and a banking crisis in 1985 brought new international lending to a halt. The cumulative effect of these actions intensified an atmosphere of political crisis, and put in question the long-term ability of an *apartheid* economy to function normally within the world economy.

SOUTH AFRICA AND THE WORLD ECONOMY

South Africa has traditionally been viewed as a strong industrialized economy with enormous reserves of valuable natural resources, most especially gold. This picture has been consciously promoted by the South African Government among the industrial democracies with which white South Africans identify. However, despite its strong industrial sector, South Africa's economy is structured more like that of a developing, than a developed, country. It produces only five percent of the capital goods which its domestic industry needs — the machinery, motors, computers, electrical equipment, chemicals and transport. Critical technology comes from the industrialized countries, and must be paid for by exports of raw materials, or through loans and capital raised on international markets.

During the sixties and early seventies, the strong price of gold — which today still accounts for forty percent of export earnings — and South Africa's good credit rating, maintained a strong inflow of foreign capital, and generated high growth levels. However, following the Soweto Uprising in 1976, international financiers began to have doubts about the political stability of South Africa. The flow of capital continued, but investors preferred to make loans rather than buy shares, and lenders switched from long-term to short-term loans. Business confidence faltered, recovered, but was then shattered by the political turmoil which began in 1984.

The level of protest was such that the Government lost control of large areas of the country, control which was regained only through the establishment of a State of Emergency in June 1985; this measure was renewed a year later. Over thirty thousand people were detained, almost half of these children. Very few were charged or brought to trial, and all major anti-*apartheid* organizations were restricted or banned.

The economic and political consequences of these events reshaped international policy towards South Africa. The US, the EC, and the Commonwealth applied trade and investment curbs against South Africa, although these fell far short of the full-scale sanctions called for by the majority in the UN General Assembly. More seriously for the long-term viability of the economy, the international business community withdrew finance and investment on an unprecedented scale.

Today, the economy is in serious trouble: inflation is rising steadily, unemployment among blacks is more than one in three and the Rand is chronically weak. Real per capita growth in the economy fell from an average of 5.8% in the 1960s, to 3.3% in the 1970s and then to 1.8% in the 1980s. Declining per capita incomes are predicted for the next five years. These statistics do not convey the desolation and grinding poverty of the homelands, and the overcrowded townships that are home to South Africa's expanding urban black population. Increasingly, the constraints on the economy have begun to affect poorer whites. Economic stagnation now seems to be intrinsic to the *apartheid* system.

THE DECADE OF DISINVESTMENT

The role of foreign companies based in South Africa has long been controversial. Low wages and the repression of trade unions have provided decades of high profits. In the 1970s, pressure on international companies produced various codes of conduct to measure corporate performance in the areas of wages, labour relations and impact on the wider community. These voluntary codes, which were developed in the US, Europe and Canada, were intended to press foreign companies to take a lead in promoting black advancement. A good performance in this area would, it is argued, provide a rationale for the companies' continued presence in South Africa.

Despite these attempts to improve conditions for black workers, there has been strong pressure from the anti-*apartheid* movement — particularly in the United States and Britain — for foreign companies to withdraw from South Africa. This pressure, combined with dramatic events seen daily on television screens around the world, along with the poor economic outlook, caused a trickle of withdrawals to become a flood. About 180 American companies withdrew in the five years leading up to 1987. One hundred or more European companies withdrew in the same period. A total of 410 companies had disinvested by the end of 1987, although many of these were small businesses. The psychological impact of these withdrawals has been strong — reinforced by the public abandonment of the US code for the promotion of black South Africans by its architect, Reverend Leon Sullivan. The economic consequences have been more muted, due to the way in which disinvestment has been carried out.

With few exceptions, disinvestment has represented a strategic reorganization of the enterprise, rather than a complete withdrawal of the company. Over eighty percent of the plants were transferred to South African companies or managers. In most cases, the disinvesting company has established licensing, distribution and franchise agreements, and other arrangements which may include future buy-back options. Through these arm's length relationships — referred to as non-equity links — companies have protected their market positions, but avoided the pressures and obligations which direct presence brought.

Many South Africans, including those who advocate sanctions, have been severely critical of disinvestment. The General Secretary of the Chemical Workers Industrial Union has described many pull-outs as "corporate camouflage" in which the disinvestors lose