretoria should be seen in the context of its own programme of repression.

During 1984, white voters in South Africa approved a new constitution which aimed to perpetuate white control, but extended the electorate to people classified Coloured and Indian. These two groups would only be able to vote for their own parliaments, which constitutionally would be weaker than the existing white one. Africans were completely excluded from the electoral rolls, and fobbed off with the explanation that they had electoral rights in fictive independent homelands. The previously separate offices of prime minister and head of state were to be unified into an executive presidency which the incumbent prime minister P W Botha was to occupy.

The introduction of the new constitution, along with a severe recession and attempts to ease the state's fiscal crisis by demanding payment of high township rentals, all provoked a wave of opposition to the government and its policies.

The invasion of Transvaal African townships by the South African military in September 1984 was designed to stamp out all manifestations of opposition. Instead the response was increased popular resistance to the military repression. Anti-apartheid organisation escalated across the country despite the constant military presence.

Inside government, the role of the State Security Council and its committees, effectively led by senior military and police personnel, meant that the security forces were drawn into political decision making at all levels.

Externally, the armed forces were engaged in a war in Namibia, which constantly spilled over into Angola. Armed raids into neighbouring countries became common. The SADF helped spread terror inside Mozambique through its support for the rebel Renamo movement.

In June 1985, the government declared a state of emergency in many districts of the country. This was extended in October, and by June 1986, was applied to the entire country. Organised opposition was repressed, popular movements effectively outlawed, and over ten thousand people jailed. Several hundred citizens were killed by the armed forces and vigilante organisations sponsored by the state. Numerous assassinations of prominent opposition activists occurred. For many it seemed like the repression had reached a scale similar to that experienced in countries of Latin America under the heel of military dictatorships.

In Chile at this time Amnesty International reported

Many violations of human rights took place in the context of states of exception. During the first half of 1985 there were three different states of exception in force, namely the 'state of emergency', the 'state of danger of disturbance to internal peace', and the 'state of siege', all of them provided for in the Constitution introduced in 1981.<sup>57</sup>

The extended powers which the armed forces and carabineros enjoyed under the states of exception were extra cover for the widespread political repression which subsequently occurred.

Chile was the only Latin American country which offered direct collaboration with the South African Police. This was particularly useful to the SAP during the state of emergency. General Hendrik de Witt, its Commissioner, was

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<sup>57</sup> Amnesty International, *Annual Report*, London, 1986, p. 133.

anxious to maintain top level liaison with the carabineros. In late March 1988 he welcomed his Chilean counterpart, General Rodolfo Stange Oelckers, a member of the junta, along with a police delegation, to South Africa. The media were informed that the Chilean police presence was a "two-week pleasure visit at General de Witt's invitation".<sup>58</sup>

#### 10. THE ARMS TRADE

During the South African states of emergency, which lasted until June 1989, the official relationship with the Chilean military dictatorship expanded.

Expelled from the international arms industry exhibition in Athens in 1983, South Africa's Armscor was invited to participate in the third International Fair of Aeronautical Defence (FIDA) in Santiago. FIDA had been established in 1980 as a biennial fair in defiance of the arms embargo imposed by the US government on Chile.

Occurring in March 1984, the fair became a major opportunity for Armscor to market its products internationally.<sup>59</sup> In extending an invitation to Armscor, Chile was conniving in the open defiance of the United Nations' mandatory arms embargo against South Africa.

With an eye on the markets of Latin America, Armscor's chair and delegation leader, Commandant P G Marais, promoted the slogan "Third World weapons for Third World countries".<sup>60</sup>

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<sup>58</sup> *Cape Times*, 30 March 1988.

<sup>59</sup> *Armed Forces*, April 1984.

<sup>60</sup> *Cape Times*, 3 March 1984.

Armscor's representative at the fair, John Adler, declared the corporation's exhibit a resounding success in the major export drive to secure sales between R100m and R150m. "Our reception here has been excellent," he claimed. "The Kukri air-to-air missile has been a favourite, as has Armscor's new frequency-hopping radios." <sup>61</sup>

One of Armscor's major claims was that its weaponry had been "battle-tested". The weapons had been used in northern Namibia and southern Angola in the war against SWAPO, the Angolan government and its Cuban allies. To interest prospective purchasers, and to gain their understanding and empathy, the South African Defence Force invited selected guests to tour the militarised zone on the northern Namibian border. These tours had regularly been laid on for local defence correspondents and white MPs, as well as for foreign politicians like Franz Josef Strauss of Bavaria. In October 1985, it was the turn of Chile's minister of defence, Vice-Admiral Patrício Carvajal.

Carvajal's nine-day visit was by special invitation of General Magnus Malan, the South African minister of defence. Carvajal was treated to a tour of the SADF's military installations in northern Namibia as well as its civic action programmes. SWAPO enjoyed strong support in the fertile north of Namibia, whose large population had been a source of colonial migrant labour. In its attempts to pacify the area, the SADF initiated a "hearts and minds" programme, attempting to provide housing, nutrition, and education programmes for people in the operational area.

Speaking at a press conference on his departure for

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<sup>61</sup> *South African Digest*, 9 March 1984.

Chile, Carvajal praised the "marvellous work which the SADF was doing in support of the local community of South West Africa". The SADF had struck him as a "very good fighting machine" and the training and spirit of the armed forces were impressive.<sup>62</sup>

Carvajal was also exposed to the propaganda of the South African government, whose attempts to explain the mass resistance campaigns were swallowed wholesale. On his return to Chile he conveyed the South African authorities' case to the press. It had a familiar ring in Chile:

South Africa suffers from a lack of understanding on the part of Western countries and the UN, something very similar to the Chilean experience. The problems of both countries are similar, and Soviet imperialism is responsible for the exaggerations and lies about the South African reality, aiming to destabilise the situation. The images of social unrest which reach the world by satellite are often fabricated by camera crews which pay people to start riots. In South Africa black people live well, better than in other African countries and in some cases, better than in certain cities of the USA.<sup>63</sup>

Carvajal, conscious of the international embargo, also took the opportunity whilst in South Africa to invite Armscor to participate in the forthcoming FIDA-86, which would be enlarged to incorporate all defence equipment, instead of being confined to air defence.

The March 1986 arms fair was attended by Adriaan Vlok, then deputy minister of defence and of law and order, who was later promoted to head the latter portfolio. Vlok, as a guest of the Chilean government, met with a number of Chilean officials and praised the relationship between

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<sup>62</sup> *The Citizen*, 26 October 1985; "Chilean delegation visits Ops area", *Paratus* 36, 12, December 1985, p. 59.

<sup>63</sup> Press release, 8 November 1985.

the two countries.<sup>64</sup> There was also a chance to inspect the military hardware produced by over 100 exhibitors from 15 countries.

The Armscor exhibit demonstrated "battle-tested" innovations produced by 12 South African companies. Special interest was aroused in the Alpha ZH1 combat helicopter and the CB 470 cluster bomb. Armscor claimed that many military correspondents had come to Chile "specifically to see what South Africa had to offer."<sup>65</sup>

Two years later, Armscor was back at FIDA-88. Santiago had become its major international weapons showcase. FIDA provided an opportunity for purchasers to compare its arms with those on offer by the industries in Israel, Argentina and Brazil, amongst others. This time, Armscor had so many vehicles and weapons on display, that the South African Navy was employed to deliver them. The SAS Drakensberg carried the weapons, being accompanied by strike craft SAS Frans Erasmus. This was the first case of South African naval vessels visiting Chile. Arriving on 4 March in Valparaiso harbour, commanding officers met the commander of Chile's first naval zone, and together laid wreaths at the Iquique monument to Chilean naval heroes. Official collaboration was obtained in transferring the Armscor weapons to the El Bosque air base outside Santiago.<sup>66</sup>

Opened by General Pinochet, the fair was attended by South Africa's veteran foreign minister, R F "Pik" Botha, on a private visit to Chile, during which he held talks

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<sup>64</sup> *The Argus*, 12 March 1986; Lt-Genl Jack Dutton, "FIDA-86: the international air show in Santiago, Chile", *UNISA Latin American Report* (Pretoria) 2, 2, September 1986, p. 77.

<sup>65</sup> *The Star*, 15 March 1986.

<sup>66</sup> *Cape Times*, 5 March, 7 March and 18 April 1988.

with local embassy staff. By this time, Lieut-General Muller had been replaced as South African ambassador to Chile. The new incumbent was the former secretary of the powerful State Security Council, Lieutenant-General Pieter van der Westhuizen.

To some extent this represented a shift in the relationship with Chile envisioned by the armed forces. Clearly the Santiago embassy was now a sinecure for senior military officers. The added dimension of internal security was clearly a matter for increased collaboration. Van der Westhuizen had been instrumental in the establishment inside South Africa of the National Security Management System. This was a series of regional, district, municipal and area committees chaired by the security forces, but which combined civil servants from various departments of state, as well as prominent business figures and farmers sympathetic to the purposes of the State Security Council.<sup>67</sup>

The formation of these Joint Management Committees had been aimed at information gathering on opposition forces and the implementation of counter-revolutionary strategies at local level. The National Security Management System survived beyond the change of presidency in 1989, despite the declarations of F W de Klerk that politics would be demilitarised. Meanwhile one purpose of van der Westhuizen's ambassadorship was to improve lines of communication with Chile on the question of internal repression.

Arms sales and procurement were also part of his brief, and he attended FIDA-88 accompanied by Armscor chief,

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<sup>67</sup> See James Selfe, "South Africa's National Management System", pp. 149-158 in Jacklyn Cock and Laurie Nathan (eds), *War and society: the militarisation of South Africa*, Cape Town: David Philip, 1989.

Johan van Vuuren. Since FIDA had become the premier arms fair for Latin America, seen as an extremely lucrative market (US\$2 billion sales per annum), both the United States and China had for the first time staged exhibits. For the United States' part, it was keen to rebuild links with the Chilean armed forces, to encourage them to vacate the political arena and return to barracks.

Despite the calls by the United Nations Committee on Apartheid for an international boycott of FIDA in view of South Africa's presence, Armscor insisted on its participation. The South African exhibits was said to have dominated the fair. Three of Armscor's new products included the Darter V3C new generation air-to-air missile; a remote-controlled reconnaissance aircraft, the Seeker, which has a 200km range; and the *Krimpvark* (hedgehog), an armoured passenger vehicle for "people working in high-risk situations".<sup>68</sup>

Armscor's *pièce-de-resistance* was the formidable computer-controlled G6 mobile artillery system, considered by many military writers to be the best in its class in the world. Once again, SADF experience in Angola permitted Armscor to claim that the system was "battle-tested" and found to be effective at accurately shelling targets 45km away.

Although not new, the G6 155mm howitzer was being shown internationally for the first time at FIDA-88. The biggest vehicle at the fair, its presence was only possible because of the navy's involvement in transporting it to Chile.

Despite claims that it was entirely developed by Armscor,

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<sup>68</sup> *The Argus*, 9 March, 14 March 1988; *Cape Times*, 12 March, 16 March 1988; *South African Digest*, 18 March 1988.

the G6 and its predecessor, the G5 system, were instead developed by the State Research Corporation. This company operated from an estate located on the US-Canadian border, straddling the province of Quebec and the state of Vermont. The brainchild of Dr Gerald Bull, who headed State Research, the system was smuggled to South Africa during the course of 1977 via Spain and the Caribbean country of Antigua and Barbuda.<sup>69</sup>

Having been humiliated by superior Cuban artillery during the invasion of Angola in 1975/6, South Africa was highly motivated to acquire weaponry which could stand up to the "Stalin organ" in the course of battle. The chance to obtain the 155mm G5 was seized with much enthusiasm. Components were provided by State Research as well as by a US firm, International Signal & Control (ISC), headed by James Guerin, who later merged his operation with and defrauded the Ferranti arms component manufacturing company in Britain.<sup>70</sup>

The development and application of Bull's technology gave South Africa the upper hand against future artillery threats. Armscor's means to offset costs was to make the system available for export.

Given the sensitivity of the arms embargo, Armscor found the willingness of the Chilean military to overlook sanctions extremely useful. It contracted with one of Chile's main arms manufacturers, Industrias Cardoen SA, to manufacture the G5 and G6 under licence. The company

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<sup>69</sup> For the role of the Bird government in relation to State Research Corporation, see David Fig, "Dossier on Antigua and Barbuda prepared for the National Union of Mineworkers of South Africa", Cape Town: International Labour Research and Information Group, March 1985.

<sup>70</sup> Fiametta Rocco and Tom Flannery, "Phantom empire of a bomb maker", *Independent on Sunday*, 16 June 1991, pp. 12-14.

president, Carlos Cardoen, had helped to build up the Chilean arms industry during the Pinochet era, when the country was faced with an international arms embargo.

In addition to the G5 and G6, the relationship established with Armscor facilitated Cardoen's production of weapons like the cluster bomb and the battle helicopter which had been displayed to the Chileans at FIDA-86. This came at a time when Iran and Iraq were engaged in an 8-year war. Armscor could not have been seen to have made direct sales to either side, both sworn enemies of its Israeli collaborators. One option was to utilise the link with the Chilean manufacturers.

Cardoen realised the potential of such weapons to the Saddam Hussein government in Iraq, which was then also the object of an official Western arms embargo. Through a Lebanese intermediary called Nasser Beydoun, lines of communication were opened with Saddam Hussein. Seeking advanced technology at any price, the Iraqis turned to Cardoen, grateful for the company's low international profile and its discreet approach to its international sales.

Industrias Cardoen passed on technology directly to Iraq. For example it built for the Iraqis a cluster bomb factory outside Baghdad. The company also acted as an intermediary in obtaining Armscor technology for Iraq in the form of the G5 and G6. Iraq purchased this equipment through Cardoen. In payment, Saddam provided oil to South Africa.<sup>71</sup>

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<sup>71</sup> The Stockholm International Peace Research Institute claimed that South Africa was also supplying the Iranians, with between 300,000 and 400,000 155mm artillery shells and spare parts for its F-4 Phantom fighter aircraft, in exchange for oil. *SIPRI Yearbook 1987: world armaments and disarmament*, Oxford: Oxford University Press, 1987, p. 199.

Through a Florida-based property and management group, Swissco, which US Customs believe was a front for Industrias Cardoen, sensitive military technology was provided to the Iraqis. With possible help from Armscor, Cardoen had developed a project to produce attack helicopters for sale to Iraq. Soon after visiting FIDA-90, Jonathan Moyle, a British journalist with defence connections who was keen to discover information about the helicopter, was found dead in his Santiago hotel room.<sup>72</sup>

Moyle was not the only person connected to the Cardoen deals to have died in controversial circumstances. Dr Gerry Bull himself was assassinated in Brussels on 22 March 1990, in the midst of arranging Iraqi acquisition of the "supergun" which he was involved in designing and installing. On 18 July 1991 months later, former deputy prime minister of Belgium André Cools was shot and killed after investigating a Belgian company's provision of propellants necessary for the functioning of the "supergun".<sup>73</sup> Whether these deaths were connected, whether they were perpetrated by Iraqi or Israeli agents or others, they remain cause for some speculation. However the deaths are a clear indication of the enormous stakes invested in the underground international arms trade connecting Chile and South Africa with Iraq.

Chile has therefore acted as an intermediary in the provision of South African armaments to the Iraqi government, and perhaps to others. In this way Armscor has been able to extend its international dealings to the point where it exported, for example, R1.8 billion worth

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<sup>72</sup> David Akerman, "Lethal weapons", *Weekend Guardian*, 3-4 August 1991, p. 5.

<sup>73</sup> *The Independent*, 5 August 1991.

of weapons to 23 countries in 1987 alone.<sup>74</sup> It claimed to be the largest single exporter in South Africa's manufacturing industry.<sup>75</sup> From its inception in 1977, Armscor has grown into one of the world's ten largest arms manufacturers. The part played by the relationship with the Chilean military and private arms manufacturers certainly helped Armscor to achieve this position.

## 11. THE FISHING INDUSTRY

The entry of the South African fishing industry into Chile from the late 1970s arose through a combination of circumstances. On the one hand the industry was suffering great losses due to the collapse of the formerly lucrative Namibian fishing resource in which it had invested very heavily. Of necessity it could not afford to leave capital tied up in unproductive assets. The imperative to relocate was substantial.

On the other hand there were good reasons why it was Chile which became the main destination for capital exports of the South African fishing industry. The Chilean fish resource was reputedly one of the richest in the world. The Chilean military regime's recent opening of the national economy to unbridled direct foreign investment acted as a further incentive. Warm relations between the junta and Pretoria meant the likelihood of future economic sanctions was remote, and therefore that investment in Chile would be a safe option.

### a. The South African fishing industry

Fishing is a predatory industry, somewhat akin to hunting. It is also an industry subject to rapidly

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<sup>74</sup> *Cape Times*, 21 January 1988.

<sup>75</sup> *Business Day*, 22 January 1988.

oscillating business cycles. As such it involves high risks and occasionally very high profits. In South Africa the industry is highly monopolised, with half a dozen major fishing corporations and a small number of more modest-sized independent companies. The high capital costs and difficulties of competing with the monopolies make it financially prohibitive for new companies to enter the industry.

Some of the larger fishing groups are subsidiaries of even larger, more diversified food sector companies. Marine Products, for example, is part of Fedfood, a subsidiary of the large mining finance house Gencor. Others such as Saldanha Bay have their origins in family firms and have not yet been acquired by the giant corporations. A key firm in this story was that of the Ovenstone family, who sold their fishing holdings during the 1980s.

The firms compete for a finite fish resource, whose size is anticipated by the Department of the Environment's Sea Fisheries Division. This same body determines the quotas allocated to each firm, usually based on a proportion of the previous year's quota. Because of the pre-set quotas, the firms do not really compete in South African and Namibian waters. They often engage in joint ventures, and there is a combined distribution network for marketing canned fish and fishmeal products, Federal Marine. Thus there is a degree of oligopoly and vertical integration.

The fishing corporations have their headquarters in Cape Town. They operate fleets and processing plants mostly along the Atlantic coast as far north as Walvis Bay, a South African-controlled enclave and the only deep-water port on the Namibian coastline.

b. Namibia's fishing resource.

Prior to the independence of Namibia, South African fishing fleets were very active in Namibian waters. Whilst the territory remained under South African control, the companies were able to operate processing and canning plants at Walvis Bay and Lüderitz. They also obtained rights from the South West African authorities to quotas controlling the amount of fish caught.

Until the 1980s, the Namibian fishing grounds ranked amongst the most lucrative in the world. They attracted fleets not only from South Africa, but from Eastern and Western Europe, Japan, South Korea, Israel, Iraq and Cuba. Despite UN declarations on the international illegality of exploiting Namibia's natural resources, the UN had no power to deal with infringements. The South African authorities had no interest in conserving the Namibian fishing grounds nor in implementing UN policy.

In 1976 the fishing resource began to collapse, owing to overfishing and to the killing off of plankton due to unusually cold water temperatures. A reduction in quotas was applied to the fishing corporations. By 1981, the officially determined quota on pilchards had fallen to zero, and the 1982 quota was filled within two months of the opening of the pilchard season.

A number of the corporations had to develop strategies of survival. They had been left with redundant fleets, canneries, processing plants and warehouses in Walvis Bay and Lüderitz. Some companies joined forces in order to rationalise their assets in Walvis Bay, for example Ovenstone and General Development Corporation. Other solutions were to put factories into mothballs, or to transfer plant to other installations. A third solution was to find an alternative to the depleted Namibian resource by establishing subsidiaries abroad.

### c. The Chilean option

The ideal choice for most companies was Chile. There were four main reasons for this: (i) perceptions about the wealth of Chile's fishing grounds; (ii) the prior historical experience of South African investment in the Chilean fishing industry; (iii) the favourable investment environment which the Pinochet regime offered to foreign corporations; and (iv) the warm relationship which the junta developed with Pretoria facilitated confidence amongst the South African companies in regarding Chile as a secure destination for their investments.

#### c. (i) CHILEAN FISHING WEALTH

A key figure in urging the South African fishing companies to invest in Chile was Dr C J ("Peter") Molteno, a former International Director of the Chilean Institute of Fisheries Development. Molteno had initially been seconded to Chile by the Food and Agricultural Organisation of the United Nations.

His detailed knowledge of the Chilean resource prompted an enthusiastic recommendation that South African companies should participate in the growing boom in the Pacific coastal fisheries. Molteno based his recommendation on the rapid increase in the stocks of pilchards and mackerel in Chilean and Peruvian waters. Although acknowledging the possibilities of fluctuating fish population trends, Molteno raised optimism about the existence of a combination of conditions in the marine environment from 1977 which, if continued for a sufficient period, would allow investors in the industry to "make a killing".<sup>76</sup>

As a descendent of a former prime minister of the Cape of

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<sup>76</sup> Interview with the late Peter Molteno, 15 December 1983. Also see *South African Shipping News and Fishing Industry Review*, March 1979, p. 35.

Good Hope, and in his own right a marine biologist of international standing, Molteno's credentials were unlikely to remain ignored by the industry.

c. (ii) HISTORICAL PRECEDENT

The historical precedent dated from 1961, when the Ovenstone group had participated in a joint venture, Industone, with a Chilean company. In July 1963 it established a factory at Iquique to process 50 tons of fish an hour. Most of the machinery and equipment for the factory was manufactured in South Africa, and Ovenstone supplied the technical staff for its construction and for training local workers. South Africans were also brought in to run the small fishing fleet.<sup>77</sup>

Ovenstone was the first foreign company to enter the Chilean fishing sector. But timing was bad. Abnormally high water temperatures due to the El Niño current<sup>78</sup> led to a run of disastrous fishing seasons. Another setback was the indiscriminate issuing of fishing licences by the Chilean government, which hampered the company's profitability. Industone was forced to contract its operations by the mid-1960s. By 1968, losses of assets had amounted to R1.2 million. Ovenstone decided to cut its losses and sold its holdings in the Chilean company.

The company's connection with Chile was, however, maintained. During the period of Industone's existence,

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<sup>77</sup> See *Finance and Trade Review* 5, 2 (Pretoria), June 1962; John R Shorten, *Cape Town: a record of the mother city from the earliest days to the present*, Cape Town: Shorten, 1963, p. 486.

<sup>78</sup> The current causes warm oxygen-deficient water to form a blanket over the cooler nutrient-rich waters of the upwelling Humboldt current. Its presence off the coast of Peru in 1972 brought disaster to that country's anchovy-based fish meal and oil industry, whilst affecting the Chilean resource to a lesser extent.

the Ovenstones were appointed honorary consuls for Chile in Cape Town. Thus at least one of the major fishing companies had experience of the Chilean commercial and industrial environment and continuous contact with its government institutions.

The coming to power of the Popular Unity government under Salvador Allende in 1970 acted as a disincentive for new foreign investment in Chile. Popular Unity had a radical programme to nationalise large industrial enterprises, the most important distributors, and the banking sector.<sup>79</sup> At first it was only the copper companies which were brought under state ownership, a policy which was supported by the centre-right opposition, the Christian Democrats. But as class conflict intensified, political pressures forced Allende to extend state ownership of other industrial sectors.

Chilean entrepreneurs responded with a "bosses' strike", aimed at weakening Popular Unity control over the economy and the government. The strike involved a withdrawal of capital and curtailment of production. Under pressure from organised workers, the Popular Unity government reacted by taking over more companies and putting them back to work. By 1972, the government had nationalised the former Ovenstone holdings.

Within a year of this, Allende's government had been overthrown. The new right-wing military junta embarked on a programme to privatise, deregulate, and open the Chilean economy to international trade and financial

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<sup>79</sup> Pilar Vergara, "Changes in the economic functions of the Chilean state under the military regime", J Samuel Valenzuela and Arturo Valenzuela (eds), *Military rule in Chile: dictatorship and oppositions*, Baltimore: Johns Hopkins University Press, 1986, p. 87.

flows.<sup>80</sup> As part of this programme, exchange controls were eliminated and foreign investment openly encouraged.

In its efforts to oversee the denationalisation of the fishing industry, the junta looked to foreign companies for capital. It invited the Ovenstones to resume their fishing activities in Chile and to increase their investment if they so wished. The go-between was a Chilean national, Mr Jaime Charles, who had fled to South Africa after the Popular Unity victory.<sup>81</sup> Ovenstones took up the junta's offer in 1979, shipping a cannery to Chile, part of which was reconstructed in Iquique and part in Talcahuano.

Ovenstone also transported a fish meal factory ship belonging to an associated company to Calderilla Bay near Caldera. It converted the ship into a dumb barge for legal and economic reasons. It took up a 49% shareholding and a management contract in the operating company, Pesquera Playa Blanca. It reserved the right to increase its stake in the company to 66%. In mid-1983 it set about building a small labour intensive cannery on shore close to where the barge was moored.<sup>82</sup>

With these investments, the company's fortunes in Chile had been restored. The other South African fishing companies were impressed enough to consider investing in Chile themselves.

