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## A B S T R A C T

ECONOMIC PRIORITIES AND ECONOMIC POWER IN BRITISH FOREIGN POLICY, 1951-1964, WITH PARTICULAR REFERENCE TO RELATIONS WITH SOUTH AFRICA DURING THE SIMONSTOWN NEGOTIATIONS (1954-1955) AND THE POST-SHARPEVILLE PERIOD (1960-1964).

by Geoffrey Raymond Berridge

The central preoccupation of this work is the hypothesis that economic power (resting also on non-economic bases) has been an important factor in explaining the ability of states in the recent past to achieve their foreign policy objectives. In addition, the hypothesis that economic considerations have also loomed large amongst these objectives themselves is investigated, especially since the extent to which this has been the case is likely to have influenced the efficacy of economic pressure in diplomacy.

By way of introduction, the principal extant theories bearing on these issues are subjected to exegesis and criticism.

It is then argued that economic considerations represented a higher priority in British foreign policy in the later 1950s and early 1960s than is sometimes supposed, following which detailed attention is given to the political economy of Anglo-South African relations at the two historical junctures indicated in the title. For this purpose a vital distinction between 'putative' and 'actualized' economic power is employed.

The essence of the argument is that, whilst on both occasions the British and South African governments were each economically dependent upon the other (in the sense that each was theoretically in a position to grant or withhold economic favours in urgent demand and unobtainable elsewhere), the South African government was able to transform this into putative economic power vis-a-vis Britain as a result of a marked superiority in the non-economic bases of such power. This power, it is finally argued, was 'actualized' in the extraction of political and security concessions from Britain on the occasions in question. Of particular significance in this connection was South Africa's new-mined gold. Both main hypothesis are thus held to be valid for the historical relationships studied.

By way of conclusion, the arguments are summarised and the method defended.

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1955) AND THE POST-SHARPEVILLE PERIOD (1960-1964).

by

Geoffrey Raymond Berridge

A Thesis submitted to the University of Durham in 1977 for the  
Degree of Ph.D.

Department of Politics.

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## D E C L A R A T I O N

No part of the material offered in this thesis has previously been submitted by the candidate for a degree in this or any other university; neither is it a 'joint work'.

## C O P Y R I G H T

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## P R E F A C E

This thesis is intellectually indebted in particular to two scholars: Charles Reynolds, who supervised its progress, and Klaus Knorr, whose book, Power and Wealth: The Political Economy of International Power, (1973), provides much of the analytical scheme for its development.

In attempting to write a work of international political economy, I was, like Knorr, "more intrigued by the idea than held back by the apparent difficulties of the task". These difficulties are, however, just as real as "apparent". As Knorr observes in his own Preface, they reside in "the requirements that the author possess the skills of at least two disciplines (economics and political science) and preferably more (e.g. history); the ability to search and use the findings of several disparate literatures; the audacity to improvise about problems which have not attracted much research; and to weld the various components into an intelligible and useful synthesis". When to this is added the further fact that the case chosen for study is a contemporary one (where the 'hard' evidence is virtually non-existent and the 'soft' evidence is suffocatingly copious), the difficulties become awesome indeed.

No history of post-war political relations between Britain and South Africa has yet been written and most of the secondary material available on the economic relations between the two countries is polemical. But if this made the challenge difficult, it at least made the challenge exciting. The working out of the response in the following pages may well reveal the author to be wanting in some of the requirements correctly suggested as indispensable by Knorr but not in one of them - audacity. This is at once the weakness and, it is ventured, the strength of this thesis. Chatham House, the Anti-Apartheid Society and the City press have held a monopoly of interpretation of post-war Anglo-South African relations to their respective audiences in Britain for long enough; it seemed time to share not only in the lately discovered enthusiasm for the political economy approach in extra-Marxist 'International Politics' circles but also to offer an alternative view on this particularly vexed issue.

Many people have assisted me in the production of this thesis, amongst whom I must give special mention once more to Charles Reynolds, to my wife, Sheila (for stylistic criticism and general donkey-work), to Laurence Whitehouse and Howard Williams (both of whom read and criticized parts of the MS), to Richard Bowley (who helped me to fill in some important gaps in the statistical appendices), to Mrs. P. Lay (for typing up the MS in record time) and to librarians all over the country.

References are placed as 'Endnotes' at the end of each Chapter and, since full 'Bibliographies' are included at the end of the thesis, only books which have been published outside London and Harmondsworth (Penguin Books) are identified by place of publication in the Endnotes.

G.R.B.



## I N T R O D U C T I O N

The principal purpose of this work is to throw some light on the extent to which economic considerations were taken into account in general by Britain's foreign policy-makers during the 1951-1964 period but, more especially, to establish the nature of the influence which economic interests had on Britain's policy towards South Africa at two critical junctures in their post-war relations: that represented, first, by the Simonstown negotiations during the 1954-1955 period and then, second, by the events following the Sharpeville shootings in 1960.

It will be necessary to devote considerable space to the question of economics and British foreign policy in general over the 1951-1964 period (the subject of Chapter I), since the conventional treatment of this subject is open to question on one or two points of emphasis. However, the major justification for including it is contextual; that is to say, it is an important preliminary to the main subject, which is, in effect, the political economy of Anglo-South African relations on the occasions indicated (the subject of Chapters II-IV). This is, therefore, essentially a work of contemporary international history which concentrates on what Knorr would call, as we shall see, the criteria of 'putative', and the dynamics of 'actualized', economic power.

Quite a lot has been written in general terms, however, about the influence of economics on foreign policy and it thus seems important to begin by examining some of the more relevant arguments on this subject which have been offered. This task of exegesis and criticism is made somewhat easier since, in so far as economic considerations have been adduced as explanatory factors, they have been seen normally as contributing to either the fundamental objectives of foreign policy or to the instruments through which that policy is pursued; though it is true, of course, that many authors have combined both ideas in their writings.

Marxists have naturally emphasised the former role of economic interests, whilst non-Marxists have tended to dwell on the latter, though the emphases of both have been influenced by the level of generality at which their analyses have been pitched. At the risk, therefore, of producing an over-rigid dichotomy between 'ends' and 'means' (the one, of course, clearly affecting the other), it will be convenient to employ this same distinction in an analysis of the arguments in this field.

### 1. Economic Considerations as Objectives of Foreign Policy

Since Lenin wrote his pamphlet Imperialism: The Highest Stage of Capitalism during his exile in Switzerland in the spring of 1916, his views on the ultimate determinants of the foreign policies of capitalist powers have been, with only slight qualification, Marxist orthodoxy.<sup>1</sup> Moreover, they remain the most systematic attempt to explain the roots of foreign policy in economic terms and it is for this reason that I begin with them.<sup>2</sup>

In the view of Lenin and his followers<sup>3</sup> the world economy has been in the 'imperialist stage of development' since the last decades of the 19th Century. This has been signified by the existence of a number of capitalist states (not just England, as in the previous stage) in which monopoly capital has ousted competitive capital and in which, partly as a result of this and partly as a result of the independently maturing contradictions of the capital accumulation process, 'surpluses' of both capital and goods have been generated. In this situation, it is only by seeking out and exploiting investment outlets and markets abroad that the monopoly capitalist can maintain his profit rate and thus protect the whole structure of contemporary capitalism. And, since national capitalist competitors exist who are equally subject to this expansionist dynamic, since opposition is also likely to be met from indigenous sources in the semi- and under-developed parts of the world which are important targets of imperialist 'exploitation', and since such areas invariably require infrastructural and administrative development if they are to be made amenable to such exploitation, it is clearly in the interests of the capitalist class in each state to enlist the support of its government. And, that this support will be forthcoming is axiomatic since, as Marx and Engels so unequivocally express it in the Communist Manifesto:

"the executive of the modern State is but a committee for managing the common affairs of the whole bourgeoisie".<sup>4</sup> Guaranteeing governmental support, finally, is the consideration to which Horowitz points, that is to say, that "... as long as the national economic framework remains capitalist, domestic prosperity will be dictated by the nation's place in the hierarchy of the international market; therefore imperial and national interests will appear to coincide".<sup>5</sup>

The foreign policy objectives of the governments of the monopoly capitalist states are thus fundamentally rooted in the compelling demand for secure and expanding sources of raw materials and, above all, for similarly secure and expanding outlets for a "capitalism which has burst the boundaries of the nation state".<sup>6</sup> Characteristically, such objectives lead to the pursuit of either formal or informal dominion over the countries in which these opportunities reside, which may, or may not, be located in the poorer parts of the world. As Magdoff explains: "the competition among groups of giant corporations and their governments takes place over the entire globe: in the markets of the advanced nations as well as in those of the semi-industrialized and non-industrialized nations. The struggle for power by the industrialized nations for colonial and informal control over the economically backward regions is but one phase of this economic war and only one attribute of the new imperialism".<sup>7</sup>

It is, therefore, readily apparent that the Marxist-Leninist theory of monopoly capitalist foreign policy is based on the twin props of the economic theory of surplus and the ruling class theory of the state. What are we to make of it? How useful is it in demonstrating the significance of economic considerations to foreign policy formulation in such states as Britain and America in the 20th Century?

Let us be clear, first of all, about a very important way in which its more sophisticated defenders readily concede that the theory is of no use: it does not purport to explain particular foreign policy moves on the part of monopoly capitalist states by reference to a direct economic motive. In fact, of course, it is precisely for this reason that the attacks upon it made by historians such as Fieldhouse are somewhat beside the point.<sup>8</sup> For in reply to his demonstration that the bulk of British investments during the great period of 'formal empire' at the end of the 19th Century did not go to the freshly annexed territories

in Africa but to the USA and the white dominions, it is sufficient for the Marxist-Leninist school to maintain that such annexations were of an 'anticipatory' nature<sup>9</sup> or, more shrewdly, only assume economic significance in the context of the needs of the wider 'economic empire'. Thus Sweezy: "An empire must be defensible from a military standpoint, and this obviously implies the need for well-placed land and sea bases, lines of communication and so forth".<sup>10</sup> Foreign policies which are prompted by motives of an immediately non-economic nature are, in consequence, easily accounted for and thus are dismissed attempts to refute the economic theory of imperialism on "book-keeping" or "balance-sheet" grounds.<sup>11</sup>

Not all non-Marxists have missed this point. Staley, who compiled mountains of evidence on the direct relations between investment interests and diplomatic rivalry during the decades around the turn of the 20th Century, was acutely aware of it. Having shown that, in the majority of cases, the former were a tool of foreign policy rather than the opposite, he insisted cautiously that this only refuted "A crude or naive form of the economic interpretation of history".<sup>12</sup> Accordingly he concluded: "It may still be true that the larger political purposes in the service of which private investments become most dangerous - expansionism, the strategy of power, etc. - are themselves the product of forces best described as 'economic'.<sup>13</sup>

But if evidence relating to the involvement (or non-involvement) of economic motives in the genesis of particular foreign policies in specific historical circumstances is irrelevant to the ultimate validity of the theory, how, we are entitled to enquire, can we be convinced that the 'basic driving forces' behind the foreign policies of monopoly capitalist states remain economic in nature? In reply to this, we are characteristically invited to observe the large and strategic nature of the foreign economic involvement of the monopoly capitalist states since the end of the 19th Century as evidence of the indispensability of the external sector and thus of the validity of the first prop of the argument - the economic theory of surplus.<sup>14</sup> But even if the theory is internally consistent (and serious criticisms can be made of it on this score)<sup>15</sup> and this evidence is accepted as compelling (though certainly not without serious qualification on this point, too, especially in the case of the USA),<sup>16</sup> we are still left with the task of validating the second prop

of the argument - the Marxist theory of the state. For, as Reynolds points out: "It is, however, the link between political decision- and policy-making, that is, the political level, and the alleged economic interest, which is important to students of international politics".<sup>17</sup>

This, of course, raises both theoretical and empirical problems in the area of foreign policy of the same order as those in domestic policy, concerning which argument has long raged between Marxists, elitists and pluralists.<sup>18</sup> For instance, it is clear that studies which demonstrate close personal connections, similarity of class origin, and inter-changeability of personnel between the business and foreign policy establishments<sup>19</sup> do no more than establish the potential for business domination. Indeed, such evidence could equally well testify to the politicization of the business community as to the commercial enslavement of the foreign policy-makers. In fact, if empirical research in this area has demonstrated anything at all, it is that there is a considerable diversity of power structures and that elitist as well as Marxist theories have a naive view of the decision-making process.<sup>20</sup>

The limitations and true nature of the Marxist-Leninist theory of monopoly capitalist foreign policy are thus obvious: not only is it cavalier towards the political and self-admittedly of no use in explaining particular foreign policies but it fails to offer us a form of explanation which is in principle capable of empirical verification. In short, it is a non-empirical form of explanation. The theory clearly rests on the essentially a priori premiss of the materialist philosophy of history that the mode of economic production in any given historical period constitutes the basic independent variable from which all the 'superstructural' characteristics of the society may be deduced, according to their relationship to this particular mode of production. During the years of 'formal' and, subsequently, 'informal' imperial expansion, this mode of production happens to have been capitalism in its monopoly stage, and so the task of the Marxist-Leninist school became to show how this particular kind of foreign policy must necessarily have been a result of the distinctive features and peculiar contradictions of this particular mode of economic production. Accordingly, the chain of deductive reasoning which links monopoly capitalism to imperialist foreign policy by means of a sophisticated economic theory of surpluses and declining profit rates amounts to nothing less than an historical rationalization.

Ultimately, of course, the Marxist-Leninist theory is a political argument. As Knorr observes: "Lenin needed a theory of capitalized imperialism as part of a powerful anti-capitalist ideology, in turn required as a means to achieving revolutionary power".<sup>21</sup> In seeking to expose the roots of the modern American empire, William Appleman Williams makes no bones about the need for "relevant history".<sup>22</sup>

As political arguments, then, the pursuit of truth is clearly secondary to the achievement of political success and the extent of this achievement is, indeed, the only legitimate criterion of theoretical validation. Accordingly, it cannot be said that this school has thrown much useful light on the question of economic considerations as objectives of foreign policy, though this is not to say, of course, that individual Marxists have not made useful contributions to the question in so far as they have occasionally emerged from their non-empirical re-doubt to deal with fairly limited historical events.<sup>23</sup> What, then, have non-Marxists had to say on this issue?

Whereas, as we have seen, the Marxist-Leninists have deduced the economic purposes necessarily pursued in the foreign policies of monopoly capitalist powers from the inherent logic of the mode of production itself, non-Marxist writers have characteristically pointed to the importance of 'economic factors' amongst a range of objectives contingently pursued in capitalist (and other) foreign policy. In so doing, of course, they have consummated the materialist heresy of mystifying the distinction "between surface phenomena and deeper driving forces".<sup>24</sup> In fact, whilst always acknowledging that the business and finance groups within capitalist society constitute extremely powerful 'pressure groups' which are capable from time to time of obliging their governments to shape foreign policy in their interests,<sup>25</sup> non-Marxist writers have typically been cautious of this approach because of the conspiracy theory of government to which it is always in danger of leading. Instead, they have tended to insist that, when governments willingly attempt to further the interests of these groups, this is because their promotion simultaneously advances the cause of domestic prosperity (most notably through the balance of payments) or the economic power upon which military strength and diplomatic leverage are held to depend - or, best of all, both. The view is, in short, that pursuit of the capitalists' interests as one important objective of foreign policy occurs not mainly because of the political influence of the bourgeois

class or, more typically, the business and financial sections of the pluralistic elite, but because these interests coincide with one or more of the government's own interests or with what are commonly referred to as 'national interests'.<sup>26</sup>

That domestic prosperity is an important component of the national interest cultivated in the foreign policies of most states - certainly most liberal democracies - is hardly controversial. As we have already seen (page 13 above), Marxists-Leninists themselves acknowledge it. The point is, however, that whilst this is for them marginal to the main argument, the defence of domestic prosperity as an explanation of foreign policies which are geared to export promotion or the protection of overseas investment stocks is a much more central argument in this context for non-Marxist writers.<sup>27</sup>

Much more interesting, however, is the second main feature of non-Marxist commentary in this field, that is to say, the insistence on 'economic power' as a major objective of foreign policy. It is clear that this first began to attract attention as a result of the currency given to the related notion of 'total war' in the aftermath of the 1914-1918 conflagration. In such a war, the battlefield is transcended and the resources of entire socio-economic systems are locked in conflict, with the result that not only must the state possess the economic wherewithal to produce an enormous and flexible military machine but, in order to avoid dependence upon a potential enemy, cultivate self-sufficiency in foodstuffs and strategic materials. In short, total war required much greater emphasis upon the economic component of national power.<sup>28</sup>

One of the most uncompromising exponents of the economic power theory of foreign policy was Hawtrey, whose little book, Economic Aspects of Sovereignty, was first published in 1930.<sup>29</sup> Hawtrey's book has many fascinating features but its main significance for us resides in the fact that: first, it propounds economic power as a "general principle" of foreign policy; second, it subsumes the historical phenomenon of formal empire under this general principle and thus constitutes an attack on the Marxist-Leninist theory of imperialism.

For Hawtrey, economic power was one of the most resolutely pursued ambitions of the modern state (in domestic, as well as in foreign,

policy) as much for its political convenience as for the fact that it was indispensable in total war.<sup>30</sup> With the liberal-democratic state no doubt principally in mind, it was Hawtrey's view that governments preferred to resolve their foreign conflicts on the basis of their reputations for strength, or "prestige", rather than by engaging in explicit trials of strength, or "war". This being the case and democracies being what they were, to establish such reputations on the basis of economic strength was a much more expedient course of action than "ostentatious militarism".<sup>31</sup> Thus could Hawtrey observe that "Economic power is the foundation of prestige, and (that) from time immemorial Governments have held it to be their duty to do whatever may lie in their power to enhance every component of economic power".<sup>32</sup>

Having established the central role of economic power in his explanation of foreign policy, Hawtrey immediately announces that "Extensions of territory and population are a particular application of this general principle ... (for) ... in general, the acquisition of any territory reasonably endowed with resources or potentialities, and inhabited by people who may be expected to acquiesce in the rule of their future sovereign, if not to become active adherents of it, will be a source of strength".<sup>33</sup> Here, then, is Hawtrey's explanation of imperialism, a phenomenon which he later defines as "the support given by the power of the State to private enterprise in exploiting territory which is either politically vacant or ruled over by a weak and decadent government".<sup>34</sup> Formal empires, for example, are thus established, according to Hawtrey, not because capitalist governments are simply the servants of expansionary bourgeois interests but essentially "because this policy has been believed to further the power of the State."<sup>35</sup>

Hawtrey believed that the establishment of sovereignty over "undeveloped lands" increased the economic power of the state for the following reasons: first, since performing the basic governmental functions necessary to orderly development and allotting the most favourable privileges and concessions to its own nationals, enabled the imperialist government to increase their wealth and, ipso facto, the populations and properties available for taxation and - in times of emergency - requisition; second, since it provided more manpower for military service; and third, since it provided security for strategically vital



raw materials and fuels in both peace and war.

This essentially neo-mercantilist theory of foreign policy which, with its emphasis upon the pursuit of autarky, numbered E. H. Carr amongst its supporters,<sup>36</sup> was clearly in tune with what were regarded as the lessons of the first World War and the circumstances of the subsequent 'Twenty Years Crisis'.<sup>37</sup> Angell, who had earlier held that the establishment of sovereignty by one state over another would entail no economic advantages and that, as a result, conquest with this end in view was irrational,<sup>38</sup> was held to have been unreservedly refuted, and a central position for the concept of 'economic power' as at least one of the major goals of foreign policy was thus established in non-Marxist writing. Staley suggested this as the chief reason for "Diplomacy's" readiness to further the interests of "Investments",<sup>39</sup> whilst Robbins, too, accepted most of Hawtrey's reasoning though he balked at the notion of power as the ultimate end in itself.<sup>40</sup>

What are we to make of this argument? It might be objected that Hawtrey's theory of imperialism and, indeed, of foreign policy in general, is conceptually flawed since it distinguishes power - albeit economic power - as a separate goal of foreign policy. For, as Reynolds points out, since power consists essentially in a relationship and cannot be said to exist until some specified objective has been achieved against opposition, it can hardly be identified - let alone measured - independently of that 'other' objective.<sup>41</sup> However, it is one thing to maintain that power is strictly inseparable from the results which it achieves; quite another to hold that statesmen do not from time to time engage in policies which are principally designed to strengthen their ability to succeed in the pursuit of different policies. It would not appear offensive to usage to describe the former as 'power-oriented' policies, even if it is only 'potential' power which is being sought. Thus Hawtrey stands exonerated on this count.

On the other hand, with its exclusive emphasis on economic power, Hawtrey's theory clearly is flawed in so far as it ignores the many other considerations which have been shown to determine the shape of foreign policy, for instance, ideology and the personal pre-dilections of statesmen. It is, in short, almost as reductionist as the theory of the Marxist-Leninists. Despite this failing, however, it is obvious that it squared well with the

thinking of critically disposed non-Marxists of the inter-war period. For it could concede, in the face of persuasive evidence, the Marxist-Leninist argument that imperialist policies were designed above all to increase the wealth of the bourgeois class, whilst at the same time remaining sceptical towards the economic theory upon which this argument was based and denying the ruling class theory of the state which ostensibly clinched it. In short, the concept of economic power was congenial to non-Marxists since it reasserted the supremacy of the political over the economic in foreign policy formulation, whilst admitting - indeed emphasising - the importance of economic interests in the process.

After the second World War, however, the emphasis in non-Marxist writing on economic considerations as objectives of foreign policy - certainly in contemporary histories of national foreign policies (see Chapter I below) - shifted away from economic power to an insistence instead upon domestic prosperity. This was probably a result of the enormous changes which had occurred in military strategy under the impact of nuclear weapons, the retreat from at least 'formal' empire, the reduced dependence of the industrialized states on imported raw materials,<sup>42</sup> and the slow but substantial liberalization and expansion of international trade. Together, these developments had rendered it less likely that the governments of the major powers were constructing their foreign policies with a view to preparing for total war. And, in any case, as Knorr points out, Keynesian economics was by now in the ascendant and was teaching that the route to national wealth lay in domestic, rather than in external, economic management.<sup>43</sup>

Nevertheless, over the last fifteen years, against a background of increasingly economic competition between the major powers for the allegiance of the non-aligned countries, on the one hand, and of the growing diplomatic use by once weak states of their control over such vital natural resources as oil, on the other, something resembling the concept of economic power as an objective of foreign policy is once more becoming a fashionable feature of non-Marxist commentary. Thus Knorr, for example, has recently pointed to the fact that states are pursuing conscious policies designed to approach the ideal base for the exercise of economic power (see page 27 below) through the formation of monopoly or monopsonist organizations with other states,

notably in the Organization of Petroleum Exporting Countries (OPEC) and in the European Economic Community (EEC).<sup>44</sup>

These shifts of emphasis in the non-Marxist literature are not, of course, surprising, since they have occurred, in the main, within a context of empirical generalization of an historical nature, albeit frequently on a very high level and occasionally of a markedly reductionist nature. As a result, being characteristically offered at best as contributions to the explanation of the foreign policies of particular states or kinds of state, in particular circumstances or kinds of circumstance, in particular periods, their emphasis has naturally reflected the changing historical experience upon which they have drawn and on the evidence of which they remain ultimately testable. And it is in this last essential respect, of course, that they are perhaps most at variance with the Marxist-Leninist theory.

This Section, then, has dealt briefly with the treatment of economic considerations as objectives of foreign policy at the hands of both Marxist and non-Marxist writers. Whilst the ratiocination of the former has tended to dominate the field, it will be evident that their approach has been rejected here on the grounds that it deals in an essentially non-empirical form of explanation, whilst, on this level of generalization, it will also be clear that many non-Marxist writers have not offered us much more than extremely broad hypothesis and thinly veiled neo-Machiavellian prescription. Indeed, that this should have been so largely the case in non-Marxist writing is not really surprising since, to the extent that the materialist approach is eschewed and an attempt is nevertheless made to answer the question 'To what degree and in what manner do economic concerns represent a basic objective of foreign policy?' the empirical referent is bound to recede. In short, whilst the question is in principle capable of an empirical reply, its focus is so broad as to produce almost inevitably an answer which is in practice banal. It is, as a result, the argument of this section that the Marxist-Leninist approach is unacceptable on epistemological grounds, whilst that of most non-Marxists who have not confined themselves to the analysis of fairly limited historical cases but have been seduced by the global focus (if not conclusions) of the former, springs from far too broad an empirical base for instructive generalization.<sup>45</sup>

Nevertheless, if, as a substantial number seem agreed, the cultivation of economic interests - prompted either by considerations of domestic prosperity or of power, and assuredly the two are related - is a major objective of the foreign policies of most contemporary states, we are led logically to the question of the involvement of economic relations in the diplomatic relations between states. The more particularly, since the more economic concerns motivate policy in general, the greater significance for policy is the employment of economic weapons likely to have; and conversely, the more frequent and serious the use of such instruments in diplomacy, the greater the importance which is likely to be attached to economic power as an objective of foreign policy.

## 2. Economic Considerations as Instruments of Foreign Policy

The Marxist-Leninist theory of foreign policy, as we have seen, is basically concerned to explain foreign policy in terms of its fundamental economic functions. One of its more valuable contributions, however, has been to stress the role played by economic relations in the power which governments can bring to bear in the exercise of their foreign policies. Consequently, it embraces both sides of the analytical distinction which I have made between economics as purpose and economics as instrumental to purpose.

Indeed, to the extent that the burden of contemporary Marxism-Leninism is to show that, despite the withdrawal from formal empire, the imperialist 'domination' of the less developed world is still a reality, the power implications of economic relationships have received increasing attention from members of this school. Thus, so the argument goes, no longer able to maintain formal political control and employ direct force in order to secure its markets, capital outlets and so on (with certain notable, chiefly American, exceptions), Western imperialism must perforce rely upon more subtle and discrete means of control. These are to be found in the relations of economic dependence which remain undiluted as a result of monopoly capitalist expansion into the less developed world and, indeed, into the territory of weaker rivals (see page 13 above). Political influence then, is the child of the structure of trade, the control of capital investment, credit flows and - most typical of the new age - foreign aid. Such, in so far as it involves the relations between ex-imp-

erial and ex-colonial states, is the phenomenon of 'neo-colonialism'.<sup>46</sup>

It should be clear that this conception of the political significance of economic relationships is in no way necessarily related to the Marxist-Leninist view of the fundamental purposes which are at the roots of foreign policy. However we might conceive of these purposes in the case of capitalist states, the impact of economic factors on power relations is at least analytically separable and, if acknowledged, compatible with any such conception. This being the case, it is not surprising that non-Marxist writers should have dwelt on this implication of the economic relationships between states as well. Indeed, writing in *The Twenty Years' Crisis*, E. H. Carr prefaced his own treatment of the 'economic weapon' with the observation that "its use to acquire power and influence abroad has been so fully recognised and freely discussed that the briefest summary will suffice here".<sup>47</sup>

As in the case of power-oriented economic foreign policy objectives, of course, this conception of the significance of inter-state economic relations was also consistent with the theoretical assumptions concerning the nature of government of non-Marxist writers in the inter-war period. After all, it asserted even more unmistakeably the supremacy of the political over the economic. It was thus, for instance, the major conclusion of Staley's extensive research into this subject, as of that of many other historians both before and after him,<sup>48</sup> that even in the age of formal empire itself, economic means (chiefly investments) were used to penetrate the regions upon which the governments of the capitalist powers had political designs and then to assist in holding them through the relations of economic dependence which had been created. In Staley's own words, "Investments" assisted "Diplomacy" by "... facilitating penetration and conquest, maintaining regional dominance, cementing alliances, exerting pressure on a political adversary, or rallying domestic support to foreign policy".<sup>49</sup>

But how could "Diplomacy" persuade "Investments" to adopt this role? In Staley's view, governments had a variety of expedients up their sleeves, amongst which were appeals to class and national sentiments, agreeing to guarantee particularly risky ventures, bribery, or the threat that if the investor failed to cooperate in one instance then

he could well find himself forfeiting government protection of his interests in some other part of the world. Indeed, it was following his assessment of their mutual need that Staley concluded that it was reasonable to expect that each would help the other even in circumstances where their direct interests were not being furthered, for fear of reprisal in some other area.<sup>50</sup> This, however, did not prevent him from maintaining, on the basis of a quantitative analysis of all the instances of international political friction in which investments had been rumoured to have been involved, that "Diplomacy" was only prepared to risk war with a powerful state where political ambitions were paramount and in which, accordingly, the investor's involvement could only be construed as the occasion, rather than the cause, of the conflict.<sup>51</sup> For Staley, then, the economic interests of national capitalists, especially their foreign investments, were more often found in the role of "instruments of policy" than in that of "instigators" of that policy.

Within the European context, furthermore, Lenin was not the only one by any means to draw attention to "usury imperialism". Einzig, for example, was bellicose in his insistence in 1932 that "France, ambitious to attain hegemony in Europe in order to secure her frontiers against German aggression, has sought to attain that end by making political use of her financial power".<sup>52</sup> According to Einzig, the policy of the "French Financial General Staff"(sic) was to build up liquid reserves during the 1920s and then to use this financial power to extract political concessions from other states. Amongst a multitude of examples, Einzig cites the fact that the French would withdraw reserves from London on each occasion that relations with the United Kingdom deteriorated, and that in Hungary they secured a change of government in return for financial assistance. "Indeed", he claims, "in Central and South Eastern Europe France reigned supreme by the mere fact that she was the only potential source of financial support ... capable of dismissing and appointing governments and Central Bank governors and breaking or saving currencies and banking institutions".<sup>53</sup> Einzig, not surprisingly, was also amongst the first to point to the use made by Hitler Germany of financial and commercial weapons in the "penetration of Eastern Europe" in the prelude to the second World War.<sup>54</sup>

Subsequently, in the cold war context of the essentially economic competition between the Soviet bloc and the NATO powers for the allegiance of the non-aligned countries of the third world, the importance attributed by historians and economists alike to the use of economic instruments of foreign policy has, of course, been enormous. Attention has been drawn particularly to the political employment of foreign aid<sup>55</sup> and direct investments. Indeed, the latter has also been held to have clear implications for the power relations between states within the Western Alliance, or for the sovereignty (as it is normally expressed) of the weaker states involved.<sup>56</sup> Also, of course, the occasions in the post-war period when the power relations implicit in the economic intercourse between most states have actually materialized into open economic warfare - as in the case of the NATO ban on trade in 'strategic' goods with the Soviet bloc and China, the US blockade of Cuba, the Arab boycott of Israel, Afro-Asian boycotts on trade with the white supremacist regimes in Southern Africa, and so on - have all attracted considerable attention from non-Marxist writers.<sup>57</sup>

It is thus evident that both Marxist and non-Marxist writers have had quite a lot to say about the power implications of the economic relationships between states. Nevertheless, it seems fair to observe of the state of contemporary commentary that, with the neo-Marxists, on the one hand, being rather more absorbed in the task of refining their general theory in the light of new international developments and empiricist criticism, and documenting the extent of "imperialist exploitation" and "development distortion" in the third world and non-Marxists, on the other, being attracted to a greater degree by the more obvious and dramatic manifestations of the political use of economic weapons (frequently with a view to making policy-oriented criticisms of their efficacy), neither school has given much attention to the study of the general implications of economic power for historically specific inter-state relations. In the field of economic power relations, the non-Marxist tradition, for its part, has not been so much wanting on this occasion in empirical foundation as in pertinent historical perspective. After all, if we are interested in understanding the impact of economic relations on the political relations between states, we have to investigate all of their different aspects in so far as they are involved in a particular relationship and not simply foreign aid or arms supplies

or raw materials, for instance. Nevertheless, building on the early and tentative work of scholars such as Hirschman<sup>58</sup> and Michaeli,<sup>59</sup> Knorr has recently made an outstanding contribution to the construction of a conceptual and analytical framework within which such investigations can proceed. This is his publication: Power and Wealth: The Political Economy of International Power.<sup>60</sup>

Knorr is not concerned with economic power with a view to establishing it as a major objective of foreign policy in the manner of Hawtrey and his followers (though he does have something to say on this, see page above). Rather, his main purpose is to explicate the concept of economic power, "deduce the foundations upon which it rests", and identify its principal uses. Thus, according to Knorr, "national economic power" in its "active" sense is "the ability of a state to benefit itself, using economic or financial policy, by hurting, or threatening to hurt, benefiting, or promising to benefit, weakening or strengthening another state economically" and, in its "passive" sense, "a state's ability to limit such use of economic power by other states against itself".<sup>61</sup>

As well as being either active or passive, however, Knorr's notion of economic power has also to be seen as a condition which has both its "putative" and its "actualized" dimensions. Thus putative economic power consists in "the capabilities that permit the power-wielder to make effective threats", whilst actualized economic power is that which is "generated in an interaction which is an encounter".<sup>62</sup>

Now this latter distinction is both important and useful. It is important because it signifies an understanding that, whilst 'power' may be casually used as a synonym for capacity or potential (putative power), it has really no strict meaning, as we have already seen (page 19 above), except when this capacity is put to the test in pursuit of some specified objective (actualized power). As Reynolds argues, "power is as power does".<sup>63</sup> It is also useful, however, because the field is complex and it offers us a convenient distinction to employ in the organization of a welter of empirical detail.

Of remaining interest to us here is Knorr's analysis of the foundations on which putative economic power rests.<sup>64</sup> Economic wealth defined in terms of Gross National Product (GNP) is not, in itself, he stresses, economic power of this kind (though such a conception is close to that



of Hawtrey, who saw economic power or strength mainly as a base of military power: (see pages 17-18 above). Rather, putative economic power rests principally on "economic strength", which, in turn, possesses four main elements. In the first place, there is the sheer size of a state's foreign economic transactions, and the larger the better. Secondly, there is the size of these relative to GNP: if they are large relative to GNP then, though active economic power is great, passive economic power is reduced (thus in this respect, for instance, the USA has been economically stronger than Britain). Thirdly, there is the structure of a state's foreign economic transactions and under this heading we are informed that "a state would be equipped structurally with an ideal base for exercising economic power if (1) it exported things in urgent demand abroad while importing things regarding which its own demand was highly elastic and if (2) it held monopoly control over the supply of things demanded by foreign importing countries and monopsony control over the goods which foreign countries have to export".<sup>65</sup> After the second World War, Knorr remarks, the USA came close to possessing this ideal base. On the other hand, it is clear that, as Knorr is equally aware, "Since presumably no state is interested in exercising economic power vis-a-vis the entire outside world all at once, but rather vis-a-vis a particular state or group of states, the structural desiderata are not as exacting as the ideal type suggests. Even potential economic power then depends", he concludes, "on particular actor relationships of conceivable interest".<sup>66</sup> And finally, in adding what really amounts to a fourth element of economic strength (though Knorr does not explicitly describe it as such), he indicates that "International currency reserves and gold are of some significance to national economic power", with the key currency countries (such as the USA in the 1960s) having a particular advantage in this respect. Reserves, he suggests, are important to both active and passive economic power, since they cushion the economic consequences of its use on the domestic economy.<sup>67</sup>

An important point to note at this stage is that "economic strength", the first and certainly the most important of the foundations of putative economic power which Knorr identifies, is clearly a notion which subsumes the concept of 'economic dependence' upon which both Marxists and non-Marxists have so persistently dwelt in this field.<sup>68</sup> This is so because to say, for instance, that State A derives greater economic

strength over State B from its economic relations with that state, than does State B over State A from those same relations, is to say not much more than that the nature of these relations renders State A less 'dependent' upon State B than it renders State B 'dependent' upon State A. Whether Knorr's formulation has any advantage in this respect over the traditional one is a consideration which will be postponed until Chapter V.

In any case, economic strength, whilst the most crucial foundation of economic power, is not alone sufficient. Such strength is only transformed into putative power in the presence of three non-economic conditions: "the will to use this strength for power purposes; the skill of applying this strength for such purposes; and the international reputation a state has in terms of an expected disposition to use its economic strength in order to exercise power".<sup>69</sup> And such factors are particularly affected, according to Knorr, by the type of state concerned, with 'command economies' having a strong edge over private enterprise economies in most of these respects.<sup>70</sup>

Knorr has, therefore, provided us with an analytical framework which, in particular: first, explicates important organizing concepts, especially putative and actualized economic power, subsuming, in the process, the hardy concept of economic dependence; and second, spells out in some detail the criteria which are essential to an evaluation of the extent to which putative economic power (both passive and active) can be said to exist in any given inter-state relationship. In short, the historian concerned to investigate the influence of economic relations on the political relationships between states is provided by Knorr with a set of very useful ideas and hypotheses to guide his work.

### 3. Hypotheses and Stratagem.

This brief survey of the literature has emphasised that there are two main empirical hypotheses and one subsidiary one which seem to merit particular attention. The first main hypothesis is that the foreign policies of states in the contemporary period are motivated, inter alia, by a concern with the conditions of both economic prosperity and potential economic power, whilst the second is that their ability to

achieve these, as well as the other goals of foreign policy, is importantly affected by the economic power which they are capable of deploying in their pursuit. Subsidiary to the last of these two main hypotheses is the proposition that the economic power which states can exercise depends very importantly on non-economic, as well as on economic, foundations. Though each of these hypotheses will in fact be considered, it is especially the second main hypothesis to which attention will be directed; this, after all, in the comprehensive sense indicated above, is the relatively most neglected area, as well as being the most amenable to empirical research.

The point has now been reached, therefore, at which we are in a position to see to just what extent these hypotheses hold true for certain historically specific foreign policy situations in the contemporary period, for a major critical theme of this Introduction has been to emphasise the marked failure of most extant commentary in this area to apply empirical tests to ideas such as these.

The case which is to be studied for this purpose, as indicated at the beginning of this Introduction, is that of British foreign policy over the period from 1951 until 1964, especially with regard to its shape vis-a-vis the Union, and subsequently, the Republic, of South Africa at certain critical junctures over these same years. Though these were years, as we shall see, in which it is conventionally assumed that economic considerations ranked low in the order of Britain's foreign policy priorities as a whole, this is certainly not commonly thought to have been the case with regard to UK policy towards South Africa. In this connection, it is widely believed that Britain's economic interests were of singular importance in determining policy and that, furthermore, it was Britain's investments and Britain's markets there which were the key to this circumstance.

Following Knorr, the intention is to establish the nature of the putative economic power relationship which obtained between the British and South African governments during the Simonstown negotiations (1954-55) and during the post-Sharpeville period (1960-64). This will be the ultimate aim towards which Chapter II will drive, although its course will be necessarily circuitous and, in parts, repetitive, as a result of the extent and complexity of the empirical evidence - especially

statistical - to be assessed. In an attempt to make the argument comprehensible - to make possible, as it were, the discernment of the wood from the trees - the Chapter has been considerably sub-divided and liberally sprinkled with sub-headings. In particular, the important distinction made by Knorr between the economic and the non-economic bases of putative economic power has been employed in the organization of the evidence in this Chapter (Parts A and B respectively).

Having accomplished this task and having summarized the argument in Part C of Chapter II (see 'Contents' above), an attempt is next made to demonstrate that the South African government 'actualized' its putative economic power superiority over the British government (the conclusion of Chapter II), both during the Simonstown negotiations (Chapter III) and during the post-Sharpeville period (Chapter IV). It is especially in the last Sections of these two Chapters that the nub of the thesis is to be found. In the Conclusion (Chapter V), the overall argument is summarized, some general implications of the empirical findings for the theories discussed in this Introduction are drawn out, and a brief criticism of the method and evidence upon which the thesis rests is made.

To begin with, however, how important were economic priorities in general in the formulation of British foreign policy over the 1951-64 period as a whole? The answer to this question will throw some light, of course, on the first main hypothesis but, more importantly, have a strong bearing on the subsequent investigation of Anglo-South African relations. For it is a reasonable assumption that the importance which was attached by Britain's foreign policy-makers to British economic interests in South Africa would have been significantly influenced by the importance which was attached by them to economic considerations in general in these years. This, therefore, is the subject of Chapter I, to which we now turn.

Endnotes: Introduction

1. On these qualifications, see C. Reynolds, Theory and Explanation in International Politics, (1973), p.227 ff.
2. For the influence of Hobson on Lenin and the important differences which remained between them, see Reynolds, ibid., p.217 ff. and K. Knorr, Power and Wealth: The Political Economy of International Power, (1973), pp.123-125.
3. Notably P. Sweezy, The Theory of Capitalist Development, (1946), Chps. 16 and 17 and 'A Marxist View of Imperialism', Monthly Review, Vol.14, Mar. 1953; P.A. Baran and P. Sweezy, Monopoly Capitalism, (1968); D. Horowitz, Imperialism and Revolution, (1969); and H. Magdoff, The Age of Imperialism, (New York and London, 1969).
4. K. Marx and F. Engels, Selected Works in Two Volumes, Vol.1, (Moscow, 1962), p.36.
5. Imperialism and Revolution, (1969), p.46. See also Lenin, 'Imperialism, The Highest Stage of Capitalism', in Selected Works in Three Volumes, Vol.1, (Moscow, 1971), p.749.
6. Horowitz, op.cit., p.50.
7. Op.cit., p.15. See also Lenin, op.cit., p.717.
8. D.K. Fieldhouse, 'Imperialism: An Historiographical Revision', Economic History Review, 2nd. Series, Vol.14, 1961.
9. P. Sweezy, op.cit., p.303.
10. Ibid.
11. Magdoff, op.cit., p.14. He adds on this point: "the killing and destruction of Vietnam and the expenditure of vast sums of money are not balanced in the eyes of US policy-makers against profitable business opportunities in Vietnam; rather they are weighed according to the judgement of military and political leaders on what is necessary to control and influence Asia, and especially Southeast Asia, in order to keep the entire area within the imperialist system in general, and within the United States sphere of influence in particular".
12. E.Staley, War and the Private Investor, (first published by the University of Chicago Press, 1935; repr. 1967 by Howard Fertig of New York), p.419. Not surprisingly, this is quoted favourably by the Marxist, T. Kemp, in his Theories of Imperialism, (1967), p.13.
13. Staley, ibid., Preface.
14. For example, by Magdoff, op.cit., p.178 and pp.186-189.
15. Reynolds, op.cit., p.226.
16. See, for instance, K.N. Waltz, 'The Myth of National Interdependence' in C.P. Kindleberger (ed.) The International Corporation: A Symposium, (Cambridge, Mass.: 1970), where the insignificance of the American external sector relative to GNP is documented.
17. Op.cit., p.226.
18. For an excellent summary and criticism of these positions, see especially G. Parry, Political Elites, (1969).

19. As in, for instance, G. Kolko, The Roots of American Foreign Policy, (Boston: 1969), Chp.1, 'The Men of Power', and D. Horowitz, From Yalta to Vietnam, (1969), especially p.166 ff. on the personal interests of the Dulles brothers in the United Fruit Co. with reference to the Guatemala affair.
20. Parry, op.cit., p.117 and p.130 ff.
21. Op.cit., p.125.
22. The Roots of the Modern American Empire, (1970), p. x.
23. See, for instance, L. Huberman and P. Sweezy, 'Iran: The Crisis in Microcosm', Monthly Review, Vol.3, July 1951 and B. Davidson, 'Empire Building 1953 Style', Monthly Review, Vol.5, Aug. 1963. The latter article analyses the role of British and American mining interests, amongst other things, in the creation of the Central African Federation.
24. This is, of course, Kemp's complaint, op.cit., pp.134-135.
25. Early examples of this approach are to be seen in J.A. Hobson, Imperialism: A Study, (3rd. ed, 1938) and Staley, op.cit., especially Chps. 8 and 9. For a more recent example, see W. Wallace, 'The Role of Interest Groups' in R. Boardman and A.J.R. Groom (eds), The Management of Britain's External Relations, (1973) and then, of course, there is the masterly summary treatment in P. Renouvin and J-B. Duroselle, Introduction to the History of International Relations, (1968), Chp. 3.
26. Renouvin and Duroselle, pp.82-83.
27. See, for example, F.S. Northedge, Descent from Power: British Foreign Policy, 1945-1973, (1974), especially Chps. 2 and 9.
28. For the background on this, see E.H. Carr, The Twenty Year's Crisis, 1919-1939, (2nd ed., 1946), p.113 ff and, somewhat more tendentious-ly, M.A. Heilperin, Studies in Economic Nationalism, (Geneva: 1960).
29. R.G. Hawtrey. A revised second edition was published in 1952.
30. Economic Aspects of Sovereignty, p.59: "The War of 1914-18 was a conflict between the British and German coalfields. The French and Belgian coalfields were out of action from the beginning, but in the end the American coalfield, which is bigger than any, intervened". See also Hawtrey's Economic Destiny, (1944), especially Chp.11.
31. Ibid., p.69.
32. Ibid., p.67.
33. Ibid.
34. Second ed., 1952, Preface.
35. Ibid., p.19.
36. Op.cit., pp.120-124.
37. See endnote 28 above.
38. N. Angell, The Great Illusion, (1910).
39. Op.cit., Chp.4. For Staley, Hawtrey's Economic Aspects of Sovereignty is that "brilliant little book".
40. L. Robbins, The Economic Causes of War, (1939), pp.60-65.

41. Op.cit., especially pp.83-84 and p.180.
42. This was a result of the reduced raw material content of final products and the increasing manufacture of synthetic substitutes, both the outcome of profound advances in industrial technology. Waltz emphasises this, op.cit., pp.210-212 and the Marxist N. Harris offers it as the major reason for the willingness of the capitalist states to countenance de-colonization in the post-war period. See his 'Imperialism Today' in N. Harris and J. Palmer (eds), World Crisis: Essays in Revolutionary Socialism, (1971), pp.129-132.
43. Op.cit., p.117.
44. Ibid., p.87. However, Knorr's concept of economic power is somewhat different from that of Hawtrey, as we shall see below.
45. This line of argument is also taken by Renouvin and Duroselle, op.cit., p.138. "... should he (the historian)", they ask, "give pride of place to material and financial interests or political purposes? The observations we have made ...", they conclude, "show how useless this question of primacy is ... Historical research", they continue, "can reach valid conclusions when it abandons the vain hope of arriving at a general explanation and confines itself to the study of particular cases".
46. For an exposition and analysis of this argument, see Reynolds, op.cit. p.227ff.
47. Op.cit. p.124.
48. Notably H. Feis, Europe, The World's Banker, 1870-1914, (New Haven, 1930); L. Robbins, op.cit.; E.H. Carr, op.cit. Most non-Marxist historians and political scientists who wrote on this subject based their conclusions on Staley's work.
49. Op.cit., Chp. 4.
50. Ibid., Chp.10.
51. Ibid., Chp.13.
52. P. Einzig, Finance and Politics, (1932), Preface, p. v.
53. Ibid., pp.23-25.
54. Economic Warfare, 1939-1940, (1941).
55. Studies of this subject are numerous. Amongst the better ones are D.A. Baldwin, Economic Development and American Foreign Policy, (1943-62), (Chicago and London, 1966) and P.J. Eldridge, The Politics of Foreign Aid in India, (1969).
56. For a survey of this literature, see C.P. Kindleberger, Power and Money (1970), Chps.11 and 12.
57. A useful survey in this instance is to be found in M.P. Doxey, Economic Sanctions and International Enforcement, (1971).
58. A.O. Hirschman, National Power and the Structure of Foreign Trade, (1942).
59. M. Michaely, Concentration in International Trade, (Amsterdam, 1962).
60. Op.cit.
61. Ibid., pp.75-76.
62. Ibid., pp.13-14.

63. Op.cit., p.180.
64. Op.cit., p.82ff.
65. Ibid., p.83.
66. Ibid., p.84.
67. Ibid., pp.85-86.
68. See Reynolds on this, op.cit., p.229ff.
69. Op.cit., p.82.
70. Ibid., p.95ff.



## CHAPTER I

## BRITISH FOREIGN POLICY, 1951-1964: ECONOMIC CONSIDERATIONS IN THE HIERARCHY OF POLICY PRIORITIES.

1. The conventional view

It is an almost universally held view on post-war British foreign policy that the peculiarly large involvement of Britain in the international economy, together with the country's recurring external payments weakness, have combined to make economic interests one of the most vital components of the 'national interest'. Thus Northedge includes "economic interests" in a list of four "vital British interests" in the post-war period, along with "security", "peace", and the "perennial British demand for representation in the highest councils of nations".<sup>1</sup> And, whilst he appears to place security and peace at the head of this list advisedly, he nevertheless observes that, of domestic influences on foreign policy formulation, "by far the most important .... is the British economy".<sup>2</sup> For his part, Goodwin is led to remark that "ever since (1945), the struggle to become and to remain solvent has coloured every aspect of policy",<sup>3</sup> whilst Grant Hugo is induced to speculate (probably wildly, but nevertheless symptomatically) that it is the very importance which British foreign policy-makers attach to economic considerations which leads them to over-estimate the extent to which they weigh with other countries, especially in regard to the efficacy of economic sanctions.<sup>4</sup>

It will already be evident, furthermore, that the economic interests which are held to have so substantially influenced British foreign policy since the war are also commonly supposed to have been prosperity- rather than power-oriented and to have been pursued willingly by successive British governments rather than under pressure from conspiratorial groups within the business and financial sections of British society. Thus, whilst it is true that Hawtrey, not surprisingly, had no doubt that the re-establishment of sufficient economic power to promise successful defence in a future 'total war' against an expansionist Soviet Union was a prominent motive behind British, as well as American, policy in promoting Western European co-operation at the end of the second World War,<sup>5</sup> subsequent commentators on British foreign policy over

later years have given little prominence to this kind of calculation, probably as a result of the economic and military developments to which attention was drawn in this context in the Introduction (see page above). Moreover, whilst it is also true that Northedge, for instance, claims that "British mining interests" were a significant factor "in the Conservative government's dissent from United Nations action against the secessionist regime of Moïse Tshombe in Katanga during the Congo crisis in 1961-2", it is significant that he should also add that "in many of these instances there are grounds for thinking that the British Ministers would have followed broadly the courses which they did, even had no such pressures existed".<sup>6</sup>

If such, then, is the conventional attitude towards both the nature and the general importance of economic interests in British foreign policy formulation over the post-war period, how does this attitude shape up with regard to the manner in which these interests varied in nature and importance at different stages within the period? For, as Frankel observes, "It seems futile to endeavour to answer in general terms the question which is occasionally put, whether the political or the economic aspects of British foreign policy are or should be dominant. Security and prosperity are its constant twin objectives and one is given precedence over the other in the light of the perceived necessities of any given situation".<sup>7</sup> Taking the post-war period as a whole, therefore - for this is a lesson which has not been lost on historians - it is the common view that economic considerations had greatest influence over British foreign policy in the post-1964 period, somewhat less but still exceedingly marked influence over the years from the end of the war until 1951, and least significance of all during the years which intervened; and that, furthermore, it was only in the immediate post-war years that anything resembling a concern with economic power coloured these considerations.<sup>8</sup>

It is almost certainly true, as Wallace in particular has argued, that economic considerations were more important in British foreign policy after 1964 than before. This view, explicitly shared by Northedge, was massively confirmed by the Duncan Report when it was presented to Parliament in July 1969. Chaired by Sir Val Duncan, the managing director of Britain's leading mining-finance house (Rio Tinto Zinc), and including Andrew Shonfield, one of the most outspoken critics of British

foreign economic policy in the 1950s, the composition of the three-man committee which produced this report was itself of unmistakeable significance.<sup>9</sup> Whilst they naturally found it necessary to affirm that even a country in dire economic straits must still regard national security as the overriding constraint upon policy, they left no doubt that the "work load" of the Diplomatic Service "should now reflect the clear precedence that belongs to the commercial objective in the day-to-day conduct of Britain's relations with other countries".<sup>10</sup> Moreover, they made it clear that they were not recommending any new precedence for the commercial objective: this had been established, by gradual process, in the mid-1960s.<sup>11</sup>

As Wallace rightly maintains, the post-1964 period brought an unprecedented ascendancy for economic considerations in policy formulation not only because these years saw an enormous deterioration in Britain's external payments position against an international background characterised by "more turbulent patterns of economic relations"<sup>12</sup> but also because they witnessed a diminished preoccupation with great power status and - in the circumstances of post-Cuba detente - with security.<sup>13</sup> There can be little doubt that this goes a long way towards explaining, for instance, the Wilson government's attempt to negotiate EEC entry despite the strong possibility of another rebuff from De Gaulle, its understanding attitude towards American policy in Vietnam, and the speeded-up withdrawal from East of Suez. These are all matters of record.<sup>14</sup> And following the disposition made by the Conservative government in the Middle East crisis subsequent to the Arab oil boycott, "Any remaining illusions", as Wallace remarks, "that foreign economic policy was a less vital concern to the British government than the 'high policy' issues of national security and national defence must finally have been dispelled during 1973".<sup>15</sup> There is, moreover, little evidence to suggest that the conventional view is awry in emphasising the importance of prosperity rather than power considerations in the economic motives which featured so clearly in British foreign policy over this period. International financial prestige was certainly a factor as well but even this was justified in terms of its contribution to prosperity.<sup>16</sup>

Equally, it seems true that economic considerations ranked very high with the British foreign policy establishment in the years immediately following the second World War but that on this occasion they were, nevertheless,

outstripped in ultimate importance by considerations of security. After all, the end of the war saw Britain faced with acute security problems in a struggling and increasingly restive colonial empire in the Far East and Africa (with the Indian Army no longer on hand to keep order), difficulties in economic and especially atomic energy matters which strained relations with the Americans and in the early years called into question their attitude towards European security and, above all, very serious apprehensions concerning Soviet motives and military capacities which made Britain all the more worried about the condition of the war-weakened states of Western Europe. Not surprisingly, therefore, first priority in foreign policy was given to building up a Western European-North Atlantic security system and, in domestic policy, the manufacture of the Atomic bomb was assigned priority even over housing, coal-mining and exports.<sup>17</sup>

Nevertheless, the enormity of Britain's economic problems at this time ensured that economic considerations always ran security a very close second in the formulation of British foreign policy. The export trade had suffered enormous damage during the war, on both visible and invisible account, and huge debts had been accumulated. Moreover, the newly elected Labour government was determined to underwrite an extremely expensive domestic welfare programme. These were clearly crucial factors in the unwillingness of the British government to continue assistance to Greece and Turkey which led to the announcement of the Truman Doctrine in 1947, in the beginnings of imperial withdrawal, Churchillian rhetoric about the "three circles" of British influence notwithstanding, in the tying of Britain's fortunes even more closely to the Atlantic orbit.<sup>18</sup> After all, direct American economic aid, together with forbearance in the nature of Britain's relations with the Sterling Area and Commonwealth markets, were crucial to the United Kingdom's economic recovery.

There can be little doubt, however, that the economic motives behind British foreign policy in these immediate post-war years were not rooted solely in a concern with domestic prosperity. Partly because security was itself the paramount concern and partly because of the very recent experience of 'total war', it seems likely that they also consisted in some measure in a desire to build up economic power in the Hawtrey sense of war-making potential. Indeed, we have recently noted Hawtrey's own observations in this regard concerning the reasons for the promotion of Western European cooperation and it is perhaps significant that he made

them in the role of 'rapporteur' of a Chatham House study group.<sup>19</sup> But if there was a political-military motive in promoting the industrial recovery of Western Europe, this was equally evident in the British and American attitudes towards the sources of raw materials and fuels which were located in the world beyond Europe and which seemed increasingly imperilled by communist and nationalist agitation.

The fear that 'strategic' raw materials such as tin, rubber and, above all, uranium, would fall into hostile hands became particularly acute after the communist victory in China and the subsequent outbreak of war in Korea in 1950. This seemed to presage a general expansion of communist world influence and to pose a particular threat to the bountiful regions of South East Asia.<sup>20</sup> In 1950, the report of another Chatham House study group was sprinkled with references to the importance of South East Asian raw materials to Britain and to the precariousness of their situation,<sup>21</sup> whilst in April 1951, Anthony Eden, shortly to be Foreign Secretary in Churchill's new administration, demonstrated similar views in the context of a discussion of Britain's contribution to the Western defence effort in an article in the journal Foreign Affairs.<sup>22</sup> Drawing explicit attention to the vital nature of Britain's imported foodstuffs and raw materials for her war-making capacity, Eden concluded that "unrest in certain colonial areas, or failure to uphold significant interests in other parts of the world, may deprive ourselves and our friends of some vital raw materials without which our efforts would be ham-strung."<sup>23</sup> It is, therefore, probably not entirely coincidental that the man whom Churchill should have chosen to be his Colonial Secretary when he came to office at the end of 1951 - Oliver Lyttelton, subsequently Lord Chandos - should have for many years specialized in making the Empire self-sufficient in non-ferrous metals.<sup>24</sup> Finally, it is important to note in this context that Britain's influence in the raw material producing regions of the semi- and under-developed non-communist world constituted an extraordinarily significant claim on American goodwill, and none moreso than in the case of the uranium-rich areas, as we shall see in Chapter II.

Therefore, with the reservation that insufficient attention has perhaps been drawn to the economic power dimension of economic policy motives in the immediate post-war years, the conventional view of the nature of, and priority accorded to, economic considerations in British foreign policy in the 1945-51 and post-1964 periods can be broadly accepted. What,

however, are we to make of the conventional treatment with regard to the 1951-64 period? As we have seen, economic considerations are commonly thought to have received relatively low priority during these years and the further assumption is usual that, in so far as they were taken into account, they were almost wholly concerned with promoting the conditions of domestic prosperity rather than with bolstering war-making potential. The extent to which this is a valid interpretation will be the principal pre-occupation of the remainder of this Chapter.

It is abundantly clear that the main lines of the conventional argument apropos these years were, in fact, established right in the middle of the period in a highly influential work by Andrew Shonfield.<sup>25</sup> "Looking back on the decade following the war", wrote Shonfield in 1958, "one of the strangest aspects of British politics now appears to be the mood of insouciance in which a whole series of political decisions were taken, regardless of their effect in adding to the existing overload of economic burdens on the country".<sup>26</sup> Whilst Shonfield regarded the encouragement of overseas investment at the expense of domestic industry and the continued attachment to the Sterling Area as products of this mood, he held that it "appears at its most vigorous and intransigent in the field of military strategy".<sup>27</sup>

In support of this argument, Shonfield not only drew attention, as might be expected, to the costly British insistence on military self-sufficiency in the massive re-armament programme of the early 1950s but to the cavalier disregard of balance of payments considerations in policy to overseas bases (particularly the new Middle East base on Cyprus)<sup>28</sup> and especially with respect to new military commitments outside the colonial area and traditional zones of influence. Singled out for special mention on this latter count, is Anthony Eden's solution of the EDC crisis in 1954 by the promise of a virtually indefinite commitment of substantial British forces to Europe without a mention of their cost in foreign exchange to the West Germans. "The new British commitment was presented as an unconditional free gift of military aid for half a century",<sup>29</sup> he records, with the result that it was indeed a "costly diplomatic victory".<sup>30</sup>

Following Shonfield, Wallace also draws attention to Eden's continental commitment in 1954 and adds that "The implications for the balance of payments were again neglected in the negotiations which led to West

Germany's admission to Nato in the following year".<sup>31</sup> Whilst for his part Northedge adds SEATO and the Baghdad Pact to the list and concludes that "The country's three original areas of defence policy - the home islands, the colonial empire and overseas dependencies and protectorates, and allies linked to Britain by treaty obligations - seemed to be expanding at a time when all the economic indices were pointing to the need for movement in precisely the opposite direction".<sup>32</sup> And certainly symptomatic of the attitude which this argument is concerned to demonstrate (if not necessarily convincing in its own context, see below) is Macmillan's claim that, even when he was at the Treasury, he was prepared to risk loss to the reserves in pursuit of the more important political objectives of the Suez expedition in 1956. As he said in his defence in the House of Commons on November 12, 1956, if the reserves "fall away as a result of some temporary difficulties which occur, then that is what the reserves are for, and that is what the reserves will be used for".<sup>33</sup>

How is this relegation of economic considerations in the hierarchy of British foreign policy priorities in the 1951-64 period explained? In this respect, Wallace provides the most complete answer, though his account is clearly indebted on certain points to Shonfield. According to Wallace, then, the low economic priority was essentially a product of the passing of Britain's major war-induced economic difficulties by the early 1950s together with the supplementation of continued worries on the security front (as a result of developments in Soviet weaponry) by heightened anxieties over the 'high policy' goals of great power status and "international responsibility".<sup>34</sup> In any case, he holds, high policy claimed much more of the personal interest of the Conservative prime ministers of these years relative to international economic matters.<sup>35</sup> Other factors, however, reinforced this tendency, amongst the most important of which were the stability of the international economy during these years of unquestioned American strength and as a result of which problems in this area could be safely left to the cooperative efforts of international officials supervised by finance ministers and central bank governors;<sup>36</sup> the high degree of compartmentalization in the management of policy within Whitehall, which was cause as well as effect of the low economic priority at this time;<sup>37</sup> and the technical complexity of international economic matters, which tended to discourage Foreign Office interest.<sup>38</sup>

This is certainly a convincing thesis and clearly one which commands a wide measure of acceptance. Its insistence on a low priority for economic considerations throughout the 1951-64 period is consistent with most of the significant foreign policy positions adopted during these years, including, as well as those already mentioned in the defence area, the British decision to apply for EEC membership in the early 1960s, which is commonly held to have been prompted more by political, than by economic, considerations.<sup>39</sup> Moreover, there is undeniable cogency in the reasons to which Wallace points in order to explain this situation. Britain's economic problems certainly were less acute during these years than they had been under the Attlee government and the implications of this co-called "Age of Affluence" were widely felt to be having a significant political impact in other areas besides foreign policy.<sup>40</sup> Moreover, it is also evident that these were the years when Britain's great power status was first seriously challenged and when, as a result, exceptional measures, such as the building of an independent nuclear deterrent and independent military intervention in the Middle East, were felt to be essential to its retention. Wallace, moreover, is by no means the first to have pointed to the lack of coordination between the economic departments and the Foreign Office in Britain.<sup>41</sup>

To the extent, furthermore, that the conventional argument acknowledges the existence of an economic interest in British foreign policy over the 1951-64 period nevertheless, its implicit assumption that this was rooted in a concern with domestic prosperity rather than with economic power is also consistent with what might have been expected to have been the response of the foreign policy-making elite<sup>42</sup> to the fundamental changes which were taking place in military strategy during the mid-1950s.<sup>43</sup> If, after all, the outcome of a future general war was likely to be determined by a brief exchange of atomic weapons rather than by a protracted engagement of conventional forces after the earlier fashion of 'total war', it would hardly have made sense any longer to shape foreign policy with a view to the promotion of economic self-sufficiency. And, in any case, the Korean War had ended in stalemate, the Americans were now increasingly involved in the protection of raw material producing regions behind the doctrine of 'containment', and large stock-piles of 'strategic' raw materials had been accumulated.<sup>44</sup> Reflecting this new situation was the fact that by the second half of the 1950s the terms of trade had begun to move significantly against the primary products of the semi- and under-developed worlds.<sup>45</sup> In short, the kind of economic strength which had



traditionally been thought necessary for total war-making potential was not likely to have been a significant factor in the economic considerations shaping British foreign policy in this period since the major worries on this score had by now been settled and influential sectors of the British elite were not, in any case, thinking in terms of this sort of war any longer.

All in all, then, it seems unreasonable to quarrel with the broad outlines of this thesis. Economic considerations clearly were of less importance in the formulation of British foreign policy over the 1951-64 period than in either the previous or subsequent ones. Nevertheless, certain criticisms of the conventional argument can still be made.

In the first place, defence of the sterling parity and the maintenance of the Sterling Area may well have been "accepted as a high policy objective" during these years;<sup>46</sup> they may have been considered, that is to say, along with a substantial degree of overseas investment, as the indispensable attributes of a great power and thus to be immune from criticism on purely economic grounds.<sup>47</sup> It is, however, one thing to hold that these policies were economically harmful to the long-term growth of the British economy (the accepted belief of the conventional argument); quite another to hold that, since this was the case, they could only have been pursued for status or other political reasons. For this is to overlook the possibility that sectional interests within the British business and financial communities, which undoubtedly had a powerful stake in the continuation of these traditional patterns, were in a position to promote these policies within the Conservative governments of these times on economic grounds as well.

In the second place, whilst it is probably true that the factors to which attention has already been drawn did indeed dilute the importance of the traditional power dimension in the economic considerations which influenced British foreign policy over the 1951-64 period, it is at least conceivable that the change in the nature of the cold war which occurred in the mid-1950s might have gone some way towards counteracting this development, albeit via a somewhat different route. Thus, with the increasing emphasis on economic prosperity as the visible token of ideological sanity and on aid and trade dispensations to the countries on the non-aligned world in the direct competition for their favours,

it seems likely that the economic power motive might have been resurrected in new form. In the absence of domestic prosperity, propaganda concerning the virtues of 'free institutions' and 'free enterprise' would have rung rather hollow and insuperable difficulties would have been placed in the way of generous aid and trade arrangements. As a result, it seems reasonable to conclude that prosperity as such may well have become the base of economic power in the 'cold war', as economic self-sufficiency had been its foundation in 'total war'. It is at least plausible, therefore, that, against this background, a new measure of urgency could have been given to the cultivation of economic interests in British foreign policy after the mid-1950s.

Most signally of all, however, it seems likely that, partly because of its weakness on this point and partly because the argument of Wallace, in particular, tends to interpret the whole of the 1951-64 period in the light of the priority hierarchy obtaining in its first half, the conventional view underestimates the extent to which the relative priority attached to economic considerations had begun to rise after 1956. Shonfield himself was sensitive to changes which were afoot in the second half of the 1950s and in fact regarded the Suez crisis as a turning point.<sup>48</sup> Indeed, it is arguable that, if there was no diminution of Britain's anxieties over great power status before the end of this period, the preoccupation with security had nevertheless been somewhat lessened by the second half of the 1950s and that, in addition, a recognition was simultaneously dawning that Britain's immediate post-war economic difficulties were not wholly abnormal and that, as a result, foreign policy would have to take them increasingly into account.

If we are to explore these criticisms and see if there is any substance in them, it seems essential to begin by looking at the actual nature of Britain's overseas economic interests during these years. In what did they consist? Or, more to the point, how were they regarded by those with the major responsibility for directing British foreign policy at this time?

2. The perception of overseas economic interests by the foreign policy elite.

Tables 1 and 2 in Appendix A provide us with the best introduction to this subject, for the most cursory inspection of these figures is sufficient to confirm the well known fact that, then as now, the British economy possessed a very considerable relative dependence upon its visible trade with the outside world. This dependence was certainly not unique, as is sometimes implied, being paralleled by, for example, Canada: however, it was significantly greater than that of France, Western Germany and Japan, and vastly in excess of that of the USA. Moreover, when invisible trade is taken into account, it becomes clear that as much as one quarter of the British economy was dependent upon overseas trade in these years, with no particularly marked fluctuations from year to year.<sup>49</sup>

It is not difficult to deduce from these figures that Britain had a clear interest in securing access to foreign commodities. As a typical textbook explained in 1966: "Britain, lacking virtually all the major raw materials save coal, lives by trade. Her only hope of making a living is as an industrial economy based on the import of food and raw materials ....".<sup>50</sup> This requirement, in turn, has generated an interest in selling sufficient of its own goods and services abroad to obtain the foreign currencies required for the settlement of its import bill and the avoidance of balance of payments difficulties. In particular, this has given Britain an interest in both protecting and expanding its overseas markets and investment stocks. These, then, were Britain's basic and obvious foreign economic interests in this period; there were others but they were in part derivative from these and we shall deal with them later. Let us look a little more closely, first of all then, at the nature of Britain's interest in imported goods during the 1951-64 period.

Imports, of course, consist of those goods and services<sup>51</sup> which either cannot be produced at home or cannot be produced at home as efficiently as they can abroad. According to Scott, the volume of Britain's imports grew during the 1950s "at what was, for this century, an unusually rapid rate".<sup>52</sup> As is well known and widely lamented, one of the chief ingredients of this increase was the very considerable growth in the importation of manufactured goods. But since, with one or two notable exceptions,<sup>53</sup> this was a result of, inter alia, consumer preference and lower British

efficiency against a background of more liberal trade policies, rather than absolute domestic non-availability,<sup>54</sup> it cannot be said that British industry in particular, or the economy in general, had an interest in access to foreign sources of manufactures. On the contrary, as subsequent barriers erected against them by the Wilson government testified, there was rather more of an interest in keeping them out! Of principal concern to us, therefore, are those commodities which Britain had no alternative but to obtain from abroad and these are traditionally subdivided into three categories: foodstuffs, raw materials (or 'basic' materials) and mineral fuels. How important were these commodities to Britain? What were their major regional sources? To what extent did the individual categories contribute to the upsurge in general demand for imports from Britain in the 1951-64 period?

As can be seen from Appendix A, Table 3, foodstuffs regularly accounted for between 34 and 40 per cent of Britain's total imports over this period. Though it is true that the massive increase in imports of manufactured goods had put this category in a position to challenge foodstuffs as the leading component of Britain's foreign supplies by the end of the period, they remained the dominant feature for the most part. Even more telling, food imports accounted for roughly 50 per cent of Britain's total food consumption during this period.<sup>55</sup> Assuming such huge proportions, it is not surprising that their sources were distributed all over the non-communist world, though it is notable that, as Appendix A, Table 4 reveals, the Sterling Commonwealth was a particularly important supplier.

Between 1950 and 1959 Britain's imports of foodstuffs increased by 18 per cent at 1954 prices.<sup>56</sup> Given their large proportion of total imports, they were, as a result, a very significant factor in the general increase in imports. As Scott explains, this was due principally to the fact that domestic consumption, prompted by a growth in population and real income per head together with the ending of food rationing, outstripped domestic food production.<sup>57</sup> All things considered, then, it is clear that access to foreign food supplies constituted an extremely important external economic interest for Britain in this period.

Imports accounted for the "lion's share"<sup>58</sup> of domestic raw material consumption, of course, but it is significant that this category represented a

declining proportion of Britain's total imports. Indeed, of all the main categories of imports, this was the one which increased - by only 6 per cent at 1954 prices between 1950 and 1959 - least of all over this period.<sup>59</sup> Apart from their displacement by manufactures, this was partly a result of a contraction of output in the import-intensive textiles, leather and clothing industries during this period,<sup>60</sup> partly a result of the deterioration in the terms of trade of the primary commodity producing countries, and partly a result of a phenomenon which was also affecting other advanced industrial societies and to which attention has already been drawn, that is to say, profound changes in industrial technology which, on the one hand, were beginning to reduce considerably the raw material content of final products and, on the other, were beginning to make possible the manufacture of synthetic substitutes.

Nevertheless, even at the end of the period, as can be seen from Appendix A, Table 3, raw materials accounted for one-fifth of Britain's total imports and in certain commodities dependence on foreign sources was more or less absolute. In the early and mid-1950s, for example, the massive re-armament programme together with the general increase in the output of the metals, engineering and vehicle industries, led to a great increase in the demand for foreign ores and concentrates. Even steel had to be imported in considerable quantities at this time.<sup>61</sup> Uranium ore, of which Britain had no domestic sources whatsoever, and which was of the first importance for both energy and defence reasons, is only the most dramatic example of this dependence on foreign sources of raw materials. Moreover, as in the case of food imports, it is evident from Appendix A, Table 4, that these sources were fairly evenly distributed throughout the non-communist world, though it is perhaps significant that, by 1958, the Sterling Commonwealth was providing Britain with almost three times as many raw materials as the Colonies.