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<sup>80</sup> Alejandro Foxley, "The neo-conservative economic experiment in Chile", J Samuel Valenzuela and Arturo Valenzuela (eds), *Military rule in Chile*, p. 13.

<sup>81</sup> *Cape Times*, 23 February 1975.

<sup>82</sup> The ship, originally named *L'Interpeche* had at one time been owned in conjunction with Slater Walker and operated off the coast of Mauretania in West Africa. See *Financial Mail*, 20 August 1982; *South African Shipping News and Fishing Industry Review*, January 1983, p. 25.

c. (iii) STATE-TO-STATE RELATIONS

The warm relationship between the Chilean junta and the increasingly militarised South African state was another factor which persuaded the South African fishing industry that any investment it might make in Chile would be safeguarded.

The industry calculated that there would be little threat of nationalisation under the military, and neither was the implementation of UN economic sanctions against Pretoria a likely prospect. It was not anticipated that Chile would single out South African investment for adverse treatment. The authoritarian nature of the Chilean state also guaranteed that trade union behaviour in the fishing sector was unlikely to become a threat to the industry's price structures based on cheap labour.

Thus the fishing companies benefited directly from friendly state-to-state relations, and unlike in many parts of the world hostile to apartheid, the investments could proceed as if both countries were "normal", without any stigmas accompanying their pariah status in the international community at the time.

In turn, the extent of the South African investment in the Chilean fishing industry cemented relations on a state-to-state level. Government officials in the Sea Fisheries ministries in each country began to collaborate on a systematic basis, exchanging visits and research results. Chile was particularly interested in official resource conservation techniques, in the quality control methods of the South African industry, and in the work of the South African Bureau of Standards.<sup>83</sup>

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<sup>83</sup> *The Argus*, 29 May 1986.

c. (iv) FAVOURABLE INVESTMENT ENVIRONMENT

A fourth incentive for these companies to consider Chile was the favourable investment environment which the new regime offered.

In evaluating the different possibilities for the destination of their investments, fishing executives engaged in somewhat homespun risk analysis. Aside from Chile there were four other options, but each of these was dismissed in turn.

Australia was rejected due to its high-tax regime and, from the time of the the Whitlam government, perceived hostility to South African investment. Britain was also rejected on the strength of perceptions of its trade union movement being too militant. Argentina seemed unstable and chaotic under the second regime of Juan Perón, and that of his third wife and successor, Isabel Perón.<sup>84</sup> The Willem Barendsz fishing company had encountered problems in attempting to sell a fishing factory-ship to an Argentine group.<sup>85</sup> Peru had decided to nationalise its fishing fleet, thus there were no openings there for capital investment.

Unlike the other options, Chile's firm military government had seen to it that there were no inconvenient trade unions demanding high wages or sound working conditions. The economic nationalism of the Allende period was put aside, and Chile made it easy for foreign firms to obtain local investment finance. The tax regime was favourable, allowing foreign corporations to choose their own level of taxation with only two possibilities

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<sup>84</sup> Also known as Maria Estela Perón, she became president of Argentina after Juan Perón's death in 1974.

<sup>85</sup> *Rand Daily Mail*, 9 October 1973: *South African Shipping News and Fishing Industry Review*, November 1973, p. 43.

for minor upward revision. Chile resigned from the protectionist Andean Pact bloc whose Decision 24 had restricted the repatriation of profits. This conflicted fundamentally with the junta's new Decree Law 600 which allowed profits to be repatriated subject to a relatively low tax of 30%.<sup>86</sup>

These incentives caused a number of South African fishing corporations to follow the Ovenstone lead into Chile. The potential for repatriating profits was particularly attractive, although in the initial stages of the investments the companies preferred to use any profits for loan repayment, reinvestment and offsetting of losses.<sup>87</sup>

#### d. Extent of South African investment

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

The return of Ovenstones 1979 prompted other companies to consider investments in Chile. A deal was struck between Fedfood (the parent company of Marine Products) and another fishing group, Kaap-Kunene, whereby R6 million would be committed to a joint venture with a Chilean fishing company, Empresa Pesquera Tarapaca. Investments were made in a cannery at Iquique, Pesquera del Norte, and in a fish meal concern, Pesquera Caldera, at Caldera itself, which received dismantled reduction plant equipment from the General Development Corporation at Lüderitz. Trawlers were also sent from Namibia to supplement the fleet at Caldera.

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<sup>86</sup> ProChile, *Chile for investors*, Santiago: ProChile, 1982, esp. pp. 27-33. ProChile is the export promotion agency of the Chilean government.

<sup>87</sup> Interview with fishing company accountant, Cape Town, 21 December 1983.

However within three years this investment had run into trouble owing to the financial difficulties of the Chilean partner and the general conditions of recession in Chile. Although the canning plant had entered operation, the fish meal project at Caldera had to be delayed. R1.4 million had to be set aside in 1982 to cover anticipated losses.<sup>88</sup>

The same Chilean partner, Humberto Camelio, also struck up a deal with a consortium known as United Fishing Enterprises. This is made up of three shareholders, Swafil, Seaswa (Oceana group), and Sarubar (jointly run by Sarusas and Willem Barendsz). With the bankruptcy of Camelio, Seaswa and Willem Barendsz moved in to acquire the Chilean assets, such that the company, Pesquera Coquimbo Dos, became wholly South African-owned. The port of Coquimbo is the site of a cannery and reduction (fish meal and oil processing) plant, shipped from Walvis Bay. It was installed during 1980-1, and entered production in March 1982. Although Oceana did not anticipate further operating losses, it nevertheless set aside R220 000 to cover possible exchange losses on its outstanding foreign loan. This loan was contracted to assist with the purchase of the company's share of Camelio's assets.<sup>89</sup> First profits from the investment came in 1983 to the tune of US\$1 million.<sup>90</sup>

The canned fish and fish meal is sold on the world market and much of it finds its way to South Africa, such that a new shipping line was initiated in March 1981 to cover

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<sup>88</sup> *Die Transvaler*, 21 February 1981; *South African Shipping News and Fishing Industry Review* 36, 8, August 1982, pp. 26-27; *The Star*, 7 April 1983.

<sup>89</sup> *South African Shipping News and Fishing Industry Review*, August 1982, pp. 26-7; Oceana Group, *Annual Report 1983*, p. 7.

<sup>90</sup> *Financial Mail*, 18 May 1984, p. 37.

the Peru-Chile-South Africa route.<sup>91</sup> Peru provided the largest quantities, and the canned fish products were imported through the industry's sole marketing agency Federal Marine, jointly owned by the fishing companies themselves. Imports began in 1978 after domestic production had fallen below public demand. Federal Marine sent quality control personnel to Peru and Chile to upgrade production and packing to South Africa standards. In Peru this was later formalised when Federal Marine set up a company staffed by nationals of Peru; in Chile, South Africans were placed in supervisory roles.<sup>92</sup>

By 1985, Ovenstone reported to its shareholders that its "international fishing and related activities were the largest contributor to profits, although international fishmeal prices were at their lowest since 1972". But by then the trend in fishmeal prices had begun to reverse. Optimism had allowed Ovenstone to modernise its Chilean operations in order to reduce production costs.<sup>93</sup> Ovenstone's combined Chilean operations had developed facilities to process 170,000 tons of fish, over seven times the capacity of the total quota of 24,000 tons allowed in South African-controlled waters.<sup>94</sup> e

The slow rehabilitation of the Namibian fish stocks, together with disappointments in the profitability of the Chilean operations, led most of the South African investors to withdraw from Chile by the late 1980s. With the normalisation of the Namibian fishing industry after f

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<sup>91</sup> *Financial Mail*, 2 October 1981, p. 83.

<sup>92</sup> *South African Shipping News and Fishing Industry Review*, March 1981, p. 31.

<sup>93</sup> *Ovenstone Group Limited, Interim report to shareholders for the six months ended 30 September 1985*, Rondebosch, 8 November 1985.

<sup>94</sup> *The Argus*, 17 July 1986.

Americas, which enjoyed strong links with the US trade union movement, the AFL-CIO, demanded a boycott of all Chilean imports and exports. In December 1978 it came to the attention of the South African Foreign Trade Organisation (SAFTO), the exporters' association, that the ORIT boycott would begin the following month.<sup>97</sup>

SAFTO's Latin American area manager advised all member firms that

It seems that all North and South American trade unionists are considering a boycott of Chilean imports and exports... Even the threat of such action favours moves by South African companies to open up market opportunities in Chile.<sup>98</sup>

Part of the trade relationship thenceforth rested on a confederacy of sanctions-busters.

Another shorter term cause for the growth of bilateral trade was the situation in Argentina, where vice-president Isabel Perón had taken power after the death of her husband Juan. Inability to control the economy, combined with prolonged political tensions within the Peronist movement, led to mass strikes, the interruption of production, and the eventual military coup in 1976. The Argentine forces had instituted a Chile-style reign of terror, the so-called dirty war, principally aimed against the armed Peronist left, but with more severe consequences for other sections of the left, the human rights movement, church activists and organised labour.

For some years the political tensions and repression in Argentina had affected productivity. Disruption of production had curtailed exports and led to the

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<sup>97</sup> Telex from Richard Kern-Martin, Buenos Aires, to SAFTO head office, Johannesburg, 12 December 1978.

<sup>98</sup> SAFTO Headline Bulletin 124, 28 December 1978.

unavailability in Chile of some Argentine supplies, spare parts and components for automotive, infrastructural and other purposes. This factor, claimed SAFTO, enhanced the prospects for South African exporters to the Chilean market.<sup>99</sup>

Despite threats of international boycotts, from mid-1979, as part of the Chicago boys' effort to open the Chilean economy, the treasury began to liberalise tariffs, making it easier for foreign manufacturers and traders to consider Chile a worthwhile export market. "A major development in the region," according to SAFTO chair Charles Skeen, "has been the radical change in market conditions in Chile, which now offers excellent opportunities for South African companies."<sup>100</sup>

From 1976, South African exporters had been attending the annual international trade fair, FISA, which takes place in Santiago each October and November. The 1979 fair was attended by the South African secretary for commerce, Tjaart van der Walt, and attracted more than a two dozen South African exhibitors.

By mid-1980 sufficient trade had been generated to establish chambers of commerce in both countries. The Chilean-South African Chamber of Commerce was set up in Santiago in late June, whilst the Chile section of the South Africa-South America Chamber of Economic Relations was inaugurated in Johannesburg on 3 July 1980.<sup>101</sup> Consul-general Captain Carlos Ashton addressed the founding meeting of the Chile section, informing the

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<sup>99</sup> SAFTO Headline Bulletin 117, 26 September 1978.

<sup>100</sup> SAFTO, Annual Report 1978, quoted in *Financial Mail*, 24 November 1978.

<sup>101</sup> *Rand Daily Mail*, 4 July 1980; interview with Bess Robertson, secretary of the South Africa-South America Chamber of Economic Relations, Johannesburg, 30 May 1985.

audience about Chile's economy and the opportunities for trade and investment.

Analysing the 1979 trade statistics, Ashton remarked on the value of the trade for that year being well above US\$ 25 million, a 150% increase on 1978, consisting mostly of "rather traditional" products. Chilean imports into South Africa were largely herbs, canned fish, molybdenum, wood pulp and glassware, whilst South African exports to Chile consisted mainly of base metals and minerals, chemicals, textiles, plastics and machinery. He commented that there was still much room in the South African economy for Chilean imports, yet Chile had not yet made a serious effort to market its products in South Africa.<sup>102</sup>

One weakness was the transport system, which could scarcely cope with larger volumes of trade. At the time there were two regular shipping lines operating directly between South African and Chilean ports, whereas no lines operated directly on the return journey. Chilean goods had to go across the Pacific via Singapore or be transshipped at greater cost in Buenos Aires, Montevideo or a Brazilian port.<sup>103</sup>

Ashton also announced that a trade delegation organised by the Chilean-South African Chamber in Santiago would be visiting South Africa in the latter half of the year. Sponsored by GEC Woods Fans, a South African subsidiary jointly owned by GEC and Barlow Rand, the delegation arrived in late September.<sup>104</sup> In an interview with a Johannesburg newspaper, a member of the delegation, Mário

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<sup>102</sup> *Address by the Consul General of Chile, Mr C Ashton, to the South Africa-South America Chamber of Economic Relations, Johannesburg, 3 July 1980*, pp. 8-9.

<sup>103</sup> *ibid.*, p. 13.

<sup>104</sup> *Financial Mail*, 10 October 1980.

Rodrigues, reflected on its findings:

the technology the group has seen in South Africa appears very well suited to developing countries in the sense that it is simple and intended for operators with low skills. This makes the South African equipment and know-how very attractive to us and, in some cases, more agreeable than the technology we can purchase from the most developed countries.<sup>105</sup>

The extended contact the delegation had with South African industrialists, consulting engineers and export managers boosted the potential for higher levels of trade.

In line with the upgrading of diplomatic relations, in April 1981 South Africa appointed its first trade representative in Santiago. This enabled a systematic flow of commercial information from Chile to the Department of Industries and Commerce in Pretoria to occur, destined to inform South African exporters about opportunities in the Chilean market.<sup>106</sup>

As in the case of Brazil, trade not only followed the flag, but also investment. The purchase by the Anglo American Corporation of a 40% share in the Panama-registered mining interests of the Hochschild group, Empresas Consolidadas Sudamericanas, in 1981, established a South African presence in the private sector of the Chilean copper mining industry. Empresas owned a controlling 72.6% shareholding in the Mantos Blancos copper mine, 45 km north-east of the coastal city of Antofagasta.

In Chile, the copper mining industry is divided into three sectors by size of operation. The four largest

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<sup>105</sup> *The Citizen*, 2 October 1980.

<sup>106</sup> *The Star*, 8 June 1981.

copper mines<sup>107</sup> form the "Large Mining Sector" which remains under state ownership through the national copper corporation, Codelco-Chile. In cases where there had been progressive nationalisation within this sector during the 1967-73 period, expropriation payments were made by the military government to former foreign owners. The "Medium" and "Small" sectors were denationalised after 1973 and sold off to private enterprise. The government announced that all new mining projects, irrespective of size, would fall under private ownership.

The company which Anglo acquired, Empresa Minera de Mantos Blancos, had never been nationalised.

TABLE 7.2

CHILE'S MAIN COPPER PRODUCERS BY OUTPUT, 1985-93				
Company	Ownership	Fine copper ('000 metric tonnes)		
		1985	1989	1993*
Codelco	State-owned	1,077	1,243	1,320
Enami	State-owned	102	120	120
La Escondida	Broken Hill/RTZ			320
Disputada &				
El Soldado	Exxon Oil	74	120	205
Mantos Blancos	Anglo American	70	75	100
Pudahuel	Chilean private	37	14	21
La Candelaria	Phelps Dodge/Sumitomo			90
Quebrada Blanca	Cominco (Canada)			44
La Záldivar	Outokumpu (Finland)			40
El Índio	Lac (Canada)		33	35
Others			46	70

Sources: Enrique Valenzuela, "The rôle of copper in Chile's economy", *Optima* 34,4 (December 1986), p. 222; Economist Intelligence Unit, *Chile country report* 2, 1990, pp. 15-16.

\* Projected output

<sup>107</sup> Chiquicamata, Potrerillos/El Salvador (both formerly owned by Anaconda), Andina (ex-Cerro Corporation), and El Teniente (ex-Kennecott).

Chile is said to possess 25% of the world's known copper reserves, and produces around 15% of the world's copper supply. Within the industry, Mantos Blancos accounted for a little over 2.2% of Chile's copper output in 1989, and despite expansion, this share will only rise slightly as other new mines come into being in the immediate future. (See Table 7.2) The large La Escondida and other smaller projects will raise the private sector's financial share of the copper mining industry from 41% in 1991 to almost 50% by 1994.<sup>108</sup>

In 1986, the Anglo American Corporation and its associated companies, De Beers and Minorco, purchased the balance of the Empresas Consolidadas Sudamericanas holdings from the Hochschild group. Empresas became the holding group for all Anglo interests in Latin America, and was renamed the Anglo American Corporation of South America Limited (AMSA), with offices in Rio de Janeiro, Buenos Aires and Santiago.

AMSA's Chilean operations were devoted to two projects: the Mantos Blancos copper mine, and gold prospecting in the Andes.

The increasingly buoyant copper prices in the late 1980s, combined with substantial new investment in the mine, meant that the Mantos Blancos played a significant part in developing AMSA's attributable earnings. These rose from US\$ 29 million in 1986 to US\$ 64 million in 1987 and further to US\$ 130 million in 1988, "principally due to the performance of Mantos Blancos which benefitted from the strong copper price."<sup>109</sup>

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<sup>108</sup> Economist Intelligence Unit, *Chile country profile 1991/2*, London: EIU, 1991, p. 21.

<sup>109</sup> Minerals and Resources Corporation, *Annual report 1989*, Luxembourg, 1989, p. 17.

AMSA's other Chilean project, the Marte or Tres Cruces gold mine, was another potential money spinner. Although the company had placed substantial investment in the prospecting and infrastructure, the mine was expected to go into operation in late 1989, and to produce 2.9 tonnes (equivalent to 90,000 oz) of gold per year from 1990 onwards.<sup>110</sup>

However when AMSA's net earnings dipped to US\$ 107 million in 1989, part of the reason given was "the commissioning and metallurgical problems at the Tres Cruces gold mine in Chile".<sup>111</sup> The mine was only operating at 28% of its capacity during 1990, because of the inability of its systems to process ore at the required rate. Anglo agreed with its investment partners, Cominco Resources of Canada (25.7%) and Chemical Bank (20%), that it would take sole responsibility for further operating losses, which might include the costs of closure. Cominco was considering legal action against Anglo, which had carried out the original exploration and feasibility studies, in order to recover its losses.<sup>112</sup>

Another South African mining company, Gold Fields of South Africa, also suffered setbacks in its Chilean investments. It sought to develop a large gold deposit, regarded as having the potential to be the richest in the country. However the company experienced delays due to land disputes. Gold Fields suspended its geological activities during 1987, but remained interested in the

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<sup>110</sup> Anglo American Corporation of South Africa Limited, *Annual report 1988*, Johannesburg, 1988, p. 7.

<sup>111</sup> Minerals and Resources Corporation, *Annual report 1990*, Luxembourg, 1990, p. 20.

<sup>112</sup> Economist Intelligence Unit, *Chile country profile 3, 1991*, London: EIU, p. 18.

project.<sup>113</sup>

Both of Anglo's mining projects had, however, sourced a number of their components from South Africa. Many of the South African companies exported to Chile in the wake of the AMSA investments, first to satisfy the needs of the Mantos Blancos project, but later servicing the Chilean mining industry as a whole.

For example, a Johannesburg-based firm, Delkor Technik, exported equipment for copper cementation to Mantos Blancos from 1981, and later obtained contracts to supply horizontal bed filters to the Carolina de Michilla and the Exxon-owned La Disputada copper mining complexes.<sup>114</sup>

South African exporters were also urged to take advantage of the high levels of new state investment in the Chilean "Large Mining Sector" in the mid-1980s.

In what was hailed as the largest steel shipment from South Africa ever, the country's largest private steel company, Macsteel International exported 12,000 tons of round steel bars to Chile for use in the manufacture of grinding balls, an essential item in crushing plants for the extraction of copper.<sup>115</sup>

One of South Africa's leading plastics manufacturers, Gundle, obtained a number of contracts in Chile. "One of these contracts is at the Chiquicamata copper mine - one of the largest open-cast operations in the world", claimed the company's marketing director. In this case

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<sup>113</sup> *Business Day*, 19 November 1987.

<sup>114</sup> *Mining Magazine*, June 1983; *Sunday Times* (Johannesburg), 5 August 1984.

<sup>115</sup> *Robertson's Freighting Schedules*, 15 March 1982; *New Frontiers*, June 1982, p. 1.

Gundle had to supply high density polyethylene sheeting to be used in the heap leaching process. In tests, the University of Santiago had found the Gundle product the only one which could withstand high pressure and corrosion.<sup>116</sup> In addition to the copper industry, Gundle also supplied R100,000 worth of plastic film and other machinery to Chile.

GEC Woods Fans, the company which had sponsored the visit of the Chilean trade delegation in 1980, also gained a number of contracts to supply mining ventilation systems to the Chilean mining industry. By mid-1981 it was reported that "a major mine in Chile had bought several multi-stage Aerofoil mine ventilation fans" from the company.<sup>117</sup>

A number of non-mining export contracts derived from successful participation in the Santiago trade fairs. In particular, there were large contracts for the supply of industrial lighting, corrugated cartons for the apple industry, wine making equipment, and wool for Chilean textiles.<sup>118</sup>

Investments in the mining industry were not the only ones to draw South African goods and services to Chile. In the wake of South African companies investing in the Chilean fishing industry, a number of auxiliary industries were also attracted to doing business in Chile.

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<sup>116</sup> *The Citizen*, 23 July 1982. Also see *The Star*, 15 September 1980; *Sunday Times* (Johannesburg), 25 October 1981.

<sup>117</sup> *Tradelink*, September 1981, p. 14.

<sup>118</sup> See *Construction Week*, 13 July 1982; *Credit Notes*, November 1982; *Engineering Week*, 31 January 1985; and *Food Review*, February-March 1985. The purchase of wine making equipment was reported in the *South African Financial Gazette*, 2 April 1976.

Fishery equipment and technology produced in South Africa is fairly advanced. Deck equipment exported to Chile has been able to cut purse seining time from 70 to 35 minutes.

The first of the fishing equipment manufacturers to export to Chile was Rock Engineering, whose initial consignment of stickwater plants and a dryer went to the Ovenstone plant in 1964. True to pattern, other Chilean fish processors then bought three more stickwater plants and a dryer. In the early 1970s, Rock exported to Ecuador and licenced a Peruvian company to build stickwater plants according to its own design. Rock also introduced automatic fish packing equipment to replace hand-packing in Latin American plants. In 1979 Peru purchased all the main components from Rock for four large canneries. And in 1980, it sold another three stickwater plants to Chile.<sup>119</sup>

Other South African companies sold purse seine nets, net handling systems, hydraulics, windlasses, and fish offloading equipment.<sup>120</sup> In addition, South African technology and machinery has been used to expand the can manufacturing industry in Chile, especially aimed at fish canning. Metal Box South Africa in 1980 purchased 50% of a holding company Lota Schwager for US\$ 4 million. Metal Box supplied the holding company and one of its subsidiaries, Fabrica de Envases SA (FESA), with new technology canning equipment at Talcahuano and Iquique. In 1983 it increased its Chilean investments by rescuing FESA following huge losses made by the company due to unfavourable exchange rates depressing the market for exports of Chilean canned fish. The risk taken in

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<sup>119</sup> *South African Shipping News and Fishing Industry Review*, March 1981, p. 25.

<sup>120</sup> *ibid.*, pp. 25, 27, 31; November 1981, p. 19.

guaranteeing FESA's losses was offset against the fact that the peso had since been devalued by 90% in relation to the US dollar.<sup>121</sup>

In early October 1987, Barend du Plessis, the South African finance minister, paid a three-day visit to Santiago and predicted that bilateral trade and South African investments in Chile would continue to grow in the future. Accompanied by the ministry's director-general Chris Stals, du Plessis met the ministers of finance, economy and planning, the central bank president, and other officials in the finance sector. In an interview du Plessis stated that

Despite the fact that South Africa is not a capital-exporting country, we do permit our businesses to invest in other countries under the same conditions as ours, and from this point of view Chile has great potential.<sup>122</sup>

Du Plessis was indicating that South Africa regarded Chile as a highly favoured destination for its carefully regulated capital exports.

Chile's trade, like that of South Africa, is largely oriented towards the North. The European Community, the United States, Canada and Japan account for the bulk of Chile's trade. While South Africa is not one of Chile's major trading partners, nevertheless there has been a steady increase in commercial relations between the two countries. These flourished under conditions of mutual isolation and official ideological congruence, and in which the military exercised substantial power. The lucrative arms trade was given a filip by the close military links. Large investments of South African capital in mining, construction and fishing attracted

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<sup>121</sup> *Daily News*, 28 July 1980; *The Star*, 28 July 1980, and 21 June 1983.

<sup>122</sup> *The Globe and Mail* (Toronto), 5 November 1987.

### 13. CHALLENGING THE RELATIONSHIP

Unlike the relationships with other Latin American countries, South Africa's links with Chile attracted great attention after 1973. This was due largely to the openness of the military nature of the relationship, as well as to both countries' mutual and extensive violations of human rights. The almost congruent doctrines of national security, anti-communism, and the attempted extermination of all opposition, had caused comparisons to be drawn and had earned both regimes a position of isolation in the international community.