Finally, we arrive at mineral fuels. These represented the smallest of the main categories of Britain's imports over the 1951-64 period, fluctuating at between 10 and 11 per cent of total imports (App.A, Table 3). Nevertheless, with a serious coal shortage in Britain lasting until 1957 (consumer rationing was not abolished until July 1958)<sup>62</sup> and with changes in transport patterns leading to an enormous increase in demand for petroleum,<sup>63</sup> fuel imports more than doubled over the 1950s and continued to increase into the early 1960s.<sup>64</sup> These consisted in the main, of course,

of crude oil from the Middle East, as can be seen from Appendix A, Table 4, but even costly coal had to be imported in some years during this period, especially in 1955.<sup>65</sup>

There is no shortage of evidence that the British foreign policy elite in these years was well versed in the general importance of access to foreign supplies of fuel, raw materials and mineral fuels. We have already noted the evident concern on this subject which was expressed by certain elements within it against the background of the Korean War in the early 1950s, owing, in particular, to the military significance of these commodities when 'total war' was still the dominant strategic concept and when shortages were still feared. The view which Anthony Eden had with regard to the necessity for secure access to Middle East oil in the mid-1950s, for instance, is a matter of record<sup>66</sup> and, as we shall see in Chapter II, there were no illusions at the top concerning Britain's dependence upon imported uranium. Having said this, however, there is equally strong evidence to suggest that British anxiety concerning, as opposed to awareness of, the extent of this reliance on foreign supplies was appreciably reduced in the second half of the 1950s and in the early 1960s.

It has already been observed that the 1950s witnessed a progressive and initially unexpected improvement in Britain's terms of trade with its primary product suppliers. Even oil<sup>67</sup> and uranium (see Chapter II, Part A, Sec.2 below) became abundant on the world market in the second half of the 1950s and, Eden's efforts in the case of oil notwithstanding, their security of supply remained unjeopardised. At home, there was an embarrassing surplus of coal by the end of the decade.<sup>68</sup> Perhaps also because 'total war' no longer seemed likely, strategic stockpiling tailed off in the middle of the decade and, as Streeten observes, "Although subsidies and import controls encouraged import substitution until the early fifties, the general trend was away from greater self-sufficiency ... Subsidization of agriculture was retained, but not intensified ....".<sup>69</sup> Furthermore, a greater proportion of British overseas investment in the manufacturing industries of the white dominions rather than in the raw material and food producing areas of the Colonial Empire was countenanced by the Conservative governments of these days.<sup>70</sup> Clearly, these were not the policies of a nation which was anxious about cheap and easy access to foreign supplies of primary commodities and fuels.

Nevertheless, these items still had to be imported and the growth of the British economy - albeit slow and fitful - meant that they had to be bought in increasing quantities, as we have already seen. Moreover, the priority which was assigned to the re-establishment of multilateral free trade in the commercial policy of this period<sup>71</sup> meant that a rapidly growing quantity of manufactured imports had to be tolerated as well, as we have also previously noted. Despite the improvement in the terms of trade, therefore, this meant that Britain's exports had to be substantially increased if the bill for imports was to be covered and if, in addition, sufficient foreign currency was to be left over to finance both the desired expansion in overseas investment and the rebuilding of the reserves to a level consistent with the safety of a freely convertible pound.<sup>72</sup> Failure to achieve a significant expansion of exports could thus lead only to periodic balance of payments crises and threaten the all-important status of sterling. Was the British balance of payments healthy during the 1951-1964 period? Were Britain's exports sufficiently well placed during these years for it to be likely that their advancement was not a major preoccupation of the foreign policy elite? It is important that these preliminary questions be answered before an assessment is made of the importance which was actually attached to this second British foreign economic interest - export markets - by the foreign policy-makers of this period.

Fortunately, the historical course of Britain's balance of payments during these years has been amply described elsewhere,<sup>73</sup> and a summary review will thus be sufficient here. It is certainly true that a remarkable recovery had been made in Britain's export trade by the beginning of the 1950s and that, despite the gradual relaxation of import controls, the basic visible balance improved significantly over the subsequent decade. This was assisted, of course, by the considerable improvement in Britain's terms of trade. Nevertheless, it is equally clear that the United Kingdom's productive efficiency was wholly inadequate to meet the challenge of rival manufacturing exporters such as West Germany and Japan and the result of this, together with a marked deterioration of the invisible trade balance, was that in no year except 1958 was Britain's overall performance on current account sufficiently impressive to even approximate the Treasury's target surpluses. Not surprisingly, therefore, with the depleted reserves being set against a very high level of short-term sterling liabilities and the Conservative

governments resolved to permit a large net outflow of capital to the Sterling Area and significant overseas military spending, sterling crises were a marked feature of this period. In fact, there were serious crises in 1952, 1955, 1956, 1957, 1961 and 1964, and, as Scott remarks, "Even in the years of no crisis the danger of one never seemed far removed".<sup>74</sup>

Such a picture of what amounted to a long-term weakening in Britain's payments equilibrium is produced, of course, with the benefit of hindsight. It seems clear, however, that in the first half of the 1950s, at any rate, there was a fair degree of complacency in the foreign policy elite about the balance of payments in general and the position of Britain's exports in particular, for which the improvement in the terms of trade and the great success of the dollar export drive were in no small measure responsible.<sup>75</sup> As the immediate post-war balance of payments problem had been seen as "merely a short-term effect of the war which would probably pass with a little financial assistance from the United States and Canada",<sup>76</sup> so it was possible to explain away Britain's declining share of world exports of manufactures as a result of the 'natural' catching-up of the ex-enemy states in the mid- and late 1950s and to take comfort from a similar decline which was being experienced by the United States.<sup>77</sup> Brittan records that in 1957 Macmillan "did not think that Britain was doing all that badly in production and trade, considering the difficulties",<sup>78</sup> whilst in 1959 the Radcliffe Committee reported that, compared to the inter-war years, the 1950s as a whole saw "far less preoccupation with the competitive position of British exports".<sup>79</sup> And as late as 1960, Strang, latterly Permanent Under-Secretary at the Foreign Office, could observe of the British economy during the period from 1951 until 1959 that "Precariously poised though it must be from the fact that the pound sterling carries nearly half the world's trade and payments on less than 4 per cent of the world's exchange reserves, and thus vulnerable to the fluctuating judgements of the foreign money market, it had perhaps not been more healthily constituted or more broadly based at any time since the industrial revolution".<sup>80</sup>

On the other hand, there is also some evidence to suggest that this complacency was being pricked in the second half of the 1950s and that by 1960 it had been replaced by considerable anxiety. Since, in the



tense circumstances preceding and succeeding sterling convertibility, the condition of the balance of payments and the level of the reserves were held to be virtually the sole test of internal as well as external economic policy<sup>81</sup> and since, further, the principal objectives of both facets of economic policy - a strong and convertible pound within a rejuvenated Sterling Area - were themselves held, as Wallace acknowledges, to be an important component of 'high' foreign policy,<sup>82</sup> it was always likely that the problems attending the balance of payments would penetrate the consciousness of elements of the foreign policy elite. In fact, we have Eden's own testimony to his unease on this score during his first three months as Prime Minister in the spring of 1955. Commenting on this period in his memoirs in tones which speak volumes for our theme, he remarks that "During the years which I spent in the Cabinet before the war, I never once heard mention of the problem of gold and dollar reserves. These were ample for any purpose, immediate or conceivable .... The second world war changed all this. Behind the transient economic situation", continues Eden, "the problem of the balance of payments obtruded continuously; exasperating, monotonous and inescapable."<sup>83</sup> Furthermore, following the sterling crisis in July 1955 of which Eden claimed to have had forebodings,<sup>84</sup> Macmillan was very precipitately switched from the Foreign Office to the Treasury, in part, according to Macmillan himself, because of Eden's concern over the economy.<sup>85</sup> "He (Eden), says Macmillan, "knew that the success of his government, however well conducted its foreign policy might be, would depend ultimately upon our ability to ride out the series of economic storms which seemed the inevitable condition of modern life ....".<sup>86</sup>

When Macmillan himself became Prime Minister at the end of 1956, he only had to wait until late the following summer before having his own first sterling crisis to face. And, though his personal analysis of this particular problem was akin to that of Shonfield, it is true that he was prepared to go along broadly with the Treasury view.<sup>87</sup> Nevertheless, whilst this was no doubt in part because "Foreign affairs was his vocation, economics his hobby",<sup>88</sup> it seems obvious that Macmillan was slowly becoming anxious about Britain's external economic strength and especially about its impact on other aspects of his government's policy.

To begin with, he had been at the Treasury during the Suez crisis in 1956 and had thus been the Cabinet minister most intimately acquainted with the

limitations imposed on that venture by the parlous state of the reserves.<sup>89</sup> It is consistent with this, therefore, that he should have written to his own Chancellor in the aftermath of the 1957 sterling crisis, apropos the economic situation in general and Britain's position in the Sterling Area in particular, that "In the course of the next few months we must really search for an answer to some of these fundamental questions. It haunts us at every point and makes foreign policy, defence policy and home trade policy very difficult to carry on. It may be," he continued, "that we must resign ourselves to being permanently in this position, but I am bound to say that I view with much apprehension the last six months of this government, when the money will (sic) be running out of this country at the same rate that the sands are running out of our power."<sup>90</sup>

In 1958 and 1959, however, largely as a result of a particularly bountiful windfall on the terms of trade, Britain's current account improved dramatically and the reserves were greatly strengthened. Overseas loans drawn in 1956 were repaid and larger gold quota payments were made to the IMF. Above all, most remaining exchange-saving import controls were removed and the pound was made fully convertible. Thus freed from external constraint, the economy could now be spared the deflationary policies which had soured the three preceding years and, in these circumstances, even the Treasury appears to have been complacent about the balance of payments.<sup>91</sup> Macmillan's concern with this problem was certainly temporarily allayed but it re-emerged in 1960 - with a vengeance.

The higher rate of economic growth of the years from 1958 to 1960 naturally led to an enormous growth in the rate of Britain's imports, access to which was now much easier as a result of the removal of the remaining restrictions.<sup>92</sup> Moreover, a series of statistics which had been published annually by the Board of Trade since 1957 was by now showing that the declining proportion of world manufacturing exports enjoyed by Britain was continuous and serious.<sup>93</sup> It was thus not surprising that by 1960 itself the current account was seriously in the red once more and an exchange crisis was only staved off by a very large inflow of short-term money attracted by the relatively high interest rates prevailing in London.<sup>94</sup> In these circumstances, Macmillan decided that it was time to personally launch a major new British export drive.

Addressing an audience of industrialists brought together by the FBI, the National Association of Manufacturers and the Association of British Chambers of Commerce on July 18, 1960, Macmillan, in a widely reported speech, dwelt on the importance of trade to Britain, the joy of exporting ("Exportfreudigkeit"), the manifold services to exporters which the government provided and ended by appealing to them "In the name of the nation .... to recruit a great band of merchant adventurers among your own ranks; and ... to search them out from the many thousands who are not here today".<sup>95</sup> Shortly afterwards, he circulated a directive on exports to all of his colleagues, asking them "to make sure that all departmental and domestic interests in conflict with our main objective - a substantial and sustained improvement in overseas earnings - should be set aside. There now began", he recalled in his memoirs, "a determined effort to ensure that all our posts abroad were made fully aware of the creative part that they could play. This proved highly successful".<sup>96</sup>

At home, such a substantial number of Cabinet ministers became involved in the export drive subsequent to Macmillan's initiative that the Chancellor of the Exchequer, Heathcoat Amory, felt it necessary to reassure a group of Maidenhead businessmen that nothing had "suddenly gone wrong with exports", adding that he did not want them to think "that we are in a panic about this or anything else".<sup>97</sup> The astuteness of Claud Cockburn's observation that one ought to believe nothing until it has been officially denied would not have been lost on these captains of industry! In November, after a "full-dress 'debate' .... in a full Cabinet", Macmillan once more decided to lend his personal authority to the export drive: this time by presiding over a "committee on increasing exports".<sup>98</sup> Poor trade figures in early 1961 and the subsequent sterling crisis confirmed Macmillan in his belief that "we were becoming uncompetitive".<sup>99</sup> and, despite the spasmodic optimism engendered by the improvement of the next few years,<sup>100</sup> it seems safe to conclude that the experience of 1960-1961 had finally removed any remaining feelings of complacency about British exports. The catching-up of the ex-enemy states was one thing; being over-taken by them was quite another. Moreover, the consequences of the failure of British trade policy vis-a-vis the continent of Europe now had to be faced.<sup>101</sup>

If the anxieties of Britain's foreign policy elite concerning access to foreign supplies of raw materials and food were greater in the first part of the period than in the second and greater in the second than in the first in the case of manufactured exports, what of its attitude towards overseas investments? It is well known that Britain has traditionally off-set a deficit on its visible trade account by a surplus on 'invisibles' and that the most significant net contributor to this invisible surplus is the return on British investments overseas.<sup>102</sup> During the 1951-1964 period, as can be seen from Appendix A, Table 5, invisible earnings accounted for well over one-third of total receipts on current account and these were composed, in turn, of investment earnings to the tune of almost 30 per cent. Indeed, on a crude estimate, the overseas stocks which generated these earnings represented something over 10 per cent of Britain's total national wealth (Appendix A, Table 6). These stocks thus represented an overseas interest for Britain which was of considerable importance for the balance of payments, especially since at this time a growing deficit on government account was steadily eroding the traditional invisible account surplus. This had stood at an annual average of £331 millions over the 1952-1955 period but by 1956-1960 had fallen to £216 millions and by 1961-1964 was as low as £160 millions.<sup>103</sup> Where were Britain's overseas assets located?

As can be seen from Appendix A, Table 7, most of them were to be found in Africa (mainly West, Central and South), Australia and North America, where roughly one-fifth of the total was located in each, though a fourth principal host region to British capital was the Middle East, which, through a certain possible "coyness" on the part of British officials to oil investments,<sup>104</sup> is not revealed in these figures. The remainder were widely scattered throughout Western Europe (where the proportion was rising significantly), the Indian sub-continent, South and Central America and South-East Asia, where there were particularly large concentrations in Malaya. This, however, is only one index of the regional importance of Britain's overseas investments during these years; another is their profitability. From a comparison of Tables 8 and 9 in Appendix A with Table 7, it is, furthermore, at once apparent that the areas with the largest stocks of investment were not necessarily those which generated the highest returns.

Thus, in 1960 for instance, the North American continent retained 24.4 per cent of the United Kingdom's total direct overseas investment stocks but, with an average rate of return of only 5.2 per cent, contributed a bare 15.2 per cent of Britain's total earnings from this source. Conversely, South-East Asia, with only 5.5 per cent of the United Kingdom's total direct overseas investment stocks but with extremely high rates of return in Hong Kong (22.4 per cent), in Malaya (17.8 per cent) and in Singapore (30.0 per cent), contributed as much as 10.7 per cent to total earnings. Apart from South-East Asia, the highest rates of return were obtained in West, Central and South Africa, whilst the lowest - North America aside - came from Western Europe, East Africa and Ceylon.

Balance of payments reasons gave Britain an obvious interest in protecting these overseas assets and in securing an uninterrupted repatriation of profits; they also gave Britain a long-run interest in expanding them through the encouragement of fresh investment from home, since this was one way to further fatten 'the goose that laid the golden eggs'.<sup>105</sup> A great variety of additional arguments were, however, advanced to demonstrate the economic importance of overseas investment to Britain.

In the early part of the period it was, for instance, common to find references to the important role played by British overseas capital in developing the availability of primary products, which were a particular source of anxiety to Britain at that time, as we have already seen. This was an attitude of long standing<sup>106</sup> to which the circumstances of the 'dollar gap' in the late 1940s and early 1950s gave a new twist by making it seem particularly useful to be able to employ British capital in expanding the output of the Sterling Area's main dollar earners.<sup>107</sup> Direct investment was also held to make Britain's control of certain foreign-produced raw materials and fuels more secure<sup>108</sup> and to improve the prospects for British exporters in the regions in which it was located.<sup>109</sup> Finally, overseas investments enabled the Conservative governments of these years to argue their commitment to the economic development of the poorer parts of the Commonwealth (if one ignored their regional and industrial distribution),<sup>110</sup> and to provide constant reminders to its overseas members of the value of the Sterling Area.

Whatever, therefore, the real reasons for the enthusiasm for fresh overseas investment of the British governments of the 1951-1964 period (for ample

grounds exist for regarding some of those which have just been mentioned as rationalizations),<sup>111</sup> there is little doubt that balance of payments reasons alone gave Britain a massive interest in the existing stock. Its value and its sustenance were unquestioned within government circles. As Susan Strange records: "the few lonely individual voices that were raised in criticism of the outflow of capital in these years were mostly greeted with blank indifference and total disinterest both in Whitehall and in Westminster".<sup>112</sup> And it is thus not surprising that it was only in the worst balance of payments crises that the government would even contemplate making a move against the free outflow of British capital during this period, as in Selwyn Lloyd's famous 'July measures' of 1961.<sup>113</sup> Indeed, in the Budget of 1957 the Macmillan government testified to the value which it attached to overseas investment by making important tax concessions to British companies operating abroad. Replying in his memoirs to criticism of this particular move, Macmillan claims that the short-term balance of payments argument "misses the real point. The greater the investment abroad", he continues "and the greater the success of companies operating overseas, the greater in the long run becomes the strength of our island economy".<sup>114</sup>

Cheap and secure access to foreign foodstuffs, raw materials and fuels, expanding export markets, and profitable overseas investments, were clearly Britain's basic foreign economic interests over the 1951-1964 period. Dwarfing all three, however, was an obsession with restoring the pound sterling's status as a foremost international trading and reserve currency, which entailed both preserving the Sterling Area after its direct economic value had become highly questionable<sup>115</sup> and promoting multilateralism in trade and payments as swiftly as possible, even though this might de-stabilize the balance of payments and jeopardize domestic economic growth.<sup>116</sup> Susan Strange has documented this obsession at length.<sup>117</sup> Suffice it to add here, therefore, that it is particularly interesting for our argument that she should claim that, rather than reflecting complacency about the balance of payments, the considerable increase in government spending overseas and in net long-term overseas investment which occurred over the 1951-1964 period was instead the price which successive British governments had to pay in order to defend the new 'negotiated currency' status of sterling.<sup>118</sup> This status, it is widely agreed, was associated by the British foreign policy elite with Britain's general standing in world affairs.<sup>119</sup>

Finally, it is important to note that, because Britain had such strong interests in the international economy and in the conditions which would restore and preserve the international status of sterling, it had a further interest in the welfare and order of the international economy as a whole. A tradesman, after all, needs customers who are, amongst other things, prosperous, honest and predictable. Pointing also to the manner in which the 'Top Currency Syndrome' magnified this interest, Susan Strange concludes that it generated "a concern for the general international welfare so great as to induce a kind of blindness or impotence towards the particular, national interests of Britain".<sup>120</sup> And what this amounted to, of course, was active cooperation with, and broad support of, the foreign economic policy of the United States government through the institutions created at Bretton Woods towards the end of the second World War.<sup>121</sup>

Such, then, are the broad outlines, briefly sketched, of the major foreign economic interests as seen by Britain's foreign policy elite and generally pursued by the Conservative governments of the 1951-1964 period. In summary, it is clear that the most important throughout was the creation, and subsequent defence, of the arrangements through which the international status of sterling was to be re-established: this also placed an enduring premium on concern for the welfare and stability of the international economy as a whole. Susan Strange has convincingly demonstrated that these really were the paramount - if atavistic - concerns of Britain's foreign economic policy at this time. And, with sterling so vulnerable to crises of confidence once multilateralism had been largely achieved in the second half of the 1950s, it was almost inevitable that these concerns would remain uppermost for the rest of the period under review and, indeed, beyond. Partly because they were also important to the strength of sterling, however, as well as for the reasons already noted, it seems clear that anxiety over Britain's exports and foreign investments (given the marked drop in the overall invisible trade balance at the end of the 1950s), was pushing these particular interests higher up the rank of foreign economic priorities towards the end of the decade, following an interlude in the earlier years when there had been a certain amount of complacency on these counts. On the other hand, it appears that, whilst the security of foreign supplies of important primary commodities had been a major worry in the early and mid-1950s, the remainder of the period saw a diminishing preoccupation with this

aspect of policy.

### 3. The mounting ascendancy of economic priorities

In the light, in part, of this assessment of the manner in which Britain's foreign economic interests were perceived by the British foreign policy elite over the 1951-1964 period, what substance is to be found in the tentative reservations which were recorded at the end of Section 1 of this Chapter concerning the nature and importance attached to economic considerations in the conventional view of British foreign policy over these years? The first reservation will be dealt with separately but the second one - that concerned with the new significance of economic prosperity in the cold war - will be dealt with together with the major reservation (that is to say, that the conventional view tends to under-emphasise the mounting ascendancy of economic priorities in the later 1950s) since, logically, it forms part of this argument.

It will be recalled that the first of these criticisms consisted in the claim that, by accepting the foreign policy elite's designation of defence of the Sterling Area (with its concomitant demand for a large and regular outflow of sterling capital) and of the parity of a convertible pound as goals of 'high policy', the conventional account minimises the extent to which these policies were pressed on the elite by the City, the business community, and the economic ministries of government on grounds which were explicitly economic. There is no intention here to quarrel with the contention that these goals were regarded as matters of 'high policy'; on the contrary, it is consistent with the argument of this Chapter that this should have been the case. What it is important to stress, however, is that it is unlikely that they were so pursued for purely prestige or other political reasons, which is the principal argument of the conventional school.

Of course, the manner and the extent to which these undeniably potent political considerations were supplemented by the influence of the financial and business lobbies within the Tory governments of these years would be a major study in its own right and is, unfortunately, beyond the scope of this work.<sup>122</sup> The hypothesis that they were so supplemented is of a kind with the assumptions about the policy-making process upon which Hobson's economic theory of imperialism was based and his empirical evid-



ence was not exactly plentiful either.<sup>123</sup> Nevertheless, a number of favourable nods have been made in its direction by representatives of the conventional school itself,<sup>124</sup> and it will be useful to draw together briefly the pointers on this matter which are available.

To begin with, it is obvious that British business had a very considerable private stake in overseas investment. This stake was both relatively extensive and, in certain countries, highly lucrative, as we have now established. Moreover, almost all sectors of British business were significantly involved in overseas enterprise,<sup>125</sup> and some of the most important ones overwhelmingly so.<sup>126</sup> And the bulk of this investment was concentrated, of course, in the Overseas Sterling Area, which, in 1960 for example, accounted for 56.5 per cent of Britain's total non-oil overseas investment stocks and for 67.3 per cent of total non-oil earnings (see App.A, Tables 7 and 8). It would, therefore, be extremely surprising, to say the least, if British business had not pressed for government policies which were favourable to overseas investment. Susan Strange has recorded something of its attitude in this regard.<sup>127</sup>

For its part, the City also had a clear interest in overseas investment, though this was not so great in this period as it had been in earlier times as a result of the fact that the greater part of post-war investment abroad was 'direct' and thus bypassed its institutions.<sup>128</sup> More to the point, however, it is clear that it was widely believed in the City - whether rightly or wrongly is beside the point in this context<sup>129</sup> - that its prosperity depended on the restored international status of a convertible pound and a strong Sterling Area. "Only towards the end of the 1960s, in fact", as Susan Strange also records, "did the realization begin to dawn in Britain that financial activity could continue to flourish and prosper in London independently of the decline of sterling".<sup>130</sup> In short, it is thus evident that powerful sections of Britain's pluralistic elite had very important economic interests at stake in the status of sterling and the Sterling Area and in the high net capital outflow to its members which was thought to be a necessary condition of their continued adherence to it.

This is significant on two counts: first, because Conservative governments presided throughout the 1951-1964 period and the links between the Tory Party, on the one hand, and the City and British business, on the other,

were then, as now, notoriously close;<sup>131</sup> second, because the Bank of England naturally regarded the status of sterling as its first priority and had, in any case, a symbiotic relationship with the private interests of the City<sup>132</sup> and is, further, acknowledged by numerous commentators (who were in a position to know) to have increased significantly its influence over government policy in the 1950s.<sup>133</sup> Against this background it is not, perhaps, surprising that, though at the end of the 1950s, when the policy was beginning to come under attack from certain journalistic and academic quarters,<sup>134</sup> Macmillan himself expressed in private his personal reservations about the obsession with sterling and the Sterling Area (though not, it is true, about overseas investment), he was unable to make any headway against Treasury and Bank opposition.<sup>135</sup>

It would thus seem unwise to conclude that it was only political calculations which inclined the prime ministers and others involved officially in the process of 'high' foreign policy-making in these years to place such emphasise on sterling and the Sterling Area. Economic considerations were almost certainly important as well, though it is true that no clear estimate of their force can as yet be made. Perhaps it may be that their influence was as much negative as positive, as it is now currently fashionable for neo-Marxist pressure group theorists to advocate generally.<sup>136</sup> This is consistent with Susan Strange's insistence on the enduring influence of the values and attitudes which made up the 'Top Currency' syndrome and, in fact, with Wallace's contention that "Particularly under a Conservative government, informal access to MPs and ministers helps to constrain the government's perception of possible choices of policy within the boundaries of what influential opinion in the City regards as practical or 'sound'".<sup>137</sup>

If economic considerations thus coloured this aspect of so-called 'high-policy' throughout the period, it has also been ascertained, on the evidence of Section 2 of this chapter, that export promotion had also ceased to be exclusively a matter of 'sectoral policy',<sup>138</sup> and had been established, at least intermittently,<sup>139</sup> as a concern of 'high policy' from 1960 onwards. For, as was determined in this Section, the complacency attending Britain's position in world manufacturing exports had by this time been rudely shaken and both the Prime Minister himself and a large part of his Cabinet had become involved in the new export drive. Moreover, it was in 1960 itself that international economic stability,

to which Wallace has pointed as a major factor in the lower priority of economic considerations over the 1951-1964 period, began to be seriously undermined as the weakness of the dollar was exposed on the London Gold Market following the outbreak of fighting in the Congo.<sup>140</sup>

Further, there is also some evidence to support the view earlier expressed that economic considerations may also have been given greater weight in foreign policy-making in the second half of the 1950s as a result of the increasingly economic form being assumed by the cold war. For the very developments in the security field which were permitting more attention to be given to economic costs (and to which we shall turn in a moment), were also placing a premium on economic prosperity as the major weapon in the continuing rivalry with the Soviet Union. Thus, following the announcement by Khrushchev in 1956 that the Soviet Union intended to follow a policy of 'peaceful co-existence' with the West, Macmillan was led to feel that "in the period which lay ahead the struggle against Communism would shift more and more into the economic field. So long as we maintained the alliance and did not lower our guard", he continued, "the Communists could not launch a hot war. But the cold war in all its forms would grow in intensity".<sup>141</sup> And so it proved. As one of Britain's most senior diplomats remarked in the context of a discussion of American diplomatic method on his retirement in 1959: "I suppose the most marked innovation of method is the enormous part which economic aid plays in American diplomacy".<sup>142</sup>

As already suggested, there appear to be two main reasons for supposing economic prosperity to have been the base of economic power in the cold war. In the first place, its propaganda value seems to have been considered important in the attempt to convince the non-aligned and wavering countries that the Western route was the best, as equally in preventing the development of conditions within the NATO camp which might encourage the growth of domestic communist parties. Both of these considerations seem to have been behind Macmillan's conviction that "work and production were the best defences against Communist subversion ..... A recession in world trade would be a staggering blow to the stability of the West."<sup>143</sup> Whilst in the second, it was clearly necessary to provide both the wherewithal and the domestic acceptability for the dispensation of economic aid in the attempt to purchase foreign political influence.

A considerable increase did, in fact, take place in the foreign aid granted by Britain in the late 1950s and Krassowski, the principal student of this subject, is in no doubt that political motives were the major factor behind it.<sup>144</sup> In 1958 the policy that no aid should be granted to a colony after independence was reversed "and between 1957 and 1962 the aid programme doubled - from £80 million to about £160 million - with the bulk of the increase going to independent Commonwealth countries".<sup>145</sup> In such circumstances it would be strange indeed if the foreign policy elite had not been even more conscious of the need to look to economic advantage in making its dispositions, for it was certainly aware of the limitations which were placed on Britain's ability to assist the Americans in cold war competition by domestic economic weakness. As Hayter said of Britain in this context, "She can make some economic and financial contribution to the success of her foreign political aims; but her contributions are microscopic compared with those of the United States, and the prevailing aim of her economic policy must be the preservation of the United Kingdom's ultimately rather fragile economy and high living standards".<sup>146</sup> And as Britain's Foreign Secretary, Lord Home, warned in 1960, "there is the most direct relationship between our economic strength and our world influence".<sup>147</sup>

It is also even more clearly the case that, if these cold war developments were encouraging the devotion of more attention to economic considerations in foreign policy-making (as seems likely), such considerations were allowed more expression by a perceptibly reduced British concern over security in the second half of the 1950s. For the middle of this decade had, after all, witnessed the consolidation of the Western alliance in a variety of regional defence pacts and the result was that, in so far as government attitudes towards NATO in particular were concerned, "there was a general feeling", in 1956-1957, "that the initial function of building up a military machine to halt further communist aggression was now well in hand, and that it was desirable to sustain or even create popular support for the Alliance by emphasising its non-military potentialities".<sup>148</sup> Eden, giving a number of "pointers" to the leading Cabinet members of the foreign policy elite in the early summer of 1956, at a time when he felt "that a thorough re-examination of our long-term needs was required", was quite categorical: "The main threat to our position and influence in the world is now political and economic rather than military; and our policies should be adapted to meet that changed situation. Effort must be transferred from military preparations", he insisted, "to the maintenance and

improvement of our political and economic position".<sup>149</sup>

Furthermore, whilst it is true that difficulties attended the development of Britain's independent nuclear deterrent delivery capacity, the United Kingdom successfully tested its own H-bomb in May 1957 and, after the amendment of the MacMahon Act in Britain's favour in June of the following year, it was obvious that nuclear relations with the Americans were becoming markedly more close.<sup>150</sup> And, added to this, post Stalin developments in the Soviet Union and in the nature of that country's relations with the West were beginning to produce a feeling, as we have already noted, that accommodation could be achieved.<sup>151</sup> All things considered, therefore, Epstein's conclusion with regard to Britain's concern with European security seems appropriate: "while it remained dominant", he observes, "(it) appeared to lose some of its urgency in British minds by the late 1950s".<sup>152</sup>

At this stage it is interesting to consider what was going on within Whitehall itself, for if it is true that increasing weight was being given to economic considerations in foreign policy-making in the later 1950s - both because of the increase in the absolute importance attached to these matters and because security was becoming a marginally less absorbing preoccupation - it is reasonable to suppose that this would have been reflected in the internal organization of the Foreign Office itself and in the work-load of its missions overseas.

It is certainly true that a contempt for 'trade' was long and well established in the Foreign Office, surviving without much difficulty, according to Platt, even the great days of 'economic imperialism' in the later 19th Century.<sup>153</sup> Moreover, even though continental practice in the inter-war years had made a small dent in this attitude and, encouraged by war experience and the personal interest of Bevin, had led to the creation of sections within the Foreign Office which were primarily concerned with economic affairs,<sup>154</sup> it seems that something of the old attitude was allowed to re-emerge under Eden in the early and mid-1950s, with the result that these sections lost status.<sup>155</sup> This is, of course, consistent with the conventional view of the relatively low priority accorded to economic considerations in British foreign policy at this time.

The evidence suggests, however, that, whilst the Treasury and the Bank of

England retained primary responsibility for international financial policy and the Board of Trade for foreign commercial policy, the economic sections of the Foreign Office had "staged something of a comeback" by the end of the 1950s.<sup>156</sup> "By 1959", according to Beloff, who was, it must be admitted, a little over-anxious to defend the Foreign Office on this point, "there were a very large number of people working in the economic field which was hardly developed at all before the Second World War".<sup>157</sup> Furthermore, he continues, "Side by side with the growth of the economic work of the Foreign Office itself, new machinery for interdepartmental cooperation was created, and new informal relationships were established with other departments in order to facilitate the closest cooperation in day-to-day work".<sup>158</sup> This enabled Beloff to record that "By the end of the period (that is to say, by 1959), it was possible to claim that, at any rate in the economic field, British foreign policy could be looked at as an operation carried out by the government as a whole".<sup>159</sup>

In the light of Wallace's more detailed work in this field, Beloff's conclusion was probably over-sanguine in this regard;<sup>160</sup> however, his work is a clear indication of the direction in which the wind of organizational change was blowing within the Foreign Office at this time. Butler confirms this by recalling that he arrived at the Foreign Office in 1963 to find that "Not only was there a big change in Britain's world position, but foreign policy itself had become more attuned to the economic facts of life. I found a new and large economic section presided over by Sir Charles Johnston."<sup>161</sup> Much of my work", he recounts, "was concerned with trade and finance, such as the progress of the Kennedy Round of tariff reductions and the economic preliminaries of going into Europe".<sup>162</sup>

As for the work of Britain's overseas missions, commercial diplomacy and export promotion had in fact been an officially recognised responsibility since 1945.<sup>163</sup> Furthermore, Wallace himself has testified that the status of this kind of work had begun to rise from the mid-1950s.<sup>164</sup> It is perhaps, therefore, not entirely because Macmillan was addressing an audience of businessmen that he should have said in a speech in July, 1960, to help launch the new export drive, that "The old diplomacy has gone; the new diplomacy is being taken up more and more with trade, industry and commerce", and then proceed to outline in some detail the

lengths to which the government in general, and the Diplomatic Service in particular, were prepared to go in assisting Britain's "merchant adventurers" to conquer new export markets.<sup>165</sup> And nor is it surprising that the Duncan Report should have acknowledged that the pre-eminence so much more obviously accorded to economic considerations in British diplomacy after the dramatic economic events of 1964, did not represent one of the "sudden changes" in emphasis which had affected British policy in the 1960s.<sup>166</sup>

So far, then, the argument that economic considerations were gradually becoming a more important priority in British foreign policy-making from the middle of the 1960s has been based largely (not wholly) on the recorded views of leading members of the foreign policy elite and on a good deal of supposition. Is there any more tangible evidence that this gradual shift in priorities actually affected policy during these years? A complete answer to this question is, of course, beyond the scope of the present work but two major illustrations can be provided which do seem to lend support to the argument: the first one concerns Britain's defence policy at this time and its impact on relations with Europe in general, and Germany in particular; the second one relates to the manner in which Britain's economically-inspired foreign policy 'style' was adhered to in these years.

It has already been mentioned that Shonfield himself suggested that the 1956 Suez crisis may have represented a turning point in so far as economic priorities and foreign policy are concerned and attention has similarly been drawn to the significance of Macmillan's tenure of the Exchequer during this traumatic interlude. Wallace, too, in another context, has drawn attention to these points. "The events of the Suez campaign", he writes, "could not fail to leave a deep impression on Britain's defence and foreign policy ....", concluding that "The economic weakness of the country brought home the limitations in Britain's freedom of action in foreign affairs".<sup>167</sup> In fact, even before Suez and long before the 1957 Defence White Paper dramatized government recognition of the constraints placed by economic weakness on Britain's defence and foreign policies, the government was considering the steps which would have to be taken, in Eden's own words, "to cut our coat according to the cloth".<sup>168</sup>

The progressive cutbacks in the Attlee government's re-armament programme, of which the Sandys White Paper in 1957 was only the latest and most dramatic, have been amply documented elsewhere, not least ably by Wallace himself.<sup>169</sup> In the emphasis which this document placed on the independent nuclear deterrent it is certainly true, as Wallace maintains, that the Macmillan government was determined to retain "world status" but it testified similarly, as he also makes clear, to the recognition that the existing military establishment and the size of the conventional forces located overseas were placing an unacceptably high burden on the economy in general and on the balance of payments in particular. In short, at the very time that Shonfield was castigating the government for ignoring the economic consequences of its foreign and defence policies, the same government was, as he himself suspected,<sup>170</sup> beginning - if only in a small way - to re-shape those policies in a manner more consistent with prevailing economic conditions: to retain "world status" certainly, but "without tears".<sup>171</sup>

The significant point about this change in defence policy was, however, not so much the withdrawal of troops from such distant outposts as Korea, Jordan and Libya - though this in itself, of course, was a hefty straw in the wind - but of those from Germany, for it is on Eden's 'continental commitment' in the mid-1950s that such emphasis is placed in the conventional treatment to illustrate the low priority accorded to economic considerations in this period as a whole. This may well have been the case in the early and mid-1950s but the German question hardly lends support to this particular argument for the remainder of the period.