As opposition to Pinochet mounted inside Chile, especially after 1983, militants turned to more active tactics: street protests, general strikes, and demonstrations of the use of force. Although Pinochet survived an assassination attempt, he was deeply shocked by the extent of the armed opposition's intelligence and logistics.

As part of a show of force, armed sections of the Chilean opposition engaged in a bombing campaign in late July 1985. Although mostly directed against the US consulate in Santiago and outlets of US multinationals such as the Chase Manhattan Bank and International Telephone & Telegraph (ITT), for the first time the bombers also targeted the Chilean offices of a South African corporation.

Unsurprisingly the target was the Anglo American Corporation, engaged in copper mining in Chile. "This was the first terrorist attack we have ever suffered in Chile," claimed company manager Hector Tortosa.

According to Chilean police, leaflets released by the bombs credited the Manuel Rodriguez Patriotic Front, a

guerrilla organisation loyal to the clandestine Communist Party of Chile.<sup>125</sup>

In another wave of bombings in July 1988, the South African embassy was targeted, although the bomb was mistakenly planted in a nearby schoolyard, and only damaged a garage at the rear of the embassy building.<sup>126</sup>

Opposition to the relationship inside South Africa did not take an armed form. Instead it took the form of limited public debates about the nature of the two regimes.

In response to the 1985 visit of the *Esmeralda*, an extensive correspondence occurred in the letters column of the *Cape Times* debating the claims that the ship was used as a torture chamber against naval personnel loyal to the constitution after the 1973 coup, as well as the Chilean government's human rights record. In the absence of organisations like Amnesty International inside South Africa, this was the first public challenge to official Chilean and South African versions of the situation.<sup>127</sup>

In September 1986, Chile celebrated its 175th Independence Day. To mark the occasion, the Chilean embassy persuaded the Roman Catholic archbishop of Cape Town to celebrate a special mass at St Mary's cathedral. The embassy advertised the mass as part of its official programme, and invited government and municipal officials, the South African military hierarchy, the diplomatic corps and the Chilean community to

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<sup>125</sup> *Cape Times*, 26 July 1985.

<sup>126</sup> *Cape Times*, 27 July 1988; *The Argus*, 27 July 1988.

<sup>127</sup> "Letters to the editor", *Cape Times*, 4 May, 10 May, 21 May 1985.

participate. The embassy sponsored "advertorial"<sup>128</sup> content in the media praising the junta's salvation of the country.

The blatant use of the church as part of a pro-junta propaganda programme provoked a response on the part of progressive church activists, academics and trade unionists. This grouping petitioned the church to reconsider celebrating the mass in the light of the junta's human rights record, and especially in view of recent persecution of the Catholic church in Chile.

Archbishop Naidoo, recovering in hospital from back surgery, was not in a position to officiate at the mass. Instead the petition was received by Father Roger Hickley, along with filmed evidence of extensive human rights violations in Chile. Although Hickley refused to cancel the mass, he courageously rededicated it to the junta's victims. Embassy officials and their guests were suitably shamed by Hickley's sermon.

The group which had alerted the Catholic church to the reality of the Chilean situation remained in existence, eventually forming a Latin America solidarity network called *Lucha*, the Spanish word for struggle. The group began to meet regularly and organised public information meetings on Latin America.

It became increasingly obvious to the network, which soon attracted a membership of fifty people, that the themes of repression, militarisation and redemocratisation which arose from an examination of the Latin American reality were of great pertinence to conditions and political debates within South Africa.

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<sup>128</sup> A portmanteau term comprised of the words "advertising" and "editorial" in which paid advertising is written up to resemble editorial matter.

Open political organisation of an oppositional nature during the state of emergency was curtailed. As part of the implementation of the tricameral constitution, local elections were scheduled for late September 1988. These elections aimed to place government stooges in power in the new black municipal authorities. The government feared a repeat of the 1984 parliamentary elections in which, after strong campaigns undertaken by the popular organisations, MPs for the two subordinate houses were elected on polls below 20 per cent of the registered electorate. The crisis of their legitimacy had affected the authority with which the tricameral institutions had been regarded. The popular movement felt that illegitimate institutions were being foisted on black people against their will. Sensing the widespread opposition to the elections, and fearing for their disruption, the government decreed that it would be illegal to campaign against the forthcoming municipal elections or to advocate any form of boycott.

By coincidence the plebiscite arranged by Pinochet to endorse his retention of the presidency for a further term of office had been scheduled for early October 1988. The Chilean opposition united to demand the electorate register a "no" vote. The consequences of a "no" majority would be open national elections in December 1989 in preparation for return to civilian rule in March 1990. Hence to secure the process of democratisation in Chile, a "no" majority in the plebiscite was essential.

*Lucha* decided to hold a Latin American cultural day on 14 September to highlight the importance of the plebiscite for the Chilean people. Taking over a community art centre for a day, the organisation arranged a programme of art, music, dance, poetry and food from Latin America as a backdrop to debates, lectures, information and film on the Chilean situation. An exhibition of Latin American

poster art was opened, alongside contributions by a children's art class of their responses to the plight of the Chilean opposition.

A crucial part of the day was a debate on the plebiscite and the South African local elections. Over 400 people attending the day were availed of a chance to discuss publicly the illegitimacy of the South African local elections under the guise of discussing the Chilean situation. This was a unique experience in a political climate which had attempted by all means to suppress debate on the local elections. The expression of solidarity with the Chilean people in their struggle for democracy had refracted in a real sense back onto those who were concerned with democracy at home.

A wider debate, conducted in cultural circles, came to a head the year before. It concerned whether a group of South African artists should exhibit their work at the VIII Valparaiso Biennale in 1987 as part of an official South African state-sponsored entry. The debate was bitter and divided the artistic community around the country.

The objectors were fundamentally critical of the military nature and human rights record of the Chilean government. They felt that participation was a highly charged political act, effectively endorsing an event that was established by the unelected Valparaiso municipality to indicate the "normality" of cultural production under the Pinochet government. Participation would weaken the cultural isolation of the regime, and become an extended expression of the good relations operating at state-to-state level.

At the 1979 State of the Arts in South Africa conference held at the University of Cape Town, attended by artists

and cultural workers, a resolution was taken at the closing session which stated that

It is the responsibility of each artist to work as diligently as possible to effect change towards a post-apartheid society... to refuse participation in state sponsored exhibitions until such time as moves are made to implement the abovementioned change.<sup>129</sup>

It was in line with this resolution that a number of artists had taken their stand not to participate in the competition.

Their critique went on to question official South African government involvement, sponsorship and promotion of the country's participation in the Biennale since its inception. South Africa's ambassadors had been drawn into serving on the local *comité de honor* of the Biennale. Government sponsorship of the South African Association of Arts, through which individual artists receive support, became contingent upon the association's participation in the Biennale. In the 1985 Biennale, a prize won by the South African exhibit was accepted on the artists' behalf by the ambassador.

The critics also objected to the racist management and funding of arts in South Africa. Under the 1983 constitution, arts and culture are considered "own affairs" rather than "general affairs" and fall under the jurisdiction of the three racially separate parliaments and education departments. They felt that state support for non-racial participation in international competitions was masking the segregated cultural policy in force at home.

The remaining participants were also aware of the treatment of a fellow South African artist, Paul Stopforth, at the 1979 Biennale. He had entitled his

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<sup>129</sup> *Weekly Mail*, 12-18 June 1987, p. 23.

submission *Requiem for Allende*, mindful of Allende's long relationship with the city of Valparaiso where he had been a general medical practitioner, and where his original political constituency lay. The South African government expressed strong objections to his title, whereupon the artist renamed the work *Biko*. The government then barred the work entirely from being submitted.

Despite this experience the remaining participating artists issued a declaration stating that they

reject politically oppressive systems wherever they occur...we will exhibit as individual artists and not as representatives of the government...we support the right of all artists to make and exhibit art in any country, without any form of censorship.<sup>130</sup>

The overlay of political contacts and official stakeholdings in successful participation made it extremely difficult for the artists to justify their competing as "individuals".

The controversy was raised within the media, within the different regions of the South African Association of Arts, some of which declined to participate, as well as in academic circles.<sup>131</sup> The debate was to feed into the very vital discussions on the relationship between art and politics which has raged on inside South Africa. It sensitised many working artists, cultural workers, students, curators and art historians to the repressive situation in Chile, and drew attention to the nature of

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<sup>130</sup> *ibid.*

<sup>131</sup> The controversy was raised more fully in an unpublished paper, "Feeding the hand that bites", written by Colin Richards of the University of the Witwatersrand department of art history, Johannesburg, 1987, a copy of which was kindly provided by the author. Richards also engaged in a newspaper debate on the issue; see for example *Pretoria News*, 5 August 1987.

its government's links with the apartheid government.

#### 14. ASSESSMENT

Chile under Pinochet was one of the very few regimes in the world that entered into an active relationship with the apartheid regime. It did so regardless of any international standards of morality and political behaviour, precisely because it rejected those standards. Instead it had its own standards, which were on a par with those which had been implemented for two generations in South Africa.

The rapid militarisation of the South African political process, accelerated during the P W Botha presidency, established a greater degree of understanding between the two regimes. The interlocutors between the regimes were military men. South Africa gave refuge to Chilean officers who were wanted for murder in the United States, and who were potentially liable to extradition from Chile or elsewhere. The South African military-industrial complex received contracts for weapons, sold franchised production lines, and became responsible for the construction of a strategic naval harbour in the extreme south of Chile.

The friendliness of the regimes was certainly a factor in the decision of South African companies to consider Chile as a country worthy of their investment. The junta's attitude to foreign capital, repatriation of profits, taxation and trade unions appealed to those South African fishing companies keen to relocate their Namibian investments.

In the case of Chile, the salience of political and ideological factors was a notable feature in the

relationship with South Africa. Pretoria's military and police leaders were seldom persona grata in other countries, yet in Chile, the warmth with which they were constantly received served to reinforce their self-esteem. The embraces of the Chilean military endorsed their ideology of combatting the "total onslaught" with "total war". In turn they could share useful recipes for repression with the Chileans, and help set up production lines for lethal armaments. Chile could also act as a useful conduit for the South African arms industry to infiltrate politically sensitive markets,

Therefore the relationship had great utility for South Africa. The acceptance of the apartheid government on its own terms was of great psychological comfort to the military leaders, the politicians and their constituency. The ideological preconditions for the flourishing of the relationship were in place. Business followed, but aside from military business, was not of crucial import to either country. Chile's major exports - copper, nitrates, fishmeal, fruit, paper, timber, wines - are all, with the exception of fishmeal, goods which compete on international markets with similar South African products. Therefore prospects of trade in non-military goods have never been great, and no amount of artificial stimulation for political motives can guarantee any meaningful escalation.

The centrality of the military in the relationship is likely to be regime-specific. Despite conceding the presidency to civilian succession, Pinochet made sure that this was conditional on his remaining within the political wings, continuing to command the Chilean military in the short and perhaps medium term. Chile's civilian politicians have retained the junta's neo-liberal economic strategy, which has ensured a smooth initial political transition. South Africa is also

undergoing a process of regime transition. Once both transitional periods are over, the relationship is bound to be reassessed. The ideological rationale for closeness, based on links between generals of a similar political inclination, is unlikely to proceed intact into the twenty-first century. This indicates the transitory nature of relationships in which the political nature of the participating regimes is a primary consideration.

## CHAPTER EIGHT

### THE FAILURE TO FORM A SOUTH ATLANTIC TREATY ORGANISATION

#### 1. INTRODUCTION

The relationship between Chile and South Africa was one whose binding occurred through a congruence of military-ideological values in the period after 1973. Chile was essentially a Pacific power, despite harbouring some claims to territory which would give it wider access to the Atlantic and hence status as a minor Atlantic power.

It was to the other Latin American states which border on the Atlantic that South Africa has often looked for military partnership. Together with the navies of Argentina, Brazil and Uruguay, South Africa saw a role for itself policing the South Atlantic against any incursions by the Soviet navy. It saw the potential of wider military links being able to cement a more solid all-round relationship with the key countries of the Southern Cone of Latin America.

This chapter examines how South Africa attempted in vain to fulfil the aspiration of building a multilateral military alliance. At a time when the majority of its potential partners were under military rule, an increasingly militarised South Africa hoped to achieve a degree of integration on the basis of common ideological positions in relation to the perceived spread of world

communism. Although there was a positive response in the conservative Latin American press, and on the part of some factions within Latin American navies, there were too many factors operating to prevent the development of a successful multilateral alliance. It will be shown how such an arrangement was unable to match the success of the bilateral relationship with Chile.

## 2. THE IDEA OF A SOUTH ATLANTIC TREATY ORGANISATION

The idea of a multilateral military alliance grouping the nations of the South Atlantic, in imitation of NATO, was something close to the hearts of military strategists on both sides of the South Atlantic at various times.

The Argentine navy and the Brazilian military academy, the *Escola Superior da Guerra* (ESG), have both been intellectual repositories for the science of geopolitics. In the case of Argentina, the navy traditionally regarded itself as having particular responsibility for safeguarding national claims against potential challenges by Brazil, Chile, the United Kingdom and the Soviet Union. Control over the South Atlantic is a key to the assertion of these claims.

A key strategist and professor of geopolitics at the ESG during the 1950s, General Golbery do Couto e Silva, saw South America, Africa and Antarctica as forming a strategic triangle in defence of the West, whose most vulnerable element was Africa. He regarded the South Atlantic, and the Straits of Dakar as vital to Brazil's national security.<sup>1</sup>

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<sup>1</sup> Golbery do Couto e Silva, *Geopolitica do Brasil*, Rio de Janeiro: José Olympio, 3rd edn, 1981, p. 191. Golbery went on to become head of the Brazilian intelligence service SNI and a key member of the cabinet during the Geisel and Figueiredo presidencies.

In the 1950s, South Africa's cabinet ministers saw the country's military role as being an auxiliary of the NATO alliance, and sought to lead a new regional defence alliance based on the African colonies of the NATO countries.<sup>2</sup> Despite attending numerous conferences on maritime security, little was achieved. Once Britain announced her decision to withdraw from Simon's Town in the late 1960s, South Africa was forced to rethink its role.<sup>3</sup> In order to combat the country's increasing isolation, prime minister Vorster launched a new "outward movement" in his foreign policy. It was in this context that military links with Latin American countries first came under consideration. "We must regard these people as our neighbours, they are our neighbours across the South Atlantic Ocean," claimed Vorster's foreign minister, Dr Hilgard Müller.<sup>4</sup>

The strategists saw advantages to the West of the closer collaboration of their countries' armed forces, especially their navies. Their overriding intention was to form a junior partnership with the NATO countries in order to patrol the South Atlantic against infiltration by the naval forces of the Soviet Union and its allies.

Had the timing been more propitious, for example at the height of the Korean war, and had the navies of the South Atlantic nations been more mature, the NATO countries might have responded positively. However, at that time

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<sup>2</sup> Jack Spence and Geoff Berridge, "South Africa: the roads to Simonstown", in John Young (ed.), *The foreign policy of Churchill's peacetime administration*, Leicester: Leicester University Press, 1988, p. 193.

<sup>3</sup> Christopher Coker, "South Africa and the Western alliance, 1949-88", in Stephen Chan (ed.), *Exporting apartheid: foreign policies in Southern Africa, 1978-88*, London: Macmillan, 1990, pp. 249-54.

<sup>4</sup> Gail-Maryse Cockram, *Vorster's foreign policy*, Pretoria: Academica, 1970, p. 82.

the United States felt that it was able to patrol the area from its bases in Panama and Puerto Rico, whilst the Royal Navy still enjoyed sovereign base facilities at Simon's Town in the Cape Peninsula. NATO countries perceived the threat to their sea power being located in the Indian and Pacific Oceans rather than in the South Atlantic.

A number of factors served to encourage the South African proponents of a South Atlantic Treaty Organisation as time progressed.

The first was the changing military relationship between Britain and South Africa since 1945, particularly with respect to the Simon's Town Agreement and the arms embargo implemented by the Wilson government from 1964. Britain's gradual withdrawal from a military role in the Indian Ocean led to South African hopes of a role for itself in relation to NATO.

The second major reason was the increase in maritime traffic around the Cape as a result of the closure of the Suez canal during the Six Day War in the Middle East in June 1967. The situation was compounded by the oil crisis which ensued in the wake of the Middle East war of October 1973. The petroleum exporting countries responded by quadrupling their oil prices on world markets.

The third factor was the increase in the Soviet and allied presence in the South Atlantic, particularly in the aftermath of Angolan independence in November 1975.

The fourth was the rise in Latin America from 1964 of a series of military governments, whose naval hierarchies seemed well disposed towards consideration of a naval alliance.

The fifth reason was the evolution of the Nixon Doctrine as a foreign policy principle of the United States, whereby important regional powers take on more responsibility for policing their region in order to spare Washington further disastrous entanglements in minor anti-communist wars like the one in Indo-China.

Together, these considerations raised the hopes of the South African government and military establishment forming a military alliance with transoceanic neighbours. This would put an end to the country's isolation and regain Western support by constructing a pillar of Western strategic defence. These reasons therefore need to be examined in greater depth.

### 3. SOUTH AFRICA'S MARITIME DEFENCE

At the outbreak of the Second World War, the rudimentary South African naval force comprised of three officers, thirteen men and no ships. At the time the Royal Navy was responsible, through sovereign control of the Simon's Town naval base, of defending the Cape sea route from potential attack.

During the war itself, there was intensive naval activity in South African waters, including the presence of some sixty anti-submarine vessels, but the Royal Navy was unable to prevent the sinking of some 238 allied ships. South African naval forces had been responsible for running only nine ships.

After the war, General Smuts announced that it was imperative that the country take responsibility for its own naval defence. Yet it took until the mid-1950s before the South African Navy could be established on a more elaborate footing. Discussions were undertaken with the

Royal Navy from 1949 onwards about transfer of the Simon's Town base. It was only in 1957 that the transfer occurred. Britain lost sovereign control over the base. Instead it negotiated the Simon's Town Agreement<sup>5</sup> whereby it retained use of the base, but South Africa took over primary naval responsibilities in an area from the north of Namibia to the Mozambican border.

South Africa's acquisition of the base was a stimulus to the further expansion of its navy, all orders for further shipping being processed by the British Admiralty. By 1959 British shipyards had delivered eight mine-sweepers and six seaward defence vessels; the personnel had been increased by 1,669 men. A further 20 ships were on order. Although by now the South African Navy was seen as a real force, it was still envisaged that it would rely extensively on the Royal Navy for assistance in all areas save inshore defence.

South Africa's departure from the Commonwealth and the declaration of its republican status in 1961 did not seem to affect the terms of the Simon's Town Agreement. The South African foreign minister, Eric Louw, justified this as follows:

as regards defence, a great measure of co-operation existed in the past between the Republic and the United Kingdom. This co-operation did not stem from the common Commonwealth connection, but from mutual defence interests. Now that we have left the Commonwealth, these needs have in no way diminished, and ... there will be no departure of any consequence from the existing pattern of

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<sup>5</sup> United Kingdom, *Exchanges of letters on defence matters between the governments of the United Kingdom and the Union of South Africa (Cmnd. 9520)*, London: HMSO, 1955; Tunstall (1959), p. 51; Dugard (1968); Lawrie (1968); Christie (1970); Spence and Berridge (1988).

our defence relations with the United Kingdom.<sup>6</sup>

In April 1963 Britain delivered the most advanced anti-submarine vessel in the squadron, the SAS President Kruger. Within four months, on 7 August, the United Nations Security Council passed a resolution calling for an international arms embargo against South Africa.<sup>7</sup> As South Africa's main arms suppliers, Britain and the United States agreed to abide by the embargo, despite having abstained in the Security Council vote. Yet they continued to honour existing contracts and to supply spare parts and components through third parties.

The formal adoption of the arms embargo by the Labour government of Harold Wilson in mid-November 1964 provoked a reconsideration of the Simon's Town Agreement by the Verwoerd government. South Africa was faced with the contradictory prospect of its former ally and military mentor refusing to sell it arms on the one hand, while being an integral part of the defence of the Cape sea route on the other.

In any event, the financial crisis in Britain intensified to the point where drastic cuts were made to its naval commitments "east of Suez". In September 1966 it became known that plans were afoot to withdraw the Royal Navy from its base in Simon's Town. Defence minister P W Botha reacted by stating that

in the light of the manner in which the British government has honoured the spirit of the Simon's Town Agreement, a revision of the agreement has become essential.<sup>8</sup>

In new talks on the agreement the following year, the

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<sup>6</sup> South Africa, Parliament, *House of Assembly Debates*, 26 February 1962, col. 1595.

<sup>7</sup> Security Council Document S/5386.

<sup>8</sup> South Africa, Parliament, *House of Assembly Debates*, 29 September 1966, col. 3239-40.

South African Navy agreed to assume major responsibility for the Cape sea route in the event of war. But an extensive shopping list for equipment to fulfil this obligation was turned down by Britain.

South Africa's response was to turn to the French arms industry for supplies of maritime defence equipment. An order for three submarines was placed with the French ministry of defence. This order was executed over a period of three years, during which France provided the South African Navy with full operational training on the submarines. By 1970 the small modern navy had come into its own, having taken full responsibility for its own coastal defence.

The naval relationship with Britain grew increasingly contradictory, and by 1975, the Wilson government, back in office, had terminated the Simon's Town Agreement. South Africa had always felt that NATO as a whole might replace Britain's former responsibilities. Yet despite some moves in the 1950s to draw South Africa into the defence of the Middle East<sup>9</sup>, NATO had no essential interest in developing a full-blown alliance, especially given South Africa's increasing pariah status. Any Soviet assaults on Western shipping would in any case be regarded by both sides as a cause de guerre, and were therefore unlikely to occur, more so in the South Atlantic, which seemed a very remote and implausible theatre of operations. Western shipping could much more easily be indicted in the Gulf, South-East Asia, or in the North Atlantic. Because of this, NATO's strategic emphasis was not placed on the Cape route, and South Africa had to forego the alliance with NATO as a serious option.

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<sup>9</sup> See Spence and Berridge, "South Africa: the roads to Simonstown", 1988, p. 206.

Despite the growing impact of the arms embargo, the South African Navy was able, through covert acquisition of sophisticated electronic surveillance equipment, to set up a monitoring centre at Silvermine, built into the slopes of the Steenberg, between Cape Town and Simon's Town. Silvermine is reputed to be able to monitor all air and sea movements between the Azores and Bangla Desh, and to form part of an international surveillance network connecting the British Admiralty, US bases in Puerto Rico, French bases in Senegal and Madagascar, as well as the Portuguese and Argentine navies.<sup>10</sup>

Silvermine thus gave the South African Navy access to NATO codification systems said to have been provided by West German suppliers of surveillance equipment, who had trained a team from South Africa in May 1974.<sup>11</sup> Yet this did not mean that the South African defences were necessarily integrated into NATO structures or operations. The potential alliance with NATO and South Africa's convictions about its naval utility to the West were regarded by some commentators as illusionary.<sup>12</sup>

What the installations at Silvermine could not do was to bolster the navy's operational forces, severely curbed by the arms embargo. Despite the acquisition of Israeli Reshef-style gunboats in the late 1970s, the navy was not in a position to take on the defence of the Cape sea route against a Soviet attack. For such a defence to succeed, new naval alliances would need to be forged.

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<sup>10</sup> Sunday Times (Johannesburg), 21 October 1973; Gavin Cawthra, *Brutal force: the apartheid war machine*, London: IDAF, 1986, p. 91.

<sup>11</sup> Christopher Coker, "South Africa and the Western alliance, 1949-88", p. 258.

<sup>12</sup> For elaboration of this argument see *ibid.*, pp. 249-65.

#### 4. FIRST NAVAL CONTACTS WITH LATIN AMERICA

Within a month of the bilateral talks held with Britain in Cape Town in May 1967 to discuss the future of the Simon's Town Agreement, war broke out in the Middle East. In six days Israel had expanded its hold over the West Bank of the Jordan, the Gaza Strip formerly administered by Egypt, and the Syrian Golan Heights. The war came to an abrupt end.

As a result of the scuttling of ships in the Suez canal, it became impassable, and closed to international trade. The alternative route for shipping was around the Cape of Good Hope.

During the 1960s the bulk of the oil supplies to Europe had come to be derived from the Gulf area, and the Cape route suddenly became vitally strategic after the closure of the canal. This underlined the importance of the Simon's Town base, and the pressure placed on South Africa by the gradual reduction of the British commitment to sub-continental maritime defence.