According to Wallace, the official justification for the withdrawal of troops from Germany was that the new nuclear strategy made many of them redundant. As he points out, however, the tactical nuclear weapons which were supposed to obviate their requirement had still not arrived in 1957 and the fact that the troop withdrawals nevertheless began immediately "indicated the priority of economic and political considerations over military and diplomatic".<sup>172</sup> At the end of 1957 the Macmillan government did, in fact, admit this point.<sup>173</sup>

Changes in defence policy, of course, usually entail significant implications for foreign policy, and this occasion was no exception. The manner, as well as the nature, of Britain's decision to fall in with current



American strategic conceptions antagonised its European allies in NATO and especially so in the case of Dr. Adenauer's government in West Germany.<sup>174</sup> Relations with Germany were further embittered by the demands which Britain had already begun to make in 1956 (and was to continue until the early 1970s) for German 'offset' payments to defray the foreign exchange costs to Britain of the British Army on the Rhine. As D.C. Watt has expressed it: "The goodwill won by Mr. Eden's pledge in 1954 and his brilliant revival of W.E.U. was frittered away as Britain adopted a strategic position which put nuclear fire-power before manpower, and nuclear striking forces before conventional forces .... A further loss of goodwill was occasioned by long and wearisome disputes over a German contribution to the cost of maintaining Britain's ground forces in Germany. The effect", he continues, "was to induce in Europe the feeling that Mr. Eden's successors resented the pledge he had given, grudged the national effort involved in implementing it, and were doing their best, in one way or another, to whittle it away".<sup>175</sup>

This particular development underlines the increasing importance which was being attached to economic considerations in the later 1950s and early 1960s since, as D.C. Watt also explains, "... the revival of the European movement, the signature of the Treaty of Rome, and above all the capture of its direction by France, faced Britain with a situation unknown since the 1890s, one in which German friendship and diplomatic support was to be increasingly necessary, despite the fact that Britain had little or nothing to give in return".<sup>176</sup> Nevertheless, though British designs for Europe may have had the support of much of West German business and finance,<sup>177</sup> the goodwill of Dr. Adenauer's government itself was forfeited and these designs collapsed in the face of an increasingly united E.E.C. based on a Franco-German rapprochement.<sup>178</sup> Wallace acknowledges that Britain's economy-inspired defence reappraisal made some contribution towards this debacle.<sup>179</sup>

It thus seems obvious that if Britain had attached less importance to economic considerations in its foreign policy at this time, it would not have gratuitously offended the Germans in this manner, though this point must not be exaggerated since it is no doubt true that this action also reflected the premium which Britain continued to place on relations with the USA and the Commonwealth at the expense of Europe.<sup>180</sup> Once the decision to apply for E.E.C. entry had crystallized, however, the force

of this rider is reduced and the consensus seems to be that late 1959 and early 1960 were the decisive moments in this regard.<sup>181</sup> And yet, in 1961, the British Foreign Secretary saw fit to bring to a head the dispute over offset payments, announcing that "Britain would have to cut down the number of her troops in Germany unless ways and means could be found of reducing the burden on Britain's foreign balance of payments."<sup>182</sup>

Finally, then, how might it be held that the 'style' of British foreign policy in the later 1950s lends weight to our argument? Northedge explains that "style is a satisfactory or congenial manner of handling the country's interests"<sup>183</sup> and argues that Britain's overseas economic interests have influenced the style of British foreign policy in at least three important respects: first, by producing almost reflexive support for the international status quo, since a trader "wants to know, not what the policies of a local ruler are, but whether he can keep the peace and create the physical security necessary for trade";<sup>184</sup> second, by encouraging "British respect for international law and the sanctity of treaties (which) reflects the trader's interest in the observance of contracts ....";<sup>185</sup> and third, by contributing to the importance attached by Britain to the security of the chief sea routes and the cultivation of friendly, or the creation of subservient, regimes along their littorals.<sup>186</sup>

Now it would be extremely convenient to be able to prove that this sort of style became more exaggerated in the later 1950s. If this could be done, it could then be held with reasonable certainty that this too provided evidence that economic considerations were becoming increasingly important in British foreign policy during these years, for if Northedge is right, these elements of style are economically derived to an important degree. That this was the case, however, is by no means self-evident and it would, in any event, be exceedingly difficult to establish. On the other hand, however, it is certainly true that these elements in the style of British foreign policy were not played down in these years; on the contrary, they remained as pronounced as ever. And yet, the world had become a much more idealistic place. Not only had ideals been for some time at a premium in the cold war but they were increasingly coming to be so too in the relations between the industrialized colonial powers of the West and the 'emerging' countries of the impoverished Southern hemisphere.

The result, of course, was that a significantly higher price had to be paid for the retention of its tradesman's pose by Britain, for such a pose was fundamentally, indeed, provocatively, anti-idealistic; the point is, however, that it was paid.

Suez itself, of course, is a classic illustration of this point in all respects<sup>187</sup> but so too was the 'dualism' in British policy towards Africa - endorsing black nationalism where this was irresistible and white supremacy where this was too well entrenched - which was such an increasing source of embarrassment to Commonwealth relations and to Britain's image at the United Nations.<sup>188</sup> And so also was Britain's early acquiescence in the consolidation of communist power in China and Eastern Europe and, indeed, in Cuba, upon which score the Americans were particularly sensitive. In each of these areas, as well as vis-a-vis the Soviet Union itself, Britain's attitude towards US embargo policies was most revealing in this connection. As Doxey points out, Britain was one of the leading "revisionists" in the attempt to get the Americans to water down the Western strategic embargo on the communist states in the mid- and late 1950s.<sup>189</sup> "I told him", recalls Macmillan in his memoirs, of the time when as Foreign Secretary in 1955, he pressed Dulles for a reduction of the 'China list', "that because exports were not vital to America, they failed to realize how important they were to us."<sup>190</sup>

All this culminated, of course, in the famous affair of the Leyland buses to Cuba, which did so little for Anglo-American relations under Douglas-Home's premiership, and provided such a fitting final curtain to the period.<sup>191</sup> If, therefore, Britain had not had more cause to retain the tradesmen's style in its foreign policy, it seems reasonable to argue that it would have reduced these diplomatic costs by exhibiting it less freely.

#### 4. Conclusion

In conclusion of this Section and, indeed, of the Chapter as a whole, it seems clear that the conventional view is sound in emphasising the relatively low priority accorded to economic considerations in British foreign policy in the early and mid-1950s, though it perhaps unduly mini-

mises (for want of evidence) the influence which sectional economic interests had in the process of designating the sterling parity and the Sterling Area as questions of 'high policy' and fails to acknowledge the extent to which traditional notions of economic power were important in the immediate post-war period and lingered on well into the 1950s. On the other hand, it is also clear that the vulnerability of a newly exposed pound after 1958, Britain's weakening competitiveness in world manufacturing exports, the added concern with domestic prosperity induced by the change in the nature of the cold war, and the marginally reduced anxiety over security - all conditioned by the economic shock of Suez - had conspired to produce an increase in the importance attached to economic priorities somewhat earlier than is sometimes supposed.

There is no desire here, however, to exaggerate this development: the evidence is too scant for certainty and the motives behind the first E.E.C. application support the view that political considerations still retained primacy over economic ones even in the early 1960s. Nevertheless, the diplomatic implications of the change in defence policy in 1956-1957 and the stubborn insistence on retaining the tradesman's style, despite its mounting diplomatic costs, suggest that those economic worries were penetrating the consciousness of the British foreign policy elite to an increasing extent in the later 1950s.

The first main hypothesis, that the foreign policies of states in the contemporary period are motivated, *inter alia*, by a concern with the conditions of both economic prosperity and potential economic power, is thus vindicated, with increasing force, in the case of British foreign policy over the 1951-1964 period. In broad outline, of course, this conclusion is neither original nor controversial. The main point concerns the bearing which it has on British policy towards South Africa during the most significant years of this period for their bilateral relations. Other things being equal, the relatively higher priority accorded to economic considerations in British foreign policy in the early 1960s (the post-Sharpeville period) than in the 1954-1955 period (that of the Simonstown negotiations), may have rendered Britain's economic stake in the South African connection more diplomatically consequential in the former period than in the latter. It is to this question in general which we now turn.

Endnotes: Chapter I

1. F.S. Northedge, 'British Foreign Policy' in Northedge (ed.), The Foreign Policies of the Powers, (1968), p.170ff.
2. Ibid., p.160.
3. G.L. Goodwin, Britain and the United Nations, (1957), p.51.
4. Hugo is thinking, of course, of Rhodesia. See his Britain in Tomorrows World, (1969), p.122. For other works which pay general tribute to the influence on British foreign policy of economic interests, see under Vital, Beloff and Frankel in the Bibliography.
5. R.G. Hawtrey, Western European Union, (R.I.I.A., 1949), pp.15-16.
6. Op.cit., p.160.
7. J. Frankel, British Foreign Policy, 1945-1970, (1973), p.260.
8. This general historical assessment is to be found in Frankel, ibid., p.255 and 260 and in F.S. Northedge, Descent from Power: British Foreign Policy 1945-1973, (1974), especially p.273 and 285 but it is traced out most explicitly in W. Wallace, 'The Management of Foreign Economic Policy in Britain', International Affairs, Vol. 50, Apr. 1974. Much the same ground is covered in Chp.6 of his The Foreign Policy Process in Britain (1975).
9. 'Report of the Review Committee on Overseas Representation 1968-1969'. Cmd. 4107. NB. The third member of the committee was Frank Roberts, then a recently retired senior F.C.O. official. Subsequently he became, amongst other things, an Advisory Director of Unilever, Adviser on International Affairs to Lloyds and a Director of Dunlop Holdings Ltd. This information is all contained in Who's Who.
10. Ibid., p.10, para. 4. See also p.18 and 68.
11. "We were appointed at a moment when there had been a major shift in British foreign policy - the decision announced at the beginning of 1968 to withdraw our military forces from the East of Suez area. There had been other important, though less sudden changes of policy in the middle and late 1960s, notably the priority given to the renewed British bid for membership of the European Common Market and the greatly increased emphasis on the support of our commercial effort overseas prompted by the long drawn-out series of balance of payments crises", ibid., p.10. para. 3.
12. 'The Management of Foreign Economic Policy in Britain', p.252.
13. Ibid., p.214.
14. See, for instance, Northedge, Descent from Power, p.219 and 350.
15. 'The Management of Foreign Economic Policy in Britain', p.251.
16. This point is discussed further below.
17. M. Gowing, Independence and Deterrence: Britain and Atomic Energy, 1945-1952, Vol. I, Policy-Making, (1974), p.186.
18. For the influence of economic considerations on these and other specific policies abroad in this period, see Northedge, 'British Foreign Policy' in Northedge (ed.), op.cit., p.162, C.M. Woodhouse, British Foreign Policy since the Second World War, (1961), p.112, Lord Strang, Britain in World Affairs, (1961), p.348 and E. Barker, Britain in a Divided Europe 1945-1970, (1971), pp. 41-99.

19. Op.cit., p.9.
20. For general background on this, see J.W.F. Rowe, Primary Commodities in International Trade, (1965), pp.101-103.
21. Defence in the Cold War, (R.I.I.A., 1950), p.7 and p.98. NB. Then, as now, Chatham House was one of the F.O's unofficial 'think tanks', see D.C. Watt, Personalities and Policies, (1965), p.48.
22. 'Britain in World Strategy', Vol.29.
23. Ibid., p.344.
24. The Memoirs of Lord Chandos, (1962), Chp.18. See also Chp.8 for a highly interesting account of the pre-war and war-time activities of the British Metals Corporation. Its explicit objective was to make the Empire self-sufficient in non-ferrous metals.
25. British Economic Policy since the War, (1958). It was re-published in 1959 with an additional Chapter on economic developments during 1958.
26. Ibid., p.89.
27. Ibid., p.90.
28. Ibid., pp.97-98.
29. Ibid., p.100.
30. Ibid., p.99.
31. 'The Management of Foreign Economic Policy in Britain', p.260.
32. Descent from Power, p.285.
33. H. Macmillan, Riding the Storm, 1956-1959, (1971), p.165.
34. 'The Management of Foreign Economic Policy in Britain', p.252.
35. Ibid., p.259.
36. Ibid., p.251.
37. Ibid., pp.255-59. This is the major theme of Wallace's article. See also Frankel, op.cit., on this point, pp.259-61.
38. Ibid., p.259.
39. See, for instance E. Barker, op.cit., pp.168-173, and S. Brittan, Steering the Economy: The Role of the Treasury, (rev. ed., 1971), p.237.
40. It was, of course, a common belief in the second half of the 1950s that affluence was changing the nature of the British working class and thus eroding the traditional basis of electoral support for the Labour Party. Subsequent empirical research into the so-called 'embourgeoisement thesis' showed it to be signally wanting. See especially D.E. Butler and R. Rose, The British General Election of 1959, (1960), pp.9-16 for one of the original expositions of the thesis and J.H. Goldthorpe and D. Lockwood et al, The Affluent Worker in the Class Structure, (Cambridge: 1969) for the refutation.
41. Sir V. Wellesley, Diplomacy in Fetters, (1944), pp.91-92 and p.196ff. This is the major complaint of this work. Wellesley, moreover, had been Deputy Under-Secretary of State at the F.O.
42. Though the use of this phrase clearly implies a hypothesis about the policy-making process, its employment here (as subsequently) is not intended to signify an assumption that the people who were most influential in shaping British foreign policy in these years constituted, as in classic elitist theory, a "conscious, cohesive and conspiratorial"

group, nor indeed, that they formed part of a larger one. That this is not intended will, of course, be evident from the argument of the introduction. It is employed, then, rather as a descriptive phrase, shorthand for those whose influence was most obvious, such as Prime Ministers, Foreign Secretaries, Commonwealth Relations and Colonial Secretaries, and their senior civil service advisors, amongst others. In short, the phrase is used in the same way as that employed by D.C. Watt, op.cit., especially Essay 1, 'The Nature of the Foreign-Policy-Making Elite in Britain'.

43. On the background to these changes, see R.N. Rosecrance, Defense of the Realm, (New York: 1968), Chp.4.
44. UN, ECOSOC, World Economic Survey 1958, (New York, 1959), pp.79-82, esp. f.n.50.
45. Rowe, op.cit., pp.105-106.
46. Wallace, 'The Management of Foreign Economic Policy in Britain', pp.262-263.
47. Shonfield, op.cit., p.122.
48. Ibid., p.89 and 102.
49. See J. Black, 'The Volume and Prices of British Exports', Table 6, p.122 in G.D.N. Worswick and P.H. Ady, The British Economy in the 1950s, (1962).
50. J.M. Livingstone, Britain and the World Economy, (1966), p.90. During the 1950s primary commodity imports into Britain still paid lower tariffs than manufactures and semi-manufactures, see P. Streeten, 'Commercial Policy' in Worswick and Ady, op.cit., p.80.
51. Henceforward, 'imports' will refer to visible imports only.
52. M.F.G. Scott, 'The Volume of British Imports', in Worswick and Ady, op.cit., p.133.
53. Machine tools, for instance, during and after the period of re-armament, ibid., p.145.
54. With regard to 'bottlenecks' in domestic manufacturing capacity during this period, see S. Pollard, The Development of the British Economy, 1914-1967, (2nd. ed., 1969), pp.447-448.
55. Annual Abstract of Statistics.
56. Scott, op.cit., p.134.
57. Ibid., p.135.
58. Ibid., p.141.
59. Ibid., p.134.
60. Ibid., p.138.
61. Ibid., p.145.
62. Ibid., p.140.
63. On the "strategically all-important" nature of oil, see E. Monroe, Britain's Moment in the Middle East, 1914-1956, (1963), p.97.
64. Annual Abstract of Statistics.
65. Scott, op.cit., p.139.
66. Monroe, op.cit., p.113.

67. A.R. Prest (ed.), The UK Economy: A Manual of Applied Economics, (1966), p.154.
68. Scott, op.cit., pp.140-141.
69. Op.cit., p.95.
70. Ibid., p.100.
71. Ibid., p.108.
72. Britain's reserves had, after all, been severely depleted during the war, held down subsequently by the acute imbalance in the Sterling Area's trade with the Dollar Area, and, along with the reserves of other countries, were being obliged to finance an increasingly large volume of trade. In 1953 the Treasury estimated that the required current account surpluses would have to be in the order of £300-350 millions and in 1959 revised this figure upwards to £450 millions for the early 1960s. See Prest, op.cit., p.117.
73. For the official version, the Treasury's annual Economic Survey is probably the best source. Otherwise, see, for instance, P. Oppenheimer, 'Muddling Through: The Economy, 1951-1964', in V. Bogdanor and R. Skidelsky (eds.), The Age of Affluence 1951-1964, (1970), Prest, op.cit., pp.116-120, Pollard, op.cit., p.449ff, and M.F.G. Scott, 'The Balance of Payments Crises' in Worswick and Ady, op.cit.
74. Ibid., p.205.
75. Shonfield, op.cit., p.142 and 'Report of the Committee on the Working of the Monetary System', Cmnd.827, (The Radcliffe Report) Aug.1959, para.402.
76. 'Freedom and Necessity in British Foreign Policy', an Introductory Lecture at the L.S.E., Oct.14, 1971, (1972), p.25, given by F.S. Northedge.
77. The Radcliffe Report, para.633.
78. Op.cit., p.218.
79. The Radcliffe Report, para.28. The Committee held that this was due largely to the high demand for all manufactured goods on world markets during these years.
80. Lord Strang, Britain in World Affairs, (1961), p.353 f.n.
81. J.C.R. Dow, The Management of the British Economy 1945-1960, p.67, p.69 and pp.79-80.
82. 'The Management of Foreign Economic Policy in Britain', pp.262-263.
83. Full Circle, (1960), p.276. See also p.277 and pp.312-313.
84. Ibid., p.277.
85. H. Macmillan, Tides of Fortune, (1969), p.696. The more powerful reason, admittedly, was, as Macmillan also acknowledges, his uneasy relationship with Eden whilst he was at the F.O. Eden appears to have disliked having an independently minded minister meddling in his own chosen preserve. This interpretation is also favoured by Brittan, op.cit., p.205.
86. Tides of Fortune, p.696.
87. Brittan, op.cit., p.203ff.



88. Ibid., pp.217-218. Brittan's view on this question is identical to that of Wallace.
89. Riding the Storm, p.111. This remains true even if, as Macmillan claims in this same volume of his memoirs, it was not the run on the pound and American financial pressure which brought the Suez intervention to a halt, ibid., pp.163-166. Macmillan's loyalty to Eden on this, as on the rationale for the original intervention is, in any case, treated rather sceptically by most commentators on the Suez affair. See, for instance, Monroe, op.cit., p.201, Brittan, op.cit., p.207, and K. Knorr, Power and Wealth, (1973), p.86 and pp.129-130.
90. Riding the Storm, p.361.
91. See Economic Survey 1958 and Economic Survey 1959.
92. Prest, op.cit., pp.118-119.
93. First published on Mar.30, 1957: 'Trends in Exports of the UK Compared with Other Countries', Board of Trade Journal. See also Prest, op.cit., pp.120-125, esp. Table 3.4.
94. Economic Survey 1961, p.38.
95. Board of Trade Journal, July 22, 1960, p.169ff.
96. Pointing the Way, (1972), p.363.
97. Board of Trade Journal, July 29, 1960, 'Ministers and the Export Drive', p.233ff. See also the account of the President of the Board of Trade's address to the National Productivity Advisory Council on Industry in this issue.
98. Pointing the Way, p.364.
99. Ibid., p.377.
100. Brittan, op.cit., p.265 and H. Macmillan, At the End of the Day, (1975), p.65.
101. For the failure of Britain's free trade area proposals, see M. Camps, Britain and the European Community, 1955-1963, (1964), esp.p.166ff and p.210ff.
102. Prest, op.cit., pp.130-131.
103. Ibid.
104. Shonfield, op.cit., p.112.
105. This was the favourite argument of 'the City' and of the business interests which were involved in foreign investment. See S. Strange, Sterling and British Policy: A Political Study of an International Currency in Decline, (1971), p.154.
106. Shonfield, op.cit., p.108.
107. "At the Conference of Commonwealth Prime Ministers in January, the Government undertook to continue in 1954 the special efforts made last year to provide additional capital for such developments in the Commonwealth as would contribute towards strengthening the balance of payments of the sterling area", Economic Survey for 1954, Mar. 1954, p.38.
108. Shonfield was prepared to concede this, especially with regard to Middle East oil, op.cit., p.114.

109. The Reddaway Report paid particular attention to this view. See W.B. Reddaway, Effects of U.K. Direct Investment Overseas: Final Report, (Cambridge D.A.E., Occasional Papers 15, 1968).
110. Within the Sterling Area itself, most British capital went to the rich, white dominions and, in so far as it did go to the Colonies, it went mainly into primary commodity production rather than into manufacturing. See, for instance, A.R. Conan, Capital Imports into Sterling Countries, (1960) and UN, Economic Survey of Africa, since 1950, (New York: 1959).
111. Strange, op.cit., p.149.
112. Ibid., p.147.
113. And then only in the case of those non-sterling investments which would not "benefit" the balance of payments. See Pointing the Way, p.377.
114. Riding the Storm, p.348.
115. It is true that in the mid-1950s the Sterling Area was still a useful device through which Britain could divert the dollar earnings of the Colonies into its own deficit with the Dollar Area but by the last years of the decade the dollar shortage had all but disappeared whilst the prospects of the Rest of the Sterling Area continuing to provide a healthy contribution to the central reserves had seriously diminished. Moreover, short-term balance of payments considerations notwithstanding, Britain was still expected to permit a free outflow of capital to the member countries. See Strange, op.cit., p.67 and Shonfield, op.cit. pp.136-137.
116. On the drive to multilateralism, see especially Dow, op.cit., p.71ff and on the subordination of growth, Strange, op.cit., p.300.
117. See especially the summary chapter, Chapter 9, in Sterling and British Policy.
118. Ibid., p.300.
119. Wallace, 'The Management of Foreign Economic Policy in Britain', p.261 and Shonfield, op.cit., pp.149-150 and p.153.
120. Op.cit., p.323.
121. Ibid. See also Wallace, 'The Management of Foreign Economic Policy in Britain', on this point, p.261.
122. General works apart, surprisingly little detailed empirical work has been done on the influence of business interests or business pressure groups on post-war policy formation. A recent exception to this is the lengthy study of The C.B.I. by W. Grant and D. Marsh (1977).
123. See on this C. Reynolds, Theory and Explanation in International Politics, (1973), pp.220-223 and the comments in the Introduction, page 15 above.
124. Strange, op.cit., pp.149-150.
125. This was confirmed in detail when the Board of Trade began its survey of British direct investment overseas in 1958 and began to publish detailed industrial sector break-downs after 1964. In the case of investment by British companies in South Africa, the extremely wide sector spread can be seen from Tables 24 and 25 in Appendix B.
126. This was especially the case, of course, with the oil industry, which

Shonfield calculated was producing more than half of Britain's total earnings on foreign investments in the 1950s, op.cit., p.112. In the early 1970s it was reported that Shell "does only ten per cent of its turnover and makes only five per cent of its profits in the British Isles", G. Turner, Business in Britain, (1971), p.104. In the chemicals industry, for example, ICI increased the proportion of its assets located abroad from one-eighth in 1950 to one-third by 1970, Turner, p.152.

127. Op.cit., pp.152-154.
128. W.M. Clarke, The City in the World Economy, (1967), p. 130.
129. That this belief was misplaced is a major theme of Susan Strange's work, op.cit.
130. Ibid., p.203. See also Shonfield, op.cit., p.153.
131. A useful collection of readings on this theme is gathered together in J. Urry and J. Wakeford, Power in Britain, (1973), especially Sections B and C.
132. G. Young, Finance and World Power: A Political Commentary, (1968), p.61; Wallace, The Foreign Policy Process in Britain, p.165, p.175 and especially f.n.31 p.301; and H. Roseveare, The Treasury, (1969), pp.321-322.
133. See especially Dow, op.cit., p. 69. Dow was Economic Adviser and later Senior Economic Adviser at the Treasury from 1945 until 1954. After a lengthy interlude at the NIESR, during which time he wrote his book, he returned to the Treasury for a brief spell between 1962 and 1963 (Who's Who, 1977). See also Roseveare, op.cit., p.317 and pp.321-325; Shonfield, op.cit., p.178 and p.208 ff; Strange, op.cit., p.301; and Wallace, The Foreign Policy Process in Britain, p.161.
134. Notably from Shonfield, of course, but see especially M. FG. Scott, 'What should be done about the Sterling Area?', Bulletin of the Oxford University Institute of Statistics, Vol. 21, Nov. 1959, for an excellent record of opinion at this time.
135. On this, see Riding the Storm, p.361 and the account in Brittan, op.cit., pp.217-219, which is, incidentally, eloquent in refutation of Richard Crossman's simplistic theory of 'prime ministerial power'.
136. For instance, P. Bachrach and M. Baratz, 'the two faces of power', American Political Science Review, Vol. LVI, 1962 and S. Lukes, Power, (1974).
137. The Foreign Policy Process in Britain, p.171.
138. Wallace discusses the distinctions between 'high policy', 'sectoral policy', and 'low policy', ibid., pp.10-16.
139. According to Wallace, however, export promotion never became a concern of 'high policy', even in the later 1960s, ibid., pp.12-13 and p.177.
140. This development was also of considerable significance for Anglo-South African relations at this juncture and is, as a result, dealt with at greater length in Chapter IV below.
141. Riding the Storm, pp.491-492.
142. Sir William Hayter, The Diplomacy of the Great Powers, (1960), p.16.
143. Riding the Storm, pp.491-492.

144. A. Krassowski, 'the Aid Programme', in R. Boardman and A.J.R. Groom (eds), The Management of Britain's External Relations, (1973), pp. 204-206.
145. Ibid., pp.202-203.
146. Op.cit., p.48.
147. Lord Home stressed this theme during the course of a speech at the Draper's Hall, EC2, on Dec. 12, 1960. It was reproduced as 'Interdependence: The British Role', in International Affairs, Vol. 37, Apr. 1961.
148. M. Beloff, New Dimensions in Foreign Policy, (1961), p.66.
149. Full Circle, p.371.
150. R. Gott, 'The Evolution of the Independent British Deterrent', International Affairs, Vol. 39, Apr. 1963.
151. See also on this Northedge, Descent from Power, pp.247-248 and pp.279-280.
152. L.D. Epstein, 'British Foreign Policy', in R. Macridis (ed.), Foreign Policy in World Politics, (3rd ed., New Jersey: 1967), p.57.
153. D.C.M. Platt, Finance, Trade, and Politics in British Foreign Policy: 1815-1914, (Oxford: 1968). The contempt of the aristocratic F.O. was not the only factor which prevented British diplomacy from getting involved in the promotion of trade. As Platt recounts, this was reinforced by the departmental view that involvement with sectional interests might open the F.O. to the charge of favouritism and, above all, by the convenient rationalization which was provided for it by the dominant economic ideology of 'laissez-faire'.
154. Beloff, op.cit., p.23 and p.121. The manner in which the F.O. was forced to concern itself with these things is a major theme of Platt, op.cit.
155. This is clearly implied by Beloff, op.cit., p.121.
156. Ibid.
157. Ibid.
158. Ibid. p.24.
159. Ibid.
160. See especially The Foreign Policy Process in Britain, Chp. 6.
161. Johnston was no lightweight in the F.O. He had been Governor and C. in C. Aden from 1960 until 1963 and then High Commissioner for Aden and the Protectorate of Southern Arabia in 1963. Under Butler at the F.O. in this period he held the rank of Deputy U-Secretary (Who's Who).
162. R.A. Butler, The Art of the Possible, (1973), p.252.
163. P. Byrd, 'Trade and Commerce in External Relations', in Boardman and Groom, op.cit., p.178.
164. The Foreign Policy Process in Britain, p.36.
165. Board of Trade Journal, July 22, 1960. p.171.
166. Op.cit., p.10, para. 3.
167. 'World Status without Tears', in Bogdanor and Skidelsky, op.cit., p.205 and, with reference to Macmillan and Suez, p.213.

168. Full Circle, p.371.
169. 'World Status without Tears', op.cit.
170. Op.cit. p.96.
171. Wallace's phrase, of course. Barker, too, stresses the impact of economic constraints at this juncture, op.cit., pp.145-148.
172. 'World Status without Tears', p.214.
173. Shonfield, op.cit., p.102.
174. 'World Status without Tears', p.210ff.
175. D.C. Watt, Britain Looks to Germany, (1965), p.132.
176. Ibid. pp.131-132; see also p.135 and p.144. F. Figgures, 'The Treasury and External Relations', in Boardman and Groom, op.cit., p.169, makes the same point.
177. Camps. op.cit., p.166.
178. Ibid., p.166ff. and Watt, Britain Looks to Germany, Chp. VII.
179. 'World Status without Tears', p.215.
180. Ibid. p.210ff.
181. Camps. op.cit., Chp.9 dates the major review of policy of which this was the most important outcome at "early 1960", though George Young, op.cit., p.53, writes that "A departmental appraisal conducted under Cabinet auspices in autumn 1959 of the United Kingdom's future over the next decade, concluded that the sooner the country joined the Common Market the better for the economy, but that pending such an outcome nothing should be done to upset the Anglo-American 'special relationship', ..... and that the Commonwealth could be progressively disregarded as a significant factor in policy calculations, political, military, or economic. Having agreed with these conclusions, Macmillan then set off on a Commonwealth tour ..." (sic!)
182. Watt, Britain Looks to Germany, p.132, i.e. he was threatening to cut troop numbers still further.
183. In The Foreign Policies of the Powers, p.171.
184. Ibid., pp.163-165.
185. Ibid., pp.163-164.
186. Ibid., p.165.
187. This idea in relation to the Suez affair has been developed by a number of writers, amongst them R. Skidelsky, 'Lessons of Suez', Bogdanor and Skidelsky, op.cit., p.173.
188. This point is dealt with at greater length in Chapters III and IV below.
189. M.P. Doxey, Economic Sanctions and International Enforcement, (1971), p.24. It is true, of course, as G. Adler-Karlsson points out in Western Economic Warfare, 1947-1967, (Stockholm, 1968), pp.45-49, that this increased hostility to US embargo policy was conditioned by the ending of British dependence on American aid but economic assistance was not the only thing for which Britain was dependent upon the Americans at this time!
190. Tides of Fortune, p.651.
191. Harold Wilson has an account of this in The Labour Government, 1964-70, p.76.

## CHAPTER II

BRITAIN AND SOUTH AFRICA: THE PUTATIVE ECONOMIC POWER RELATIONSHIP  
DURING THE SIMONSTOWN NEGOTIATIONS AND THE POST-SHARPEVILLE PERIOD

It was said at the end of the Introduction, it will be recalled, that, following Knorr, economic power in inter-state relations must be seen in terms of its 'putative' and its 'actualized' dimensions, and that the former consists in "the capabilities that permit the power-wielder to make effective threats" whilst the latter is that which is "generated in an interaction which is an encounter". This Chapter will, therefore, be concerned to demonstrate the nature of the putative economic power relationship, conceived in Knorr's sense, which obtained between Britain and South Africa. As such, it will constitute a preliminary to the subsequent assessment of the following chapters of the extent to which this was actualized in their diplomatic encounters during the negotiations which preceded the signing of the Simonstown Agreements in July 1955 and in the period following the Sharpeville shootings in 1960, in which Anglo-South African relations were placed under such strain. The argument of this Chapter will be conducted in a manner guided by the criteria for assessing putative economic power marshalled and systematised, if not originally developed, by Knorr.

'Economic strength' is, of course, the most crucial element of putative economic power, or at least the most important of the necessary conditions for its existence, and, on the face of it, Britain excelled South Africa in this respect during both of the significant diplomatic encounters of the 1951-1964 period. The first indicator which seems to bear out this point is provided by a comparison between the two countries in terms of their absolute wealth and the sheer size of their foreign economic transactions; that is to say, by a comparison between them in terms of their respective importance as agents in the world economy.

Thus Britain's gross domestic product (GDP) was, throughout the 1951-1964 period, roughly nine times as large as that of South Africa, whilst her imports in 1960, for instance, accounted for 10.9 per cent of total world imports compared to only 1.4 per cent in the case of South Africa (see App. B, Tables 1 and 2). Britain was, in fact, second only to the USA as a world trading nation at this time, though it is true that by the turn of the 1960s her position as an exporter of manufactured goods had, as we have seen, slipped badly. Moreover, despite persistent weakness in her balance of overseas payments and an enduring shortage of domestic investment capital, it was not long after the war before Britain was re-established as one of the world's leading exporters of long-term capital.<sup>1</sup> South Africa, on the other hand, was a major net importer of long-term capital. Finally, sterling, made de facto convertible in February 1955, remained second only to the dollar as a world reserve currency. Not surprisingly, therefore, Britain, in marked contrast to South Africa, was a leading world economic power throughout the years in question and this was reflected in her position as first lieutenant of the USA in the most important inter-governmental economic councils of the non-communist world.

Moreover, the discrepancy in economic strength between the two countries seems equally marked when the nature of their bilateral economic relations is subjected to cursory inspection. Thus, whilst South Africa was certainly amongst Britain's top five export markets in every year except 1961 and 1962 of the 1951-1964 period (App. B, Table 4), Britain's exports to South Africa amounted only on average to just under 6 per cent of total United Kingdom exports in each year (App. B, Table 3). For South Africa, on the other hand, Britain was by far the most important market throughout the period, taking on average 28.7 per cent of total non-gold exports in each year, a proportion which in most years represented more than double that absorbed by South Africa's second largest market and which was slowly increasing (App. B, Tables 3 and 5). In the case of imports, the picture of apparent South African economic weakness vis-a-vis Britain was broadly similar. Thus, whilst it is true that, in contrast to exports, import dependence evinced a significant decline over the period, even by the end, in 1964, Britain supplied 28.4 per cent of the South African market, leaving the USA trailing in second place with only a 19 per cent share (App. B, Tables 3 and 6). Finally, the superficial imbalance of economic dependence appears even more

striking when capital flows are considered for, whilst South Africa exported no capital of real significance to Britain, the United Kingdom held about 60 per cent of South Africa's foreign liabilities throughout the period (App. B, Table 7), and ranked with the Dollar Area as a major contributor of fresh capital to the Union until the general panic induced by racial disturbances began to spread amongst all investors in the second half of the 1950s (App. B, Table 8).

Of course, the significance of these facts, suggesting as they do much greater South African economic dependence on, or economic weakness vis-a-vis, Britain than vice versa, would be seriously qualified, if not completely overturned, if foreign economic transactions were of enormous relative importance to the British economy during these years but unimportant in terms of that of South Africa. However, this was by no means the case. It is certainly true, as we established in Chapter I, that foreign economic transactions were of considerable relative significance for the British economy at this time but the same was also true of South Africa. In fact, the Union's visible imports in 1960 represented 23.2 per cent of its GDP (App. B, Table 2), whilst net capital inflows amounted to about one-fifth of gross domestic investment in South Africa's rapidly expanding economy in the first half of the 1950s (App. B, Table 9).

On the basis of these broad relativities, then, the impression is created of two countries, both relatively heavily engaged in foreign trade and finance and both significantly committed to an economic relationship with the other but with, nevertheless, the dependence on this relationship of the one- South Africa - being strikingly greater than the dependence upon it of the other; that, in short, if there was one partner which was likely to be the most economically 'strong' in its dealings with the other, then this was most probably Britain. And when it is also considered that Britain's status as a world economic power theoretically, at any rate, provided it with the ability to forward or obstruct South African ambitions in the inter-governmental context (such as the much-coveted increase in the official price of gold) in a manner which South Africa could not hope to equal, the impression of Britain's economic strength vis-a-vis South Africa is further enhanced. Indeed, though her conclusions are of little historical significance for the 1951-1964 period, it was on the basis of calculations resembling these that Barbara Rogers formed the opinion that, in 1971, it was the British economy which could most easily withstand the



blow if Anglo-South African relations were to be severed.<sup>2</sup>

Nevertheless, as we recorded in the Introduction, 'economic strength' is not merely a question of broad magnitudes; nor even of broad relativities. These are certainly important but so too is the structure of the economic relations between the countries in question - the extent of monopoly and monopsony, of urgency of demand and, indeed, of disposal, in connection with the items involved - and, as well, the nature and extent of their realizable reserves. Moreover, and most importantly, putative economic power, as Knorr rightly insists, does not even reside in all of these bases of 'economic strength' but has 'non-economic' foundations as well. When these questions are taken into account, it will be evident, therefore, that this initial impression of South African weakness is but a poor guide to the real nature of the putative economic power relationship which obtained between Britain and South Africa during the 1951-1964 period.

Let us begin, then, by examining in greater detail the economic strength which each country could dispose of vis-a-vis the other and leave for later consideration the question of their respective non-economic bases of putative economic power. And let us commence this initial task, quite arbitrarily, with the economic flows from Britain to South Africa. How really dependent was South Africa on its imports of merchandise and capital from the United Kingdom during these years? Is it possible that the comparative smallness of these items in the context of Britain's total exports belies their real importance to Britain and thus the degree to which they contributed to a counter-dependence of the United Kingdom on South Africa? These are the principal questions to which the first part of this Section will be addressed.

## PART A

### 'ECONOMIC STRENGTH' AS A BASIS OF PUTATIVE ECONOMIC POWER

#### 1. British economic flows to, and assets in, South Africa.

If South Africa could really be said to have been dependent in any significant degree on its supplies of merchandise and capital from Britain, then two points (as we have established) would have to be demonstrated: first,

that its demand for them was urgent; second, that the United Kingdom had a strong monopoly position with regard to their supply. How far was this in fact the case?

As we can see from Appendix B, Table 10, South Africa's imports from Britain consisted almost entirely of more or less sophisticated manufactured goods (92 per cent of total imports from Britain at least in each of the selected years), including arms. Now South Africa's demand for these goods was certainly urgent. Her own manufacturing base was narrow<sup>3</sup> and she was in no position to engage in the domestic production of capital equipment on the scale required by the massive development programme on which she commenced in the 1950s - in both mines and manufacturing itself.<sup>4</sup> Thus one-third of her total imports from Britain during this period consisted of machinery alone (App. B, Table 10). In the case of armaments, her demand was, of course, made increasingly urgent by mounting racial unrest at home and by the growing threat of international sanctions against her - directed especially at armaments - after the Sharpeville shootings in 1960. But is it equally true that Britain held a monopoly position with regard to the supply to South Africa of any of these crucial items?

Unfortunately for Britain, this condition did not obtain. Manufactured goods, by the circumstances of their creation, are a commodity in which - except in special circumstances, such as those in which the United States found itself in the years immediately following the second World War - it is almost impossible to achieve any kind of monopoly position in a highly industrialized world, and this was soon brought home to the United Kingdom by the course taken by its exports to South Africa towards the end of the 1950s. Thus, whilst it is true that South Africa's mines, factories and armed forces had been traditionally 'tooled up' from British workshops and that, given the complexity of the products involved, they could not have switched to alternative sources of supply overnight without considerable inconvenience, expense and temporary loss of efficiency (especially in the case of the armed forces), nevertheless, there were alternative sources of supply and these were anxious to move in on the growing South African market.

Indeed, in 1948 the Union had gone on a massive dollar spending spree, with the result that the United States had temporarily supplanted Britain

as South Africa's major supplier, providing 33.5 per cent of all imports into the Union (App. B, Table 6), and it was only under pressure from Britain and as a result of its own growing 'dollar gap' that South Africa was obliged to introduce a measure of anti-dollar discrimination during the course of 1949 and thus produce a dramatic reversal in the fortunes of British and American exporters to the South African market. By 1950, the US share had fallen to only 14.2 per cent whilst Britain was comfortably in the ascendent once more with 37.1 per cent of the market (App. B, Table 6). The significance of these enormous swings resides principally in the fact that they were only possible because, to a very large extent, Britain and America supplied the Union with the same kind of goods - manufactures. By 1954 South Africa had stopped discriminating against dollar imports<sup>5</sup> and, as the 1950s wore on, strong competition was also being offered to Britain in the South African market by West German and Japanese manufactures. In November 1955 it was reported that British manufacturing interests were worried at their declining share of the South African market,<sup>6</sup> and in the spring of 1957 this anxiety was translated into a major British trade drive in the Union.<sup>7</sup> Despite this, the year 1960 saw Britain's share of the South African market falling to an all-time post-war low of 28.4 per cent and remained little higher than this for the duration of the period (App. B, Tables 3 and 6). Monopolists, it need hardly be observed, do not launch trade drives.

It may be held, however, that this is to overlook one particularly critical item in Britain's exports of manufactures to South Africa in which her share of the South African market was sufficiently large to suggest a monopoly condition: the reference, of course, is to arms supplies. Nevertheless, this need not detain us long since here, too, alternative sources of supply were fast making themselves available to South Africa and Pretoria lost little time in actively courting them.

Commenting on British arms supplies to the Union in the 1950s, the Stockholm International Peace Research Institute observes that "Traditionally, there had been close cooperation with Britain in military matters. South Africa's Army, Navy, and Air Force were created with British assistance and patterned on the British model. The equipment", they continue, "was almost entirely of British origin".<sup>8</sup> And, indeed, it is possible to calculate from SIPRI figures that, over the 1950s,

Britain supplied the Union with roughly 70 per cent (by value) of its new major weapons purchased abroad<sup>9</sup> and 100 per cent in the case of naval vessels alone over the entire period (App. B, Table 11). Nevertheless, times were changing: the USA had already supplied one third of the Union's military aircraft between 1950 and 1955 and, largely under the aegis of the MDA agreement signed with Pretoria in 1951,<sup>10</sup> had broken into the market for armoured fighting vehicles at the beginning of the decade (App. B, Table 11). Indeed, by 1955 the pace of the international arms trade as a whole had perceptibly quickened, and Britain was finding it necessary to inject both more energy and more professionalism into its sales efforts in order to fight the growing competition.<sup>11</sup> The position with regard to naval vessels was, as we have seen, held in the South African market throughout the period but by the turn of the 1960s South Africa was not only by now able to purchase aircraft, missiles and armoured fighting vehicles from the USA (as well as from Britain) but also from Canada and France, in particular, and even, in small quantities, from West Germany and Israel (App. B, Table 11). Moreover, South Africa was also by this time increasing its domestic production of small arms and armoured fighting vehicles (albeit many under foreign licence).<sup>12</sup> Rather than being exceptional, therefore, the fate of Britain's arms supply position in South Africa merely reflected the general weakness of her supply position in the South African market as a whole. Macmillan, as we shall see in Chapter IV, was acutely aware of this during this period.

All this, however, is not to deny that South Africa attached importance to its British arms source and that it would, accordingly, have been unmoved by any threat to cut it off. On the contrary, it is clear that the Nationalist government in Pretoria regarded the continuation of British arms supplies as a matter of considerable symbolic significance because of the substance which they appeared to give to its claim to be an integral part of the Western security system in Southern Africa and the Southern oceans (see Chapter III below). The point, remains, however that Britain had no monopoly in this department.

Therefore, once the structure of trade is taken into account, it cannot be held with any conviction that Britain's position as major supplier of the South African market constituted an ingredient of real dependence on the United Kingdom (the symbolic importance of arms, especially post-

1960, excepted) and that a long standing South African policy to create this condition had substantially come to fruition.<sup>13</sup> Perhaps, however, the case is different with regard to Britain's supply of capital to South Africa. For, as we have seen, Britain was by far the most important holder of South African liabilities over this period and a major contributor of new capital.

South Africa certainly attached importance to attracting foreign capital to its mines and factories, though whether this demand had quite the same quality of urgency as possessed by its requirements for foreign capital goods and arms is open to doubt. The main reason for the demand for foreign capital was, of course, the inability of gross domestic savings to sustain the desired rate of expansion in manufacturing capacity, the opening up of the new goldfields in the Orange Free State and the simultaneous development of a fledgling uranium industry. As can be seen from Appendix B, Table 9, the Union's net capital inflow from 1946 until 1955 averaged 25 per cent annually of gross domestic investment and, though the first half of the 1950s could not compare in this respect with the immediate post-war years, net capital inflow still represented 21.2 per cent of GDI in 1954.<sup>14</sup> Indeed, the new and important uranium industry had to be financed almost exclusively by foreign capital.<sup>15</sup>

Furthermore, foreign capital investment in South Africa was predominantly direct, rather than portfolio, and the tendency of fresh capital investment was to take increasingly this form (App. B, Tables 13 and 14). This was particularly valuable to South Africa since, first, it provided the at least equally useful assets of "technical ability and managerial skill"<sup>16</sup> and, second, it suggested a much firmer commitment to South Africa's future which was of considerable political benefit to the Nationalist government.<sup>17</sup> Not surprisingly, though nevertheless significantly, direct investments in South Africa were run down far less drastically after 1959 than were portfolio holdings, as can be seen from Appendix B, Table 14.

Finally, it is important to note that foreign capital inflows had a very advantageous balance of payments effect for South Africa, and not only because they allowed it to run, in almost every post-war year until 1955 (App. B, Table 15), a much more substantial deficit on current account than would otherwise have been possible.<sup>18</sup> For since this was for the most part a deficit with the Sterling Area and since most of the capital inflow was

sterling, they further provided the Union with the ability to settle the bulk of this deficit in that currency. The significance of this is that thus was freed the major part of the Union's annual gold production for direct settlement with the Dollar Area, to the considerable chagrin of 'hard-currency'-conscious post-war British governments. This suited the Nationalist government very well indeed, for it enabled it to demonstrate its independence of the financial 'imperialism' of the British dominated Sterling Area and, ipso facto, win favour in Wall Street, where it hoped to tap additional sources of development capital.<sup>19</sup>

Foreign capital thus had clear advantages for South Africa but it is equally evident that doing without it did not involve the payment of an unacceptably high price. In fact, as can be seen from Appendix B, Table 9, the net capital inflow slowed drastically after 1954 and, after 1958, became a massive and sustained net capital exodus - and yet the South African economy did not collapse! Gross domestic investment certainly levelled off after 1958 and "caused", as Hobart Houghton records, "a recession in certain sectors, particularly in building and construction",<sup>20</sup> but gross domestic savings continued to rise sharply and the previous rate of growth was resumed after 1961. The South African balance of payments certainly took a pounding in 1960-61 but rising exports and a degree of administrative interference fairly rapidly restored equilibrium.<sup>21</sup> Moreover, there were those amongst the 'verkrampste' element in the Nationalist Party government in South Africa who had no time for foreign investment at all,<sup>22</sup> and even the official line was cool towards 'funk' money.<sup>23</sup> In short, then, foreign capital seems to have been important but by no means indispensable to South Africa during this period. Certainly it was not indispensable in the second half, at any rate, by which time, moreover, the major tasks of financing the new Orange Free State goldfields and the new uranium industry had been largely completed.<sup>24</sup> Since foreign capital still had certain advantages for South Africa, however, it is still relevant to consider the degree to which Britain occupied a monopoly position with regard to its supply.

When the South African Reserve Bank conducted its first census of foreign investment in the Union in 1956, it was revealed that the United Kingdom accounted for 62 per cent of all foreign-owned investment stocks

and subsequent surveys demonstrated that this proportion was roughly maintained by Britain for the remainder of the period (App. B, Table 7). Conan explains this dominance not only by reference to the traditional political links between Britain and South Africa but because sterling still had advantages over other forms of capital to members of the Sterling Area, amongst which, of course, South Africa loomed large. It was normally easier to negotiate, cheaper to fund, and subsequently, in general, less troublesome: in short, it brought with it all the benefits of an intra-area arrangement.<sup>25</sup> Nevertheless, three considerations must be held to seriously qualify any claim that this gave the United Kingdom any kind of real monopoly power over South Africa with regard to foreign capital.

In the first place, irrespective of assets already located in South Africa, the fact remains that, in only half of the years in the 1950s in which there was a net capital inflow into the Union, was more than fifty per cent of this supplied by the Sterling Area. Indeed, as the 1950s progressed, it is evident that dollar capital, in particular, was being made more freely available to South Africa, accounting for sixty per cent or over of net capital inflow into the Union in 1953, 1955 and 1956 (App. B, Table 8). American capital accounted for the lion's share of the outlay of the new uranium industry,<sup>26</sup> and in 1958 the American-South African Investment Corporation was founded by Charles Engelhard.<sup>27</sup> Certain Western European countries, notably France and Switzerland, were also beginning to supply capital to South Africa in significant quantities during these years and so, too, was the World Bank, for whom the Union was by far the largest recipient in the African continent of its capital assistance in the 1950s.<sup>28</sup> Significantly, Britain's hold on South Africa's external public debt had been reduced from one hundred per cent in 1949 to only 55.4 per cent in 1955 (App. B, Table 16). It is not surprising, therefore, that, commenting on the Union's decision in February 1956 to restrict the outflow of resident capital which was seeking the higher interest rates obtaining at that time in London, The Banker should have observed that this was a symptom of South Africa's reduced dependence on the London capital market.<sup>29</sup>

In the second place, of course, sterling capital began to flee South Africa after 1956 and, with the isolated exception of 1958, continued to do so at a high rate until the end of the period. In the first instance

this seems to have been caused by a shrinkage in the profits of the gold mines<sup>30</sup> but the principal subsequent cause was obviously alarm at the prospects for political stability in the southern part of the African continent. For most of the period, therefore, the question of a British monopoly of foreign capital supplies to South Africa is rendered largely irrelevant by a negative flow.

In the third place, as we have seen, with regard to Britain's dominant position in investment stocks located in South Africa, the increasingly direct shape which these were assuming - quite apart from the question of their control - made it unlikely that they could be removed easily. As the British representative pointed out at the 17th meeting of the UN Committee on Sanctions against South Africa (which met between July 1964 and February 1965) "Foreign capital has played its role by making it possible to create physical assets which are themselves a source of further capital and an inalienable part of the South African economy and which can not be greatly affected by a ban on foreign investment. Even if monetary assets are liquidated, the factories will remain".<sup>31</sup> As South Africa's demand for capital had become less urgent as the period progressed, therefore, so too had Britain's position as its dominant holder and supplier been weakened.

If on closer inspection, then, the broad magnitudes of the Anglo-South African economic relationship exaggerate the degree to which South Africa was import dependent on Britain, perhaps they also understate the United Kingdom's export dependence on that country. It will be recalled that Britain's export markets throughout the period were far more widely dispersed than South Africa's and that the South African market, in particular, accounted for only just under 6 per cent, on average, of total British exports in each year. On the face of it, therefore, Britain was not irrevocably committed to its South African market. Such a conclusion, however, does not stand up to detailed examination.

Being a major trading nation, as we saw in Chapter I, Britain attached increasing importance to exports as its position amongst world exporters of manufactures slipped more and more during the period, and as its balance of payments became more and more precariously poised. South Africa, therefore, may have accounted for only 6 per cent of total British exports but this had placed it regularly either second or third amongst



Britain's leading markets after the war and, under mounting challenge from the USA, Canada, West Germany and Japan, Britain could not, in such circumstances, have regarded its position in that market with equanimity.

In certain sectors of British industry, moreover, the importance of the South African market was especially pronounced. Thus, as can be seen from Appendix B, Table 17(a), in 1954, for instance, South Africa took 11.1 per cent of British wood and cork exports, 10.5 per cent of cotton yarns and woven fabrics, 10.1 per cent of synthetic fibres and woven fabrics, 10.5 per cent of electrical machinery, apparatus and appliances and almost 21 per cent of railway vehicle exports. Furthermore, in response to a questionnaire submitted to the British government, amongst others, by the UN Committee on Sanctions in 1965, it was explicitly indicated that the situation was no different at the end of the period. According to this information, South Africa represented the principal customer (by value) for six important SITC categories of British exports, second largest customer for nine, and third largest for six in the year ending 1963.<sup>32</sup> In the case of arms, South Africa accounted for 9 per cent (by value) of all of Britain's arms exports to the 'third world' between 1950 and 1955, a fact of particular significance since a viable arms industry was regarded in Britain (as in many other countries) as an essential component of national security and was coming to depend increasingly for that viability on the success of its exports.<sup>33</sup> In short, Britain would have found considerable difficulty in discovering alternative outlets to South Africa for a significant proportion of its exports in certain categories (see below).

That Britain's declining share of the South African market and, ipso facto, the market itself, were not in fact regarded with equanimity in London is amply testified to, as we have already noted, by the major British trade drive which was launched in the Union in the spring of 1957. Two years later, British concern had clearly not abated, for the President of the Board of Trade felt it necessary to journey to South Africa in order to open the Rand Easter Show, where Britain had just built its first permanent exhibition hall abroad.<sup>34</sup> But with Britain's exports to South Africa remaining static in the first few years of the 1960s and its share of the market falling even further, anxiety continued.<sup>35</sup> Against this background, it is thus by no means surprising to find that, asked to contemplate the

loss of its South African markets by the UN Committee on Sanctions in 1965 (albeit at a time when Britain was in even more straightened circumstances and its exports to South Africa were picking up fast), the British government should have replied by saying, *inter alia*, that: "The net loss of export trade would have important direct effects on the level of British economic activity, especially in those industries for which South Africa represents a significant proportion of total exports. These include slips, railway and motor vehicles, electrical machinery, telecommunications equipment, glass and textiles. Redundancies could be expected in these trades. In the case of ships", it continued, "for example, the combined loss of South African orders and orders from British owners engaged in the South African trade would put 15,000 jobs at risk in the shipyards and ancillary industries".<sup>36</sup>

Furthermore, Britain did a flourishing trade in 'invisibles' with South Africa and of particular significance here were the growing returns on British capital invested with it.<sup>37</sup> As we have already seen, despite the marked intrusion of alternative suppliers of fresh capital to the Union during the course of the 1950s, Britain remained, throughout the period, the major holder of foreign capital stock in South Africa. Indeed, as a result of the massive outflow of sterling capital from Britain to the Union in the first post-war decade, this stock had increased its nominal value by 45 per cent between 1945 and 1955, whilst, over the same period, Britain's total overseas stock of capital assets had diminished by over 11 per cent.<sup>38</sup> At the end of 1956, the SA Reserve Bank census placed the market value of British stock in the Union at £865m (\$2423.7m). Thus it is not surprising that, as can be seen from Appendix B, Table 19, South Africa was the fourth largest host to British capital abroad in 1955, accounting for 7.5 per cent of the total and, despite hazards of comparability,<sup>39</sup> it seems reasonable to conclude that South Africa remained in a position of at least equal, if not greater, importance in this respect for the remainder of the period.<sup>40</sup> On a very rough calculation, British investments in South Africa represented about 1 per cent of Britain's total national wealth.<sup>41</sup>

The real significance of this only becomes clear, however, when the abnormal profitability of South African investments is considered. As can be seen from Appendix B, Table 20, the annual average rate of return on British direct investments averaged between 1960 and 1964 8 per cent in

the world as a whole, 9.1 per cent in the Overseas Sterling Area as a whole and 12.1 per cent (and increasing) in South Africa. It follows that Britain's investment stock in South Africa was significantly more lucrative than those in countries which were hosts to larger stocks of British capital but where the rate of return was lower and that, as a result, whilst South Africa may have been only fourth largest host to British capital over this period, it was regularly either first or second amongst earners (App. B, Table 22). Furthermore, South Africa's importance as a source of direct investment earnings was also increasing during the second half of the period and even in the more nervous portfolio sector South African earnings dipped only slightly in their position of dominance (App. B, Table 21). Against the background of the worsening position on Britain's overall invisible account which was noted in Chapter I, South African investment returns must have seemed particularly valuable to the British government at the end of the 1950s.

Finally, it is also relevant to note in this context that direct investments as a proportion of British stock in South Africa were increasingly significant over the period, rising from 64.2 per cent of the total in 1956 to 72.1 per cent by 1964 (App. B, Table 23), whilst the drop in the share absorbed by mining signified an increasingly balanced spread of British business, commercial and financial interests with a commitment in South Africa. As can be seen from Appendix B, Table 24, almost all sectors of British economic life were directly involved in the South African economy at this time, from mining-finance, through manufacturing, to distribution, banking and finance, whilst in 1965, at any rate, earnings from these investments were particularly important for a number of them. The construction industry, for example, drew 33.4 per cent of its total net foreign earnings from South Africa (App. B, Table 25).

If the South African market for both visible and invisible British exports was thus more important than the simple magnitudes would seem to imply, it assumed even greater consequence as a result of the simple but compelling fact that South Africa was the world's largest gold producer and, in the right circumstances, could be obliged to settle its trading deficits in that most valuable medium. To appreciate the early significance of this point, it is necessary to begin by looking at the phenomenon of the 'dollar gap'.

The so-called 'dollar gap' was in fact the most serious and obstinate impediment to British reconstruction in the decade following the end of the second World War and it was a situation which could only be alleviated in the short run by massive and humiliating loans from the Dollar Area itself.<sup>42</sup> The extent of the dollar deficit experienced by the Sterling Area averaged over \$1,600m. annually from 1946 until 1952 - the worst period - and was not eliminated as an enduring problem until at least 1958 (App. B, Table 27).<sup>43</sup> The perilous gold and dollar reserve position, which this situation both produced and sustained, was further exacerbated by the enormous accumulation of short-term sterling debt by the United Kingdom during the recent war, which, when set against these meagre reserves, produced a ratio of short-term assets to short-term liabilities which was so low that almost every temporary weakening of the balance of payments or whisper against sterling was capable of precipitating a crisis, as we saw in the previous Chapter. In short, the dollar gap shackled Britain's reconstruction by reducing its ability to purchase essential dollar imports, demanded the assumption of an even greater burden of debt, and undermined confidence in sterling. Accordingly, the rectification of the Sterling Area's balance of payments deficit<sup>44</sup> with the Dollar Area - by both expanding exports to the 'hard currency' countries and cutting down on non-essential dollar imports - was treated in Britain as a matter of the highest national importance in the first post-war decade. It is against this background, therefore, that the importance of Britain's exports to South Africa must be finally assessed.

The simple fact was, then, that the greater the United Kingdom's surplus on commercial account with the Union, the larger would be the share of the Union's annual gold output which entered the Sterling Area's central reserves and, ipso facto, the lesser would be the problem of the 'dollar gap'. Two problems, however, had dogged the efforts of the British monetary authorities to ensure that they maximised their share of the Union's gold ever since the end of the war:<sup>45</sup> first, South Africa's own trading deficit with the Dollar Area, which had made it desirable for Pretoria to exploit its membership of the Sterling club to withdraw from, as well as pay into, the central reserves (or 'dollar pool'), and which had produced the much-resented anomaly of the world's largest gold producer actually making a net withdrawal from the central reserves over the 1946-1947 period;<sup>46</sup> second, the fact that the huge sterling capital outflow

from London to the Union, which characterized the early post-war years, frequently eliminated the surplus which Britain regularly made on its current account with South Africa, so enabling the latter to settle its deficit with Britain in sterling rather than in gold.<sup>47</sup>

British policy was directed, as a result, towards persuading the Union government to refrain from exercising its privileges as a member of the Sterling Area at the expense of the dollar pool (to recognise, as it was put at the time, that membership involved obligations as well as rights), and by the end of 1949 a combination of threatened refusal of access to the London capital market<sup>48</sup> together with a pronounced weakening in South Africa's own external position, had produced a situation in which Britain was now guaranteed a substantial net contribution to the dollar pool from the Union's annual gold output. Indeed, as early as 1948, the doomed Smuts government had agreed, inter alia, to henceforth settle directly its own Dollar Area deficit<sup>49</sup> and, under the Cripps-Havenga Agreement of 1949, the Union agreed further to pay for all of its imports of 'essential' goods from the United Kingdom in gold, irrespective of the size of its sterling balances.<sup>50</sup> As amended later the following year, this agreement provided a minimum guarantee of £50m. in gold to the dollar pool and thus firmly established the Union's support for the central reserves of the Sterling Area in return for continued access to the London capital market.<sup>51</sup>

Britain had, however, to export the goods to the Union in order to ensure that this minimum was achieved and the government was also, of course, given every incentive to encourage the nation's exporters to maximise the surplus on current account with South Africa in order to oblige Pretoria to settle even more of its overall deficit with the United Kingdom in gold. As the Economic Survey 1950 observed, "... it is hoped that, under new arrangements recently made by South Africa, it will be possible for the United Kingdom to earn a substantially larger proportion of the output of new South African gold than has been the case hitherto .... As South Africa's gold production is valued at approximately \$400m. a year, the importance of this reinforcement to the gold and dollar income of the sterling area needs no emphasis", it concluded.<sup>52</sup> Pointing the moral, The Financial Times observed that "The importance, in the new circumstances, of an all-out effort to re-capture the share of the South African market formerly enjoyed by Britain and other sterling area prod-

users can hardly be overrated".<sup>53</sup> Thus, although in October 1954 the Union government announced the end of its formal guarantee to the dollar pool from the beginning of 1955 (the significance of which will be considered in Chapter III), South Africa effectively provided the United Kingdom government with an enormous incentive to cultivate its market, and the dollar pool was suitably rewarded.

In fact, from 1950 onwards, South Africa made regular net contributions to the dollar pool which were well in excess of the guaranteed minimum of £50m. (\$140m). and which had by 1954 reached just over double this amount (App. B, Table 28). In 1955 the contribution slipped slightly but by the following year was back to \$288m. After this year it is impossible to obtain precise figures on South Africa's net contribution to the dollar pool<sup>54</sup> but it is possible to make rough estimates.

In attempting to do this it is important to note, in the first place, that the Union's annual gold output increased massively during the following years, largely as a result of the production from the new goldfields in the Orange Free State. As can be seen from Appendix B, Table 26, annual output had almost doubled during the 1950s, amounting to an increase (as a proportion of total non-communist world output) from 48 per cent in 1950 to 63.5 per cent in 1960 and then, by 1964, to 72.5 per cent. By 1960, annual output was worth \$748m. at the official price and, in 1964, as much as \$1,019m.

The really important point, however, is that, despite a steady reduction in South Africa's traditional visible trading deficit with the Sterling Area over the 1950s (turning temporarily into a small surplus at the end of the decade), her invisible deficit with the area steadily increased and, to make matters much worse, her reserves of sterling were most seriously eroded by the reversal of the net capital inflow after 1956, (App. B, Table 30). The upshot of all this was a steady and marked deterioration in South Africa's overall commercial deficit with the Sterling Area which almost certainly made necessary an increasing level of net contributions to the dollar pool until the end of the period. It is thus likely that South Africa's net contributions fluctuated at around \$300m. annually from 1957 until 1961 and then, against the background of continued sterling capital exodus and a sudden return to major visible

account deficit in 1962, increased over the remaining years of the period to between \$350m. and \$450m.<sup>55</sup> Thus, whilst South Africa's status as a 'hard currency' market for British exports had been rendered largely academic in the late 1940s by the Union's ability to settle its Sterling Area deficit in sterling, the 1950s and early 1960s saw this situation significantly modified. Not surprisingly, therefore, whilst it was still politic to say so, Butler, the British Chancellor, remarked in the House of Commons in February 1955 that "South Africa remains a main feature of the Sterling Area. Her generosity in respect of gold has been quite unrivalled".<sup>56</sup>

The real importance of South Africa's support for the Sterling Area's central reserves can only be fully appreciated, however, when it is contrasted with that of the other members. According to Wright, who investigated the 1939-52 period, the Union was second only to the combined Colonies in this respect from 1946 until 1952, with a contribution amounting to 25 per cent of the total.<sup>57</sup> Putting this another way, it can be said that, after the major contributions made by the North American loans and the forced dollar capital imports from the Colonies, South African gold filled almost 8 per cent of the total net gold and dollar deficit of the entire Sterling Area over these same years up to 1952.<sup>58</sup> After this year the Union's contribution assumed even greater importance, partly as a result of the increase in its own net contribution and partly because the colonial contribution had passed its peak with the end of the Korean War boom in raw material prices. By the mid-1950s, as can be seen from Appendix B, Table 29(a), South Africa's net contribution to the dollar pool was fluctuating between 40 and 50 per cent and was thus very close indeed to that of the Colonies. In these years, as can be seen from the same Table, this contribution was especially valuable since Britain was once more back in serious dollar deficit on its own account.

After 1956, however, and for the remainder of the period, there can be absolutely no doubt that South Africa had become by far the most important supporter of the central reserves amongst members of the Overseas Sterling Area,<sup>59</sup> both because of further increases in the absolute level of its own net contributions and because of the rapidly fading colonial contribution. The dramatic fall and subsequent disappearance of the colonial contribution after 1956 is to be explained by two factors:

first, the continued deterioration in their terms of trade as primary commodity exporters which led them, for the first time since the war, into deficit with the non-sterling world;<sup>60</sup> and second, the political independence of the major colonial dollar earners, Malaya and Ghana, shortly to be followed by Nigeria.<sup>61</sup> As a result, then, by 1958 Shonfield could already observe that "South Africa is ... the most important single outside prop - that is, outside the UK - of the sterling area's balance of payments .... There has ... been", he continued, "a tendency in recent years to exaggerate the role of the colonies in the solution of the sterling area's dollar problems. An even bigger contribution than that made by all the colonies put together to the sterling area's dollar income comes from South Africa".<sup>62</sup> And Conan, writing in 1961, adds his testimony to that of Shonfield: "It is apparent", he remarks, "that the level of the central reserves has been largely governed by the expansion in South Africa's gold output and the arrangements for its sale ...".<sup>63</sup>

South Africa's growing domination of world gold output in the 1950s and early 1960s and Britain's increasing reliance on its contributions to the central reserves of the Sterling Area constitute additional evidence, then, that here was a market of peculiar significance to the United Kingdom government. And we have already seen that British governments in the second half of the period were, as a result, particularly anxious about Britain's declining share in that market, the more so because it meant that, with a steadily diminishing visible trade balance with the Union, Britain's gold-earning capacity was coming to depend increasingly on the continuation of the net capital outflow - and that could not be expected to go on for ever. However, since the 'dollar gap' effectively disappeared in 1958, the continued attachment of peculiar importance to South Africa's gold contribution to the Sterling Area's central reserves may be legitimately queried. Dependence on American aid by Britain had, after all, ended and serious thought was once more being given to repaying the dollar debt.<sup>64</sup> Furthermore, by the end of the 1950s gold and dollars were pouring out of the United States, which was shortly to find itself in balance of payments difficulties for the first time since the war. Indeed, it was partly for this reason that it had been possible for the major Western European countries (including Britain) to restore formal convertibility to their currencies in 1958. In these new circumstances, therefore, was not gold simply one more 'convertible



currency' in a world in which trade was coming to be conducted more and more in marks, francs and even sterling? And is it not therefore likely that Britain no longer needed South Africa's gold for the central reserves to the same extent that it clearly did in the first half of the period? Unfortunately for the British government, this development was qualified by three considerations.

In the first place, certain restrictions still attached to the convertibility of most major currencies even after 1958 and, with the beginnings of the American balance of payments problem, uncertainty as to its value even befell the dollar.<sup>65</sup> Accordingly, gold retained its magic as a reserve currency, as the extent to which it was sought in the first major international political crises of the 1960s amply demonstrated.<sup>66</sup>

In the second place, Britain needed South Africa's gold for the central reserves as a result of its resolute commitment to the maintenance of a reserve role for sterling itself. For it was the British Treasury view - held against stiff American opposition - that it was inappropriate for one reserve currency to be backed by another (that is to say, for the pound to be backed by the dollar) and that, if the dollar was to be backed wholly by gold, then so was the pound. It was Treasury policy as a result, to insist that the central reserves be held almost entirely in gold throughout the post-convertibility period up to 1964, when it could have held more marks, for instance, or even dollars (App. B, Table 32).<sup>67</sup>

Finally, of course, though the 1958-1960 years may have seen a considerable improvement in the Sterling Area's balance of payments as a whole with the non-sterling world, Britain was itself, as we have seen, back in serious external account trouble by the early 1960s and, despite the 'hot money' inflow which was engendered by the high interest rates necessarily prevailing in London and despite massive IMF assistance,<sup>68</sup> the central reserves themselves went into almost continuous decline after 1961 (App. B, Table 31).

Following the assessment of British economic flows to, and assets in, South Africa over the 1951-1964 period which has been made in the first part of this Section, then, it seems fair to form the following conclusions. Firstly, though the symbolic importance of South African arms purchases, and the psychological value of continuing investment from, Britain should

not be underestimated, South Africa was by no means as dependent upon Britain for imports of goods or capital as it had once been and any remaining dependence deriving from this dimension of their relationship was being progressively weakened as the 1950s proceeded (arms excepted); demand for British flows was decreasingly urgent (and had political benefits for Nationalist Party opinion) and any monopoly power which Britain had once enjoyed was fast disappearing. Secondly, though South Africa took only 6 per cent on average of Britain's total visible exports over the 1951-1964 period, this, together with the significant addition of invisible earnings, represented a market which was far more important than this figure alone suggests. It meant a great deal to important sectors of British industry (itself committed in an increasingly comprehensive and direct manner to the South African economy), to the so-called 'invisible earners' of the City of London who were so influential in the Tory governments of these years (as we saw in Chapter I), and to the British government itself, as a result of the peculiar significance for the central reserves of South African gold. As far as the flows from Britain to South Africa were concerned, then, detailed examination reveals that this component of Britain's apparent 'economic strength' vis-a-vis South Africa was substantially illusory.

## 2. South African economic flows to Britain.

At this point we must turn our attention to the trade which flowed in the opposite direction, that is to say, from South Africa to Britain. Was Britain as import dependent upon South Africa as it was evidently export dependent upon it during these years? Was South Africa, if not markedly import dependent upon the United Kingdom, at least export dependent upon it to some degree? These are the questions to which we must now address ourselves, considering once again the urgency of the demand for the goods or services involved, on the one hand, and the degree to which South Africa may have had a monopoly position with regard to their supply to Britain and Britain a monopsony position in respect of their importation from South Africa, on the other; and recollecting, too, that the broad figures with which this Chapter commenced suggest that South Africa's export dependence upon Britain was quite remarkable during this period, whilst British import dependence upon South Africa seemed almost

insignificant.

Indeed, to take the latter point first, Britain's imports from South Africa (excluding gold) represented, at their highest, only 3.6 per cent (in 1964) and at their lowest as little as 1.6 per cent, and averaged throughout the 1951-1964 period only 2.5 per cent of Britain's total visible imports (App. B, Table 3). Even if the goods imported from South Africa were in urgent demand in the United Kingdom, therefore, it seems unlikely, on the basis of figures such as these, that South Africa could have had much in the way of a monopoly hold over their supply. Anyway, what sort of items were actually involved in these economic flows from South Africa to Britain?