South Africa began to seek out new partners in defence of the South Atlantic. Courtesy visits to Argentina and Australia were undertaken by the South African Navy from 1967 onwards, to emphasise the possibilities of future liaison. In October and November 1967 a South African naval squadron visited Argentina and conducted off shore exercises.<sup>13</sup> Defence minister P W Botha justified the new contacts with the following logic:

The time has come for the nations of the free world to give serious thought to the defence of the Atlantic and Indian Oceans... South Africa has a role to play in facing future threats to the Southern Hemisphere and we shall play this

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<sup>13</sup> *The Star*, 13 September 1967; *Weekend Star*, 16 September 1967.

role to the fullest of our ability. We shall also seek the active co-operation in every military respect, but especially in maritime affairs, with the other free nations of the Southern Hemisphere.<sup>14</sup>

At the same time, foreign minister Hilgard Müller was engaged in diplomacy associated with Vorster's "outward movement". With the inauguration of South African Airways's flight to New York via Rio de Janeiro, Müller was received officially by the Brazilians. In Rio he warned his Brazilian counterpart José de Magalhães Pinto of "the great importance of warding off any possible threat in the South Atlantic ... where our interests lie."<sup>15</sup> Magalhães Pinto claimed that Brazil and South Africa had discussed the possibility of a defence agreement, but that no specific proposal had been made.<sup>16</sup> Reports of these discussions caused considerable embarrassment to the Brazilian government, which took pains to deny it subsequently in a note to the president of the United Nations Special Committee on Apartheid.<sup>17</sup>

Müller also paid an official visit to Argentina and impressed that country's defence minister and acting foreign minister with the same threat of the Soviet fleet making potential inroads into the South Atlantic. In return, Admiral Pedro Gnavi, the commander-in-chief of the Argentine navy, paid an official nine-day visit to South Africa during April 1969. He took the opportunity of the visit to announce that another round of joint manoeuvres of the two countries' naval warships would

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<sup>14</sup> *South African Digest*, 22 November 1968, p. 3.

<sup>15</sup> *The Star*, 28 March 1969.

<sup>16</sup> *Die Volksblad*, 9 April 1969.

<sup>17</sup> Wayne A Selcher, *The Afro-Asian dimension of Brazilian foreign policy, 1956-1972*, Gainesville: University Presses of Florida, 1974, p. 194.

occur in the South Atlantic during 1970.<sup>18</sup>

Argentina had also appointed a naval attaché to South Africa for the first time. Captain E Galmarini, speaking in Cape Town, said that South Africa and Argentina had the same problems in the Atlantic and had to share the responsibility of guarding these waters.<sup>19</sup>

The joint exercises spawned further speculation about the possible formation of a South Atlantic Treaty Organisation.<sup>20</sup> As a result of this speculation and rumoured defence contracts with South Africa, Argentina lost its seat on the governing council of the United Nations Development Programme. The angry Afro-Asians delegations, alerted to the situation by Cuba, elected that country's delegation to replace Argentina's.<sup>21</sup>

The courtesy visits from Argentina to South Africa nevertheless continued. For example, the Argentine training vessel *ARA Libertad* visited Cape Town in February 1970, under the command of Admiral Emilio Massera, a future member of the junta which would later oust president María Estela Perón. Six months later a 20-member trade mission led by the deputy foreign minister arrived in South Africa for a month of talks. The mission had been set up by the newly appointed Argentine ambassador to South Africa, Frederico de Solar

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<sup>18</sup> *The Star*, 2 April 1969; *Sunday Express* (Johannesburg), 6 April 1969; *Daily Telegraph*, 16 May 1969.

<sup>19</sup> *Sunday Times* (Johannesburg), 25 April 1982.

<sup>20</sup> See introduction to *Jane's fighting ships, 1969-70*, New York: McGraw-Hill, 1970.

<sup>21</sup> Robert H Eastbrook writing in the *Washington Post*, 7 June 1969.

Dorrego.<sup>22</sup>

In 1972 the chief of the South African Defence Force, Admiral H H Biermann, spoke about the relationship between South Africa and Argentina:

A certain degree of liaison in the maritime and other fields is already operative. The South African Navy takes part from time to time in limited exercises in which for example the British and Argentine navies participate, and it pays courtesy calls on countries in the region.<sup>23</sup>

In the following year, Juan Perón was restored to power in Buenos Aires. Given Perón's historical predisposition towards non-alignment, Argentina began to reorient its foreign policy towards playing a part in the Non-Aligned Movement. Its foreign minister, Alberto Vignes, attended the 1973 Non-Aligned Conference in Algeria, and returned to Buenos Aires with a proposal to cabinet that Argentina scale down its relations with South Africa.<sup>24</sup> Yet the growing Argentine-South African Chamber of Commerce lobbied successfully against any such change.

So it was that in May 1973, foreign minister Hilgard Müller led a mission to make contact with the new government. At an official dinner to welcome him, the Peronist vice-president of Argentina, Dr Vicente Solano Lima, pledged to strengthen ties with South Africa:

We are not interested in how the South African government came to power, nor in the social situation in the country. We are only interested in tightening still further the links between us.<sup>25</sup>

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<sup>22</sup> *Sunday Times* (Johannesburg), 23 August 1970.

<sup>23</sup> *Sunday Times* (Johannesburg), 25 April 1982.

<sup>24</sup> *O Estado de São Paulo*, 18 December 1973.

<sup>25</sup> *Die Transvaler*, 29 May 1973. Own translation. Also see press release issued by Argentine South African Chamber of Commerce, Buenos Aires, 19 June 1973.

It appeared that Argentina was keen to market its counter-insurgency aircraft, the Pucará, to South Africa. Made up of French, British, Swiss and Belgian components, the aircraft was designed in Argentina. Rumours which surfaced in the press about such a deal were characteristically neither confirmed nor denied by the South African Defence Force, but the minister of defence, P W Botha, permitted the speculation to be published in Johannesburg newspapers.<sup>26</sup>

## 5. PARAGUAY AND URUGUAY

Although marginal in their naval power, the countries of Paraguay and Uruguay were assiduously cultivated by South Africa. These countries were seen as building blocks in the construction of a wider alliance.

Contact with Uruguay was first built by the South African finance minister Nico Diederichs, who attended the Nairobi conference of the International Monetary fund in September 1973. The sharp increase in the price of gold prompted Diederichs to announce offers of aid to underdeveloped countries which would be funded in part by the gold revenues. On his return to South Africa he was accompanied by the Uruguayan finance minister and the chairman of the Central Bank of Uruguay.<sup>27</sup>

As a result of talks in Pretoria, the ground was laid for South African financial assistance to Uruguay, which materialised in December 1974, when South Africa deposited R13.8 million in the Central Bank of Uruguay and bought a further R6.9 million worth of treasury bonds

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<sup>26</sup> Sunday Times (Johannesburg), 25 April 1982.

<sup>27</sup> The Argus, 15 September 1973.

from the bank.<sup>28</sup> A month later, president Juan Maria Bordaberry signed a decree announcing that Uruguay would set up an embassy in South Africa, "because of closer ties between the two countries as a result of increased trade between them".<sup>29</sup> Bordaberry, elected two years before the June 1973 military coup, was retained as president by the armed forces until being dismissed in June 1976.

Paraguay's response was perhaps more significant. In August 1973, foreign minister Müller led a delegation to attend an inauguration of General Alfredo Stroessner as president of Paraguay.<sup>30</sup> By the following January it was announced that Stroessner would pay an official visit to South Africa in April.<sup>31</sup> Although his political importance in Latin America was small, Stroessner's willingness to visit South Africa furnished Pretoria with a number of propaganda points. He was, after all, a head of state, and only two other heads of state had visited South Africa since 1948 (Portugal and Malawi). His country played host to the World Anti-Communist Alliance, an organisation with strong links with the governments of Taiwan and South Korea as well as many influential political parties, think tanks and individuals around the world. South Africa also saw the visit as a breakthrough which might encourage other Latin American and world statesmen to emulate Stroessner's behaviour. The government also envisaged public processions, streets lined with cheering crowds, and the pomp of formal state

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<sup>28</sup> *The Argus*, 21 December 1974.

<sup>29</sup> *Cape Times*, 24 January 1974.

<sup>30</sup> *The Argus*, 20 August 1974. Stroessner first became president after a coup in 1954, and won presidential elections regularly with polls of over 90%. At least a quarter of the electorate were disenfranchised through being in exile.

<sup>31</sup> *The Star*, 8 January 1974.

ceremonies. A whites-only general election campaign was on at the time, and the ruling National Party expected to make gains from such a foreign policy coup.<sup>32</sup>

However, the opposition press failed to react with enthusiasm, and published accounts of the corrupt and repressive nature of the Stroessner regime, carefully culled from ideologically respectable sources such as the *Daily Telegraph* and the *Reader's Digest*, both of which had published scathing exposés of Stroessner's complicity in torture and heroin smuggling.<sup>33</sup> Students at the University of Cape Town planned to march through the city with banners proclaiming "Stroessner go home!", "Release all political prisoners!", and "South Africa - don't honour fascists!"<sup>34</sup> James Kruger, then deputy minister of justice, invoked powers acquired weeks before the visit under the Riotous Assemblies Amendment Act 30/1974 to prevent all gatherings in protest against the visitor. "If there are people who do not know their manners," warned Vorster, "then manners will have to be taught to them."<sup>35</sup>

Stroessner duly arrived, with an entourage of over a hundred, including cabinet ministers, army generals, security police officers, business executives and

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<sup>32</sup> Karel Johannes de Beer, "Betrekkinge tussen Suid-Amerika en die Republiek van Suid-Afrika in die tydperk van Dr. Hilgard Müller as minister van buitelandse sake, 1964-77", *Joernaal vir Eietydse Geskiedenis* (Bloemfontein) 7, 1, July 1982, p. 85.

<sup>33</sup> *Reader's Digest*, South African edition, May 1973; *Sunday Times* (Johannesburg), 31 March 1974. The US Federal Bureau of Narcotics and Dangerous Drugs confirmed the truth of the accounts published by the *Reader's Digest*. See *Sunday Times* (Johannesburg), 7 April 1974.

<sup>34</sup> *Cape Times*, 8 April 1974.

<sup>35</sup> See leader "You will be hospitable", *Cape Times*, 2 April 1974.

journalists. Two treaties, one concerning cultural exchanges and scientific and technological co-operation, and the other relating to economic co-operation and investment, were signed by the countries' foreign ministers.<sup>36</sup> At a state banquet given in his honour in Pretoria, Stroessner declared that Paraguay practiced

a foreign policy of loyal friendship with those nations which share our concepts of freedom, of fundamental human rights, of dignity, of the value of man, and of the democratic system of government.<sup>37</sup>

During the visit, Stroessner continuously received warm official praise for his courage in resisting international objections to his friendship with South Africa.

The state visit was followed up in January 1975 by a mission of top South African civil servants to Paraguay and Uruguay, charged with the realisation of certain of the measures in the treaties of co-operation with Paraguay.<sup>38</sup> Agreements were signed whereby South Africa would build two sugar plants and a pulp processing plant, would invest in the two massive hydro-electric projects which Paraguay was building jointly with Brazil (Itaipú) and Argentina (Corpus), would provide a R33 million line of credit for the purchase of South African equipment and services, and would finance the construction of new ministries of justice and foreign affairs.<sup>39</sup> In Uruguay

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<sup>36</sup> *Rand Daily Mail*, 3 April 1974; *South Africa, Parliament, House of Assembly Debates*, 11 September 1974, col. 2666.

<sup>37</sup> *The Argus*, 5 April 1974.

<sup>38</sup> Led by the secretary for foreign affairs, Brand Fourie, the mission included the secretaries for finance, industry and commerce, and the chair of the Board of Trade and Industries.

<sup>39</sup> *The Argus*, 4, 8 and 18 January 1975. In addition a total of R13.1 million had been made available in loans, according to the minister of finance when questioned in

discussions centred on tourism and beef exports.

In August 1975, to coincide with the celebration of Paraguay's national day, Vorster repaid Stroessner's visit of the previous year, receiving a rapturous welcome in Asunción.<sup>40</sup> Further loans totalling R6 million were arranged, to assist road-building, housing, agriculture and the liquidity of a Paraguayan bank.<sup>41</sup> The visit was also used to co-ordinate South Africa's entire Latin American strategy: the heads of all Pretoria's diplomatic missions in Latin America and the UN were summoned to Asunción for deliberations. The other heads of mission were urged to emulate the success attained in relations with Paraguay.<sup>42</sup> At this time, South African troops had already entered Angola, unbeknown to the South African public; it was hoped that Latin American diplomatic support would materialise in the event of the issue being raised in the UN General Assembly.

Vorster returned home after a stopover in Uruguay, where he was received by president Bordaberry.<sup>43</sup> His trade and finance officials held discussions with their Uruguayan counterparts. The Uruguayan Fuel, Alcohol and Cement Authority (ANCAP) was offered a US\$15 million credit and aid facility from South Africa's Industrial Development Corporation for the construction of a cement plant in the city of Paysandú. Referring to Bordaberry at the end of his visit, Vorster said: "We're the same type of men."<sup>44</sup>

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the House of Assembly. See South Africa, Parliament, *House of Assembly Debates*, 19 February 1976.

<sup>40</sup> *The Argus*, 14 August 1974.

<sup>41</sup> *Cape Times*, 15 August 1974.

<sup>42</sup> *The Argus*, 15 August 1974.

<sup>43</sup> *The Star*, 29 July 1975.

<sup>44</sup> *Tricontinental* 101, November 1976, p. 6.

Vorster's visit led to further contacts at official and private level, and raised the profile of South Africa in Uruguay's trade and commercial considerations. The mouthpiece of the military dictatorship, *El País*, referred to South Africa as "particularly worthy of maximum consideration, as one of the most advanced nations in the world spiritually, intellectually and materially".<sup>45</sup>

The Uruguayan dictatorship's endorsement of apartheid was particularly apparent, since it was the only foreign government to be represented at the official ceremonies marking the independence of the Transkei bantustan from South Africa in October 1976. The Transkei was the showcase of South Africa's policy of territorial apartheid, which attempted to justify the perpetuation of the migrant labour system, mass population removals from the areas designated for white habitation, and the loss of citizenship for millions of black South Africans.

The relative success experienced by South Africa in its relations with Paraguay and Uruguay was not, however, transmuted into building a successful naval alliance. The two countries carried insufficient political weight to draw the more significant regional actors into a military treaty. Paraguay's naval strength consisted merely of a number of patrol boats on the upper reaches of Platine estuary. Isolated even by the Nixon administration for his role in the drugs trade, Stroessner had been able to bask in the considerable respect accorded to him by the apartheid government. His visit was laden with ambiguity, since Pretoria treated it as a diplomatic coup, and yet it drew the world's moral attention to the sins of both regimes. Nevertheless, the relationship did afford South Africa some confidence in its efforts to build links with

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<sup>45</sup> *El País* (Montivideo), 8 April 1976.

Paraguay's more important neighbours.

## 6. PERCEPTIONS OF THE SOVIET PRESENCE

The expansion of the Soviet navy into the Indian Ocean in the late 1960s, coupled with the global oil crisis of 1974, were additional factors stressing the strategic nature of the Cape sea route. If the Soviet navy were to interdict cargoes of petroleum bound for Europe, this would intensify the crisis and spark off a global conflict. But the Soviet navy had not confined itself to the Indian Ocean.

The Portuguese naval attack on Conakry, the capital of Guinea, in 1970, prompted the Sékou Touré government to appeal to the Soviet Union for some naval assistance. The Soviet Union responded by installing some of its naval patrol vessels and a detachment of marines in a permanent base in Conakry. The military airfield near Conakry was made available to Soviet long-range aircraft for surveillance of the Atlantic shipping routes.<sup>46</sup> The Soviet-Guinean agreement was used mostly to ensure a haven for the Soviet Atlantic fishing fleet, yet, in effect it appeared that the Soviet Union had acquired naval base facilities in the South Atlantic.

The fear of Soviet intentions escalated considerably, however, after the collapse of Portuguese colonialism in Southern Africa. In Angola, the Soviet Union aided the MPLA with arms supplies both before and after the defeat of the Portuguese. This support was intensified once it was clear that the US was giving covert support to the MPLA's enemies, the FNLA and UNITA, and especially after

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<sup>46</sup> Joseph Whelan, *The Soviet Union and the Third World: a watershed in great power policy?*, Washington: Library of Congress, 1977, pp. 90-1.

South Africa's military intervention on the side of the UNITA forces from August 1975.

To add to South Africa's nightmares, Cuba was also drawn into supporting the struggles of the MPLA against UNITA and its backers.

The naval implications were enormous. In granting naval facilities to the Soviet Union, Angola had caused a wave of paranoia in the chancelleries concerned with the strategic importance of the South Atlantic.

Ironically, whilst there was substantial anti-Soviet feeling in the Argentine navy, the overall interests of Argentine foreign policy dictated that any anti-Soviet pact would adversely affect a significant trade relationship. An intensification of grain sales from Argentina to the Soviet Union had occurred from the time of the securing of a three-year agreement in 1971. With the second advent of Peronist power, the relationship blossomed, and despite the anti-communist ideology espoused by the 1976-83 juntas, it continued to flourish. Indeed, the Soviet Union became Argentina's greatest customer for grain and meat exports. It assisted Argentina in the spheres of fishing, offshore oil exploration, and hydro-electricity.<sup>47</sup> The Chilean junta's affinity with the Chinese also helped to cement Soviet-Argentine cordiality.

Caught in the position of wishing to defend an anti-communist ideology on the one hand, and finding that the Soviet Union was a lucrative trading partner on the other, Argentina was faced with a dilemma which inhibited later moves towards the construction of a South Atlantic treaty.

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<sup>47</sup> Andrew Hurrell, "The politics of South Atlantic security", pp. 183-4.

## 7. MILITARY RULE IN THE SOUTHERN CONE

By 1976, the whole of the Southern Cone of Latin America was under military rule, including Argentina, which had succumbed that year. The Brazilian military by this time had the experience of eleven years in power, and the Paraguayan armed forces over twenty, whereas the Uruguayan and Chilean military regimes had both come to power in 1973. The militarisation of the Southern Cone was another factor which fostered optimism on the part of South African proponents of a South Atlantic alliance, since it was perceived that military decision makers would be far more amenable to the proposal.

Thus the first revival of the notion of a South Atlantic Treaty Organisation came in April 1976 when the outgoing US naval commander, Admiral George Ellis, and his successor, Admiral James Sagerholm, visited Buenos Aires for discussions with their Argentine counterpart, Admiral Emilio Massera, as well as the Brazilian naval minister, Admiral Geraldo Azevedo Henning. Their purpose was to strengthen naval co-ordination in the South Atlantic in preparation for the possibility that the Soviet navy would be offered bases in Angola.<sup>48</sup>

Strategically, the recruitment of the navies of the South Atlantic fitted in well with the Nixon Doctrine, developed during the US interventions in Indo-China. The substance of the Doctrine was to minimise the need for US intervention in regional conflicts by devolving defence and policing responsibilities within the region to regimes which the US regarded as both pre-eminent and loyal to its interests. For example, both Brazil and South Africa were regarded as the most useful surrogates within their respective regions.

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<sup>48</sup> Daniel Waksman Schinca, "El proyecto de la OTAS", *Nueva Política* 2, 5-6, April-September 1977, p. 339.

Thus, at the meeting of the four admirals at Puerto Belgrano on 7 April 1976, plans were drafted for the creation of an integrated air/sea strike force under a single strategic command and with its own bases. Later that month a joint naval mission from Argentina and Brazil visited the Simon's Town base to lay the ground for future logistic co-operation in the South Atlantic.<sup>49</sup>

Details of these arrangements were released in the Argentine, Chilean and Brazilian press, which cultivated and played on fears of the perceived Marxist threat to South Atlantic security. Claims that both South Africa and Britain were involved in the SATO project led to speculation about the possibility of a solution to the longstanding Falkland Islands dispute, through their conversion into a joint strategic base for SATO.

With the visit of Vice-Admiral James Johnson, the chief of the South African Navy, to Buenos Aires during the annual joint manoeuvres of the US and Latin American navies (UNITAS XVII) in September 1976, it seemed that the SATO concept was about to be realised. Hosted by the Argentine navy, Johnson was given admittance to the Puerto Belgrano naval base whilst the South Atlantic leg of UNITAS XVII was being held. Johnson witnessed at first hand the exercises that combined the navies of Argentina, Brazil, Colombia, Uruguay, Venezuela, and the Puerto Rico-based vessels of the US.<sup>50</sup>

The contact paid some dividends, for the Argentine foreign minister, Rear Admiral César Guzzetti, announced in a televised interview that he believed a SATO involving South Africa would be an efficient means of

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<sup>49</sup> *Sunday News*, 8 January 1978; *Africa* 79, March 1978, p. 51.

<sup>50</sup> *Africa Confidential* 18, 2, 10 June 1977, p. 2.

guaranteeing the security of the Cape sea route. And in November 1976, the commander of the Uruguayan navy, Admiral Hugo Márquez, strongly advocated "a regional force to repulse any possible aggression in the South Atlantic".<sup>51</sup> Sections of the Argentine and Uruguayan press built on the support for the SATO concept manifested by top naval echelons in order to popularise it further.

For example the director of the Argentine Military School of Strategy, General Alberto Marini stated in October 1976:

If the West does not support South Africa, this country's luck will run out shortly. If we let it succumb, without giving our aid, the control over the Indian Ocean will inexorably be lost, and in less than a decade, Europe will end up communist. After that it will undoubtedly be our turn in America, and then we will regret our past errors, by then too late to mend.<sup>52</sup>

This attitude earned Marini a trip to South Africa to address a seminar of military and foreign affairs strategists the following year. He arrived back in Buenos Aires declaring that "to serve the security interests of the South Atlantic...it is now necessary to firm up agreements, pacts, commitments so as to build this new strategy."<sup>53</sup>

These meetings and pronouncements sparked off a new set of rumours. Sources close to British intelligence reported that along with Israel, South Africa had reached an understanding with Chile, Paraguay and Uruguay on mutual security assistance. The Latin Americans would

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<sup>51</sup> *La Nación*, 16 November 1977; *Latin America* 10, 49, 17 December 1976.

<sup>52</sup> Daniel Waksman Schinca, "Pretoria y sus aliados: el idilio de los 'conos sur'", *Cuadernos del Tercer Mundo*, May 1977, p. 53.

<sup>53</sup> *Siete Días*, 19 October 1977.

supply counter-insurgency techniques, while Israel and South Africa would supply the necessary hardware.<sup>54</sup>

In October 1977, the Argentine foreign minister, Vice-Admiral Oscar Antonio Montes, was reported by the Italian ANSA press agency as having said in an interview that Argentina and other countries of the Southern Cone were holding regular conversations with South Africa on the defence of the South Atlantic. Montes had said that no concrete steps had yet been taken towards signing a treaty, but that there were good intentions of doing so. He described Argentina's relationship with South Africa as being of real importance for the effective defence of the South Atlantic.<sup>55</sup>

By the following day, ANSA was forced to retract the interview and to print an emphatic but rather hollow-sounding denial by Admiral Montes.<sup>56</sup>

#### 8. BRAZIL'S NEGATIVE RESPONSE

The idea of an alliance was, however, roundly rejected by the Brazilians, largely because of their burgeoning relationship with the countries of West Africa, their oil

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<sup>54</sup> *Africa Confidential*, 5 November 1976. The Johannesburg *Sunday Times* at the outbreak of the Malvinas war (11 April 1982) cited both South African and Argentine government sources claiming the existence since 1969 of a secret mutual defence pact linking these countries and Taiwan, Israel, Brazil, Paraguay and Uruguay. However, the behaviour of these countries during the war did not indicate that such a pact was in operation.

<sup>55</sup> Text of ANSA interview with Argentine foreign minister, 3 October 1977, reprinted in *BBC Summary of World Broadcasts*, 5 October 1977; *La Opinión*, 4 October 1977; *Clarín*, 6 October 1977.

<sup>56</sup> *BBC Summary of World Broadcasts*, 6 October 1977.

reliance on Angola and OPEC countries, and their aspirations for a position of Third World leadership in GATT, the UN and elsewhere.

The Brazilian foreign minister, Antônio Azeredo da Silveira, unambiguously proclaimed that

there is not the slightest possibility of a system of collective defence in the South Atlantic with the uncomfortable and undesirable presence of South Africa. The government of Pretoria and apartheid are the expression of human indignity.<sup>57</sup>

Navy minister Admiral Geraldo Azevedo Henning also discounted any possibility of the alliance taking shape. The Soviet presence in Africa, he affirmed, was an African problem, and there was no hegemonic role for Brazil outside Latin America. In any event, the Interamerican Treaty for Reciprocal Assistance, signed in Rio in 1947, demanded the unity of all American countries in the event of any external aggression. The Rio treaty obviated the need for any new alliances, claimed Henning. "The navies throughout the Americas fully understand and complement each other as partners", he declared.<sup>58</sup>

The Brazilian ambassador to the Court of St James, Roberto Campos, also issued a statement on participation in a naval treaty involving South Africa:

The Brazilian government has no plans whatsoever - nor has it ever had - for any strategic or military alliance in the South Atlantic involving South Africa. This position has been made clear on several occasions.<sup>59</sup>

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<sup>57</sup> "Brazil: Opposition to the South Atlantic alliance", Inter Press Service wire from Rio de Janeiro, 23 September 1976; *Africa* 71, July 1977, pp. 70-71.

<sup>58</sup> "Brasil: No hay necesidad de nuevas alianzas en el Atlántico sur", Inter Press Service wire from Rio de Janeiro, 15 October 1976. Own translation.

<sup>59</sup> *Africa* 74, October 1977.

Campos reiterated that these occasions had included an official denial in August 1976, a press release issued by the Brazilian mission to the UN in September 1976, in addition to Azeredo da Silveira's September 1977 statement, and that of Admiral Henning in mid-October. He pointed out that South Africa had never participated in the UNITAS exercises, nor had Brazil ever sent any mission nor been part of any joint mission to Simon's Town. Furthermore Brazil and Nigeria had issued a joint declaration condemning racial discrimination and apartheid on the visit of the Nigerian foreign minister to Brasilia in May 1977.<sup>60</sup>

Despite Brazil's cool attitude, South Africa's Admiral Johnson was a persistent lobbyist, and was quoted in the Brazilian press as saying

I would like to collaborate with the Brazilians and have them collaborate with us. We cannot remain alone. We cannot guard this side of the Atlantic on our own. The Brazilian navy is five times as big as South Africa's and it could give us a hand in controlling the passage around the Cape. We have excellent relations with the Argentine navy - we exchange information and we visit each other periodically.<sup>61</sup>

Nevertheless the Brazilian government remained firm. Despite the growing trade and acceptance of South African investment, Brazil was not keen that a military alliance including South Africa jeopardise its access to petroleum and its own growing economic penetration of West African, North African and Middle East markets. The year 1976 had also seen the murder and maiming of hundreds of schoolchildren in the streets of Soweto by the South African Police, an event which tragically exceeded even the Sharpeville massacre in the annals of apartheid's

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<sup>60</sup> *ibid.*

<sup>61</sup> *The Star*, 13 November 1976, published extracts of Johnson's interview with the *Jornal do Brasil*.

brutal history. International condemnation of the repression made it extremely difficult for Brazil to enter into any official military arrangements with South Africa. In fact, world revulsion to the events in Soweto, the murder of Steve Biko, and the banning of 19 anti-apartheid organisations contributed to the mandatory arms embargo being adopted by the UN Security Council on 4 November 1977.<sup>62</sup>

Brazil's speedy recognition of the MPLA government in Luanda in November of the previous year made the potential joining of a SATO particularly difficult, especially as its principal *raison d'être* would be to prevent the Angolan government from receiving military assistance from Warsaw Pact countries and Cuba.

## 9. LATIN AMERICAN RIVALRIES

Without Brazilian participation, the project was unviable, since Brazil possessed both the largest navy and the largest coastline of any country bordering the South Atlantic.

There were other factors which prevented the success of the project.

The first element was the traditional naval and strategic rivalries between Argentina and Brazil.<sup>63</sup> Each country's military establishment regarded the other as more of a concrete danger to itself than any hypothetical Soviet threat to the South Atlantic. Their mutual mistrust of any arms build up by the other made any alliance

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<sup>62</sup> Security Council Resolution 418, 1977.

<sup>63</sup> On this see Waksman Schinca, "El proyecto del OTAS", pp. 346-9, and Andrew Hurrell, "The politics of South Atlantic security", pp. 183-4.

unlikely. Argentina felt particularly uncomfortable about Brazil's aspirations as a nuclear naval power. There were also strategic differences and stresses, with Brazil being concerned about Africa and the straits between Senegal and north-eastern Brazil, whilst Argentina's preoccupations were with the future of what it called the Malvinas islands, the Beagle Channel islands, and the Antarctic, matters of little significance to the Brazilians. Other difficulties between the two countries stemmed from Brazil's determination to build the Itaipú dam on the river Paraná, a massive hydro-electrical project which Argentina felt would impede its own projects further downstream.

Another problem was the rivalry between Argentina and Chile, manifested in competing sovereignty claims over the Beagle Channel islands and the Antarctic. Argentina was keen to exclude Chile from any SATO-type arrangement on the grounds of its argument that Chile was a Pacific and not an Atlantic power. Despite the possibility of Chile being an Atlantic power were its claim to the Beagle Channel islands to be legitimised, nevertheless it seemed strategically unwise to exclude Chile since she jointly controlled access to the South Atlantic from the Pacific and ranked third in the Southern Cone in terms of naval strength.

A third rivalry involving Argentina was with the United Kingdom, which it perceived as illegally occupying the Malvinas islands. Instead of drawing the UK into a South Atlantic alliance, Argentina's determination to win back control over the islands, despite years of diplomatic failure, inhibited any collaboration with Britain. In any case Britain had gradually scaled down its naval commitment to the defence of the Falklands and their dependencies, relying on Argentina more and more to provision the islands, educate their children, and

transport their population and wool exports. Yet full sovereignty eluded the Argentines, becoming a constant source of Anglo-Argentine tension in the South Atlantic.

A further factor was the insubstantial nature of the Paraguayan and Uruguayan naval forces in securing the South Atlantic against perceived Soviet aggression. Nor was there any possibility of the participation of other African countries which bordered on the South Atlantic, given South Africa's interest in the project.

The discussions with the US admirals at Puerto Belgrano in 1976 had taken place during the Nixon-Ford-Kissinger era. Once Carter reached the White House, the participation of the United States in discussions on SATO was no longer forthcoming. The US defence secretary, Harold Brown, attending NATO ministerial meetings in Brussels during December 1977, damped any speculation about a South Atlantic alliance.<sup>64</sup>

Implementation of the Nixon Doctrine had become unviable not only with the election of president Carter, but also with the mood of Congress in the wake of the US withdrawal from Vietnam in 1975. The sober lessons of intervention prompted the passage of the Clark Amendment through the US Senate, which inhibited the US from supporting the Angolan opposition, and consequently led to the withdrawal of CIA support for the South African invasion of Angola in 1975-6. It seemed unlikely that the US Congress would give its backing to a multinational naval pact which also aimed to undermine the MPLA regime.

Without the overarching support of NATO or the United States in backing SATO, the project remained stillborn. As has been shown in relation to South Africa's naval

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<sup>64</sup> *The Star*, 8 December 1977.

aspirations, NATO countries, despite their clandestine supply of arms, showed no concrete interest in establishing any pacts. The US already enjoyed alliances with the naval forces of Latin America, through the series of annual UNITAS exercises, its presence in Panama, Puerto Rico and Guantánamo, its participation in the inter-American naval conferences, and as a signatory to the Rio Treaty of 1947. It therefore did not need a South Atlantic Treaty.

The idea of such a treaty has never died out completely. With the return of a Republican president, Ronald Reagan, to the White House, new interest in a South Atlantic alliance was expressed.

Private research institutes began to draw academics and military experts together to discuss future planning of South Atlantic defence. For example, a meeting of this sort was held in Buenos Aires in late May 1981, with the sanction of Reagan and military president General Roberto Viola in Argentina. The South African press reported that the country would be represented at the conference by "mystery men" unknown to both the Department of Foreign Affairs and the most likely academic candidates.<sup>65</sup> General Vernon Walters, a former head of US Southern Command, and a former deputy director of the CIA was expected to attend, indicating some interest on the part of his close confidant, General Alexander Haig, then US Secretary of State. It seemed that US overt support was contingent upon the outcome of a debate in Washington between those advocating a pact at all costs and those who felt an alliance with such controversial regimes would harm the Reagan administration's relations with the

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<sup>65</sup> *Cape Times*, 26 May 1981.

developing world, and especially with sub-Saharan Africa.<sup>66</sup>

Although the administration was not placing stress on any initiatives, it became known that the US assistant secretary of state for inter-American affairs, Thomas Enders, had pledged himself to the negotiation of a new alliance between Argentina, Brazil, South Africa, Morocco and Senegal.

#### 10. HARBOURING NAVAL OFFICERS

Another source of intense speculation was the appointment in June 1979 of Rear Admiral Ruben Chamorro as the senior armed forces attaché to Pretoria. It was customary for Argentina only to appoint those of the rank of captain to this post. The only other cases of officers of such high rank acting as attachés were those of London, where the attaché also acts as head of the Naval Commission in Europe, and Washington. Argentina had defence attachés in 15 other countries, all at the rank of captain. On the surface, it seemed that Pretoria was being accorded great importance in Argentina's international military representation.

The truth was that, as in the case of the Chilean naval attachés, South Africa was once again being used as a diplomatic foxhole for temporary concealment of perpetrators of political crimes. Chamorro, nicknamed "the Dolphin", had been responsible for running one of the most notorious torture centres in Argentina during the "Dirty War". This war was initiated by the military regime which came to power in 1976 against members of the

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<sup>66</sup> Hugh O'Shaughnessy, "SA in a South Atlantic Treaty", *The Argus*, 1 June 1983, transcribed from the *Financial Times*.

Montoneros, the armed Peronist left wing, their supporters, and all those in Argentina with left political leanings. Chamorro used the premises of the base that he commanded, the Escuela Mecánica de la Armada, the naval engineering college, as a series of torture chambers for victims of the repression.

In the three years in which he commanded the Escuela base, Amnesty International claimed that over 4,700 prisoners who were held there were never seen again. The Escuela had its own kidnap squad, trained to infiltrate political and human rights organisations to identify potential victims. Leading the squad was Lieutenant Alfredo Astiz, nicknamed "the Blond Angel", who by 1979 was wanted by both Sweden and France for kidnapping, torturing and murdering nationals of those countries. Two weeks after the appointment of Chamorro to Pretoria, he was joined by Astiz, appointed as Argentina's naval attaché to South Africa.

Chamorro and Astiz were later joined by two other naval officers who were also implicated in the torture and murder in the Escuela. They were Captain Jorge Perren, appointed in October 1979, and Captain Jorge Acosta, a former naval intelligence officer, whose date of appointment was never disclosed to the Pretoria authorities. Both men took up diplomatic posts in the armed forces mission at the Argentine embassy.

Acosta's work at the Escuela base was to command task group GT33/2, responsible to Chamorro, and ultimately to the chief of the navy, Admiral Emilio Massera, and charged with "the eradication of subversion". As a member of the junta, Massera represented the navy, whose power had been somewhat neutralised by the alliance between army and air force. He nevertheless began to jockey for the position of president of Argentina soon after the

junta came to power in 1976, and occasionally employed GT33/2 to launch operations against personnel of the other armed services deemed hostile to his political aspirations.

The power struggle inside the junta ended abruptly in late 1978 when Massera was forcibly retired. In an effort to avoid GT33/2 from falling into hostile hands, Acosta began to dismantle its operations. The remaining 90 prisoners were discharged after signing confessions that they had been detained voluntarily. Utilising the fact that the navy had been given charge of the foreign ministry, Acosta was able to arrange diplomatic postings for himself, Rear Admiral Chamorro and a number of others implicated in the kidnaps, torture and murder in the Escuela.

Perren and Astiz were sent to the Argentine embassy in Paris where Perren ran the counter-propaganda centre, and Astiz attempted to infiltrate exile and solidarity groups. Astiz was forced to leave France after former victims recognised him and alerted the media. Perren followed him to Pretoria after a period of four months.

The presence of the four was revealed in a series of disclosures in the Durban *Sunday Tribune* in October 1981.<sup>67</sup> Although the revelations caused intense embarrassment to Pretoria and Buenos Aires, it was deemed unwise that the diplomats be recalled immediately. Instead Astiz was secretly sent on a course at the Naval Staff College attached to Silvermine, while Chamorro and the others remained in their posts. Because of the potential affront his presence might have caused the

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<sup>67</sup> William Saunderson-Meyer, "Torture camp envoys in Pretoria", 18 October 1981; "More torturers at Pretoria embassy", 25 October 1981.

Swedish and French governments, Astiz left South Africa after the end of his course in December 1981.<sup>68</sup>

He achieved further notoriety by subsequently being made governor of South Georgia when Argentina invaded the islands in April 1982. Captured, and held first on Ascension Island, and later in Portsmouth, his status as a prisoner of war under the Geneva Conventions prevented Britain from handing him over to France or Sweden for trial. After the war, Astiz returned to Argentina, where he was found not guilty by a military tribunal on the charge of kidnapping and presumably murdering a Swedish teenager. Under the law of "due obedience" passed by the Argentine congress in June 1987, junior officers were absolved for their part in the "Dirty War". Pressurised by the navy, president Raul Alfonsin, was obliged to promote the exonerated Astiz to the rank of lieutenant-commander.<sup>69</sup>

Chamorro's fate was somewhat different. After his term as diplomat expired in February 1983, he secretly remained in Pretoria, living with his common law wife, Marta Bazan, an ex-Montonero prisoner at the Escuela, with whom he had fallen in love. She had been "turned", and after denouncing members of her own family, had joined Chamorro in torturing other victims of GT33/2. Pretoria had kept the couple's whereabouts from being leaked to the media. It was only on the eve of the opening of Chamorro's trial in Argentina on charges of torture and murder that he was effectively deported in mid-February 1984.<sup>70</sup>

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<sup>68</sup> *Sunday Tribune*, 6 December 1981.

<sup>69</sup> *Cape Times*, 29 April 1986; *The Argus*, 25 May 1982, 6 January 1988; *Sunday Tribune*, 2 May 1982.

<sup>70</sup> *Sunday Times* (Johannesburg), 19, 26 February 1984; *The Citizen*, 20 February 1984; *Die Burger*, 21, 23 February 1984; *Cape Times*, 21 February, 3 March 1984.

In the publicity surrounding the diplomats, and especially the granting of a place to Astiz on a training course, it became known that South Africa had been training other Argentine officers "as part of an exchange programme", a fact confirmed by the Argentine chargé d'affairs in Cape Town.<sup>71</sup> The military training occurred at the Naval Staff College and at the main military base outside Pretoria, Voortrekkerhoogte. Argentine officers received instruction in intelligence work, and as naval and army commandos. The intelligence training filled a gap caused when Argentine officers were expelled from the US intelligence training centre in Panama during the presidency of Jimmy Carter. Carter was reacting to the violations of human rights inside Argentina perpetrated by the armed forces.

Less than a year before the outbreak of war with Britain, General Mário Benjamin Menendez, the Chief of Army Staff Operations, visited South Africa and was escorted around Voortrekkerhoogte where an Argentine lieutenant-colonel was attending a course. Menendez was later to become Argentina's first and thus far only governor of the Malvinas.<sup>72</sup> There was also some speculation that Argentine air force pilots had been trained by the SAAF, but SAAF sources in Pretoria denied it was doing so.<sup>73</sup>

In January 1982, a little under three months before the Argentine occupation of the Malvinas, South Africa's ambassador to Argentina, David Tothill, published an interview in an Argentine magazine. He was quoted as saying:

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<sup>71</sup> *Sunday Times* (Johannesburg), 18 April 1982.

<sup>72</sup> *Sunday Tribune*, 6 June 1982.

<sup>73</sup> *Daily Telegraph*, 1 May 1982; *Cape Times*, 27 May 1982.

Our countries belong to the free world and we are dedicated to the preservation of its values. A South Atlantic controlled by a power inimical to those values would pose a grave threat to our survival.<sup>74</sup>

In the same interview, Tothill denied the existence of formal treaties or understandings, but could not rule out the need for them in the future. He quoted the foreign minister, R F ("Pik") Botha as having stated that growing commercial ties would favour "more formal South Atlantic co-operation".<sup>75</sup>

#### 11. ANGLO-ARGENTINE WAR IN THE SOUTH ATLANTIC

From these statements, if taken at face value, it would seem that, immediately prior to the outbreak of the war, treaty relations with Argentina were more of an aspiration than a reality.

However, the war, which lasted from April to June 1982, put paid to any possibility of any alliance being secured. The hostilities over the Falklands raised a number of questions with respect to South Africa's potential role. Both Britain and Argentina had a stake in ensuring South African support. Each side scrutinised South Africa's behaviour for signs of any breach in the officially professed policy of neutrality.

The British press highlighted South Africa's previous military links with Argentina, interpreting them as a natural result of British folly at having unilaterally abrogated the Simon's Town Agreement, but nevertheless renewing speculation about the existence of secret South Atlantic treaties.

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<sup>74</sup> *Natal Witness*, 19 January 1982.

<sup>75</sup> *ibid.*

Both South Africa and Argentina denied participation in a naval pact. The South African director-general of foreign affairs, Brand Fourie, assiduously claimed no knowledge of a South Atlantic treaty, whilst the Argentine foreign ministry also denied the existence of any secret defence arrangement, claiming that reports to this effect were without foundation.<sup>76</sup>

For its part, Argentina was surprised by the extent of residual support for Britain expressed in South Africa through the local English-language press, which backed the idea of offering Simon's Town to the Royal Navy. The press echoed similar sentiments of the official white liberal opposition Progressive Federal Party.<sup>77</sup> Argentine chargé d'affairs Alfredo Oliva Day, whose first statement on the South African government reaction to Argentina's occupation of the Falklands was that he was "heartened by its response", was obliged to retract it after the storm of protest it had engendered in white opposition circles.<sup>78</sup> The Afrikaans press denounced the opposition for its slavish pro-British attitude, emphasised the perfidious British adherence to the UN arms embargo, and upheld the government's neutral line.<sup>79</sup>

The Progressive Federal Party was determined that the government should declare whether it was furnishing Argentina with any military assistance. In the House of Assembly, it forced an uncharacteristic statement out of

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<sup>76</sup> *Cape Times*, 12 April 1982; SABC broadcast, 1500 GMT, 13 April 1982, monitored in *BBC Summary of World Broadcasts*, 15 April 1982.

<sup>77</sup> Statement by Dr F van Zyl Slabbert, MP, Leader of the Opposition, issued as a press release by the Progressive Federal Party, Cape Town, 24 May 1982.

<sup>78</sup> *Cape Times*, 8 May 1982.

<sup>79</sup> *Die Beeld*, 25 May 1982; *Die Burger*, 26 May 1982; *Die Transvaler*, 26 May 1982; *Die Volksblad*, 25 May 1982.

the minister of defence, General Magnus Malan, who deviated from the usual policy of not revealing details of arms deals, lest they compromise sanctions busters, and stated that "South Africa has not supplied or sold Argentina any missiles or any Mirage spare parts before or since the Falklands dispute."<sup>80</sup>

The British reaction to Malan's statement was one of thinly veiled scepticism. The Thatcher government regarded Malan's denial of arms deals with Argentina as not being categorical enough. An embassy press officer stated that "Her Majesty's Government has noted the limited scope of that denial and the fact that it concerns only the past and not the present or future."<sup>81</sup> At the same time, the British were aware of evidence that South Africa had facilitated arms transfers from Israel to Argentina during the early stages of the war. A DC-8 cargo aircraft of the Luxembourg-registered airline Cargolux, which had been chartered to the Uruguayan Air Force, was observed transshipping crates marked "tractor spares" at the D F Malan airport in Cape Town. These crates were of a type usually used for transporting the very aircraft parts and missiles which were later mentioned in defence minister Malan's parliamentary statement.<sup>82</sup>

British and US intelligence made full use of this evidence to fuel white opposition outrage, and to ensure a level of scrutiny which inhibited further breaches of official neutrality. Exposure of the transshipment guaranteed that South Africa would face difficulties in giving further succour to the Argentine war effort. Israel had to choose a more circuitous route, through the

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<sup>80</sup> *New York Times*, 25 May 1982.

<sup>81</sup> *Sunday Times* (Johannesburg), 30 May 1982.

<sup>82</sup> *The Observer*, 30 May 1982.

Canary Islands and Peru, in provisioning Argentina.<sup>83</sup>

Britain's new ambassador to South Africa, Ewen Fergusson, issued a stern warning to Pretoria:

If South African arms are to be used by Argentina at a time when British lives are at risk there would be an unavoidable impact on British public opinion and the government's attitude toward South Africa.<sup>84</sup>

Argentina reserved much of its anger for the United States. It was aggrieved by the support which the US had provided Britain, especially after it had taken trouble to cultivate Argentina's assistance in counter-insurgency in Central America, and because its secretary of state, Alexander Haig, had adopted a posture of neutrality and played the role of mediator in the early stages of the war. As a consequence Argentina sought new allies outside the western bloc. Its foreign minister, Nicanor Costa Mendez, attended the Non-Aligned Movement's conference in Havana, accompanied to the conference hall by Fidel Castro himself. There Costa Mendez announced that a secret treaty covering the South Atlantic indeed existed, but that the partners included Britain, the United States and South Africa.<sup>85</sup> The post-1976 military regime was not previously noted for its participation in the Non-Aligned Movement nor its friendship with Havana, yet Argentina was anxious to use the conference to gain support for its anti-imperialist position in the context of the war.

South Africa later confessed that it had helped the British effort to the extent of informing Britain of

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<sup>83</sup> *Die Burger*, 24 April 1982; *Financial Times*, 10 June 1982; *Daily Mail*, 9 July 1982.

<sup>84</sup> *Daily Dispatch*, 2 June 1982.

<sup>85</sup> *Daily Dispatch*, 5 June 1982; *Morning Star*, 5 June 1982.

Soviet aircraft movements in Angola. These aircraft were said to be gathering intelligence on shipping movements in the South Atlantic, and passing this on to the Argentines.

Argentina also criticised South Africa for allowing British firms to use its facilities after the war as a staging post for the construction of a new airfield on the disputed Falkland Islands. A consortium of British construction companies used the Cape Town harbour and airport to transport personnel and equipment to the Falklands. In a stern note of complaint to the UN secretary-general Javier Perez de Cuellar, Argentina derided Britain's unilateral attempt to change the status quo on the islands, and condemned "other governments" for helping Britain to do so. This could only have been a reference to South Africa.<sup>86</sup>

In the aftermath of the war, however, the disgraced Argentine navy abandoned any promotion of its participation in a South Atlantic pact. After the war the extent of naval collaboration in the South Atlantic was so minimal that all forms of speculation appeared to dry up.

## 12. REDEMOCRATISATION

The failure of South Africa to defeat Cuban troops in southern Angola in late 1988 led to a round of discussions which ensured Namibian independence under Resolution 435, linked to immediate South African and gradual Cuban withdrawal from Angola. Simultaneously the maturation of the politics of glasnost and perestroika in the Soviet Union led to a revision of that country's

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<sup>86</sup> *Natal Mercury*, 31 July 1983; *Financial Mail*, 9 December 1983.

attitude towards intervention in Third World conflicts. Moscow began to remove troops and advisors from countries like Afghanistan, Ethiopia and Angola. This drastically reduced perceptions of the Soviet threat to the South Atlantic.

Another coincidental phenomenon was, from 1984 onwards, the redemocratisation of most of the countries with the potential to participate in a South Atlantic alliance. Apart from Paraguay, where Stroessner was ousted in a palace coup in which democracy was not fully restored, all the other countries of the Southern Cone reverted to civilian rule under democratic constitutions and held popular elections by 1989.<sup>87</sup>

Argentina's new civilian administration, led by the Radicals under Raúl Alfonsín, came under pressure from potential African trading partners to distance his policy on South Africa from those of his predecessors. Argentine participation in a meeting in Geneva of the Committee to Eliminate Racial Discrimination on 13 August 1984 resulted in a pledge to reassess the situation. After a meeting with the president, foreign minister Dante Caputo, the Argentine representative was informed that relations could not be severed with South Africa unless there was due cause. Radical Party MP Federico Storani drew up a bill calling for the relationship to be broken off. On 7 September Caputo addressed the Non-Aligned Movement's annual conference in Luanda, Angola, where he

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<sup>87</sup> Stroessner's successor, General Rodriguez, a firm friend of Pretoria, subsequently made efforts to legitimise his regime and restore the country to democracy. Paraguay's adherence to the Mercosur is one of the key factors in decisions to unmuzzle the media, release political prisoners, and hold free elections for a constituent assembly charged with rewriting the constitution. In elections for the latter on 1 December 1990, the ruling Colorado party received a 47% majority. See *The Guardian*, 30 November and 2 December 1991.

denounced South Africa's continued violation of human rights. He also demanded the further isolation of Pretoria.<sup>88</sup>

Due cause materialised on 19 May 1986, when the South African armed forces launched attacks on Botswana, Zambia and Zimbabwe. The attacks were designed not only against the presence of the African National Congress in those countries, but also to disrupt the work of the Commonwealth Eminent Persons' Group who were on a fact-finding and bridge building mission in South Africa at the time. The transborder raids put an end to the mission. They also became the excuse for Argentina to break off diplomatic relations with South Africa three days later, when president Alfonsín signed decree 768.<sup>89</sup>

The official statement condemned the raids claiming that these deeds are the direct consequence of a regime which has institutionalised racial discrimination rejected as unacceptable by everyone in the contemporary international community.<sup>90</sup>

The South African representative was given nine days in which to leave Argentina. Henceforth only consular relations were permitted. Argentina's chargé d'affairs had been recalled from Cape Town and never returned. In his stead an inexperienced consular official with two years' prior service in Chile became the new head of mission.