Trade statistics conventionally exclude gold but we have already seen that South Africa ran a persistently large deficit on its commercial account with Britain over the 1951-1964 period, with the result that gold, of necessity, was one of its major exports to the United Kingdom. This, as we have established, amounted to about \$180m. worth at the beginning of the period and rose to something possibly in excess of \$400m. worth by the end. Now, since Britain's imports of merchandise from South Africa (including diamonds) were in the order of \$200m. in 1951 and reached over \$500m. by the end of the period (App. B, Table 37), it is clear that between 40 and 50 per cent of Britain's total visible imports from South Africa were regularly accounted for by gold and that, of course, the proportion of Britain's total visible imports represented by the South African trade as it appears from the conventional figures must be roughly doubled. In any event, the importance of South African gold for the British government has already been stressed and the further special significance of its merchanting in the London Gold Market will be discussed shortly. For the moment, what of Britain's non-gold imports from South Africa?

As can be seen from the Board of Trade's typically unrevealing figures, reproduced as Appendix B, Table 34, these consisted in the main of food-stuffs, especially fruit and vegetables, cereals and sugar, and basic materials, in particular wool and non-ferrous base metal ores and concentrates, though wool was declining significantly as a proportion of this latter category over the period. Uranium and diamonds - being the most important - are not, of course, included in these figures although,

as we shall see, their quantitative and strategic significance for Britain was considerable. Imports of mineral fuels and lubricants were naturally insignificant throughout the period and even by 1963 imports of manufactured goods (excluding diamonds) represented only 11 per cent of total British imports from South Africa. How urgent was British demand for these goods? To what extent did South Africa monopolize their supply? Let us consider these two questions for each major commodity, or category of commodities, in turn.

The possible significance of British imports of foodstuffs and, indeed, of wool from South Africa can be quickly dismissed. As is well known, Britain imported goods of this kind from all over the world and primary commodities such as these were, in any case, facing increasingly depressed international markets after the mid-1950s. By 1960-1961 the world market for primary commodities in general, and foodstuffs in particular, had reached the bottom of a general decline in prices which had set in really sharply in 1957.<sup>69</sup> Prices in the wool market were also being increasingly depressed by competition from synthetic fibres.<sup>70</sup> It is thus obvious that Britain was in no sense dependent upon South Africa for its imports of foodstuffs and wool. The case, however, is somewhat different - and a good deal more complicated - with regard to Britain's imports of non-ferrous ores and concentrates from South Africa at this time.

To begin with, because of the importance of these minerals to industry in general and especially to that concerned with defence production,<sup>71</sup> demand for many of them was certainly urgent in the first half of the period. As we noted in Chapter I, the stockpiling of 'strategic' materials such as these which was inspired by the Korean War was not discontinued until the 1957-1958 period, though after this it seems probable that, as was argued earlier, changing strategic doctrines and the success of the stockpiling itself, amongst other factors, had contributed to a lessening of anxiety on the part of Britain concerning the security of foreign sources of supply. Nevertheless, it would be surprising if, even in the second half of the period, there was no anxiety on this score within military and political circles in Britain and, as can be seen from Appendix B, Table 34(b), Britain obtained roughly 10 per cent of its imports of non-ferrous minerals from South Africa during this period, being particularly reliant upon this source for antimony, chromium, vanadium, titanium and,

in all likelihood, for platinum as well (App. B, Table 36).<sup>72</sup>

Now, whilst it is clear that, even in the case of these particular minerals, the presence of alternative suppliers<sup>73</sup> removed the possibility of South African monopoly power over Britain, it seems probable that the United Kingdom government must nevertheless have viewed South Africa as an extremely valuable source in this regard. In the first place, South Africa might not have had an especially significant position in terms of the world production of traditionally important non-ferrous metals - copper, lead, tin, zinc and aluminium - but it possessed reserves of all of them except the latter, and abounded in many of the lesser ones (App. B, Table 35), for some of which, such as titanium, demand was increasing rapidly during the course of the 1950s and early 1960s. As the South Africa Foundation (earlier established to publicize information such as this) boasted in 1965, "Except that no natural oil and bauxite have been discovered, South Africa has at her disposal sources of almost all the base metals and non-metallic minerals of significance in world commerce and in modern industry, in addition to her exceptional gold and diamond mines".<sup>74</sup> In the second place, it is evident that many of the major world producers of these minerals either absorbed most of their production in domestic industry (for example, the USA) or possessed political attributes which rendered them an unreliable source of supply (for example, the Belgian Congo, Indonesia, and Northern Rhodesia). South Africa, on the other hand, had a substantial surplus of most of its minerals for export<sup>75</sup> and was notoriously 'secure'. Finally, South African reserves of certain of these minerals were particularly extensive: certainly this was true of manganese, antimony, chrome, platinum, vanadium, titanium and vermiculite.<sup>76</sup> In short, although Britain could almost certainly have found alternative sources for the non-ferrous minerals which it imported from South Africa during this period, it seems unlikely, for the above reasons, that it would have countenanced their loss with equanimity.

The position with regard to Britain's importation of diamonds from South Africa was broadly similar - in its complexity as well as its significance! As we can see from Appendix B, Table 37, the Board of Trade's belated frankness makes it possible to deduce that diamonds represented between one-quarter and one-third of Britain's total imports from South Africa (excluding gold and uranium) over the second half, at any rate, of the

1951-1964 period and were rising as a proportion towards the end. The poverty of the statistical information, however, still makes it impossible to determine how many of the diamonds represented by these figures were actually retained in Britain and how many re-exported, since, as we shall see in a moment, Hatton Garden in London was then - and still is - the principal entrepot for the world diamond trade. Nevertheless, since these figures are nothing like as high as those for the value of total world exports of rough diamonds<sup>77</sup> and since, furthermore, Britain's exports of diamonds as recorded by the Board of Trade after 1963 never exceeded 26 per cent of diamond imports,<sup>78</sup> it seems safe to conclude that the bulk of the diamonds described as 'British imports' in Table 37 went into domestic consumption. How important were they to Britain?

Diamonds come in two main types, 'gems' and 'industrials', and one notable authority suggested in 1959 that the latter "are so important that a deficiency .... would cause a breakdown in the modern metal-working industry and devastate mass production".<sup>79</sup> With the military significance of industrials being, as a result, considerable, it is hardly surprising that they had been an important item in economic warfare during the second World War.<sup>80</sup> Moreover, they were a particular objective of US stockpiling during the early and mid-1950s and the Americans went to great lengths to develop a synthetic substitute at the same time.<sup>81</sup> The Russians were keen buyers on the black market.<sup>82</sup> With testimonials such as these, therefore, it is inconceivable that the British government could have regarded a secure supply of industrial diamonds as anything less than indispensable during the 1951-1964 period. To what extent was it at the mercy of a South African monopoly?

From the time of the great discoveries at Kimberley in the middle of the 19th Century until the eve of the first World War South Africa had, in fact, held an almost complete monopoly over the production and thus the distribution of the world's diamonds.<sup>83</sup> Despite further discoveries in the Union itself, however, the subsequent years saw finds in other parts of Africa which were of major importance - especially in the Belgian Congo, Sierra Leone, the Gold Coast, Angola, Tanganyika and the French colonies - and the Union's monopoly over production was broken for good. However, as a result of the much greater value of her own production

(South Africa had an above average share of 'gems'), of the tradition of monopoly disposal which was well established by the beginning of the 20th Century in the 'Diamond Syndicate', and of the enormous financial reserves of the South African marketing organization (subsequently dominated by the Anglo-American Corporation and dubbed by friend and foe alike as the 'Diamond Cartel'), South Africa was able to maintain a monopoly over diamond distribution right through into the post-war period.<sup>84</sup>

The main objective of the Diamond Cartel, of course, was to maintain a high and stable price for diamonds. It achieved this by the simple expedient of offering the 'outside producers' a guaranteed price for their diamonds when the market was depressed, provided that they would contract to sell only through the single channel of the Cartel when the market was buoyant. Impressed by the advantages of this arrangement during the 1930s, the 'outside producers' signed sales contracts with the Diamond Cartel at roughly five year intervals and thus the Cartel achieved its objective by stockpiling the world's diamonds in depressed times and by carefully controlling their disposal in years of booming demand. The disposition of the 'outside producers' to go along with the Cartel was encouraged, of course, by Anglo-American's policy of buying into their operating companies.<sup>85</sup> It is not surprising, then, that the Diamond Cartel's control of world distribution was regularly placed at 95 per cent in the early 1950s<sup>86</sup> and at "over 80 per cent of total production" as late as 1957.<sup>87</sup>

If, then, 'industrial' diamonds, in particular, were indispensable to Britain and if the Diamond Cartel had a near-monopoly over their distribution (which, incidentally, brought additional benefit to Britain in the shape of the prestige and commissions which derived from the Cartel's employment of London for the marketing of its entire sales),<sup>88</sup> to what extent can this be said to represent a 'South African' monopoly?

The first point to be noted in this context is that the Diamond Cartel was not commonly thought of as the 'South African Diamond Cartel' at all but rather, at least by the Americans, as the 'British Diamond Cartel'.<sup>89</sup> This, of course, was not only testimony to the fact that its selling organization was based in London, as we have just noted, but also to

the consideration that British financial influence (especially through Anglo-American Corporation) was heavily felt within the Cartel. The 'Diamond Ring' was, therefore, in no sense a South African government organization, nor even one in which Afrikaner capital was significant in these years, though it is true that the South African government, as a producer in its own right in Namaqualand, was one of the partners to the Diamond Producer's Association within South Africa.<sup>90</sup> Furthermore, for most of the 1950s a number of the most important 'outside producers' were, in fact, British colonies, namely Sierre Leone, Gold Coast and Tanganyika, which averaged between them 30 per cent of the world's exports of rough diamonds in each year between 1955 and 1960.<sup>91</sup> It is thus obvious that, though it could probably have caused considerable difficulties, the South African government would have found it impossible to deny diamonds to Britain through the mechanism of the Diamond Cartel, which, indeed, flourished as much with British connivance as against it. The South African government, moreover, had its own interests at stake in this arrangement, since it took a five per cent cut of the value of all diamonds exported from South Africa under the aegis of the Cartel.<sup>92</sup>

On top of this, the Cartel itself was beginning to show signs of strain by the end of the 1950s. Thus, if the prospect of the loss of its diamond-bearing colonies in Africa at this time was not, perhaps, a happy one for the British government, it spelled even greater travail for the Diamond Cartel, since independent African states were not expected to have much truck with what they - if not the Americans - regarded as a 'South African' creature.<sup>93</sup> Furthermore, synthetic diamonds were at last being produced in the United States<sup>94</sup> and large discoveries were heralded in the Soviet Union.<sup>95</sup> And though, in the face of these unpromising circumstances the Cartel demonstrated remarkable resilience,<sup>96</sup> it is clear that its grasp on the market had been significantly weakened by the early 1960s.

If Britain ever experienced anything approaching 'dependence' on South Africa for the supply of diamonds, therefore, it was certainly not in the second half of the 1951-1964 period. In the early and mid-1950s, however, in the atmosphere reflected by frantic American stockpiling and in the circumstances of unchallenged Cartel hegemony, it is likely that it came as near to it as at any time since the end of the second World War. Just how near this was, however, is an impossible question to answer. Bearing in mind the extent of both colonial production and British financial influ-



ence within the Diamond Cartel, it seems likely that even then a position of significant dependence was not closely approached. On the face of it, however, Britain's imports of South African uranium would seem to suggest a different story.

Though official British sources have always been even more coy about releasing information on trade in fissile materials than on that in diamonds - or, for that matter, gold - (Donald Maclean, amongst others, notwithstanding)<sup>97</sup> it was no secret at the time and has been confirmed by an official history since,<sup>98</sup> that Britain was a partner to the purchase of increasingly large quantities of uranium oxide from South Africa, beginning in 1953. The partner was, of course, the United States and the medium through which the buying was conducted was the so-called Combined Development Agency (CDA). Before we delve more closely into these matters, however, it is necessary to assess the urgency which was attached to uranium supplies by the British governments of these years.

As the broad details of the trade itself were no secret, neither were the reasons for its importance. Uranium was above all other ingredients the one most essential to the generation of atomic energy.<sup>99</sup> Furthermore, there can be little doubt that, by 1955 at the latest, this form of energy had come to be seen in Britain as important not only to the country's security problem (as we saw in Chapter I) but also to its future sources of electrical power. Indeed, it may have been in 1955 that the decision to proceed with the manufacture of the H-bomb was announced but this was also the year in which it was proclaimed that, two years hence, work would simultaneously begin on Britain's first generation of nuclear power stations. In fact, in the mid-1950s enthusiasm for, and confidence in, a nuclear future for Britain were at a peak.

Enough has already been said in Chapter I to demonstrate the military significance of uranium supplies to Britain during this period (certainly in the early and mid-1950s) but why did atomic power for electricity generation make these supplies equally, if not more, significant at this time? As Dr. Bronowski observed in 1954, "Until recently, the preoccupation of the large powers with uranium, and their anxiety to monopolize newly found deposits, were predominantly military. But in the last year the climate has changed .... It is now plain", he continued, "that nuclear

power, in spite of earlier pessimism, is indeed close".<sup>100</sup> Why had the climate changed? Why, especially in the case of the British government, were such high hopes attached to the early development of nuclear power stations which Bronowski predicted? The following reasons explain why this should have been so.

In the first place, rising costs in the early 1950s, combined with static production in the coal industry, were leading the government's economic and scientific advisers to predict an energy crisis by the 1960s if new sources of energy were not tapped.<sup>101</sup> In the second place, Britain's increasing demand for energy was having to be met by larger and larger imports of oil, the insecurity of whose supply weighed as heavily on the nerves of the Foreign Office as its exchange costs did on those of the Treasury and the Bank of England. In the third place, it was also hoped that Britain's pioneering role in many aspects of atomic power generation might give rise to a major new export industry<sup>102</sup> and last, but by no means least, it is almost certainly true that the British government regarded United Kingdom development of the 'peaceful' use of the atom as most useful sustenance to the 'special relationship' with the United States.

The last point is particularly important because it is well known that this relationship had suffered a considerable blow by the passage of the MacMahon Act at the end of the war and that, thereafter, successive British governments had gone to considerable lengths to persuade the Americans to restore the intimacy of their war-time collaboration in atomic matters.<sup>103</sup> One lever on the Americans which was employed in this bid, as we shall see in a moment, was Britain's usefulness in the acquisition of uranium supplies but it seems clear from Eden's memoirs - revealing on this, if on little else - that his government, at any rate, regarded British pioneering in atomic power stations as a potentially crucial quid pro quo for the restoration of Anglo-American cooperation in the military field; as a most dramatic demonstration, that is to say, of the manner in which the 'special relationship' could be of great future value to the Americans as well as to the British. For Eden, it seems clear, the lead which Britain had over the United States in civilian nuclear power developments underlined the division of labour between intimate allies which was of the essence of the 'special relationship' and which, in this area, was only temporarily estranged by an intemperate and xenophobic Congress. Accordingly, it was of enormous diplomatic value to

his government.<sup>104</sup>

For all of these reasons, therefore, it is not surprising that, though Eden was faced with the necessity for deflationary measures shortly after winning the election of May 1955, he should have recorded that "I was insistent that the atomic energy programme must not be hampered. We had established a lead in nuclear power and we must keep it ....";<sup>105</sup> that in 1956, Sir George Thomson, one of the government's leading specialists in this area, should have remarked that "The discovery of nuclear energy and its application to power on a large scale has come like the answer to a prayer";<sup>106</sup> and that, finally, demonstrating that these sentiments were still shared at the highest level, the Prime Minister, Harold Macmillan, should have informed the First General Conference of the International Atomic Agency in 1957 that "the United Kingdom is faced with acute shortage of domestic sources of power .... We have therefore bent out efforts to the speedy development of atomic energy as an economic source of electricity ... we foresee in only a few years", he concluded, "the day when the vast majority of our new power stations will be driven by atomic energy".<sup>107</sup>

Against such a background, then, there can be no doubt but that uranium - the essential raw material of atomic power - was considered to be indispensable to Britain: the bridging of the future energy gap together with the sustenance of the 'special relationship' with the United States, amongst other things, seemed to depend upon it as much as did the successful development of Britain's independent nuclear deterrent. But how reliant was Britain on South Africa for its supplies of uranium? Did Britain in fact receive any of the CDA uranium obtained from the South African source? If not, was South African uranium of any significance at all to the United Kingdom Atomic Energy Authority and military establishment? This is, of course, a murky area but fortunately we are provided with some assistance for the earlier years from Margaret Gowing's official account of the development of atomic energy in Britain.

Ever since the military potential of atomic energy had been realized during the second World War, the Americans and the British had been determined to pre-empt as much as possible of the existing supply of uranium and, since known workable deposits were comparatively rare, to give every encourage-

ment to the search for new sources. It was for this purpose that the CDA was established by the principal allied powers during the course of the war. Certainly the most notable of its war-time successes was the acquisition of first refusal on all uranium production from Katanga but, as Margaret Gowing relates, this was merely "the beginning of a prospecting effort that was to be, in the next fifteen years or so, one of the biggest in recorded history".<sup>108</sup> Furthermore, in these early post-war years of shortage and feverish prospecting, Canadian supplies were cornered by the Americans,<sup>109</sup> Australian production was still only a dim and uncertain prospect, and the major North American discoveries were yet to be made.<sup>110</sup> It was in such circumstances that South African uranium came to seem such a valuable proposition to the British government.

It was known that the Union's ore was of low grade but, being closely associated with South Africa's gold-bearing reefs, the happy circumstance was that this ore was already being brought to the surface by the gold-mining companies of the Witwatersrand. As a result, it was the belief of the early post-war period that the South African goldfields contained the largest realizable uranium deposits then in existence.<sup>111</sup> As the South African government recorded in 1957, with unmistakable satisfaction, "South Africa was fortunate, in that the extent of its uranium deposits became known at a time when no other major field in the world had yet been discovered, while the Western powers were in urgent need of atomic material. The British and American governments, therefore, took the keenest interest in the development of the South African uranium industry".<sup>112</sup> Both of these propositions are undeniable.

The full details of the contract which was eventually signed by the CDA with South Africa's gold-mining companies in November 1950 (and subsequently revised on more than one occasion in a very short space of time under American pressure for even greater South African production) have been amply described elsewhere.<sup>113</sup> Suffice it to record here that its terms were lavish and that, in addition, the CDA agreed to inject the full amount of capital into South Africa which was required for the development of the new industry.<sup>114</sup> But what was Britain's stake in this arrangement? Why should South African uranium production have seemed such a valuable proposition to the British government?

According to Margaret Gowing, the entire British atomic energy programme (which had a very low uranium consumption rate) was in fact supplied by an early stockpile of Congolese uranium until 1955.<sup>115</sup> This is not surprising, of course, since South African uranium did not come on tap until 1953 and was not exported in large quantities until 1955 itself (App. B, Table 40). In the light of Gowing's evidence, however, it would seem difficult to claim that South Africa's uranium could have been particularly valuable to the British authorities before the middle of the 1950s at any rate. Nevertheless, this is by no means the end of this particular story, since, as Margaret Gowing also points out, Britain clung desperately to its position in the CDA as the only remaining element in its pre-MacMahon atomic collaboration with the United States, whilst the Americans, for their part, appear to have tolerated this because of the value which they placed on what they took to be Britain's singular ability to secure uranium which was located within the Commonwealth - "Britain ... was believed", records Margaret Gowing, "to hold the key to the Commonwealth".<sup>116</sup> And British influence in South Africa was, of course, regarded by the Americans as the most outstanding contribution which Britain could make to the efforts of the CDA in this regard.<sup>117</sup> Not surprisingly, therefore, even though Britain seems to have required no South African uranium herself before 1955, "Britain" nevertheless "regarded South African uranium as her trump card"<sup>118</sup> in her atomic dealings with the United States government in the immediate post-war decade.

Furthermore, though the CDA-sponsored prospecting for uranium was beginning to expand world output in the early 1950s, demand (especially from the USA) was increasing even faster.<sup>119</sup> Simultaneously, Congo production was fading rapidly<sup>120</sup> and the result was that by the mid-1950s South Africa's burgeoning output was placing the Union in an extremely strong supplier position (App. B, Table 39), a circumstance which had been in prospect for some years. Now, although Margaret Gowing's official history is of no use to us after this point, it seems clear that Britain's own demand for crude uranium must have been increasing in the mid-1950s; the military and civil developments in atomic energy concerning which there was such enthusiasm at this time and which have already been documented, ensure that this must have been the case. Therefore, though by 1955 the value of South Africa's uranium to Britain as an offering to the Americans may have disappeared (the gilded box had, after all, long been

opened and the gifts dispensed), it seems probable that it was by now becoming valuable to Britain's atomic programme in its own right, albeit still via the CDA mechanism (an important proviso, as we shall have occasion to discuss in Chapter III). In 1957, at any rate, Harold Macmillan acknowledged in the House of Commons that during the course of that year "much the greater part of the Authority's supplies will have been secured from South Africa".<sup>121</sup>

If this evidence suggests, therefore, that, for one reason or another, the British government was extremely reliant on South Africa's uranium for most of the post-war period up to at least 1956-57, further evidence suggests that this rapidly ceased to be the case thereafter. This was a result of a decline in British demand for uranium, on the one hand, and of a mounting world surplus on the other. How did this come about? Was this not an extremely rapid reversal, especially in the case of British demand? The fact is that the late 1950s witnessed a significant deterioration in the economics of atomic energy vis-a-vis fossil fuel energy,<sup>122</sup> and as early as 1958 it was announced that Britain's atomic power station programme was being slowed down.<sup>123</sup> The mounting capital costs of atomic power, on the one hand, together with the rising availability of cheap imported oil and the increasing efficiency of coal-fired power stations, on the other, combined, in fact, to signally deflate the earlier optimism which had attended nuclear energy and it did not re-emerge until at least 1965.<sup>124</sup> As a result, there was a substantial downward revision in estimates of future uranium requirements. Though it is difficult to establish, it also seems likely that by 1960 Britain also had sufficient uranium to meet the small demands of its nuclear defence policy.<sup>125</sup> Significantly, in 1962 it was announced that Britain's own uranium enrichment plant at Capenhurst would cease production of high-enriched material for military purposes, and reduce the production of slightly enriched material for civil use to the minimum level required to maintain gaseous diffusion technology.<sup>126</sup>

If British demand for uranium had thus begun to tail off sharply after 1958 and remain minimal until at least the middle of the following decade, the difficulty for the suppliers of this material - not least among them South Africa - was compounded by the rapid increase in world uranium production which occurred simultaneously. As early as 1956, the first signs that the CDA-sponsored search for uranium was finishing the seller's

market which had prevailed hitherto had begun to appear.<sup>127</sup> In the early part of the year a surplus of enriched uranium appeared for the first time in the USA,<sup>128</sup> the UK Atomic Energy Authority dispensed with the monopsony shield of the CDA to conclude its first direct uranium contract,<sup>129</sup> and in its Second Annual Report the UKAEA announced that discoveries of uranium on the North American continent had been so great during the last year "that they have removed the danger of a world-wide shortage ... As the world supply position grows easier", it continued, "more attention has to be paid to the relative cost of production from new deposits: there is no question of paying almost any price for uranium".<sup>130</sup>

As this trend towards surplus continued, its effects began to be felt in South Africa, as in other producer countries. Thus, in the autumn of 1957 the CDA refused to take uranium from a potential new source in the Union - an action which could, observed the Economist, "mark an important step towards a buyer's market".<sup>131</sup> And in May 1958 the CDA actually negotiated a ceiling in its joint purchases from South Africa, as well as permitting, for the first time, the private disposal of any surplus produced over this amount by the Union's mines.<sup>132</sup> Finally, this year also witnessed the amendment of the MacMahon Act in favour of the United Kingdom and, by marking the beginning of a new era of nuclear cooperation between Britain and the United States, almost certainly further eroded any remaining British dependence on South African uranium.<sup>133</sup>

The net result of these two developments which began early in the second half of the 1950s - the contraction in British demand for uranium, together with the mounting world surplus - was, of course, to produce an entirely new situation in Britain's uranium supply relations with South Africa for the remainder of the 1951-1964 period. Thus, whilst the early and mid-1950s had seen the height of the Union's influence over the United Kingdom government from this source, the subsequent years witnessed a complete reversal of fortune. In what had by now become a pronounced buyer's market, Britain (along with other major consumers, notably the United States) now held the whip hand. It is thus not surprising that in the late 1950s, with both Britain and America embarrassed by huge stockpiles of uranium<sup>134</sup> and chafing at their continuing obligation to the high-priced ten-year contracts of the earlier shortage years, it was decided to re-negotiate many of these contracts on a 'stretch-out' basis.<sup>135</sup> In 1960 it was South Africa's turn. Negotiations began in February and when, in

January 1961, agreement was finally reached, it became clear that the 1950 CDA contract had been completely scrapped and that the UK Atomic Energy Authority and the US Atomic Energy Commission had entered into new and separate agreements with the South African government. In Britain's case, deferment of the delivery of 6,000 tons of uranium until 1967-70 was secured, together with more favourable pricing arrangements.<sup>136</sup> Early in 1963 a further deferment of South African uranium deliveries to the United Kingdom was announced:<sup>137</sup> the wheel had truly come full circle.

In looking at the extent to which Britain was import dependent on South African supplies, then, it remains finally for us to consider once more the question of gold. We have already investigated the degree to which South Africa's gold contribution was important to the Sterling Area's 'dollar gap' and its subsequent significance for the central reserves. When the London Gold Market re-opened in 1954, however, the Union immediately began to send the bulk of its remaining annual gold production to London. What was the significance of this development?

Until the outbreak of war in 1939, the London Gold Market had been the world's pre-eminent 'free' gold market. As a result, it had been of considerable importance to London's reputation as an international financial centre, as well as a useful contributor to the invisible earnings of the City. With the exception of a brief interlude at the end of 1946 and the first half of 1947,<sup>138</sup> however, it had remained shackled by wartime restrictions on sterling convertibility and, in addition, by an IMF request of July 1947 which was designed to prevent 'premium' trading in gold from threatening the par value of the dollar.<sup>139</sup> As one of the City's leading bullion merchants lamented in 1949: "This continued prohibition, superimposed on all the extended wartime restrictions still considered necessary for the protection of this country's economic position, effectively muzzled the London market and drove it back to the obscurity in which it had languished during the long war years".<sup>140</sup> As a result, though severe restrictions remained on sterling dealing against gold until convertibility was restored in 1958 and though a forward market was not permitted until March 1959, there was widespread relief in the City (and amongst bullion dealers in particular)<sup>141</sup> when, on March 22, 1954, following the disappearance of the free market premium, the London Gold Market was re-opened for trading in 'hard currencies' against gold.<sup>142</sup>



In no time at all, the London market was dominating the world trade, handling 85 per cent of fresh gold supplies coming onto the international free markets by 1955.<sup>143</sup> With obvious satisfaction, and not a little justification, Samuel Montagu & Co. were able to claim in early 1956 that the London Gold Market had "more than regained its pre-war eminence".<sup>144</sup> This position was retained for the duration of the 1951-1964 period. What had made such instant and sustained success possible?

Obviously, established skills and tradition were important factors<sup>145</sup> but these would have been of little account had it not been for the virtually simultaneous decision of the South African government to require the Union's gold producers to henceforward direct their entire output<sup>146</sup> to the SA Reserve Bank, which, in turn, stated its intention to make the fullest use of the re-opened London Gold Market.<sup>147</sup> This it did and, with the exception of a temporary change of policy in 1959-1960 (the significance of which will be considered later), continued to do so for the rest of the period.

Now, South Africa, as we already know, was the world's leading gold producer in 1954. It was, however, in precisely this same year that its annual output began the dramatic increase caused by production from the new mines in the Orange Free State. Whilst in 1954, therefore, its annual production was valued at 51.5 per cent of total non-communist world production, by 1960 it was equivalent to 63.5 per cent and by 1964 to 72.5 per cent. It is thus clear that the success of the London Gold Market was almost entirely a result of the South African government's decision to market almost all of its gold through London, at the expense, in particular, of New York. As a result, as we can see from Appendix B, Table 41, 75.2 per cent of all of London's gold came from South Africa in 1954, rising to almost 90 per cent by 1956 and, whilst it is true that Russian sales had become substantial by the turn of the decade and that the USA did, in fact, temporarily displace South Africa as chief supplier to the London Market in 1961, South African gold remained its mainstay. Supplies from the Soviet Union, after all, were known to depend on the state of the wheat harvest and thus to be uncertain,<sup>148</sup> whilst the American sales from reserves in the early 1960s were due to exceptional circumstances (see below) and thus not likely to be often repeated. Without South African gold, therefore, the London market would have been as nothing, a mere backwater in the international gold market. Wholly alive to this,

C. Gordon Tether, one of Britain's leading financial journalists, observed that "The predominant importance of South Africa in the world gold market made its reaction to the reopening of the London market especially important. In the event, that reaction constituted one of the most encouraging aspects of the freeing".<sup>149</sup>

It has already been recorded that the London Gold Market was important to Britain as a major source of financial prestige and as a useful contributor of invisible earnings.<sup>150</sup> The United Kingdom, however, had more cause than this - important though it was - to be thankful for South Africa's decision to re-channel its gold sales through London. For the SA Reserve Bank had also agreed to employ the Bank of England as agent for the disposal of its gold on the market and this, in effect, gave the British government almost absolute control over the day-by-day, hour-by-hour, supply of the world's key gold market.<sup>151</sup> The significance of this was that the Bank could, as a result, adjust the supply of the market to prevailing forces of demand and thus have a powerful weapon with which to defend the official dollar/gold parity of \$35 per troy ounce, a rate which was regarded by central bankers on both sides of the Atlantic as the lynchpin of the entire Bretton Woods system<sup>152</sup> and by successive incumbents of the White House as second only in honour to the memory of George Washington. And since, furthermore, the fate of the perennially weak pound was irrevocably linked to the Bretton Woods system, South Africa's decision not only undoubtedly strengthened the hand of the British government in its dealings with the US Treasury<sup>153</sup> but contributed to the ultimate strength of sterling itself. As the Midland Bank Review commented on the re-opening of the London Gold Market: "through the close association of the market price of gold with the dollar-pound exchange rate it has contributed, not only to stability in gold prices, but to the international status of sterling".<sup>154</sup>

Though the reserve currencies were never under serious pressure on the London Gold Market for the rest of the 1950s, it is certain that from the beginning enormous importance was attached to the ability of the Bank of England to control the disposal of South Africa's new-mined gold. Any major political uncertainty could precipitate a flight from the reserve currencies into gold, as the Korean War had recently demonstrated,<sup>155</sup> and such occurrences could not be predicted. Furthermore, by the late 1950s it was evident that flights into gold provoked by such

uncertainty would be the more serious as a result of diminishing confidence in the two main reserve currencies themselves. The American balance of payments began its prolonged deterioration after 1957 and produced a growing drain on US gold stocks<sup>156</sup> and, although the pound had, as we have seen, been made convertible in 1958, the British balance of payments was soon in difficulties again. With such a background, then, it is not surprising that the Congo crisis, which began in 1960, and the Cuban missiles of 1962, should have produced intense speculative pressure on the dollar on the London Gold Market, thus dramatising the Bank's role as defender of the Western exchange structure and the importance to that role of its agency for the disposal of South Africa's new mined gold. Whether South African cooperation could be relied upon at the critical moment, however, was another matter.<sup>157</sup>

At this point, therefore, it seems reasonable to suggest that, though Britain's imports from South Africa as a whole were relatively insignificant judged as a proportion of total imports, it is clear that they contained, in fact, items which were of enormous consequence for Britain's industry, its energy and defence policies, and for the Bank of England's financial role. Moreover, in the case of some of the commodities which were so critical in these respects, there were important elements of monopoly in the supply situation of South Africa. Here, then, was a substantial degree of British import dependence on South Africa. Was it in any sense neutralized by a reciprocal 'export dependence' on the United Kingdom?

On the face of it, this seems to be eminently likely. It has, after all, been early noted that Britain was by far South Africa's largest export market over the period, taking on average 28.7 per cent of its total non-gold exports (page 81 above). In most years this represented more than double that absorbed by South Africa's second largest market and was, moreover, slowly increasing during the period. When to this is added the fact that South Africa was very keen to sell the products of its growing manufacturing sector in sub-Saharan Africa (19.5 per cent of total non-gold exports in 1955),<sup>158</sup> its export dependence on Britain would seem to have been complete, for in the mid- and late 1950s at any rate well over 80 per cent of these exports were going to importers in what remained British colonies, principally the Federation of Rhodesia and Nyasaland, Tanganyika, Kenya and the Gold Coast.<sup>159</sup>

Exports (including gold) were also very important to the South African economy, being throughout the period equivalent to roughly one-quarter of GDP, as we have already seen. Moreover, with industrialization both raising the expectations of its inhabitants and requiring the services of increasingly sophisticated capital equipment, South Africa had developed a high propensity to import in the post-war period which, on more than one occasion, had brought it into acute balance of payments difficulties. Thus in 1948-49, 1953-54, 1957-58 and especially in 1960-61 (when the capital exodus was at its height) varying degrees of currency and import controls were required to hold the situation,<sup>160</sup> and hence the importance of exports was magnified. As a South African publication of quasi-official status remarked in 1960: "The country has become export-conscious".<sup>161</sup> What were South Africa's most important exports over the 1951-1964 period?

As we can see from Appendix B, Table 42, though manufactures (including chemicals and machinery and transport equipment) had come by 1960 to represent almost one-third of total non-gold exports (most of which, excluding diamonds, went to the British colonies in Africa, where South Africa claimed to have special marketing advantages),<sup>162</sup> South Africa remained principally an exporter of primary commodities to the developed Western economies - Britain, USA, France and, increasingly, Western Germany and Japan (App. B, Table 5). In 1960 these commodities consisted in the main of foodstuffs such as maize, fruit and vegetables, sugar and fish (21.3 per cent of total non-gold exports), wool (13 per cent), uranium (13.5 per cent), diamonds (8.6 per cent),<sup>163</sup> and non-ferrous ores and concentrates (4.6 per cent).

This is the conventional method of presenting South Africa's exports, that is to say, with each category calculated as a proportion of total merchandise exports, excluding gold. If gold is included, however, a very different picture emerges, as can be seen in the first instance from Appendix B, Table 26. Thus, in the same year (though 1960 was admittedly exceptional in the case of gold), gold exports amounted to 39.2 per cent of South Africa's total gold-included exports and was obviously the dominant export 'commodity'. Over the 1951-1964 period as a whole, it was equivalent to 35 per cent of total gold-included exports in an average year. Calculated on this basis, then, food exports in 1960 only came to 11.8 per cent (instead of 21.3), wool to 7.2 per cent (instead of 13), uranium to 7.5 per cent (instead of 13.5),

diamonds to 4.8 per cent (instead of 8.6), and non-ferrous ores and concentrates to 2.6 per cent (instead of 4.6). How important was Britain as a market for these commodities? Could South Africa have found alternative markets for them? In short, to what extent did the United Kingdom have the degree of real monopsony power over Pretoria that the broad figures of South Africa's market reliance would seem to suggest?

It is at once evident from Appendix B, Table 43, that, diamonds apart, South Africa was in no sense dependent upon metropolitan Britain (at least) as an export market for its increasingly important overseas sales of manufactured goods, which, as we have already noted, were directed mainly at sub-Saharan Africa. For its primary commodity exports, on the other hand, it is equally evident that Britain represented a market of enormous importance. In the case of foodstuffs (South Africa's second largest export after gold), Britain absorbed roughly two-thirds of South Africa's total exports in 1955 and probably not much less than this in 1960. Moreover, though it is true that there was a marked downward trend in the degree of this particular reliance on the British market over the period as a whole (from about three-quarters in 1952 to something under one-half in 1954), South African fruit and vegetables and South African sugar were still finding about three-quarters of their overseas markets in the United Kingdom in 1960. The picture in respect of non-ferrous ores and concentrates was roughly similar and though the reliance on the British market for purchases of South African wool was somewhat less, even in this department Britain was still taking almost one-fifth of South Africa's total exports at the end of the period. There are, moreover, additional reasons for believing that this gave Britain real monopsony power over these principal South African primary commodity exports and that, notwithstanding the decline in Britain's share of food and wool exports, this increased, if anything, over the period.