Just over two years later, in August 1988, Argentina

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<sup>88</sup> *La Nación*, 24 May 1986.

<sup>89</sup> *La Nación*, 23, 24 May 1986; *AfricAsia* no. 31, July 1986, pp. 56-7.

<sup>90</sup> Communiqué issued by the Argentine foreign office to the South African chargé d'affairs, Peter Wolvaardt, and subsequently released to the Buenos Aires press, 22 May 1986. Own translation.

expelled the South African consul and three other South Africans. Consul Dirk de Wet had organised a public seminar at which the other three South Africans - Gerrit Olivier of the foreign office, "Miley" Richards, a parliamentary member of the collaborationist Labour Party, and Bennet Ndlazi, the government-appointed "mayor" of Mamelodi township near Pretoria - spoke. In the course of the seminar, the Argentine government was roundly criticised for having broken diplomatic links. It was this that had angered the Argentine government. It accused de Wet of having exceeded his consular brief, and indulged in propaganda activities in the consulate. In turn South Africa threatened the Argentine consul with deportation, and blamed that country's actions on foreign minister Caputo's desire to curry favour with African diplomats in order to secure his election to the post of president of the UN general assembly.<sup>91</sup>

In early February 1990, as a result of massive international pressure, as well as an internal defiance campaign, the new South African president F W de Klerk released ANC leader Nelson Mandela and unbanned the liberation movements, as initial gestures on the path to a more democratic future.

Within eighteen months, despite a slow pace of change, the sanctions campaign began to erode, and in September 1991, Argentina decided to restore diplomatic relations with South Africa. The new ambassador was Hugo Porta, Argentina's legendary fly-half and past captain of the national rugby team, the Pumas, who in the past had toured South Africa. This choice of a non-career diplomat, whose previous links were with a sport whose supporters epitomised the white racist establishment,

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<sup>91</sup> *The Argus*, 12 August 1988; *Cape Times*, 13, 15 August 1988; *Sunday Times* (Johannesburg), 14 August 1988; *Die Transvaler*, 15 August 1988.

does not augur well if Argentina has any hope of building bridges with the wider South African community.

### 13. PROSPECTS

Despite changes of regime, redemocratisation, and closer economic relations in the form of the Mercosur, there seems no reason to anticipate military unity between the countries of the Southern Cone in defence of the South Atlantic. There seems even less reason to predict a military alliance with a redemocratised South Africa. In the past there was little agreement amongst the Latin American countries on whether the Soviet presence in West Africa constituted a threat; even if such a consensus had materialised, the Soviet presence is no longer manifest. It is highly unlikely that this situation will alter in the medium term, and hence there little serious potential for the resuscitation of schemes to develop a South Atlantic Treaty Organisation. Instead security issues on each side of the Atlantic are likely to be resolved within regional rather than transatlantic frameworks.

The dream of the pro-SATO strategists has never come to fruition. Instead the status quo of the 1980s, bilateral military relations based on the pragmatic requirements of each partner, seem likely to continue as before. These requirements may themselves change. In a redemocratised South Africa the social dividend will have to be funded by substantial demilitarisation. The end of hostilities in Angola, the end of the armed occupation of Namibia, and the simultaneous slashing of the domestic military budget, have had drastic consequences for Armscor. The corporation has had to cut back on production and employment, with a multiplier effect on its many subcontractors. Social and political pressure on any new government will demand diversion of military spending to

correcting past racial imbalances in housing, education, health and welfare provision. In this political climate, the prospect of developing new naval alliances will disappear.

Was such an alliance ever a viable option? Clearly, at various times, the political will existed in naval and wider military circles, but there was never enough at stake to generalise this as a central political demand of the different armed forces. No particular group took responsibility for co-ordinating such a project, although there was some evidence of Pentagon interest in the issue. It was unclear how the operational side of such an alliance, presumably with a NATO-style secretariat, would be funded. The rifts between the Latin American countries and between the rival armed forces in individual countries diminished the odds of the proposal's success.

The key flaw was the failure to win over the Brazilians to the proposal. Itamaraty's multilateral and Third World diplomacy - carefully connected to the acquisition of petroleum resources in the nervous 1970s - was given priority under presidents Geisel and Figueiredo. In Brazil, this was well understood as a more effective guarantee of national security than any naval alliance in the South Atlantic. Without Brazilian participation, the proposal was effectively doomed.

Its failure indicated South Africa's inability to mobilise sufficiently wide support in Latin America for such a scheme. It demonstrated considerable insensitivity on Pretoria's part to political rivalries and differences in the region, and a crude presumption of congruence between the interests of governments and those of the armed forces in control of them.

The issue of the failure of the alliance was an important barometer of the political limits of the relations between South Africa and the states of the Southern Cone.

## CHAPTER NINE

### PLANS TO COLONISE EASTERN BOLIVIA

The Afrikaner settlers in Patagonia failed to make an impact on relations between South Africa and Argentina in the early part of the century. However, a generation later, a new opportunity for a wave of emigration to Latin America presented itself. Would this have any greater impact in cementing the relations with South Africa? To what extent would settlers opposed to democracy and majority rule have a cultural impact on race relations in Latin America?

Certain Latin American states, keen to stimulate settlement in underpopulated parts of their territories, looked to Southern Africa as a source of immigrants in the late 1970s. At that time the level of emigration of whites from the region was growing rapidly, due to escalating guerrilla wars, economic recession and the unwillingness of hardline white racists to accommodate any notion of future majority rule.

Prior to his South African visit in 1974, General Stroessner said in a press interview, "South Africans would be most welcome to settle in Paraguay, especially those with a sound knowledge of sugar, citrus and cattle

farming."<sup>1</sup> In late 1976, the former Rhodesia was visited by a Uruguayan lawyer authorised to sell land; in March 1977, the representative of a Paraguayan investment company visited Rhodesia to publicise farming opportunities in his country; in the same month, a group of 40 Rhodesian tobacco farmers visited Argentina to assess the possibilities of resettling there, after it was reported that thousands of hectares were being prepared for the settlement of 100 white Rhodesian families in the province of Salta 1000 miles north of Buenos Aires.<sup>2</sup>

This chapter will examine the proposals to attract white colonists from Southern Africa to Latin America. Principally it looks at the attempts by the Banzer dictatorship in Bolivia (1971-78) to accept large groups of immigrants to develop the low lying eastern areas of the country whose infrastructure was traditionally weak.

The Bolivians were keen to take advantage of the wave of emigrants which was anticipated on the eve of Zimbabwean and Namibian independence. This was at a time when Britain, the United States and the Federal Republic of Germany were thinking through schemes to offer financial inducement and assistance to the emigrants to facilitate a smooth transition to independence and majority rule. The Bolivians realised that their acceptance of the emigrants would cost the country very little. The context in which the proposal was put forward, however, had racial overtones, and it was this element that caused the undoing of the scheme. Local and international reactions to the proposal were so fierce that even the Banzer government was forced to retract it.

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<sup>1</sup> *Sunday Times* (Johannesburg), 31 March 1974.  
Interview by Diana Powell in Asunción.

<sup>2</sup> *The Argus*, 10 March and 26 April 1977.

The failure of the proposal to be realised in 1977 does not rule out the possibility of a similar proposal coming to fruition in the future. Therefore the Bolivian scheme requires some analysis because of its potential impact.

The influx of a community of an estimated 30,000 white Southern African farming families into Bolivia would have created bonds between Bolivia and Southern Africa of a type far more enduring than those between the Afrikaners of Patagonia and their erstwhile motherland. These would resemble the bonds forged between other strong groups of migrants and their countries of origin, like the Germans of Paraguay, Bolivia or Argentina; the Welsh of Patagonia; or the Italians of the state of São Paulo in Brazil. Potentially revanchist in relation to change in the Southern African region, and enjoying strong links with reactionary forces in Bolivia, the community would have a similar political relationship to Southern Africa that the Cuban community in Florida has in relation to its country of origin.

But, more than this, the white Southern Africans would have solidified the racial hierarchy within Bolivia, whereby the 15 per cent of the population of European descent dominate the majority. Their numbers would have enhanced the existing "European" population of Bolivia by 10 per cent. It appeared that the Banzer government preferred to use those leaving Southern Africa to reproduce the existing patterns of social and economic relations in the country, rather than empower the indigenous peoples of Bolivia with land and the skills to use it productively,

How did Bolivia's colonisation plans evolve, and how did they become destined to fail?

## 1. PORTUGUESE EMIGRATION

With the collapse of the Portuguese empire, the former African colonies in Mozambique and Angola chose independence dates in June and November 1975 respectively. As colonial control wound down, the Portuguese settlers in these territories, organised into right wing parties, spread scare stories about post-independence victimisation and confiscation of jobs and housing. They feared the prospect of living under Marxist-oriented liberation movements, and the real prospect of civil war. In their millions they streamed out of the colonies, sabotaging remaining assets and refusing to remain and help construct new societies.

Many of them made new homes in South Africa, whose government was only too pleased to accept politically supportive immigrants, and swelled the existing Portuguese community there to a population of over a million. A further half-million were airlifted to Portugal, where they were housed by social security officials in the hotels that had been abandoned by the tourists who feared vacations in newly revolutionary Portugal. Housing and caring for the needs of the *retornados*, or "returnees", took its toll on the precarious, war-weakened Portuguese economy, and exposed the fragility of the Portuguese revolution. The *retornados* had the capacity to form a bloc with the potential to swing the Portuguese revolution rightwards.

The corollary of their departure from Mozambique and Angola was the massive export of technical and bureaucratic skills which destabilised the functioning of the newly independent countries.

## 2. ANGLO-AMERICAN PROPOSALS

Mindful of this example, those external powers involved in attempting to settle the question of Zimbabwean independence decided that their proposals should include a fund to compensate the country's white community for any losses it might suffer after independence.

On 18 June 1976, exactly two days after the Soweto uprising, the US secretary of state, Henry Kissinger, met prime minister B J Vorster in West Germany. Aside from discussions on the policy of apartheid, the agenda was devoted to dealing with South African attitudes to independence settlements in Namibia and Zimbabwe.

Kissinger was aware of Vorster's weak position in the wake of the collapse of Portuguese power in Southern Africa, the rise of Marxist regimes in its stead, and the forced withdrawal of South African troops from Angola. On the other hand he recognised the key role South Africa had played in sustaining Smith's illegal regime. Playing on these elements, he managed to secure Vorster's agreement to end military support for Smith and back to US plans for a negotiated settlement involving conservative black politicians.

With Vorster recruited to place pressure on Smith, Kissinger also mobilised the British government to back his diplomatic initiatives. He drew on British proposals as a basis for negotiations. One element of these was a plan initially drawn up by three Rhodesian business executives in consultation with nationalist Joshua Nkomo and two other members of his party. The plan was for Britain and the US to establish a fund which would compensate white Rhodesians with cash payments if they decided to leave the country. Payments would be on a sliding scale, increasing with the amount of years spent in the country after independence. The fund was designed

to encourage whites to stay and contribute to the country's post-independence economy, with the guarantee of compensation for any losses of assets, pensions or jobs.<sup>3</sup> It was aimed at providing whites with a financial security net to avoid the prospects of another Portuguese-type mass exodus, a débâcle which Britain was unwilling to emulate.

The Anglo-American fund, Kissinger told US senators, had to be worth US\$1 billion (£588 million at the time), of which the US should be prepared to provide between 40 and 50 per cent. Britain would be expected to provide a substantial amount of the balance.<sup>4</sup> Britain's approaches to other Commonwealth countries yielded offers, for example, from the Australian government to bankroll the fund to the extent of Australian \$1 million.<sup>5</sup>

It was in the context of funds being mooted for the resettlement of white Rhodesians that the Bolivian official most concerned with migration began to pay attention.

### 3. GERMAN NERVOUSNESS

A further incentive came as a result of the attitude of the Federal German government towards the repatriation of ethnic Germans in Eastern Europe. Bonn had over the years developed a policy of providing financial assistance to these migrants, which it classified as refugees, to assist their resettlement in West Germany.

The prospect of independence for Namibia raised the

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<sup>3</sup> *Sunday Mail* (Bulawayo), 25 July 1976.

<sup>4</sup> *The Times*, 27 September 1976.

<sup>5</sup> *Rhodesia Herald*, 17 October 1976.

question of what the Bonn government would do about the resettlement of its many nationals in Southern Africa, especially those in its former colony of Namibia. There were estimated to be 30,000 Namibians of German origin, of which at least 5,000 held West German nationality. There was also a large community of expatriate Germans in South Africa, perhaps numbering 100,000.

With the advent of the idea of the Anglo-American fund to support expatriate Rhodesian whites, the pressure on Bonn to resolve its own version of a similar problem intensified. Given its past sponsorship of the return of ethnic Germans from Eastern Europe, it would be difficult to turn its back on the repatriation of ethnic Germans from Southern Africa.

In October 1976, according to an official of the development aid ministry,

our minister of foreign aid declared that the 30,000 whites of German origin from Namibia ought to receive the same status of political refugees as the Germans who are now emigrating from the socialist countries. This means that every family should receive DM50,000 and all kinds of other help.<sup>6</sup>

However, the prospect of repeating Portugal's solution was not at all appealing to the Bonn government. The problem of reintegrating the Namibian Germans, of whom at least a third were supporters of the former Third Reich, and another third regarded themselves as *Kaisertreue*, or devoted to the return of the former Prussian emperors to power in Germany<sup>7</sup>, seemed an unpalatable prospect. Judging from past expenditure on the Eastern European Germans, the funds for absorption of German emigrants

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<sup>6</sup> Interview with Herr Vogt conducted by Jan van Wieringen and Max van Weezel, *Vrij Nederland*, 30 April 1977.

<sup>7</sup> *New African* 127, March 1978, p. 74.

from Southern Africa would amount to US\$150 million. Yet there was no reason why the funds had to be spent on reabsorbing the Namibian Germans into the Federal Republic, especially if there was a chance of other options presenting themselves.

#### 4. BOLIVIAN COLONISATION PLANS

The Banzer government in 1976 passed a decree called the Migration Law, which was regarded by the authorities as "an instrument of the country's new policy on population".<sup>8</sup>

Twice the size of Spain, Bolivia's population in the late 1970s was estimated at 5 million. The vast majority consisted of poor peasants and landless labourers of indigenous and mixed descent, living in the semi-barren high plateau, the *altiplano* and a number of upland valleys. The large fertile sub-tropical lowland eastern half of the country is relatively unpopulated, but in fact is home to 41 Indian tribes, numbering a total of 120,000 people.

Statistically, Bolivia was beginning to register an overall demographic deficit, or a steady reduction in population, as later confirmed by the census of September 1976. Figures projected to the year 2000, according to the National Council for Immigration, claimed that whilst Bolivia's population would double to 10 million, surrounding countries would have reached a combined

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<sup>8</sup> Bolivia Peace Committee, Swedish section, "We must prevent a racialist colonisation in Bolivia", Stockholm, April 1977, p. 25 in Group for Dependency Research et al., *Documents on colonialist export from South Africa to Latin America*, Uppsala: Uppsala University, Department of Peace and Conflict Research, June 1977.

population figure of 297 million.<sup>9</sup> The demographic crisis would lead to the internal market being insufficient to sustain consumption of goods produced by Bolivia's national industries, and a potential loss of sovereignty over peripheral areas of the country, as neighbouring countries with expanding populations cast their eyes on eastern Bolivia. These anxieties need to be seen in the context of Bolivian history, since the country has, in the past lost control of portions of its territory. For example, its vital access to the Pacific was lost to Chile as a result of the War of the Pacific (1879-1884); the territory of Acre went to Brazil in the early years of this century; and three-quarters of the Chaco were lost to Paraguay in the war of 1932-5.

Bolivia's poverty has engendered not only a brain drain, whereby professional cadres, including those with technological skills, have sought employment in countries like the United States and elsewhere, but also economic emigration by manual workers. Half a million Bolivians have emigrated to Argentina in search of basic employment. Under Banzer's dictatorship, a further category of political exiles, numbering over 5,000 people, had to leave the country. Socially progressive birth control programmes, although opposed by the Bolivian Catholic Bishops' Conference, also contributed to the demographic deficit.

The 1976 Migration Law created a National Council on Immigration, chaired by the undersecretary for migration in the ministry of planning, Dr Guido Strauss Ivanovic. A member of the extreme-right Bolivian Socialist Falange<sup>10</sup>, Strauss was a member of the influential community of German descent in Bolivia, as was the president, General

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<sup>9</sup> *Presencia*, 10 May 1977.

<sup>10</sup> *El Diário* (Mexico City), 8 May 1977.

Banzer. Strauss drew up elaborate plans for the repopulation of key centres in eastern Bolivia, where at least two new cities were planned, and roads and rail links initiated. A credit of US\$1 million had been solicited from Venezuela to complete the feasibility studies.<sup>11</sup> It was hoped to settle around 100,000 people in each of the two new developments.

The Bolivian state, primarily responsive to the 5% of the population claiming pure European descent, has throughout this century sought the colonisation of the fertile eastern part of the country which lacks the infrastructure for development.<sup>12</sup> Traditionally it had tried to attract the white migrants from the United States and elsewhere, in the hope that they would, with their skills and capital, help to build the infrastructure necessary for the development of the eastern half of the country.

## 5. THE ROLE OF THE ICEM

On 5 November 1976, Costa Rica hosted the 4th Latin American seminar of the UN Intergovernmental Committee for European Migration (ICEM), on the topic of the transfer of technology through migration.

ICEM is an inter-governmental organisation established after the Second World War in order to supervise the resettlement of European refugees and skilled workers in countries which would accept such immigrants. The post-war population movements enabled many Europeans to settle

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<sup>11</sup> *Presencia*, 20 June 1977.

<sup>12</sup> For earlier attempts at stimulating colonisation in this area, see Margaret A Marsh, *The bankers of Bolivia: a study in American foreign investment*, New York: Vanguard Press, 1928, pp. 14-15 and nn.

in countries like Australia, Canada, New Zealand, South Africa and the countries of Latin America. Up to the late 1970s, ICEM had been involved in the resettlement of 632,210 European migrants and 152,010 refugees in South Africa, which joined the organisation in 1956, took an active part in its workings, and contributed 4.6 per cent to its budget. Of the special ICEM Latin America programme, South Africa contributed \$36,330 in 1973, equal to 1.7% of the costs.<sup>13</sup>

The Costa Rica seminar itself was attended by officials from the US, Italy, Spain and the Federal Republic of Germany, in addition to a number of Latin American countries, including Argentina, Bolivia, Brazil, Ecuador, Uruguay and Venezuela.

Although the agenda contained no reference to any schemes to transfer white Southern Africans to Latin America, the occasion was exploited by the West Germans to sound out their Latin American counterparts.

At informal "coffee break" talks during the seminar, West German delegates discussed their concerns about the resettlement of German Namibians with the delegates from the Latin American countries. Herr Jelden, a representative of the Bonn ministry of foreign aid, mentioned the possibility of a West German government offer of US\$150 million to Latin American governments to accept up to 30,000 white families of German extraction from South Africa, Namibia and Rhodesia.

Jelden explained that many of the German settlers in Southern Africa had retained their nationality, and the

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<sup>13</sup> ICEM Document MC/1062 dated November 1973, cited in anonymous monograph entitled "Comité Intergubernamental para las Migraciones Europeas", pp. 5-6.

West Germans feared at the time that a flood of immigration to the homeland might create enormous social and economic problems. If Latin America offered farming land, West Germany would finance the migration with the backing of ICEM and the Inter-American Development Bank. The West German government later denied that it had made any such offers.<sup>14</sup>

Of all the Latin American delegations present at the Costa Rica seminar, only the Bolivian delegate accepted the German proposal in full. The proposal clearly coincided well with the planning already under way in Bolivia to settle the eastern areas. Bolivia was also responding eagerly to the possibility of the immigrants being funded by the West Germans. Bolivia already had half an eye on the Zimbabwe development fund which Kissinger had attempted to establish under the auspices of the World Bank.

The director of ICEM later strenuously denied that the organisation was to play a part in the scheme:

a group of delegates spoke about the possibility of an exodus of whites from Southern Africa in the same manner as there had been an out-movement of whites from Mozambique and Angola, and there was an indication on the part of at least one delegate that his country might be assisted in its development in the agricultural area if some of the skilled agriculturists [sic] who might like to leave Southern Africa at some later date could select his country. This was an informal "corridor" discussion that played no part in the work of the ICEM seminar.<sup>15</sup>

ICEM was sceptical of World Bank and Federal German funds

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<sup>14</sup> *Paese Sera*, 26 March 1977, and *Süddeutsche-Zeitung* 108, 11 May 1977, on the role of the Federal Republic of Germany; *The Argus*, 26 April 1977 on ICEM.

<sup>15</sup> Correspondence between John F Thomas, director of ICEM, to Baldwin Sjollema, director of World Council of Churches, 24 June 1977, p. 1.

being made available. It reported that in its own Council and Executive Committee, the plan to resettle Southern Africans was not discussed.

Yet despite distancing itself from the plan, the organisation was attempting to monitor the situation. The visit of Rhodesian tobacco farmers to Argentina in 1977 was of great interest to the local ICEM representative. Despite official denials <sup>16</sup>, ICEM was said to have sponsored the Rhodesian visit.

Normally a low-key organisation, the ICEM found its activities under the spotlight of the international press rather gruelling. Since its task was that of resettlement of migrants, it had both facilitated the formulation of Bolivia's scheme, and played a part in monitoring events. Lack of familiarity with its work contributed to extensive criticism of the organisation's role. The criticism was probably unnecessarily harsh.

## 6. STRAUSS FORMULATES A PLAN

Bolivia's proposal to accept 150,000 white migrants from Southern Africa was first publicised in January 1977, in the pages of the La Paz daily, *Presencia*, which published a report written by the under-secretary for immigration, Dr Guido Strauss Ivanovic on the achievements of his work during 1976. In the report the scheme was given top

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<sup>16</sup> Correspondence from Roger Walon, ICEM chief of press and information services, to Ms Dorothy Reeves of the Bolivia Committee in the UK, 9 February 1978, para 3: "The visit ... was the result of a private initiative ... and was not organised by the ICEM. The ICEM mission in Buenos Aires was invited by the Argentine authorities responsible for this visit, to attend the meetings. Since then ICEM has not been informed of any development."

priority in the migration policy of the government.<sup>17</sup>

In March, the paper published a leaked memorandum dated November 1976. It was written by Strauss and addressed to General Juan Lechin Suarez, the minister of planning and co-ordination, who had been responsible for liberalising the migration law the previous year. In his memorandum, Strauss declared his intention to encourage the entry into the country of the 30,000 families of white immigrants of German and Dutch origin, especially from Namibia, Rhodesia and South Africa. Strauss was keen to solicit essential support from the German and Dutch governments, as well as the ICEM. The settlers would be allocated 80,000 hectares in the area of Rurenabaque and the province of Ballivian. This land would be alienated from competing claims, and no distribution to "third parties" (indigenous Bolivians) was foreseen. The estimated cost of over US\$87 million to cover the migration and US\$50 million to pay for a permanent road to the area would have to be borne by other states or international organisations, since Bolivia would be unable to bear financial responsibility for the settlement.<sup>18</sup>

Depending on obtaining the finance, Bolivia announced that it would be ready to receive the first 5,000 families in May 1977. In his memorandum Strauss had argued that the increasing spread of black majority rule in Southern Africa would lead to a "hecatomb", and that remaining whites would fear being isolated and discriminated against by black governments. He claimed that the UN Commissioner for Namibia, Sean McBride,

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<sup>17</sup> "Regulación de la política migratoria fue el logro más importante de 1976", *Presencia*, 9 January 1977.

<sup>18</sup> *Presencia*, 26 March 1977; *Informatiecentrum Bolivia, Newsletter* (Wijlrijk, Belgium), 11 March 1977; *Le Monde*, 31 May 1977.

advocated that all whites should leave the sub-continent<sup>19</sup>, an assertion which was a gross untruth. Strauss was attempting to emphasise the plight of the immigrants in order to provide some humanitarian cover for the scheme.

What emerged some years later was the fact that Strauss had offered the job of liaison between the Bolivian government and the white immigrants to a Señor Klaus Altmann, a German-speaking citizen of Bolivia who had been in business in the country since his arrival in 1951. Altmann was a leading light in the local German community and had strong links with the military faction which came to power under the leadership of Banzer in 1971, and a great admirer of the Bolivian Socialist Falange, Strauss's party. Altmann had often been used as a security consultant by right-wing regimes in Bolivia, and was involved in the questioning and physical abuse of political prisoners.

In 1983 Altmann was extradited to France, where he later stood trial for crimes against humanity. His identity was revealed as former SS Hauptsturmführer Klaus Barbie, also known as the "Butcher of Lyons".<sup>20</sup>

A Port Elizabeth factory manager admitted that he had met Barbie, introduced to him as Altmann, in La Paz in January 1978, during a reconnaissance trip to view the land under offer. Gustavo Sanchez, the official who arranged Barbie's extradition to France, admitted during his trial that Barbie's motive for attracting the settlers was that they would "work hard and improve the

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<sup>19</sup> *ibid.*

<sup>20</sup> Ladislas de Hoyos, *Klaus Barbie: the untold story*, New York: McGraw-Hill, 1985, p. 224.

race."<sup>21</sup>

In an interview with Strauss, author Norman Lewis ascertained that the immigrants would be allocated 50 hectares of first class agricultural land as well as social, technical and economic assistance. Cattle ranchers would be granted "very much more" in the way of resources, and ample low-cost labour. "They will certainly find our Indians no more stupid or lazy than their own blacks," Strauss candidly confessed. When pressed on the question of how the migration would affect the 41 tribes living in the area, Strauss referred Lewis to the notorious Summer Institute of Linguistics, a missionary organisation renowned for its near-enslavement of indigenous communities and its support for right-wing dictatorships in Latin America.<sup>22</sup>

## 7. THE RESPONSE

In Bolivia, the response on the part of the peasants, workers and the church was a vigorous one. Emphasis was placed on the racial nature of the scheme, and the political consequences of the immigrants reinforcing the longevity of the Banzer dictatorship. A strong political campaign was mounted, backed by the church, the left political party MIR, the Comité Boliviano contra el Apartheid, and the Permanent Assembly of Human Rights in Bolivia to repudiate the importation of racism into the

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<sup>21</sup> *Weekend Argus*, 16 May 1987.

<sup>22</sup> Norman Lewis, "Eastern Bolivia: the white promised land", *The Observer*, 5 March 1978; also reprinted in booklet form by the International Working Group on Indigenous Affairs, Copenhagen, 1978.

country.<sup>23</sup> Protests by the Bolivian Indigenous Indian Association occurred<sup>24</sup>, and the Bolivian trade union federation, Central Obrera Boliviana, signed a joint communiqué with the Organisation of African Trade Union Unity condemning the scheme.<sup>25</sup> Dignitaries like the author Augusto Cespedes and ex-president Luís Adolfo Siles Salinas made public objection to "the massive import of 150,000 persons of the purest white in this country founded upon a majority of Indians, campesinos and mestizos".<sup>26</sup>

Internationally the proposal created a huge furore in the press<sup>27</sup>, and amongst the many Bolivian solidarity committees set up by exiles and supporters in Argentina, Mexico, Belgium, Britain, the Netherlands, and Sweden. The World Council of Churches and the Christian Institute of Southern Africa also took up the issue. Pressure was placed on the British, Dutch, German and even the Swedish

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<sup>23</sup> See for example Dirección Nacional Clandestino del Movimiento de la Izquierda Revolucionaria, "La conjura de Banzer y del racismo internacional contra el pueblo Boliviano" (mimeo.), Bolivia, April 1977; Esau du Plessis, *Lo que el pueblo Boliviano debe conocer*, La Paz: Comité Boliviano contra el Apartheid, 30 August 1978.

<sup>24</sup> *Presencia*, 18 February, 21 March, 14 and 16 June 1977; *Daily News*, 7 July 1977.

<sup>25</sup> *Joint communiqué of the OATUU and the Central Obrera Boliviana*, Geneva, 4 June 1977.

<sup>26</sup> Cespedes in his daily column in the morning newspaper *Hoy*, quoted in Group for Dependency Research et al., *Documents on colonialist export*, p. 41.

<sup>27</sup> *Die Transvaler*, 25 July 1977. See, amongst others, reactions in Belgium (Newsletter, *supra*); Sweden (Comité Boliviano de la Paz, *La humanidad debe impedir la colonización racista de Bolivia*, Stockholm, March 1977); Peru (*Granma*, English edition, 8 May 1977); Mexico (Inter Press Service wire, Mexico City, 11 May 1977); and Bolivia itself (*Presencia*, 14 June 1977). Also see World Council of Churches, Central Committee, *Resolution on Southern Africa: final text (Document 34a)*, Geneva, 26 July to 6 August 1977.

governments to express their opposition to the scheme.

This backlash caused the Banzer government to play down the matter. The arrival of the first 50 families, due in February 1978, was "indefinitely postponed".<sup>28</sup> Those who subsequently arrived were described as the result of "spontaneous migration" and had nothing to do with the ICEM scheme.<sup>29</sup>

Yet for some time the detailed plans for the settlement of whites from Southern Africa in the departments of Bení and Santa Cruz persisted. Dr Romano Caputi, the Bolivian chargé d'affairs in South Africa, claimed that over 300 applications for resettlement had been processed, and that Pretoria engineering firms had submitted tenders for the construction of two new urban centres in the areas earmarked for settlement. Bolivia has also set up a wider network of representatives in six Southern African cities, and offered to host South African journalists who wished to report on the prospects awaiting potential immigrants.

The former Bolivian vice-consul in Cape Town claimed that he had been contacted by "hundreds of farmers who wished to go to Bolivia, all of them Afrikaans-speaking and mainly prosperous well-established farmers".<sup>30</sup>

In March 1978, a delegation of the extreme-right Herstigte Nasionale Party visited Bolivia and reported back that

like us, they practice discrimination. The whole economy is ruled by a small minority of

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<sup>28</sup> *Financial Times*, 13 December 1977.

<sup>29</sup> Norman Lewis, "The white promised land", p. 32.

<sup>30</sup> *Weekend Argus*, 17 December 1977. Also see *Die Beeld*, 28 July 1977, for an earlier interview with the honorary consul for Bolivia in Johannesburg.

white immigrants from Europe who keep the Spaniards and local Indians well and truly in their place ... white South Africans will feel very much at home there. The Indians have an intelligence level on a par with South African blacks and could be taught to do manual labour without any problems.<sup>31</sup>

This report typified the problem which the indigenous communities of Latin America feared. The prospect of white settlement in rural areas of Latin America carried with it the threat of South African forms of social relations being exported.

However, a year later, the vice-consul in Cape Town claimed that

the number of departures for Bolivia has been somewhat exaggerated in the press ... and I do not believe that enquiries for emigration are being received from any class other than the farming community. There are no official statements that I know of by either government and this could well be an indication of the relative minitude of the matter.<sup>32</sup>

These remarks indicate an attempt to play down the issue. White emigration - not however in the direction of Bolivia - was then occurring at an unprecedented rate, and since it was officially discouraged, overt organisation of such schemes within South Africa would have been regarded as impolitic.

In the end the mass migration failed to take place. This was partly due to the failure of Strauss to deliver the financial support of the Germans and Dutch, who had been embarrassed by the public revelations of the proposal. The local and international campaigns had a major impact in publicising and squashing the proposal. The campaign inside Bolivia became a rallying point for many different

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<sup>31</sup> *Sunday Times*, 12 March 1978.

<sup>32</sup> Personal communication from Vice-consul for Bolivia K G Druker, 30 January 1978, p. 2.

social forces in their opposition to the Banzer dictatorship, spawning the creating of, for example the peasant union CSUTCB founded in June 1979. Ironically, despite some interest shown by whites in Southern Africa, most of those who visited Bolivia were unimpressed, largely due to the lack of infrastructure in the areas in which they were offered land.

The proposal died after the restoration of democracy for a brief period in 1978, and decisively after 1982.<sup>33</sup> Whites from Southern Africa had largely been suburbanised for a generation and no longer fitted the profile of hardy pioneers; they preferred to emigrate to equivalent suburbias in the fleshpots of Western Europe, North America, and Australasia.

The psychology of prejudice against majority rule may nevertheless affect a minority of whites to the extent of their wishing to emigrate. The example of Patagonia awaits emulation. Perhaps Strauss still believes the words he spoke to Norman Lewis in optimism:

the trickle (of white immigrants) will soon become a flood, an inundation which could be expected as soon as black majority rule becomes a fact.<sup>34</sup>

Strauss did not anticipate that Bolivia would return to democratic rule decisively in 1982. The invitation is unlikely to be extended again to whites from Southern Africa to colonise eastern Bolivia.

Immigrant communities are able to bridge two cultures. Often host communities fear that the new arrivals are bearers of alien values which will damage the pre-existing social fabric. This fear may be exploited by

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<sup>33</sup> "Un an après le rétablissement de la démocratie en Bolivie", *Le Monde Diplomatique*, October 1983, p. 20.

<sup>34</sup> Norman Lewis, "The white promised land", p. 32.

racist politicians as a way to mobilise support. In the case of Bolivia, the host community was resistant to the arrival of white Southern Africans precisely because it feared they would be bearers of racist culture and that this would have a negative impact in Bolivia, already a racially charged society.

## CHAPTER TEN

### CONCLUSION

The economic dynamism displayed by certain newly industrialised countries of the South from the late 1960s, coincided with the demise of the Bretton Woods system of international political economy. The old system gave way to what was seen as a new international division of labour in which the NICs were prominent actors. The newly assertive bourgeoisies of the South argued for a new international economic order in which the North would concede them a place.

In the attempt to develop this position, international collaboration across national lines in the South was seen as a potential political instrument. One model for this was the commodity cartel (e.g. OPEC), another was regional co-operation (e.g. ASEAN), and a third was a form of regional "proto-imperialism" (e.g. India). Yet to test whether South-South collaboration was a viable project, it was essential to question whether it existed outside these models. Could the South, and the NICs in particular, collaborate on a global or trans-regional basis?

In the case of South Africa and Latin America there seemed grounds for optimism that the ingredients existed for their economic and political relations to develop significantly from the late 1960s. Both had produced

evidence of economic growth, including the growth of locally based transnational corporations acting on a global scale. There were similar ideological regimes in power, elements favouring a common defence strategy, and the possibilities of population migration to cement the links.

From the evidence presented here, we can begin to draw some conclusions. It is clear that relations between South Africa and Latin America failed to become very important to either side. Trade levels were only an insubstantial part of each side's global trade. Capital investment was one-sided, flowing from South African-based transnationals into Latin America, and related more to the private agendas of the firms concerned than the fulfilment of any national interest.

Political relations were abnormal due to South Africa's apartheid policies, and the need for key countries like Brazil to distance themselves from the apartheid regime partly in order to cultivate African oil producers and markets. This forced South Africa into a low political profile in Brazil, leaving the bargaining with the Brazilian government directly in the hands of its international firms. Argentina and Brazil both had volatile diplomatic relations with Pretoria. At times, however, the right-wing political character of the regimes in the Southern Cone, particularly those of Paraguay, Uruguay and Chile in the 1970s and 1980s, erased the stigma of apartheid as a factor in their relationships.

The presence of South African firms in Latin America rested to some extent on the political groundwork achieved by the Pretoria government, which carefully set an infrastructure in place to smooth the way for further trade and investment. Therefore the interface between

political and economic relations between the countries was more dynamic than might have been conceded by the firms involved. The firms, however, operated in terms of their own agendas - their needs to seek new sources of raw materials, spread political risk through international diversification, develop economies of scale, and increase their global market shares in particular commodities. In most cases, South African corporate investment in Latin America went into the extraction of primary products (and the ancillary industries to this process) for the world and not the South African market. Their agendas were set at the level of global supply and demand and not national interest.

On the military front, proposals for the establishment of a naval alliance, the South Atlantic Treaty Organisation, were destined to fail. The reasons included Brazil's reluctance to get involved because of implications for her relations with the rest of Africa, maritime conflicts between Argentina and Chile, and, ultimately, South Africa's ambiguous loyalties during the Falklands war. Despite this failure at multilateral level, there was some success at bilateral level, particularly with Chile under the Pinochet junta. The close ideological ties with Chile gave South Africa's new arms industry a global market place. Diplomatic relations between the two countries remained in military hands. There was extensive collaboration between the armed forces of the two states. Yet, while they enjoyed excellent relations, it cannot be claimed that there were high levels of trade between the countries, nor that close military ties will long outlast the democratisation processes under way in both countries.

Social and cultural ties between the two regions also failed to develop significantly. The attempt by the Banzer dictatorship in Bolivia to settle migrants came to

nought, largely due to indigenous resistance and the mobilisation of international opinion against the scheme. In cases where cultural ties with the Latin American dictatorships were officially promoted, there was extensive resistance in South Africa, particularly in religious, academic, artistic and political circles.

Why did this relationship fail to mature?

Part of the answer lies in the legacy of history. During the nineteenth century, Britain, despite its hegemonic economic and military position on both sides of the Atlantic, failed to integrate the two regions into one symbiotic economic market. Its principal needs were related to imperial security and the extraction of primary commodities rather than the overall economic development of the regions. There was no incentive, except during wartime, for Britain to have stimulated or nurtured transatlantic trade. On each side, the economies were structured along North-South rather than South-South lines.

The emigrants to Patagonia might have made a difference in firming up Argentina's relations with what became the Union of South Africa. But they were disaffected and looked only to their homeland as a potential source of religious, cultural and educational resources. The community had no aim to encourage the deepening of political or economic relations between the two states. It was, in any case, too fragmented, maleducated and indigent to form a coherent, articulate political lobby. As a community it was ultimately virtually extinguished through repatriation and assimilation. At the symbolic level, however, its mythologised history offered evidence of links between Afrikaners and Latin America.

Therefore the historical evidence counted against the future flourishing of relations.

The failure of trade can be attributed to three factors: high levels of protectionism in import-substituting economies; production of similar kinds of commodities and manufactures; and a preference for developing markets in the North. Import resistance, bureaucratic controls, language, credit and delivery problems all complicated trade arrangements. A lack of risk taking, a mentality of being besieged by sanctions, and a parochial bias characterised the behaviour of South African entrepreneurs, who tended to focus on the familiar North and the expanding East.

With regard to investment, some advances were made from the mid-1970s, particularly of South African capital in the mining and fishing sectors of Latin America. The details in the case studies illuminated how the Anglo American Corporation came to be the largest gold mining company in Brazil, producing 38% of the country's industrial output of gold by 1990. The capital transferred to Chile by the fishing industry did so largely due to the collapse of the Namibian fish resource. Investment can be characterised as unidirectional, resource based, and producing goods destined for the world market. One therefore needs to look in detail at the specific needs of the firms concerned.

The interface between South African corporations and the apartheid state is certainly a factor in the ways in which investment occurs. Whether the corporation conceals, flaunts or is indifferent towards its national identity depends largely on the political relationship between South Africa and the host country to the new investment. Firms stay flexible; they have the ability to

invoke any single strategy where required. For example the output of the South African fishing companies in Chile is marketed abroad in cans of "Pacific pilchards" with only a Jersey address to indicate its origins. AMSA, Anglo's South American arm, is operated as a subsidiary of Minorco, whose headquarters are nominally in Luxembourg, via a holding company registered in Liberia. On a visit to the company town of Nova Lima, the site of the Morro Velho mine in 1983, it was evident to me that the miners, the local mayor and the goldminers' union had only the vaguest notion that the company that worked the mine was South African-owned. In a world where sanctions began to be an important factor, South African firms learnt to be as invisible as possible. In countries like Chile, they could breathe more easily, and take advantage of the good state-to-state relations where feasible. Nothing demonstrates this more than the freedom of action given in Chile to Armscor, the South African state-supported armaments manufacturing company, one of few countries to do so openly in defiance of international arms boycotts.

The nature of the South African investments was not akin to those in manufacturing industries. In general these occur when they give firms a comparative advantage in production costs (usually related to the cost of labour or transport or energy), or in access to the host's market place. To date, South African capital has not entered this terrain in Latin America. Its comparative advantage has lain in its unique technical capacity (e.g. in relation to deep level mining) to obtain a particular resource. On a global scale, it possesses a very limited number of comparative advantages, being an example of dependent development in relation to the North.

With democratisation, the abnormalities of the relationship will fall away, and ideology will become

less of a factor in the calculations of decision makers. The transition phases have been marked, in both cases, by severe domestic economic crises, which are being played out against a background of increasing international recession. Without the ideological common ground, economic considerations in the relationship will regain their primary position. The existing investments, if profitable, will remain in Latin America, but there is unlikely to be a major expansion of trade or further investment. Military links are also bound to diminish, which will have an impact on further large contracts going to Armscor and related firms.

Given the verdict that the relationship between South Africa and Latin America has failed to deepen, can we claim that this is symptomatic of the general failure of South-South relations to mature?

Clearly, many of the factors identified as "constraints" on South-South relations apply in this case: the historic legacy of the predominance of North-South linkages; the economic competition for global markets; increasingly being hostage to debt crises and hyperinflation, which further divert resources Northwards.

The optimism expressed in the late 1960s and early 1970s about South-South linkages occurred at a time when the emergent NICs had access to cheap oil, cheap credit, and cheap labour. Since then the picture has drastically changed, to the point where one Brazilian economist, quoted in the text claimed that his country's former Southward orientation was now regarded as unsustainable and even detrimental to its best interests. The trend has shifted decisively towards dealing with the North. The countries of Latin America, headed by Mexico, with Chile hot on its heels, are vying to enter into free trade relationships with the United States. The collapse of the

Soviet Union further impels Latin America away from a non-aligned posture, and towards the wholesale adoption of neo-liberal policies endorsed by Washington.

Ironically this may open the formerly closed Latin American economies to more trade and investment with the South; however international recession, and trade preferences (e.g. within Mercosur) may rule out this happening in practice. At any rate, during the latest international division of labour, being called the New World Order, we are likely to see the abandonment of the proposal for closer South-South links in favour of close regional and closer North-South economic collaboration.

This thesis contributes to the debate on South-South relations in a rapidly changing world order. It aimed to show, through an appraisal of an original case study, that South-South relations have had a disappointing history, and in the future are likely to be stressed even less as an instrument for development in the South.

Through the case study it sheds new light on the insertion of South Africa and Latin America into the world economy. It does so periodising the relationship into two key phases: the potentially formative nineteenth century, and the post-1945 phases. This allows for deeper comparative analysis, and avoids some of the problems often encountered in analyses of single trends in international political economy which have not been placed in their historic contexts.

It also breaks some new ground in looking at corporate behaviour of South-based transnational firms, especially in their dealings with host and home governments. Often the investments they make enable them to deal with host governments in ways which the home government might find more difficult. This implies either a divergence of views

of foreign, and in the case of South Africa, domestic policy, or it implies that firms are able to engage in sophisticated subterfuge to distance their image from that of the home government even when there is substantial congruence in their positions. The case study demonstrates how firms are flexible and pragmatic in the face of these questions. It opens the door to similar comparative studies of South-based transnational firms as actors in the relationships being forged between states.

The case study looked in vain for evidence that minority communities linked to both states had an important function in cementing political and economic links. Nevertheless, although the Afrikaners in Argentina lacked a project of this kind, and the emigration to Bolivia in the late 1970s was blocked, the question is still an open and legitimate one when applied to similar cases. The relationship between Korea or South Asia and the Gulf are amongst examples that spring to mind.

Analysts of trends in international political economy are increasingly emulating the well established practice in other social sciences of drawing on associated disciplines in order to unravel problems. The multi-disciplinary approach has helped to illuminate key issues which would otherwise not have been evident. In this work I aimed to generate a more integrated understanding of the strategic decisions that countries of the South have made in their international economic relations.

## Appendix 1.1

### **South African Exports to the Americas** (million rand)\*

	1966	1970	1972	1973	1975	1976	1978	1979	1980
Brazil	0.36	0.78	4.64	9.0	15.90	26.9	77.8	111.8	133.0
Argentina	0.67	1.84	2.33	2.85	2.98	7.82	15.2	25.2	41.8
Chile	1.94	0.32	0.66	4.51	2.90	1.19	4.72	14.1	21.2
Uruguay	0.14	0.08	0.09	0.13	0.35	3.30	2.17	6.74	3.78
Paraguay	n/a	n/a	n/a	n/a	0.03	1.75	.26	.67	.27
Latin America & Caribbean	<b>6.78</b>	<b>18.8</b>	<b>16.33</b>	<b>47.09</b>	<b>72.93</b>	<b>120.0</b>	<b>147.7</b>	<b>251.9</b>	<b>294.0</b>
United States	—	129.0	—	—	—	459.7	1,349.9	1,410.2	1,648.0
Canada	—	28.2	—	—	—	124.8	113.4	171.9	205.0
Total South African Exports	—	<b>1,543</b>	—	—	—	<b>4,542</b>	<b>7,270</b>	<b>14,839</b>	<b>19,922</b>

### **South African Imports from the Americas** (million rand)\*

	1966	1970	1972	1973	1975	1976	1978	1979	1980
Brazil	8.66	12.20	22.18	25.29	26.09	32.4	31.8	48.8	77.5
Argentina	3.32	2.90	3.21	6.88	6.58	4.1	9.8	9.68	12.2
Chile	0.05	0.87	0.35	0.07	1.41	0.62	4.92	5.27	7.77
Uruguay	0.73	1.36	0.52	1.19	2.70	2.32	1.63	2.65	8.0
Paraguay	0.17	.004	0.10	0.37	0.26	1.1	1.06	1.8	1.42
Latin America & Caribbean	—	<b>21.6</b>	—	—	—	<b>47.1</b>	<b>61.</b>	<b>81.6</b>	<b>132.2</b>
United States	—	424	—	—	—	1,267	986	1,239	1,952
Canada	—	70.4	—	—	—	85.9	83	95.4	138.8
Total South African Imports	—	<b>2,547</b>	—	—	—	<b>5,876</b>	<b>6,274</b>	<b>9,926</b>	<b>14,396</b>

\* 1980: 1 rand = \$U.S. 1.40; 1970: 1 rand = \$U.S. 1.30 (the rand fluctuates greatly year to year due to changing gold prices). Figures before 1980 do not include military items. Figures from 1974-1979 do not include petroleum products. Figures for 1980 include both military items and petroleum products.

Sources: Figures for 1970, 1976-1980 compiled by Jim Cason using South Africa Department of Customs and Excise, *Monthly Abstract of Trade Statistics*, January 1976 through December 1980. Figures for 1966-1975 excluding 1970, from David Fig, "The South Atlantic Connection," *Britain and Latin America*, pp. 121-122, using South Africa *Monthly Abstract*.