To begin with, though complaints had been voiced by South Africans in the late 1950s that Britain was doing little to prevent the dilution of commonwealth preference,<sup>164</sup> it seems clear from a survey of 1962 that they continued to receive significant trading privileges in Britain as a result of the operation of this system.<sup>165</sup> In this year over two-thirds of all of South Africa's exports to the British market received preference, with an average margin of 11.6 per cent. Taking non-prefer-

ential exports into account as well, this gave all South Africa's exports to the United Kingdom an average margin of preference of almost 8 per cent, which was just above the Commonwealth average.<sup>166</sup> South African foodstuffs were amongst those most generously treated. Thus fresh oranges and apples received seasonal and specific margins of about 5 per cent, maize 10 per cent, tinned apricots, pears and peaches 12 per cent and sugar about 15 per cent.<sup>167</sup> Not only, therefore, was the British market for certain South African exports relatively large, it was also relatively sheltered.

Next, though the market for primary commodities remained strong in the mid-1950s, with the result that South Africa would probably not have had major difficulty in finding alternative markets for its foodstuffs, wool and non-ferrous ores and concentrates, this no longer obtained after the end of 1957, as we have already on more than one occasion remarked. Indeed, from this time until near the end of the period, these South African primary commodity exports to Britain took place against a background of weakening international demand and growing surpluses. Non-ferrous ores were particularly affected by the termination of US stockpiling in 1957-58 whilst wool prices, as we have seen, were also being depressed by the challenge from synthetic fibres. And though, in the key year of 1960, food prices had fallen less rapidly than those of other primary commodities, they showed the largest declines in 1961. Particularly affected were course grains (notably maize), sugar (which saw the lowest free market prices for 25 years in 1961), and both deciduous and citrus fruit.<sup>168</sup> Against such an international background, therefore, it is not surprising that the Times Review of Industry should have observed in May, 1960, that: "At the moment at least, there do not appear to be any alternative markets where any loss of sales in the UK market could be made good .... Efforts have been made to enter the European market, but apart from citrus fruits, sales of South African products have not been big. Scandinavia is a possible alternative outlet", it continued, "but there is little likelihood that it could replace Britain".<sup>169</sup> In such circumstances, moreover, the Commonwealth preference obtained by South Africa in the British market made that market even more important.<sup>170</sup>

Finally, the difficulty which South Africa would have faced in securing alternative markets to Britain as a result of this development was com-

pounded by the appearance of other problems in the summer of 1960 in some of its hitherto expanding markets: first, in the Federation of Rhodesia and Nyasaland, where the Union was obliged to sign such an unfavourable trade pact<sup>171</sup> that the share of South Africa's total non-gold exports taken by the Federation shrank from 13.5 per cent in 1959 to only 8.2 per cent by 1963 (App. B, Table 5); second, in independent Africa and Asia, where the Sharpeville shootings provoked a trade boycott on South Africa which quickly gained significant, if not comprehensive, support.<sup>172</sup> Although it is true that the independent states of Africa, Asia and, indeed, the Middle East, took between them less than 6 per cent of South Africa's total non-gold exports in 1959-1960 and were not, in any case, likely purchasers of the kind of primary commodities which South Africa exported to Britain, their action and especially their attempts at the United Nations to press South Africa's leading Western trading partners into following suit, together with the unfavourable developments in trade with the Federation, clearly worsened a situation which had already been rendered unpropitious for South African exports by the depressed international commodity markets.

All things considered then, it seems fair to conclude that, although South Africa was making some limited progress in finding new markets, especially in Japan (App. B, Table 5), the attractions of the British market together with the general difficulties of the international situation facing South African commodity exports after 1957, made Pretoria at least as dependent on Britain in this department at the end of the period as it was at the beginning (when the United Kingdom was absorbing a higher proportion of the Union's exports of foodstuffs and wool), if not moreso. Furthermore, this dependence was clearly considerable. What was the situation with regard to South Africa's more specialized exports to Britain? Let us look first at uranium. It will quickly be apparent that the situation here was, in fact, very similar.

To begin with, as we have seen, exports of uranium rapidly assumed considerable importance in the ranks of South Africa's major export commodities, accounting for 7.5 per cent of gold-included exports in 1960 (more than wool). Uranium production also constituted a priceless lifeline to many of South Africa's marginal gold mines, which were constantly being squeezed between rising costs and the officially fixed price for

gold and, in addition, it is evident that a domestic uranium industry developed in close cooperation with the atomic agencies of Britain and America was essential to the South African government's own nuclear plans for the future.<sup>173</sup>

It is impossible, of course, to discover in just what proportion South Africa's annual uranium output was absorbed by Britain during this period but what we do know is that until 1958 the Union was contractually obliged to sell its entire production to the explicitly monopsonist Combined Development Agency. Moreover, it was only released from this arrangement in 1958 as a result of a developing world surplus of uranium which made the subsequent search for alternative markets almost hopeless in any case. Even in the early shortage years, therefore, South Africa was bound to sell its uranium to a closed and secretive inter-governmental agency which left it no say in the ultimate destination of its production. In particular, it is unthinkable that the Nationalist government could have successfully insisted on selling its uranium exclusively to the US government since American concurrence in such an arrangements would have contradicted the whole rationale of the CDA and made Britain's position in that organization untenable. Britain's departure, furthermore, would not, as we have seen, have suited America's purpose. Finally, the monopsony power of the CDA itself over South Africa was reinforced by the fact that, outside the Soviet Bloc, only Britain and the USA possessed the capacity for large-scale enrichment, without which uranium oxide was useless in its major military and civil applications. In short, British/CDA monopsony power over South Africa in the purchase of uranium was more or less complete throughout the whole period and, given the importance attached by the Nationalist government to the development of its uranium industry, it is likely that this amounted to a substantial increment of South African export dependence upon Britain. Was South Africa equally dependent upon Britain for the marketing of its gold?

It is clear from Appendix B, Table 44, that in the early 1950s South Africa did not send to Britain much more gold than was required to offset its regular commercial deficit with the Sterling Area and, with the London Gold Market operating under war-time restrictions until March 1954, found it advantageous to send gold direct to New York in settlement of its dollar deficit and market the remainder on the world's 'free markets',



where, after the scare created by the outbreak of war in Korea, it was able to obtain a substantial premium over the official price and where operations were much easier after the softening in the IMF's attitude towards such dealings which occurred in late 1951.<sup>174</sup> Already by 1952, however, the free markets were less buoyant and by 1954 the free market premium had disappeared altogether. Indeed, it was this fact which, as we have seen, made possible the re-opening of the London Gold Market in March of that year, an event which was swiftly followed by the re-direction of almost the entire output of South Africa's gold mines to London until 1959 (App. B, Table 44). How important, then, was the London Gold Market to South Africa's gold marketing policy?

It is probably fair to say that the very fact which made possible the re-opening of the London Gold Market - the disappearance of the free market premium - made London an especially valuable entrepot for South Africa, for the loss of the premium constituted a double blow to the profitability of the Union's gold mines: first, in the direct sense that forty per cent of annual production could no longer be sold for more than \$35 per troy ounce; second and indirectly, because it effectively finished off earlier optimism that a high free market premium might force the US government to countenance an increase in the official price.<sup>175</sup> With production costs rising, therefore, this development clearly meant that the special rates offered for bullion shipments from the Union to the United Kingdom by the Union-Castle Line, the low insurance premiums available in London, and the traditional expertise of the London bullion houses, had become particularly important to South Africa's gold-mining industry. In short, London was the cheapest and most convenient entrepot at a time when such things had to be weighed very seriously. With little excitement in the free markets until the end of the decade, therefore, it seems reasonable to conclude that access to the London Gold Market was valuable to South Africa; that it was not indispensable, however, is confirmed by the events from 1959 to 1961.

In early 1959, for reasons which were probably initially rooted in renewed Afrikaner economic nationalism coupled with a desire to undermine the official price of gold, rather than in immediate commercial considerations, the Union government announced its intention to allow the South African Reserve Bank to sell gold direct to private purchasers outside the Sterling Area if the price offered was better than that on

the London Gold Market.<sup>176</sup> By the end of the year, a local gold market was also taking shape.<sup>177</sup> The results of this new 'direct sales' policy, as it was called, can be clearly seen from App. B, Table 44, where it is revealed that in 1959 about 14 per cent of South Africa's net sales abroad by-passed London, rising to over 30 per cent in the following year - most of it air-freighted direct to Zurich.<sup>178</sup>

The success of the direct sales policy, especially in 1960, was clearly assisted by the exceptional upsurge in demand for gold in the second half of that year created as a result of the political uncertainties surrounding the Congo crisis together with the continuing American balance of payments deficit (see page 98 above). However, the air route to Zurich remained uncompetitive with the shipping service to London<sup>179</sup> and, with the subsequent stabilization of the free market price close to the earlier level and the American decision at the end of 1960 to start supporting the Bank of England in the London Gold Market, South Africa began to re-direct its gold sales to London in 1961. In that year only about 11 per cent of its net sales abroad by-passed London and by 1962 the London Gold Market was once more South Africa's exclusive outlet (App. B, Table 44). Nevertheless, South Africa had demonstrated that, although valuable, London was not indispensable to the marketing of its annual gold output and that, indeed, the by-passing of this market was far more damaging to Britain and, for that matter, its chief economic ally, the United States, than it was to the South African government and the gold-mining companies, as we shall see in Chapter IV.

Finally, then, what of South Africa's dependence on Britain as a market for its diamonds? Like nearly all other diamond-producing countries, South Africa's entire annual output was, of course, sent to the London diamond market via the selling organization of the Diamond Cartel, as we have already had occasion to note. It is well known, however, that the bulk of this production was destined for ultimate consumption in the United States.<sup>180</sup> Again, therefore, it is important to distinguish between Britain as a market and Britain as an entrepot for South Africa's exports and, as a market, Britain's monopsony power over South Africa's diamond sales was limited not only by its smallness in comparison to that of the USA but also by the fact that diamonds were the one major commodity exported by South Africa (gold excepted) which did not suffer from a significant slump in world demand at the end of

the 1950s.<sup>181</sup>

On the other hand, since the London diamond market was by far the most important in the entire world diamond trade and was, furthermore, controlled by the British-South African Diamond Cartel, any attempt by the Nationalist government to interfere with the marketing of South Africa's domestic production through this traditional channel would have represented a direct challenge to the principle upon which this enormously powerful organization reposed. As a result, it would have met with enormous resistance as well as suffering a commercial loss in its own right (see page 106 above) had it been ultimately successful. It seems likely, therefore, that this represented another significant South African entanglement in 'the British connection' throughout the period.

Further to this assessment of the economic flows from South Africa to Britain which has been made for the 1951-1964 period in the second part of this Section, then, it is possible to summarize the argument as follows. To begin with, as was earlier concluded, Britain was much more dependent upon its imports from South Africa than the broad figures of this particular bi-lateral relationship initially suggested. But in the second place, detailed examination of both the significance of, and the availability of alternative markets or entrepôts for, South Africa's principal exports to Britain indicates that the initial impression of very considerable South African export dependence upon the United Kingdom is substantially vindicated. This was especially true with regard to food-stuffs, uranium and, perhaps, diamonds and was, if anything, increasing over the period. Nevertheless, one rider of extreme significance must be attached to this second broad conclusion, for there is no doubt that South Africa's export dependence upon Britain was strongly off-set by the fact that, especially after 1958, the strengthening in demand for gold on the free markets made it feasible for South Africa to by-pass the London Gold Market. Moreover, gold, it cannot be emphasized too strongly, accounted for 35 per cent, on average, of South Africa's total exports over the period as a whole and for as much as 40 per cent in 1960 - a crucial year, as we shall see.

We have so far been considering only what Knorr calls the 'economic strength' dimension of Anglo-South African economic relationships over the 1951-1964

period but before all the different strands of this are pulled together, and before any final assessment can be made of the putative economic power relationship which obtained between the two countries on the two occasions during this period in which we are most interested, it is necessary, as was indicated at the beginning of this Chapter, to take into account the 'non-economic bases' of putative economic power possessed by Britain and South Africa respectively. It is to this question that attention will next be directed, followed by the final assessment (in which gold and foreign currency reserves will also be included) of putative economic power during the period of the Simonstown negotiations and the aftermath of the Sharpeville shootings.

## PART B.

### THE 'NON-ECONOMIC BASES' OF PUTATIVE ECONOMIC POWER

Knorr, it will be recalled, suggests that 'economic strength' can only be transformed into putative economic power if the states in question possess certain relevant non-economic attributes, in particular, the will to use such strength in diplomatic negotiation, the skill to exert it, and the reputation for its successful employment. Let us consider, first, the degree to which these were possessed by the British government on the occasions in question during the 1951-1964 period.

#### 1. The case of the British government.

"As is true of the resort to military strength", Knorr remarks, "government perceptions of the need for, or advantage of, bringing economic power to bear, depend crucially on the emergence of particular interstate situations",<sup>182</sup> and it is, of course, possible that what the British governments of these years held to be Britain's non-economic interests in South Africa, that is to say, concern for the High Commission Territories (South Africa's 'hostages'), security at the Cape and ties of 'kith and kin',<sup>183</sup> may well have eroded the will to employ any possible economic strength vis-a-vis the Nationalist party government for fear of the repercussions which this might have had on these other interests. This is an important consideration and, in terms of government perceptions, should not be summarily dismissed as involving self-evident rationalizations.

However, it seems more appropriate to consider these questions in the context of the predominantly political chapters to follow and they will, as a result, be postponed until then.

As far as the strictly conceived 'non-economic bases' of putative economic power (apropos Knorr) are concerned, it is at once apparent that the British government was, throughout the 1951-1964 period, proudly wanting in all of them. Though it is true that a Labour Chancellor (Stafford Cripps) had, for instance, threatened to refuse South Africa access to the London capital market in the early post-war years, this move had a strictly limited economic purpose (to extract more favourable gold sale arrangements out of the Union government - see page 95 above) and, in any case, a Conservative government - under successive ministries - held power in Britain for the duration of the period under review. For a variety of reasons, these ministries lacked the will, first of all, to apply any possible economic strength in their diplomatic dealings with the South African government and it will soon be apparent that, without implying any sort of economic reductionism, it is not altogether illuminating to describe some of the more important of them as 'non-economic'.

To begin with, it must naturally be recorded that, though the Conservative governments of these years were reluctantly coming to terms with the 'mixed economy', at any rate, they remained, by and large, ideologically committed to a minimum of state interference in economic affairs in general. This, indeed, was one of the most insistent themes of Tory economic policy from the return of the first post-war Conservative government at the end of 1951: that is to say, the 'dismantling' of war-imposed and Labour-encouraged 'collectivism' - the new Conservative economic 'freedom'.<sup>184</sup> When to this is added the fact, which we had occasion to note in Chapter I, that it was also their habit to defer to the Bank of England and to "judge policy in general according to the confidence it inspired abroad",<sup>185</sup> it is not surprising that there was little Tory stomach for politically-inspired 'meddling' with economic relationships with such an important trading partner as South Africa.

In his study of the foreign policy-making process in Britain, Wallace has, in fact, drawn explicit attention to the influence of what he calls "the dominant economic ideology of British policy-makers both before and

after World War II" in contributing to the unthinkability of allowing political considerations to interfere with the free working of the international market. Quoting the example of Treasury and ministerial opposition to Foreign Office and Board of Trade proposals "to expand British economic influence in the Balkans, as a counter to German economic and political penetration" in the immediate pre-war years on these grounds, he concludes that this attitude persisted into the post-war period with the result that "large areas of foreign economic policy were therefore taken as given: not closely linked with foreign policy because they were not seen as proper or as available instruments of foreign policy".<sup>186</sup>

Of course, in this respect the "dominant economic ideology" merely reinforced a long-standing feature of the 'style' of British foreign policy, which, as we saw in Chapter I, had nothing to do with any sort of economic ideology but merely with the fact that the British economy was, relatively, very heavily engaged in international trade and finance. As the British spokesman representing the Wilson government on the U.N. Committee on Sanctions against South Africa actually said: "the United Kingdom economy depended on maintaining an increasing volume of trade with all countries and on keeping all the channels of trade as free as possible. The interruption of one sector of trade", he continued, "might do cumulative damage to an economy geared to foreign markets and could be contemplated only in the gravest circumstances".<sup>187</sup> Furthermore, as we also saw in Chapter I, the refusal of the Conservatives to contemplate the intrusion of political considerations into international trading and financial relationships was stubbornly maintained despite rising diplomatic costs towards the end of the period.

If these reasons alone, then, were insufficient to erode the will of these Conservative governments to employ any possible economic strength vis-a-vis South Africa, the weight within the government party's ranks of businessmen and financiers in general,<sup>188</sup> and of those with personal economic stakes in the continuing prosperity of that country in particular, certainly was. This was especially true of the House of Lords.<sup>189</sup> Furthermore, beyond the Tory party in Parliament (though very closely connected with it, of course),<sup>190</sup> were the various powerful pro-South African business and financial lobbies.

Knorr, quite rightly, lays particular stress on the point that the will of a government to diplomatically utilize economic strength may be undermined by pressure from sectional interests which stand to lose from its exertion, though, as he also points out, this may be off-set by counter-pressure from those which stand to gain: the net result being determined by the respective political weight of the two groups.<sup>191</sup> He adds, however, that the disadvantaged groups (such as consumers in the case of a proposed import ban on a particular country supplying cheap goods) tend to start with a handicap since they are normally more diffuse and less conscious of the detrimental effects which the economic power-play will have on them.<sup>192</sup>

It is clear, however, that, in the case of Anglo-South African economic relations over the period in question, there would have been very few economic gainers from a breach in these relations (South Africa's principal exports to the United Kingdom not being in direct competition with domestically produced goods, for example) and that, on the other hand, the losers would have lost very heavily and were, furthermore, if not quasi-government agencies such as the U.K.A.E.A. and the Bank of England, those with the most intimate access to, and influence upon, the Conservative governments of these years; that is to say, the business and financial communities, acting either directly or through their representative groups.<sup>193</sup>

The full strength and ferocity of these sectional interests was naturally never revealed during the 1951-1964 period because it was never remotely likely that any Conservative government would attempt to exert economic pressure against South Africa, despite increasingly shrill demands for such action from leading Asian and African states over the question of apartheid. It did, however, become fully visible - and much better organized (especially through UKSATA, the United Kingdom-South Africa Trade Association)<sup>194</sup> - after the Labour party was returned to office in October 1964 on the basis of a programme which had included heavily qualified promises to take a tougher line towards South Africa.<sup>195</sup> The new Wilson government did, in fact, translate Macmillan's belated and, in any case, wholly disingenuous, partial arms ban on South Africa<sup>196</sup> into a total arms ban but since, after some initial fumbling over Buccaneer aircraft, it was agreed to honour existing contracts,<sup>197</sup> the new policy was not put to serious test until the end of 1967, when the South African

government began touting a new and particularly lengthy shopping list for arms in Britain. On this occasion, the pro-South African business lobby in the United Kingdom was especially active and clearly represented a major factor in the nearness to which the Cabinet came in lifting the embargo.<sup>198</sup> As the Chairman of UKSATA and of the Southern Africa Committee of the British National Export Council reported to his colleagues after the event, "I believe that the battle on the decision on the supply of arms was within an ace of being won".<sup>199</sup>

With the will to employ economic strength in their diplomatic dealings with the South African governments of these years, for all of these reasons, thus signally lacking, a consideration of the degree to which the British governments possessed the remaining 'non-economic bases' of putative economic power - to wit, skill in exerting economic strength and reputation for its successful employment - becomes strictly academic. It would thus be an exercise of extraordinary pedantry to measure the Britain of these years against the catalogue of administrative and social attributes which Knorr holds to be germane to the possession of skill in the exercise of economic strength<sup>200</sup> and then proceed to 'reputation'. Nevertheless, at the remaining risk of appearing to take a sledgehammer to crack a nut, the following observations seem briefly worth recording, partly because they assist in relating this Section to the points made in Chapter I and partly because they help in highlighting the contrast between the British and South African governments and social systems which are so relevant to this part of the argument.

Amongst the national attributes which Knorr lists as being relevant to the skill required for the diplomatic exploitation of economic strength are three in which Britain was clearly lacking during the 1951-1964 period: first, a high degree of bureaucratic co-ordination; second, a command economy; and third, easy manipulation of domestic opinion - in short, the typical attributes of a totalitarian, or quasi-totalitarian, society, with a wholly nationalized economy.

As far as the first point is concerned, Wallace has stressed the degree to which the activities of the economic ministries, on the one hand, and the foreign political ministries on the other, were 'compartmentalized' in Whitehall over the 1951-1964 period, as we saw in Chapter I, and



although on Beloff's evidence (see pages 63-64 above) things seemed to be changing in this respect in the later years of the period, this constituted rather evidence of the relative rise in economic priorities in British foreign policy at this time than of really significant improvement in inter-departmental co-ordination. As for the second attribute, though it is true that the British government was directly involved in the South African trade through the import of gold, it was only otherwise involved indirectly, that is to say, through public corporations, and one of the most significant of these in this context, the UKAEA, was, as we have seen, obliged to purchase its uranium from South Africa through an intermediary organization (the CDA) which was dominated by the United States government. Furthermore, as J.E. Spence points out, since South Africa was a member of the Sterling Area, Treasury permission was not required for the capital outflow.<sup>201</sup> Finally, as for the third attribute, it would be difficult indeed to hold that the British governments of these years could have easily persuaded a people just beginning to enjoy the fruits of post-war prosperity to bear the costs of economic warfare, especially since the theme of 'affluence' was of such electoral significance to the Tory party at this time.

In view of all this, therefore, it is hardly surprising that the British governments of this period had no reputation at all for the successful diplomatic exploitation of economic strength. As the Wilson government's Sanctions Committee spokesman also told his fellow members, "Except on the occasion of action taken by the League of Nations against Italy in 1935, and except as regards restrictions of a strategic character made necessary by considerations of national security, Britain had only interrupted trade in the past where her national survival was at stake".<sup>202</sup> Furthermore, in view of what actually happened on these occasions,<sup>203</sup> the least he could do was to remark (albeit at an earlier meeting) that "the United Kingdom's experience had given it cause to believe that what was termed 'economic warfare' had serious limitations".<sup>204</sup> Subsequent events with regard to Britain's relations with Southern Rhodesia proved this nothing if not prophetic.

## 2. The case of the South African government.

With the same rider attached to this part as that prefixing the treatment of the British government's 'non-economic bases' of putative economic power, that is to say, that the South African government's non-economic interests in the British connection (such as the security link, which may legitimately be held to have eroded its will to employ economic strength against the United Kingdom), will be dealt with in the following political chapters, we can now proceed to contrast the 'non-economic bases' of the South African government's putative economic power with those of the British over the 1951-1964 period. It will soon be apparent that the contrast was quite pronounced. What, first of all, then, of the will of the South African governments of these years to build up and then to exploit economic strength in its dealings with Britain?

To begin with, the Nationalist party government which achieved office in the Union in 1948 and was to remain in possession of it for the remainder of the period - under Malan, Strijdom and Verwoerd in succession - did not share the British Conservative party's ideological distaste for state intervention in the economy; quite the contrary, in fact. It has already been noted that it was the Nat-Lab 'Pact' government which, as early as 1928, was responsible for the creation of ISCOR, the state-owned steel corporation<sup>205</sup> but, as Horwitz indicates, this was only one of the earlier manifestations of the determination of the militant section of Afrikaans-speaking South African society, that is to say, of 'Afrikanerdom', to ensure that the market economy was firmly under the control of "the political factor". The initial and enduring reason for this is clear: it was to ensure that economic development under the prompting of purely market imperatives did not undermine Afrikaans culture and white supremacy in South Africa.<sup>206</sup> "With the political factor restored to parliamentary power in the 1948 General Election", as Horwitz records of the post-Smuts interlude, "Dr. Malan set his entirely Afrikaner Government to the complete realization of its objective - the unchallengeable, unalterable control of South African society in general and the South African economy in particular ...".<sup>207</sup>

This ideologically-inspired determination of the Afrikaner Nationalist party to control the South African economy was further encouraged, of course, because the very economic development which threatened to mix the races

was directed and exploited by the traditional twin enemies of Afrikanerdom, to wit, the British-based companies and the English-speaking section of the white population with which they were naturally most closely allied.<sup>208</sup> It is thus not surprising that what in this regard encouraged state intervention in the economy in general should also have provided a positive enthusiasm - certainly on the extreme wing of the Nationalist party - for the development of 'passive', if not 'active', economic strength vis-a-vis Britain. For the British connection, even under dominion status within the Commonwealth, still signified to the Nationalist party 'imperialist domination' - political and economic - and was regarded by it, as such, as an anathema to be cast off as rapidly as was electorally expedient (given the size of the English-speaking voting public) and as was militarily and diplomatically convenient.<sup>209</sup> In the event, as we shall see in Chapters III and IV, this was to be a rather lengthier process than was originally envisaged but, for the moment, it is only necessary to note that this repugnance towards the British connection (which, as is well known, had placed a number of subsequent Nationalist party leaders in Smuts' gaols during the second World War for pro-German sentiment) generated in full measure the first condition which Knorr suggests as necessary to the will to use economic strength, that is to say, "the disposition to favour an aggressive use of national power vis-a-vis foreign countries which act to frustrate the pursuit of 'national interests'".<sup>210</sup>

The drive towards an increased measure of economic self-sufficiency in general and especially towards reduced economic dependence upon Britain, which was the natural outcome of this feeling - a feeling which thus increased economic strength itself as well as making it more likely that it would be exerted - was, in fact, well under way long before it became a South African imperative under the mounting threat of Afro-Asian and, possibly, United Nations economic sanctions against South Africa (as a result of the apartheid policy) in the early 1960s. This was to be seen especially in the Nationalist government's encouragement of manufacturing industry in the 1950s (in order that imports might be replaced by domestic production)<sup>211</sup> but so too in the search for alternative trading partners to Britain (which, as we have seen earlier in this Chapter, had achieved a measure of success by the turn of the 1960s) and in such developments as the production of oil from coal.<sup>212</sup> Against the background of an economy which was held by certain sections of

Afrikaner economic opinion to be achieving self-sustaining growth, it was also to be seen in the ill-concealed satisfaction of this same body of opinion at the flight of portfolio capital from South Africa at the end of the 1950s and in the simultaneous appearance of demands for more indigenous share-holding in the British-dominated companies.<sup>213</sup> As the South African contributor to the Oxford symposium on the Sterling Area observed in 1959, "Growing national consciousness makes a course designed to diminish the country's dependence on Britain, to weaken the imperial connection, and to make it move more independently in financial matters and less as a member of a group, politically attractive in the existing climate of opinion".<sup>214</sup>

If the Nationalist party governments of the 1951-1964 period were thus determined to assert the supremacy of the political factor in the economy in general and given no disincentive to employ it against the British government as a result of its feelings about 'British imperialism', it becomes relevant to consider the extent to which the other characteristics of South African society measure up to the remaining dispositions which Knorr considers germane to the will to employ economic strength in diplomacy, amongst which is "the degree of national solidarity to which a government can appeal in the exercise or build-up of economic power".<sup>215</sup>

In view of the effects which Nationalist government policy was having - or threatening to have<sup>216</sup> - on the position of the hitherto dominant English-speaking section of South African society, and on the evidence of the reaction which it was provoking (the 'Torch Commando', for instance), it seems safe to conclude that the government in Pretoria might have had certain difficulties in this respect in the early and mid-1950s. At this time, moreover, the legislative and para-military apparatus for ensuring 'solidarity' amongst the 'non-white' population was not as advanced, or as comprehensive, as it was subsequently to become.<sup>217</sup> By the late 1950s and especially in the early 1960s, however, this position had significantly altered.

By this time, it is clear that the English-speaking population of South Africa had, by and large, reached a stage of accommodation with the Nationalist government, if not with 'Afrikanerdom' as such. This was

certainly true of most sections of the business community<sup>218</sup> and even its political representatives in the United Party seemed to be finding it increasingly difficult to differ with the government in the area of foreign policy, at any rate.<sup>219</sup> Indeed, as foreign condemnation of the Nationalist government's apartheid policy became more ferocious at the beginning of the 1960s, as 'non-white' unrest continued to simmer and occasionally explode, and as events such as those in the Congo served to confirm white prejudice in South Africa concerning the consequences of black political power, it became apparent that there was a closing of ranks - or at least a temporary marriage of convenience - between the two sections of the white community in South Africa. The appropriately termed 'white laager' was, in fact, consciously cultivated by Dr. Verwoerd,<sup>220</sup> who, moreover, had held unquestioned authority within his own party since his replacement of Strijdom in 1958.<sup>221</sup>

The building of white solidarity in South Africa in the course of this period was also made easier, of course, by the increasing control which was being exercised by the government over the dissemination of ideas within the country. This was occurring in the press, despite the influence and resilience of the English-language newspapers, and particularly through the government's absolute control over the SA Broadcasting Company. Not surprisingly, the Nationalist government refused to countenance the introduction of television into South Africa.<sup>222</sup> Against such a background, it is the least which could have been said by the British spokesman on the UN Sanctions Committee, when he observed that "The psychological effects of sanctions should also be considered ...."<sup>223</sup> and for the same reason appropriate that Spence should have recorded, at the end of the period under review, that "the present government has had some success in creating in the minds of its supporters a conviction that extraordinary measures are justified to protect South Africa from internal subversion and external attack".<sup>224</sup>

In view of the foregoing argument, it follows - apropos Knorr's third will-sustaining disposition<sup>225</sup> - that there was, in the early 1960s at any rate, a strengthening in white backing for the Nationalist government's conduct of foreign policy.<sup>226</sup> If this was not clearly demonstrated as far as the English-speaking whites were concerned by the result of the referendum on the Republic in October 1960,<sup>227</sup> it became slowly more obvious after the new republic's departure from the Common-

wealth early in the following year<sup>228</sup> and in the increasing size of the poll for the Nationalist party in subsequent elections.<sup>229</sup> The support of the vast majority of Afrikaners for their government's lead in foreign policy was, of course, axiomatic, whilst the attitude of the 'non-white' population was, naturally, of no consequence.

Finally, then, as regards the will of the Nationalist governments of these years to build up and to employ economic strength in their diplomatic relations with the United Kingdom, what of the respective weights of the sectional interests in South Africa which stood to either gain or lose from such courses? For, as we saw in the case of the British government, the net product of political influence in terms of this equation can be a critical factor in the support or erosion of will in this regard.

This is a complex question in the South African context and is perhaps in any case not so consequential in comparison with the British government as a result of the well known predilection of the Nationalist party for the politics of ideology rather than for the politics of accommodation. Nevertheless, few authorities - even the most hostile - seem to hold that South African society was wholly in the thrall of a totalitarian regime during the 1951-1964 period and this question must, therefore, be tackled. It seems most sensible to divide the task by looking first at the sectional and, indeed, aggregate consequences of the build-up of 'passive' economic strength vis-a-vis Britain and then to give some indication of the most important of the likely sectional reactions to its actualization in an encounter with the British government from such a base.<sup>230</sup>

As we have already for the most part noted, the search for alternative foreign sources and the mobilization of more domestic capital, the diversification of trading patterns and the development of local manufacturing industry, were all part of the process by which the Nationalist governments of these years sought to develop passive economic strength vis-a-vis the world in general and the British economy in particular, though this, of course, was by no means the only motive for these various courses of action.<sup>231</sup> Now in all of these developments it seems clear that the groups within South African society which stood to

gain most were also those with most political influence on the Nationalist government, that is to say, the rising sectors of Afrikaner economic enterprise<sup>232</sup> and the swelling ranks of white voters in the growing state and semi-state corporations.<sup>233</sup> For it was precisely in the alteration of existing economic patterns and thus in the provision of new opportunities that it was most easy for the previously excluded Afrikaner to break into the hitherto English-dominated sectors of government administration, commerce, industry, finance, and even, ultimately, mining itself.<sup>234</sup> It can be assumed that farmers, too, of great political significance to the Nationalist party, as we shall have occasion to further discuss, were not averse to finding other export markets to Britain, though it is true that they were happy with the preference with which they were endowed in that particular sphere.

On the other hand, of course, the groups most likely to lose as a result of these developments - to the extent that there would be sectional losses - were those of the traditionally English- and Jewish-dominated business world (the 'Hoggenheimer' complex), which were least liked by the Nationalist party and whose opinions, therefore, could be expected to carry least weight with it. In this connection, the Chamber of Mines had always complained that the tariff protection of South Africa's 'infant' manufacturing industry was damaging to its interests since it indirectly increased the costs of gold-mining.<sup>235</sup>

Having said this, however, it is apparent that the English-speaking business community in South Africa had quite a lot to gain from the remainder of these policies themselves. They, too, were interested in getting as much capital as possible for domestic expansion and in the early 1950s - the period of massive investment in the new Orange Free State goldfields and in uranium plants, as well as in manufacturing - Britain was clearly unable to provide all that was required. They, too, were interested in expanding export markets in all parts of the world. Why should they not have been?

Finally, in this connection, the aggregate costs imposed by the build-up of passive economic strength can be briefly mentioned. To the extent that these resulted from the tariff protection of domestic manufacturing,<sup>236</sup> they do not seem to have impressed themselves particularly strongly on

the white voting population of South Africa and especially not on its politically most significant Afrikaner component. Indeed the latter group was being told with mounting pride by its economic leaders throughout the 1950s and early 1960s of the steady growth in its incomes relative to those of the English-speaking whites.<sup>237</sup> How (probably) apposite to this situation, therefore, is Knorr's observation that "slanted information and evaluation may prove effective as the policy in question is being carried out because the distribution of the accruing costs is diffuse or because the country concerned is experiencing rapid growth which, though in fact less than it would have been without the cultivation of economic power, may be attributed to it".<sup>238</sup>

If the economic consequences of the build-up of passive economic strength vis-a-vis Britain for South Africa's most significant sectional interests do not seem to have been such as to deter the Nationalist government from following this course - but rather the reverse - what of the significance in this regard of sectional reactions to government actualization of this strength (assuming it had an active component as well) in its diplomatic dealings with the British government? This question will be considered in the light of possible Nationalist moves rather than on the totally unrealistic supposition of a complete severance of economic relations between the two countries.

On the further assumption that the South African government possessed a measure of putative economic power vis-a-vis the British government in varying degrees during the 1951-1964 period (a point which has yet to be concluded), then, its actualization would have been most likely to involve the use of gold: partly because this was overwhelmingly South Africa's largest export to Britain, as we have seen, and partly because its disposal was, as we shall see later, one of the easiest to manipulate. The attitude of the gold-mining companies, however, was hardly likely to have deterred the Nationalist government from employing this weapon.

If, on the one hand, the companies had opposed interference with the disposal of output through the London Gold Market in general, and via



the agency of the Bank of England in particular, this would have been of little consequence since, as we have already seen, they were not a part of the Nationalist government's political constituency. Moreover, if their opposition had been taken to any length, they would merely have invited the wholesale nationalization of their assets which the extreme wing of the Nationalist party had so long desired.<sup>239</sup> If, on the other hand, they had supported such a move or simply remained neutral, so much the better for the government's singlemindedness of purpose at the critical moment and there is every reason to suppose that the latter attitude (that is to say, of neutrality, at the least) was the one which was in fact adopted by the gold-mining companies. Why should this have been so?