Appendix 1.2

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SOUTH AFRICAN EXPORTS TO THE AMERICAS (million rand)

	1981	1982	1983	1984	1985
Brazil	61.1	84.8	17.8	51.8	35.1
Argentina	28.5	23.8	14.7	19.0	20.8
Chile	27.0	12.8	17.7	27.2	48.3
Uruguay	3.7	2.6	5.0	3.6	3.9
Paraguay	0.3	0.9	1.9	2.1	2.3
Latin America & Caribbean	256.6	264.0	136.2	178.4	177.7
USA	1519.8	1322.8	1753.8	2126.3	3029.7
Canada	204.8	137.2	119.1	182.5	204.3
World	18014.1	19343.5	20672.0	25584.5	36410.4

SOUTH AFRICAN IMPORTS TO THE AMERICAS (million rand)

	1981	1982	1983	1984	1985
Brazil	115.0	121.7	164.9	201.5	125.5
Argentina	15.7	21.1	191.1	168.3	197.2
Chile	17.5	26.6	23.5	49.1	69.8
Uruguay	10.1	8.4	6.0	13.0	13.7
Paraguay	0.7	2.2	4.8	3.6	1.5
Latin America & Caribbean	217.1	426.9	429.0	473.3	460.0
USA	2655.3	2467.0	2467.0	3401.7	3159.5
Canada	216.4	194.4	155.0	245.6	266.6
World	18511.2	18418.3	16252.7	21804.4	22731.9

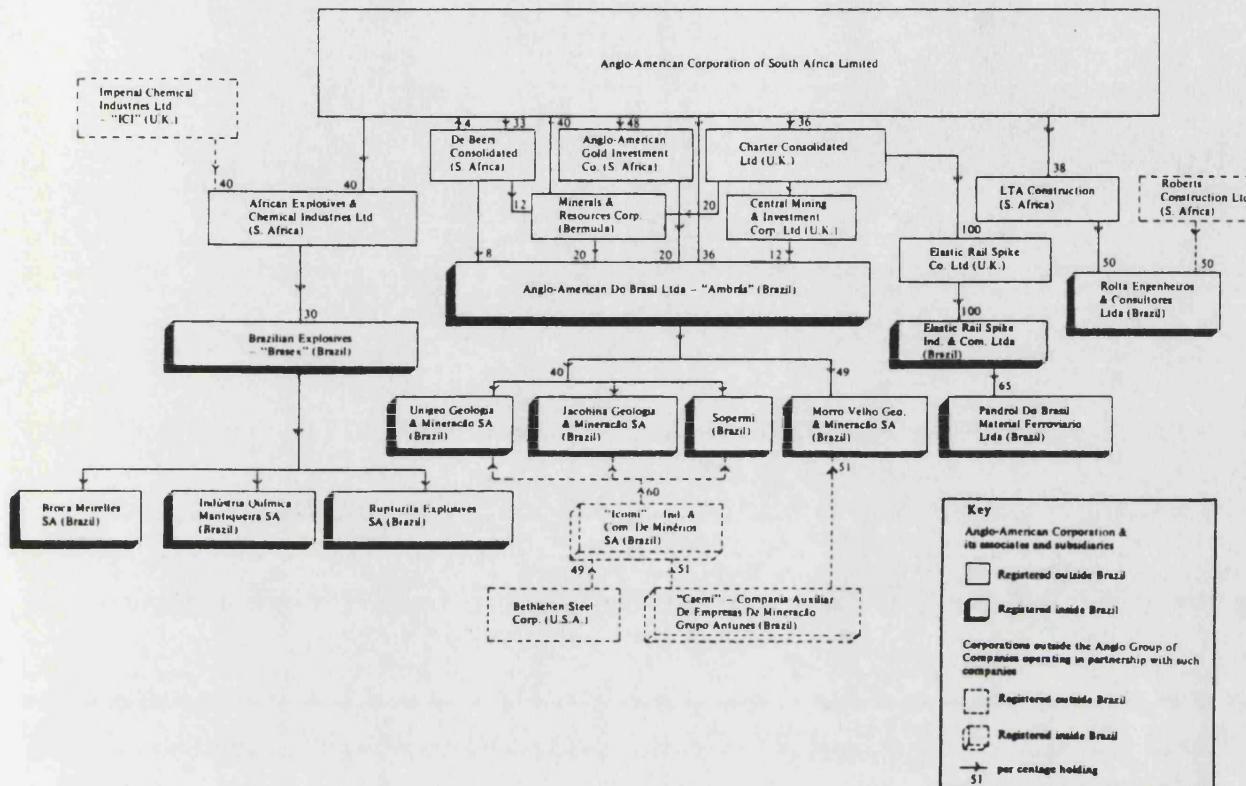
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Sources: South Africa, Department of Customs and Excise, *Monthly Abstract of Trade Statistics*, January 1980-December 1985.

Since 1986 South Africa has not published its trade statistics by country.

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## Appendix 2.1

### The Corporate Structure of Ambras, 1978



#### Sources:

##### i Corporate annual reports:

AECL Limited (1977);  
 Anglo-American Corporation of South Africa Limited (1976, 1978);  
 Charter Consolidated Limited (1978);  
 Elastic Rail Spike Company Limited (1978).

##### ii Investment handbooks:

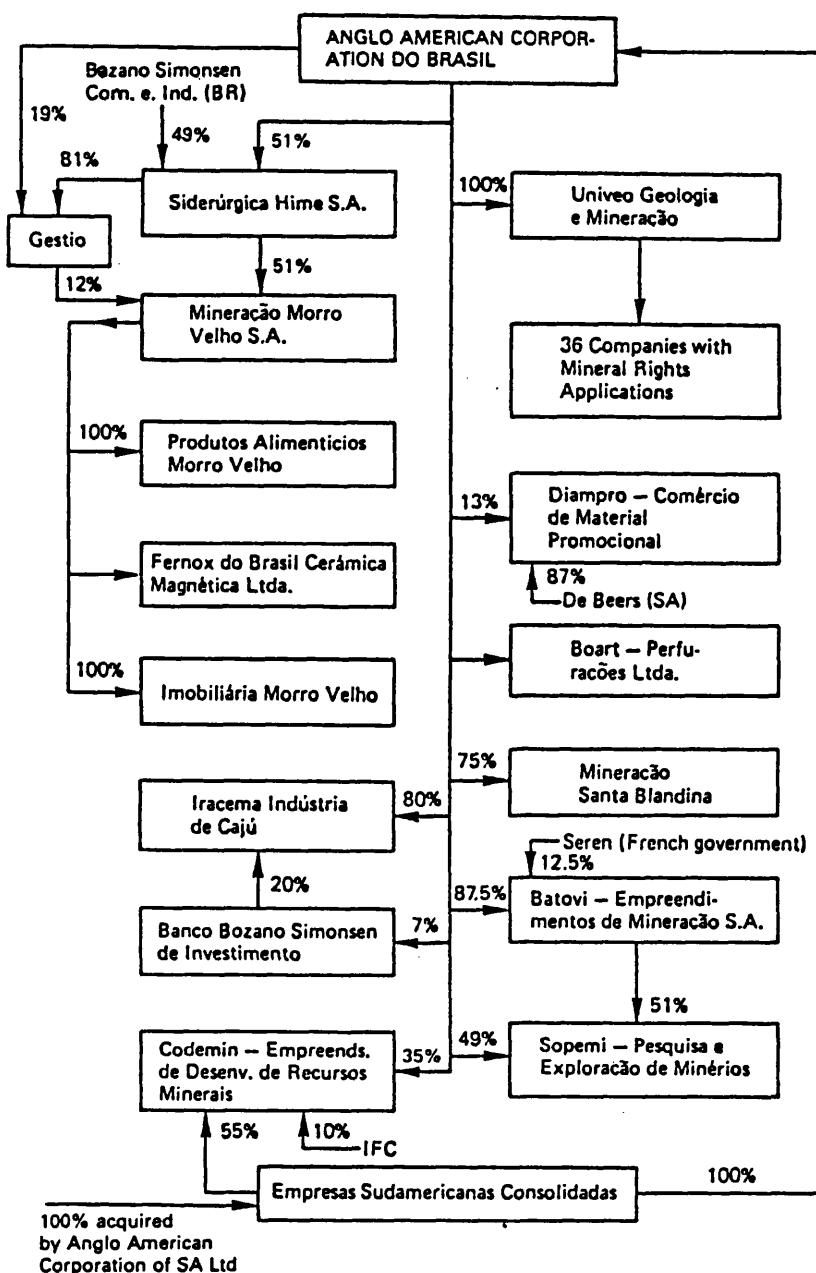
Bernet, Jean. 1971, 1974 edns. *Guia Interinvest o Brasil e o capital internacional*. Rio de Janeiro: Editora Interinvest.  
 Skinner, Walter. 1978 edn. *Mining International Year Book*. London: Financial Times.

##### iii Press reports:

*The Argus*: 7 April 1975, 29 March 1976, 13 July 1976.  
*Die Beeld*: 23 August 1975.  
*Rand Daily Mail*: 27 July 1973, 22 April 1975, 14 July 1976.  
*South African Financial Gazette*: 3 August 1973.  
*The Star*: 4 June 1975, 9 December 1976.  
*Sunday Times* (Johannesburg): 19 August 1973, 30 March 1975, 6 April 1975, 27 April 1975.  
*Die Transvaler*: 27 April 1976.

## Appendix 2.2

### The corporate structure of Ambras, 1984



**Source:** Based on the organogram found in Francisco A. Chaves (coord), *Os maiores mineradores do Brasil: Perfil nacional do setor mineral brasileiro* (Brasília: Conselho da Pesquisa, 1982), 505, and updated by reference to corporate annual reports.

## Appendix 3

### South African diplomatic representatives accredited to Latin American states

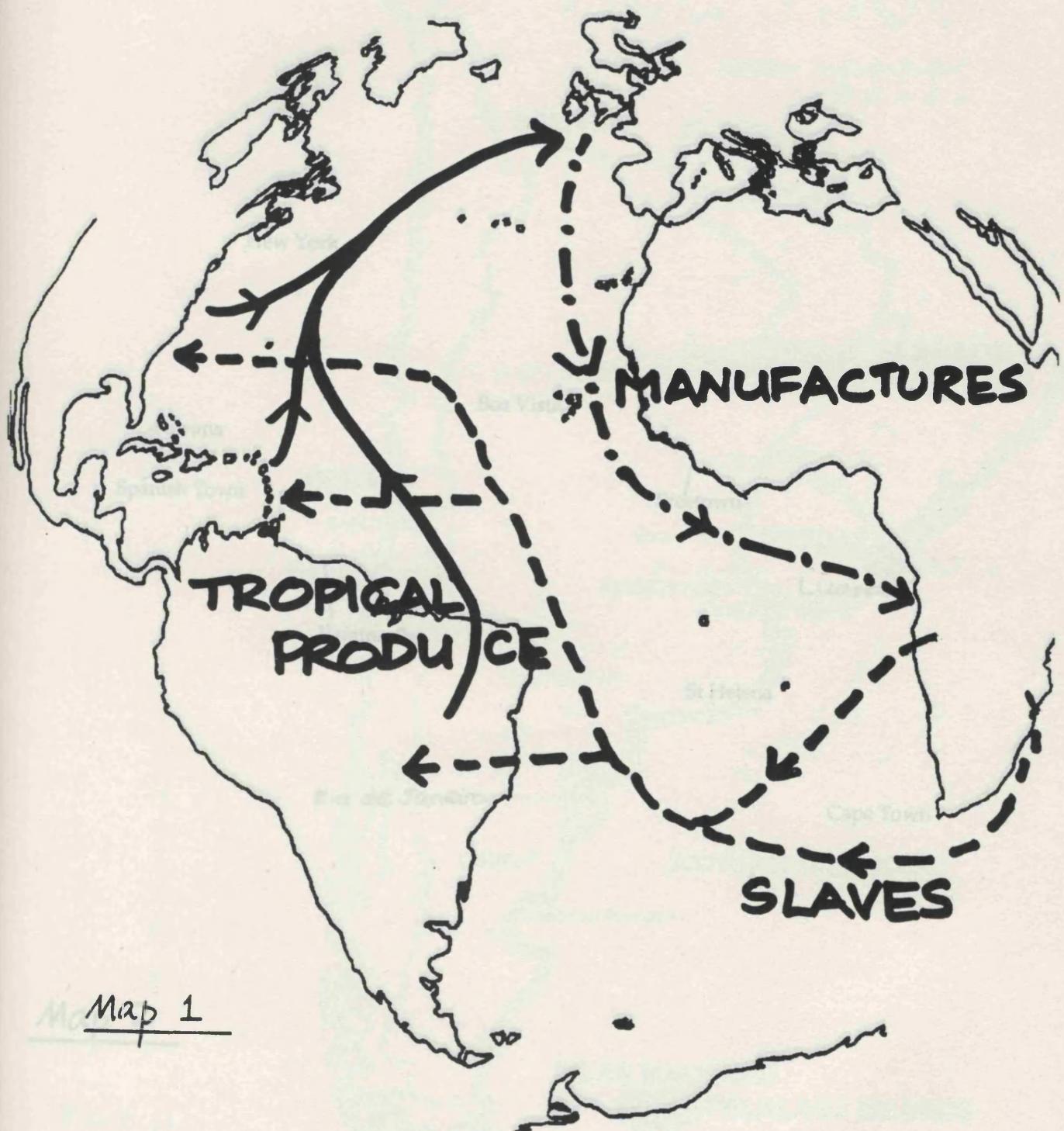
South African Diplomatic Representatives Accredited to Latin American States	Ambassador	Chargé d'Affaires or Consul-General	Hon. Consul-General	Consul/1st Secretary	2nd Secretary	3rd Secretary	Vice Consul	Hon. Consul	Military attaché (s)	Commercial attaché (s)	Information attaché (s)	Agricultural attaché (s)	Mining attaché (s)
Argentina: Buenos Aires	X			X	X				X	X			
Argentina: C. Rivadavia								V					
Bolivia: La Paz	B	X		B					B	B	B	B	S
Brazil: Brasilia	X			X	X								
Brazil: Rio de Janeiro		X		X		X			X				X
Brazil: Sao Paulo				X		X			X				
Brazil: Belem							X						
Chile: Santiago	B	X	X			X		X	B	B	B	B	X
Costa Rica: San Jose	E		X						N				R
El Salvador: S. Salvador	X		X		X				N				R
Guatemala: Guate. City	E		X						N				R
Nicaragua: Managua	E		X						N				R
Panama: Panama City	I		X						N				R
Paraguay: Asuncion	X				X		X	X	B	B	B	B	S
Peru: Lima		X*		X					X				S
Uruguay: Montevideo	X			X	X			B	B	B	B	B	S

#### Key

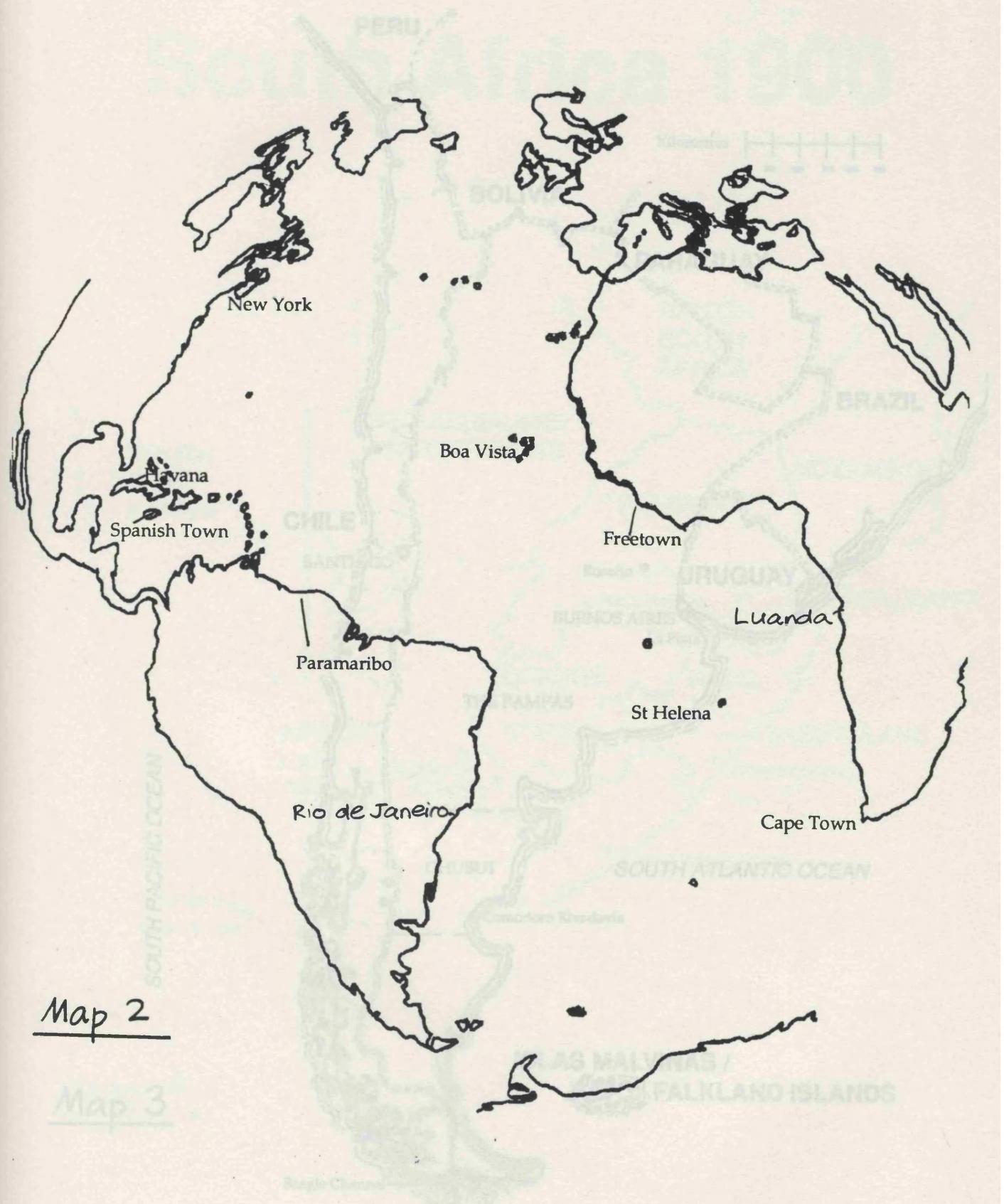
- X = stationed locally
- B = stationed in Buenos Aires
- E = stationed in San Salvador
- I = stationed in Rome
- R = stationed in Rio de Janeiro
- S = stationed in Santiago de Chile
- V = post vacant
- \* = with ambassadorial rank
- N = operates from New Orleans

Source: South Africa, Department of Foreign Affairs, *List*, Dec. 1975.

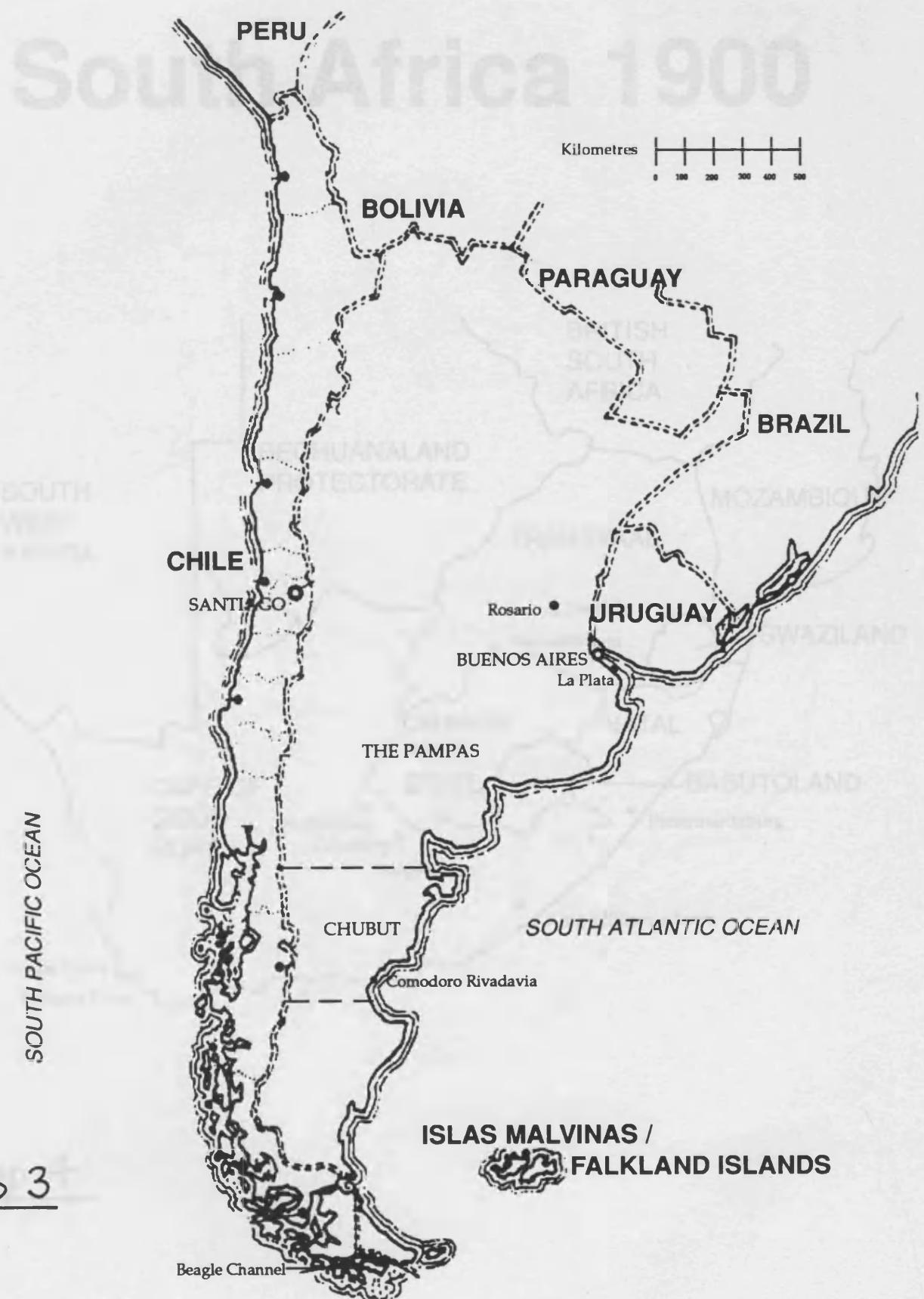
# Triangular Trade



# Mixed Commissions

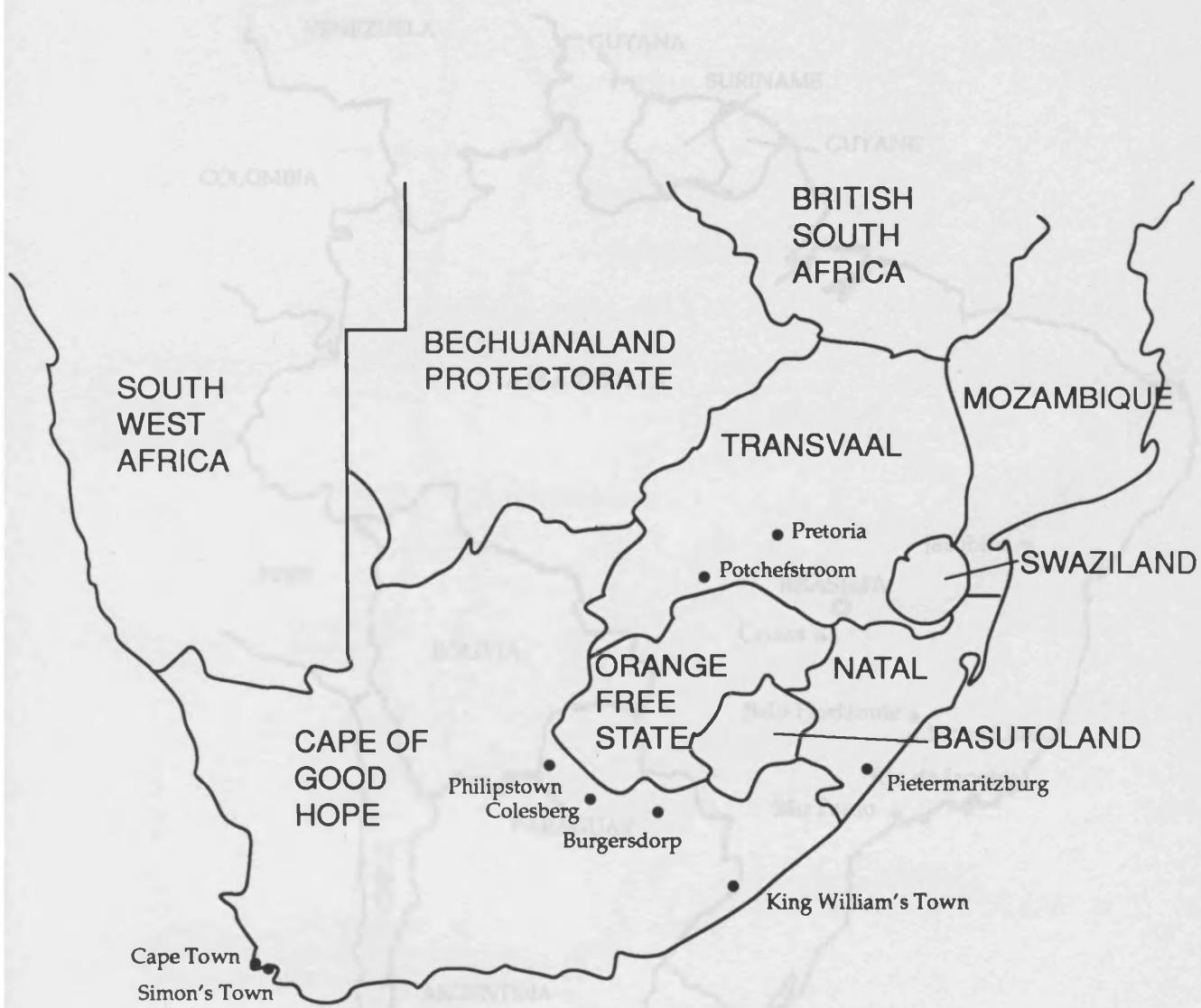


# Argentina



Map 3

# South Africa 1900



Map 4

# Brazil



Map 5

Map 6

# Chile



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