The answer resides simply in the fact that both the companies and the South African government had been pressing for an increase in the official price of gold ever since the end of the war but had been met by unwavering and conclusive resistance from the American administration and from the IMF, which was dominated by the United States. It was not long, therefore, before it became apparent to both the Nationalist government and the great Rand houses that only a weakening of the dollar itself could force the United States government into countenancing its de facto devaluation through an increase in the official price of gold. Disruption of the normal channels, as we shall see in Chapter IV, was well designed to do this if other circumstances were propitious, and political interference with the annual output of South Africa's gold mines thus served the interests of the Chamber of Mines as well as the Nationalist government. Having said this, however, it is perhaps true that this coincidence of interests was less apparent in the mid-1950s than it was in the later 1950s and early 1960s, for on the earlier occasion the free markets for gold were depressed and the economic advantages of gold marketing through London were thus more important to the ultimate profits of the companies. At this time, moreover, Afrikaner economic power within the Union did not represent such a strong countervailing force to the great Rand houses as it had become by the later years.

Against this apparent paradox of Rand support for, or at least neutrality in respect of, the actualization of economic strength through gold disposal by the Nationalist government, must be set the influence with-

in the Nationalist party of South Africa's farming community, for this was traditionally dominated by Afrikaners and constituted in fact the very roots of the Afrikaner nationalist movement.<sup>240</sup> South African farmers, moreover, were, as we established earlier in the present Chapter, particularly dependent upon the British market for their prosperity, the more so as a result of the protection which was afforded many of their products in this market by Commonwealth preference and which continued even after South Africa withdrew from the Commonwealth itself in 1961.<sup>241</sup> On the face of it, therefore, it would seem that the will of any Nationalist party government during this period to overtly and drastically exert economic pressure on Britain for diplomatic purposes (by blocking the repatriation of profits from British investments, for example) would have been substantially weakened by the fear of its repercussions on the heartland of its electoral support since, at the least, such a course of action would be likely to raise the spectre of a loss of preference for South African farming products in the British market. The potency of this consideration should not be underestimated but it is interesting to record the number of factors which probably allowed the Nationalist government to give it less weight than might at first be supposed.

In the first place, wool was quite an important agricultural export to Britain but this commodity was excluded from preference.<sup>242</sup> Secondly, sugar was produced extensively in Natal and this was hardly an area in which the Nationalists had few votes to lose in any case.<sup>243</sup> Thirdly, the whole burden of Afrikaner economic aspirations in the period under review was to reduce the dependence of the Afrikaner on agriculture and to move increasingly into commerce, finance, industry and mining, as we have seen. Fourthly, as a result of the progress of secondary industry in particular, agriculture provided a diminishing contribution to South Africa's gross domestic product, declining from 18 per cent in 1950 to only 10 per cent by 1965.<sup>244</sup> And finally, of course, the very fact that the 'platteland' farmer was the inspiration of Afrikanerdom at its most dogmatic and isolationist would have gone some considerable way to reconcile him to a government policy which, though contrary to his immediate economic interests, would have provided him with gratifications of a different order. As Knorr observes, "governments will receive support in the employment of economic power even

though no over-all economic gains, or even economic losses, are anticipated as long as compensating non-economic gains are expected and sufficiently appreciated".<sup>245</sup> Amongst the most salient of the "non-economic gains" which he mentions as possibilities in this connection is "the satisfaction of punishing a disloyal ally".<sup>246</sup> As in the case of the gold-mining companies, however, it must be added that the force of some of these qualifying points - with the particularly marked exception of the last one - was weaker in the earlier than in the later years of the 1951-1964 period.

It is apparent, nonetheless, that, looking at the period as a whole, the South African Nationalist government was backed in good measure by the dispositions required to confer on it the will, or the determination, to apply any possible economic strength which it might have vis-a-vis the British government should it have felt the diplomatic necessity for such a course of action. Did it similarly possess the skill required for its exercise and the reputation for its successful exploitation in earlier, or other, encounters?

There really can be little doubt that the Nationalist governments of these years possessed the necessary skill to transform economic strength into putative economic power. To begin with, it was rapidly achieving (for reasons which we have already noted) a substantial measure of direct and indirect political control over the economy. As Horwitz appositely remarks, "In propogandist or leftist description, the South African political economy is so identified with capitalist exploitation that the extent of nationalized enterprise tends to go unperceived. In fact", he stresses, "South African governments took possession of the 'commanding heights' of the economy long before the concept was born in British Labour Party pamphleteering enthusiasm".<sup>247</sup> Indeed, the disposal of two of South Africa's most significant exports to Britain during the 1950s and early 1960s were under the absolute control of the government, uranium through the SA Atomic Energy Board (created by the Atomic Energy Act, 1948)<sup>248</sup> and gold through the SA Reserve Bank,<sup>249</sup> whilst, as we have seen, the government also had some influence within the 'Diamond Cartel' through its position in the Diamond Producers Association (see page 106 above).

It is clear, too, that the determination of 'Afrikanerdom' to break out

of its agricultural redoubt and challenge the English-speaking population by moving into the business world in all of its spheres had also produced within its ranks businessmen, economists, and administrators of considerable sophistication.<sup>250</sup> As we have already had occasion to record, one of the reasons for the English-dominated business community's readiness to co-operate with the Nationalist government was in fact the greater efficiency of its ministries compared with those of the previous Smuts regime.

As for co-ordination between the political and economic ministries which, as we noted in the case of the British government, is so important to skill in this connection, it seems likely that at least three factors rendered this greater in the South African case. Firstly, the government machine in South Africa was naturally smaller than that in Britain;<sup>251</sup> secondly, Eric Louw had had wide experience in both diplomatic and economic fields before he entered the Malan cabinet in 1948 as Minister for Economic Affairs, and when the Strijdom cabinet was formed at the end of 1954 he was given the portfolios of both Finance and External affairs (that is to say, during the final stages of the Simonstown negotiations) and, though he dropped the former in 1956, he retained the latter for the remainder of the period;<sup>252</sup> and thirdly, it seems safe to assume that any remaining failings of co-ordination were smoothed over by that notorious freemasonry of 'Afrikanerdom', the Broederbond, tighter-knit by all accounts than any Tory party-City-business combination in Britain.<sup>253</sup>

Finally, then, did the South African governments of these years have any reputation for seeking to exploit economic strength which might, accordingly, have induced British governments to make discrete diplomatic concessions in anticipation of further action of this kind and, indeed, on the assumption that earlier exercises had been successful, encourage South African governments themselves to retain this weapon in their diplomatic armoury? This is not an easy question to answer, partly because in so far as the post-Sharpeville period is concerned, any conclusion in this regard would be to pre-judge the subsequent analysis of what actually happened during the earlier negotiations over the Simonstown Agreements. In other words, it may be that a reputation for the successful employment of economic strength was acquired by the Nationalist government during the Simonstown negotiations which subsequently assisted it in its diplomatic dealings with the British government.

Such a consideration, however, will have to wait until the later Chapters. A number of points on this question can nevertheless still be made at this stage.

In the first place, if there is no evidence as yet to suggest that the Union government applied economic pressure on the British government to political ends during and immediately after the war, it is abundantly clear that - Smuts notwithstanding - it had achieved a marked reputation in the City of London by the later 1940s for being extremely 'unco-operative' with the rest of the Sterling Area in the manner of its dealings with the 'dollar pool'. Indeed, the whole history of the Union's war-time and immediate post-war relations with the Sterling Area demonstrated a highly developed indifference to being regarded as the odd man out, that is to say, as the richly-endowed member which demanded all the privileges of membership but was less inclined to incur any obligations in return. No perusal of the City press during these years can mistake this reputation's reality.

Now it is true that a reputation for tough dealing and an impatience with sentiment in the conduct of international economic relations is one thing; to employ such relations to political ends quite another. This, in fact, is illustrated by the British governments themselves of this period. On the other hand, it seems a reasonable supposition that if the anglophile Smuts had been prepared to countenance such an attitude (in such an important and sensitive matter as gold payments), then there may well have been apprehension in this regard in London when his control over the Union's gold output was replaced by that of the notoriously anglophobe Nationalist party in 1948. This, however, must remain supposition.

In any case, even if the Nationalist government inherited no reputation for 'active' economic power - and it is certainly true, too, that as the sanctions campaign began to mount against it from the beginning of the 1960s, the South African government had every reason to adopt a public posture similar in 'style' to that of the British government in the matter of 'mixing' business and politics - it is clear that as the 1950s progressed it began to put increasing energies into the cultivation of a reputation for 'passive' economic power. The government's own

Information Department played the leading role in this regard at this time but it was supplemented, if not outstripped, in the early 1960s by the lavishly private-funded activities of the South Africa Foundation. This, as Ruth First and her colleagues point out, was quickly to prove itself "one of the most effective propaganda organizations in the Western world".<sup>254</sup> How much is attributable to the efforts of this organization is an open question but the final report of the UN Committee on Sanctions in early 1965 certainly showed itself well appraised of the strength of the South African economy.

### PART C.

#### THE PUTATIVE ECONOMIC POWER RELATIONSHIP

Having considered in some detail both the economic and the non-economic bases of putative economic power possessed by the British and South African governments vis-a-vis each other over the 1951-1964 period in general, it is now necessary to draw all the various strands together and make a final assessment of the putative economic power relationship as a whole which obtained between them at the two junctures in the period during which their political relations were put to most serious test and at which, as a result, any putative economic power is most likely to have been 'actualized'. This assessment must include, too, as was earlier indicated, a consideration of the liquid reserves which each country had at its disposal on these occasions and also some suggestion of the extent to which Britain's position as a 'world economic power', in contrast to South Africa, gave it an added edge over that country by placing the British government in a position to further or obstruct coveted South African economic ambitions in the international forum. For it will be recalled that the introductory pages of this Chapter suggested that the discrepancy between them in this regard reinforced the impression created by a cursory inspection of the broad relativities of their bilateral economic relations that, if there was putative economic power in the relationship between the two countries, then it seemed most likely that it would have been possessed by Britain.

# 1. Putative economic power during the Simonstown negotiations, 1954-1955.

Let us begin our summary and assessment of this question by looking at South Africa's economic stake in Britain at this time. How import- and how export-dependent was South Africa on Britain?

As a source of supply, it is clear that Britain was most important to South Africa on this occasion as a provider of arms and development capital, for in manufactures in general it is apparent that Britain had no monopoly whatsoever in the South African market. Equally clear, however, is the fact that, even in these departments, Britain was no longer as indispensable to South Africa as it had been in the earlier post-war years. As we have seen, competition in the international market for arms was already quite stiff by the mid-1950s and the Americans, in particular, had been edging strongly into Britain's position in the South African market since the first year of the decade. Furthermore, whilst the Nationalist government was clearly intent on building up its military establishment at this time, the urgency of its demand for foreign arms was then nothing like as strong as it was later to become since the security problem did not seem so acute. And, as for British capital, whilst it is true that this continued to possess a variety of advantages for South Africa (the plus sign in the balance of payments, for one thing) and whilst it was not at this stage even being claimed by Afrikaner economists that the country was self-sustaining in investment terms, nevertheless the financing of the new Orange Free State goldfield and the new uranium industry was more or less complete by this time and a continued inflow of British capital did not possess the political/psychological value to the Nationalist government which it was later to acquire. After all, despite mounting problems at the U.N., from India and one or two other countries, South Africa was not yet under the ferocious diplomatic assault which it was to encounter in the post-Sharpeville period. Furthermore, Britain had by this time substantially lost its monopoly supply position in regard to long-term investment capital for the Union, in the face of considerable inflows from the United States, France and Switzerland, not to mention the World Bank. In short, South Africa's 'import dependence' upon Britain during 1954-1955 was largely a statistical illusion. Was export dependence more of a reality?

In this case the question is more complex. Indeed, it has already been suggested that detailed examination of South Africa's economic flows to Britain seems to confirm the broad impression of considerable South African export dependence upon the United Kingdom's markets and entrepot centres throughout the 1951-1964 period. This was almost certainly the case, in fact, with regard to the Union's exports of diamonds during the period of the Simonstown negotiations as a result of the unchallengeable control which continued to be exerted at that time by the strongly British-influenced 'Diamond Cartel'. Furthermore, it is also true that this was the period of least activity and therefore least profit on the world's 'free' gold markets and thus the time when the ability to market gold through London was most valuable to the Union.

Having acknowledged this, however, there remained other 'free' gold markets and, though the profits would certainly have been lower, the Union had at least had plenty of recent experience in dealing with them. Moreover, whilst it is true that in the case of uranium the CDA mechanism would have made it difficult for the South African government to prevent Britain from the acquisition of its production in this regard during this period, the same mechanism would have made it difficult - if not impossible - for Britain to discriminate against South Africa. As for the Union's primary commodity exports to Britain - foodstuffs, wool and non-ferrous ores and concentrates - it is true that loss of the British market would also have meant the loss of a protected market for the first category but the last two did not enjoy preference and, in any case, demand was still quite buoyant for primary commodities in general on the international market at this time. As a result, the Union would probably not have experienced major difficulties in finding alternative markets for most of the products which fell within these groups. Finally, metropolitan Britain played no part in the Union's growing manufacturing exports trade and the vast bulk of this went to that part of its colonial empire in Africa - the Central African Federation - in which London's influence in matters of internal self-government was least strongly felt.

To sum up so far, then, Britain's monopoly supply position vis-a-vis South Africa at the time of the Simonstown negotiations was considerably eroded and, perhaps even more significant, clearly continuing on this course, whilst its monopsony position with regard to South Africa's exports and entrepot commodities was significant but by no means overwhelming.



Furthermore, the South African government attached less urgency to the acquisition of some of its supplies from Britain than it had hitherto, though it remained obviously anxious about its exports to the British market. What next, then, of Britain's stake in South Africa during these particular years?

There can be no question that Britain was in urgent demand of certain of its South African imports at this time. The significance of uranium imports must be seen against the background of extraordinary civil and military enthusiasm for atomic energy, whilst it is clear that the re-direction of the Union's surplus gold output through the London Gold Market was vital to the success of this key City institution (as well as to that of the Bank of England's managerial role in defence of the key currency exchange rates) when it re-opened in March 1954. Also urgent was Britain's demand for the Union's non-ferrous ores and concentrates, for 'strategic stockpiling' was still being conducted. Moreover, if not in the case of the last of these categories, then certainly in the first two, South Africa had some degree of monopoly power vis-a-vis the United Kingdom.

This was especially true, of course, in so far as its domination of non-communist world gold supply was concerned and it was obvious at the time that the new output from the Orange Free State fields was going to make this position even more explicit as the decade progressed. As can be seen from Appendix B, Table 26, it was in fact in 1954 that the take-off in this regard started. In the case of uranium, of course, as we have just noted, the situation is complicated by the fact that, though it was precisely in 1954-1955 that the Union's position in regard to world supply was so strong, its ability to discriminate against Britain was, on the fact of it at any rate, neutralized by the mechanism of the CDA. This is a question to which we shall return at the end of the following Chapter.

As for Britain's export dependence on the South African market, it is obvious to begin with that the Union had no monopsony power over the disposal of British goods (with the possible exception of certain kinds of mining equipment). This, however, as we have seen, is beside the point. For what made the South African market critical to the British government (if not to its exporters, though they had strong views on the matter too) - and this includes invisible earnings at the time as well -

was the gold with which the Union government covered its commercial deficit with the Sterling Area. And, as we know, it was at precisely the juncture at which the Simonstown negotiations occurred that the Union was coming to rival all of the Colonies put together as the major external prop of the Sterling Area's 'dollar pool' - and that, moreover, at the time when, after a narrowing of the 'dollar gap' in the early 1950s, it was re-emerging in dangerous form (App. B, Table 27). Finally, though hardly necessarily, it must be recalled once more that in the 1954-1955, between 7 and 8 per cent of Britain's total overseas assets were located in South Africa, making it the fourth largest host to British capital at that time (two thirds committed directly). The above average rate of return, moreover, made it the top overseas earner in 1954, producing almost 10 per cent of Britain's total overseas investment income.

Following this assessment, it is evident that both Britain and South Africa had an economic stake in its relations with the other which was of exceptional significance. Any attempt at an econometric calculation of the 'balance of economic strength' involved in these relations would, however, not only be impossible but beside the point. What matters for an explanation of events is that the governments in both countries, together with influential sections of opinion, recognized this mutual advantage and that each recognized, therefore, the ability of the other to inflict considerable economic damage upon it.

Clearly, it was the structure of the trading and financial relations between the two countries which rendered the apparent economic domination of the Union by Britain - emphasized at the beginning of this Chapter - an illusion at the time of the Simonstown negotiations. South Africa's exports to the United Kingdom might have been vastly in excess of the UK's exports to the Union relative to their respective total exports and just as important to its economy, that is to say, but this was dramatically off-set by two principal features of the bilateral economic relations between the two countries. Firstly, by the gold which Britain's share of the South African market earned for, and the lure of London brought to, the United Kingdom, for this was vital to the City, to the Bank of England and thus to the British government. Secondly, by the fact that Britain had massive assets locked in the Union whilst the reverse was not

true of South Africa. Furthermore, the situation with regard to liquid reserves also helped to economically strengthen the Union government vis-a-vis the British at this time, for whilst South Africa had pulled out of an external payments crisis by the middle of 1954 and managed to bring its reserves up to a higher point than at any end-year period since 1950 by the end of the year, exactly the reverse was happening in Britain. In the second half of 1954 the British balance of payments plunged into the red and continued in like manner into 1955. The consequence of this, of course, was that sterling came under serious pressure in February 1955 and again in the summer and the reserves, already held by the Treasury to be dangerously low (as we saw in Chapter I), fell even further.<sup>255</sup>

In circumstances such as these, therefore, where two countries have the economic strength to inflict significant harm on each other, or where economic strength is crudely 'balanced', the non-economic bases of putative economic power become especially decisive and the amenability of that strength to diplomatic leverage vital. If there was, therefore, no decisive difference between the British and South African governments in crude terms of economic strength at the time of the Simonstown negotiations, there certainly was in these other respects.

We have already seen that the British government of this period, as in the case of that in the later period, was wholly devoid of the will, substantially handicapped in terms of the skill, and manifestly possessed of a reputation which was quite the opposite of that which was required for the transformation of economic strength into putative economic power. Moreover, if there was ever any question about the will of the British government at this juncture, it would clearly have been definitively crushed by the importance of South African gold to the strength of sterling and position of the Sterling Area, for these, as we saw in Chapter I, were considered matters of 'high policy' at this time. On the other hand, of course, it can admittedly be argued that the Nationalist government in Pretoria was not over-well endowed with the non-economic bases of putative economic power at this particular juncture either.

It is certainly true that the Nationalist government was not in such

comprehensive possession of will-sustaining dispositions at the time of the Simonstown negotiations as it was to become during the post-Sharpeville period. As we have noted above, the great Rand houses had less incentive to endorse political interference with gold sales through London in the quiet free market conditions of 1954-1955 and probably possessed more political weight at that time. Farm products were also then more important to the Union's economy and the Afrikaner-dominated farming community more influential within the ranks of the Nationalist party. Moreover, to the discouraging influence of important sectional 'losers' following a serious economic power play with the British government, must be added the considerations that there was, at this time, far less solidarity within the white community and little bipartisan support for foreign policy.

On the other hand, there is no reason to suppose that the Nationalist government lacked the skill to exert economic strength at this time, as we have seen, especially since gold and uranium were already directly under its control and since the former, in particular, was so amenable to manipulation. Furthermore, apropos reputation, it can safely be assumed that memories were still extremely fresh in Britain of the Union government's extremely unco-operative attitude towards the Sterling Area's dollar pooling in the war and post-war periods. And, if the will of the Nationalist government to transform economic strength vis-a-vis Britain into putative economic power was not encouraged as a result of the absence of the dispositions noted immediately above, the key disposition was then present, explicit and conclusive. That, of course, was the Nationalist government's determination to subordinate the South African economy in general to 'the political factor' and to break free from 'British imperialism' in particular. Moreover, though he was not directly involved in the Simonstown negotiations, the arrival of Eric Louw at the Ministry of External Affairs in early 1955 signified a new assertiveness in South African foreign policy in general (see Chapter III below).

On the face of it, therefore, South Africa's superiority in the possession of the non-economic bases of putative economic power gave it a significant edge over the British government in terms of putative economic power in general. Before a definitive conclusion in this regard can be reached, however, it is necessary, finally, to consider the significance in this complex equation of Britain's position vis-a-vis the South African

government as a 'world economic power'. Perhaps, after all, British influence in the inter-governmental economic councils of the Western world - where issues of crucial significance to South Africa were decided - was so great as to give the British government an increment of economic strength over the Union so considerable that fear of its discrete exertion against its interests might have effectively neutralized any ability to 'actualize' the superior putative economic power which was possessed by the Nationalist government over Britain as a result of the nature of their bi-lateral economic relations. That this was not in fact the case, however, can be demonstrated most effectively by the British government's policy towards, and degree of success with regard to, the question of the official price of gold.

It has already been indicated that the Union government and the gold-mining companies had been united in calling for an increase in the official price of \$35 per troy ounce since the end of the war. The Attlee government in Britain had, nevertheless, refused to lend its support to the South African government in this matter (though the Treasury was well aware that war-time inflation had reduced the purchasing power of new-mined gold at the official price to only one-third of what it had been in 1938)<sup>256</sup> and resolutely endorsed the refusal of the United States administration to countenance any such move.<sup>257</sup> It was, however, a little remarked feature of the new Conservative administration to lose little time in reversing the Labour government's policy and throw its full weight behind the South African government's perennial demand for an increase in the official price at the regular meetings of the I.M.F.<sup>258</sup> The United States government, however, remained unimpressed and British pressure thus proved singularly unavailing. Accordingly, Britain's extremely limited usefulness to the South African government as a 'world economic power' in the international question which was most vital to the Union's interests was vividly demonstrated at the very time of the Simonstown negotiations. In the second half of the 1950s, the unmoveability of the US administration on this question had become so obvious that the British policy of support for an increase in the official price was quietly dropped and, by the early 1960s, clearly forgotten.<sup>259</sup>

It can safely be concluded, therefore, that, at the time of the Simonstown negotiations, the South African government possessed a significant margin of putative economic power over the British government: not because of

any superiority in terms of 'economic strength' but rather through the greater amenability of its strength to power purposes and its manifestly more explicit possession of the 'non-economic' bases of such power. The question of the Nationalist government's 'actualization' of this power will be the subject of the next Chapter but, first, let us see if the putative economic power relationship between the two countries had changed by the time of the 1960-1964 period.

## 2. Putative economic power during the Post-Sharpeville period, 1960-1964.

Taking South Africa's stake in Britain first, once more, it is in fact evident that certain changes had occurred in the years between the time of the Simonstown negotiations and the 1960-1964 period, though it seems unlikely that the net result produced a situation which was that much different.

On the import side, it is clear that South Africa's demand for foreign arms was more urgent during these years as a result of the substantially more hostile world which it had to face. On the other hand, even more foreign suppliers had by this time appeared on the horizon, amongst them France (where De Gaulle had his eye on South Africa's gold),<sup>260</sup> West Germany, Canada and Israel. Britain's monopoly position in this department was, as a result, quite destroyed. Paradoxically, however, the much more acute diplomatic isolation of the Nationalist government during the post-Sharpeville period probably made it more dependent upon British arms supplies at this time than during the Simonstown negotiations. Britain was still, after all, the second ranked NATO power and the continuation of these supplies appeared to lend substance to the South African claim to be intimately - if not formally - linked with the Western security system (see Chapter III below). As for the net capital inflow from Britain, the size of the existing commitment of direct investment and the growth in domestic savings had rendered the principal significance of this its political demonstration of Britain's faith in the stability of the South African system; unfortunately for the Nationalist government, however, the net capital inflow had become a continuous net capital exodus since 1959. By the beginning of the 1960s, therefore, South Africa had learned to live without a large and regular inflow of British capital.<sup>261</sup>

On balance, therefore, South Africa's 'import dependence' upon Britain during the post-Sharpeville period was certainly no greater than it had been during the Simonstown negotiations and the degree on that occasion was, as we have seen, hardly large.

The most marked change, however, appeared to have occurred in the degree of South Africa's export dependence upon Britain, which, as we saw, was quite significant in the 1954-1955 period. If anything, this appeared to have increased significantly. Primary commodity markets were by the post-Sharpeville period badly depressed, foodstuffs being no exception.

Furthermore, the difficulties which South Africa's exports were by now facing in the Central African Federation and in other parts of the world as a result of the boycott movement did not help the search for alternative markets. Perhaps the richest irony of all, however, was that, if South Africa had been released from its contractual obligation to market all of its uranium through the CDA in 1958, the more powerful potential economic leverage with which this new freedom provided it with vis-a-vis the British government was totally negated by a collapse in the world uranium market at the end of the 1950s, the early portents of which had, of course, been responsible for providing it with marketing freedom in the first place. Thus was South Africa now quite dependent for a much larger proportion of its total exports upon the British market, as the 'stretch-out' agreements of the early 1960s eloquently demonstrated.

On the other hand, against the background of the dramatic increase in the Union's annual gold production figures over the 1950s, this commodity had increased as a proportion of South Africa's total exports from 32 per cent in 1954 to almost 40 per cent by 1960 and, as we have seen, the early 1960s witnessed a renewed upsurge in demand for gold on the world's free markets - not least on that in London. This made it economically feasible for South Africa to sell its gold on other markets. It is perhaps fair to conclude, therefore, that South Africa's export dependence upon Britain was considerable in the post-Sharpeville period, although as a result of the changed conditions in the gold market, by no means as total as the other developments would seem to suggest.

If South Africa's economic stake in the British connection during the post-Sharpeville period was thus centred principally upon the symbolic import-

ance of continued arms supplies and upon Britain's greater monopsony power with regard to its primary commodity exports (including uranium), what had happened to Britain's economic stake in South Africa since the time of the Simonstown negotiations?

It must be at once recorded that the fears of the early and mid-1950s with regard to shortages in such strategic commodities as uranium, non-ferrous ores and concentrates and even industrial diamonds, had all but gone by the early 1960s. Hence a key feature of Britain's import dependence on South Africa during the Simonstown negotiations had disappeared by the post-Sharpeville period; however, another had been considerably magnified. For it was becoming more and more important to the British government that London be used as the exclusive entrepot for South Africa's annual gold sales: first, because South Africa's proportion of total non-communist world gold production had increased from 51.5 per cent in 1954 to 63.5 per cent by 1960 and then to 72.5 per cent by 1964 and because the profits and prestige of the London Gold Market were, therefore, increasingly tied to it; second, because it was in the early 1960s (1960 itself, in fact) that the reserve currencies were first coming under serious pressure on the London Gold Market and when, therefore, the Bank of England most needed its day-to-day control over the release of South African gold deliveries. In view of the importance attached by the British government to its relations with the United States at this time, the latter point is the key to an understanding of the real nature of what might otherwise be considered a reduction in Britain's overall import dependence on South Africa during the post-Sharpeville years. What finally, then, of the importance of the South African market to Britain at this juncture?

If South Africa's export dependence upon Britain had increased since the Simonstown negotiations, this was even more true of Britain's export dependence upon South Africa. By the early 1960s, as we saw in Chapter I, the problem of Britain's declining share of world manufacturing exports had begun to weigh heavily on the minds of Britain's foreign policy-makers and the fortunes of Britain's exporters in the South African market were clearly symptomatic of this particularly worrying trend. As we have seen, Britain's share of the South African market declined from 35 per cent in 1954 to only 28.4 per cent in 1960. Moreover, though the 'dollar gap' had disappeared, the importance of holding the



central reserves largely in gold was still considered great by the Treasury and it is clear that by this time South Africa had become the only significant external prop of the Sterling Area's central reserves. British interest in the South African market was thus just as great as it had been in the earlier period and anxiety over it considerably greater. With a large proportion of profits being re-invested, the size of Britain's hostage assets in South Africa had also grown larger.

It is thus clear that gold, together with the hostage investment assets - but above all gold - were the great equalizers as far as the crude balance of economic strength between the British and South African governments was concerned in the post-Sharpeville period. If South Africa could not brandish its uranium reserves with any credibility in the faces of British defence ministers and UKAEA officials during these years (assuming even that it could have done so in the earlier ones), the increased sharpness of the gold weapon was more than compensation for this development, and the investment stock just kept growing in the background. Once again, moreover, the South African government was strengthened vis-a-vis Britain by the condition of their respective liquid reserves, as a comparison between Tables 31 and 33 in Appendix B makes clear, bearing in mind the fact that Britain's reserve position in 1960 was most precariously poised on the 'hot money' inflow generated by the relatively high interest rates prevailing in London against the background of fundamental external payments weakness. That the Nationalist government was aware of the importance of strong reserves and, as the world's leading gold producer, had the ability to build them up,<sup>262</sup> is amply demonstrated by the figures in Table 33. Between January 1960 (which was by no means an abnormal month in this respect) and January 1964, the SA Reserve Bank had increased its holdings of gold bullion by just over two-and-a-half times.

During the post-Sharpeville period, therefore, there was once more a crude balance of economic strength between Britain and South Africa, though its nature was somewhat different from that of the earlier period. Once more, therefore, it was clearly in the non-economic bases of putative economic power that the decisive factor in this regard had to reside. And it is even more clear that on this occasion the overwhelming advantage lay with the Nationalist government in Pretoria.

As will be evident by now, the Nationalist government had behind it on this occasion all of the will-sustaining dispositions, it had retained the skill for exercising economic strength if not increased it, and it was rapidly acquiring the reputation for 'passive' if not necessarily 'active', economic power. The white community, in particular, was much more solidly behind it at this time and the balance of sectional interests was more in its favour. The British government, on the other hand, found itself confirmed even more firmly in its tradesman's posture in foreign policy at this time by a pattern of increasingly problematical and absorbing external payments problems. Not surprisingly, therefore, the margin of putative economic power which was possessed by the Nationalist government over that under Macmillan in London was even greater on this occasion than it had been over the administration of Churchill/Eden in the years of the negotiations which led up to the signing of the Simonstown Agreements.

Why should the Nationalist governments of these periods have wanted to 'actualize' this putative economic power over Britain? Did they in fact do so and, if so, how? Could other interests account for the pattern of political relations which obtained between the two countries at the junctures over the 1951-1964 period which are in question? These are the matters to which the following Chapters will be addressed.

Endnotes: Chapter II

1. S. Strange, Sterling and British Policy, (1971), pp.133-134.
2. South Africa's Stake in Britain, (June 1971). See also A. Maizels, 'Economic sanctions and South Africa's trade' in R. Segal (ed.), Sanctions Against South Africa, (1964), pp.121-124 for emphasis on South Africa's general dependence on trade during the 1950s and early 1960s.
3. D. Hobart Houghton, The South African Economy, (3rd. ed, 1973) Chp.6 and p.173.
4. Ibid. It is important to note, however, that in the gold-mining industry, in particular, South Africa was fast becoming self-sufficient in capital equipment, ibid., pp.172-173.
5. The Economist, Oct. 24, 1953.
6. Jo'burg Star, Nov. 30, 1955: 'Britain Falling Behind in SA Market'.
7. The Daily Telegraph, Apr. 26, 1957; see also Jo'burg Star Sept. 16, 1957.
8. Stockholm International Peace Research Institute, The Arms Trade with the Third World, (Stockholm, 1971), p.676.
9. Total UK major weapons exports to South Africa, 1950-59, were worth \$92m. (ibid., p.218). This is only a small over-estimate on Board of Trade figures (App. B, Table 12). From the SIPRI source we can also calculate that total South African imports of major weapons came to appr. \$130m. over the 1950s as a whole (\$13m. annually, ibid., p.675). Hence  $92/130=71\%$ .
10. Journal of the RUSI, Feb. 1952. See also Journal of the RUSI, Feb. 1953, where the conditions on which the Union was to receive US Mutual Defence Assistance are set out.
11. J. Stanley and M. Pearton, The International Trade in Arms, (1972), pp. 90-91.
12. J.E. Spence, The Strategic Significance of Southern Africa, (1970), p.16 and pp.22-23; D. Austin, Britain and South Africa, (1966) p.128ff; and SIPRI, op.cit., p.678.
13. According to J. Cope, South Africa, (2nd ed, 1967), pp.14-15, it was the Nat-Lab. government's desire to reduce South Africa's dependence on imported British steel which led it to create ISCOR, the state steel corporation, in 1928. On the general point, see also R. First et al, The South African Connection, (1972), p.35.
14. See also A.R. Conan, Capital Imports into Sterling Countries, (1960), p.15 and U.N., Economic Survey of Africa since 1950, (New York, 1959), p.226 and 230.
15. "South Africa, which was engaged on a tremendous development programme for its gold mines and manufacturing industry, would not have been in a financial position to develop simultaneously a major uranium industry", SA Year Book, 1957.
16. R. First et al, op.cit., p.25ff and U.N., Economic Survey of Africa since 1950, p.223 (the quotation is taken from the latter source).
17. This, of course, is a major theme of R. First et al, op.cit., see especially p.25.

18. E. Louw, 'The Role of Foreign Capital in the South African Economy', Finance and Trade Review, (Volkskas Ltd.), Vol.II, July/Aug. 1956. Louw, the Union's Minister of Finance and External Affairs, held the view at this time that the Union needed an annual net capital inflow of £40m. (\$112m.) for capital investment and balance of payments purposes.
19. See p.89 below.
20. Op.cit., p.185.
21. Ibid., pp.184-185.
22. See, for instance, Jo'burg Star, May 20, 1958 and May 22, 1958; FT, June 5, 1958 and J.L. Sadie, 'Foreign Capital - I - A Reappraisal of Our Needs', Finance and Trade Review, (Volkskas Ltd.), Mar. 1958. The Nationalist government never condoned these 'unofficial' sentiments (see endnote 18 above) at this time, though in late 1958 two of their exponents, Diederichs and Hertzog, entered the Cabinet, The Daily Telegraph, Nov. 1, 1958. See also R. Horwitz, 'Dr. Verwoerd and the Foreign Investor', The Banker, Mar. 1961.
23. See on this the comments of J.E. Holloway, 'South Africa remains a sound investment field', Optima, Vol. 11, Sept. 1961.
24. Times Review of Industry, Aug. 1954. This line was taken strongly by the British representative to the UN Committee on Sanctions in 1965, see esp. 17th Meeting, UN Doc. S/6210 and Add. 1, pp.224-225.
25. Op.cit., pp.72-80.
26. Economist, Mar. 20, 1954. 'The Economist' gave its opinion on this occasion that British capital accounted for only one-third of the total outlay. This has since been confirmed by M. Gowing's official history: Independence and Deterrence: Britain and Atomic Energy, 1945-1952, Vol. I, Policy-Making, (1974), p.362.
27. R. First et al, op.cit., p.131.
28. U.N., Economic Survey of Africa since 1950, p.227 and 236. In fact, South Africa received 34 per cent of the IBRD's total African investments between 1951 and 1958.
29. 'Dearer Money and the Sterling Area: A Warning from South Africa?', Apr. 1956.
30. P. Bareau, 'British Investment in South Africa', Optima, Vol.6, June 1956.
31. Op.cit. In June 1958, South Africa's Finance Minister, Naude, pointed out that the Union had enjoyed what he would call "ideal foreign investment", i.e. that which was 'responsible', long-term and pro-South African, Jo'burg Star, June 24, 1958. See also App. B, Table 23.
32. The Table submitted by the UK government in reply to the question about British export dependence on South Africa is reproduced at full length in App. B, Table 17(b). See also App. C.
33. The figure quoted here is from SIPRI, op.cit., p.218. The Middle East took 25 per cent of total British arms exports to the 'third world' over this period, Latin America 27 per cent, and the Indian sub-continent 31 per cent. On the general point, see Stanley and Pearton, op.cit., esp. Chp. 4 and SIPRI, op.cit., Chp. 5.

34. Jo'burg Star, Jan. 30, 1959; Times Review of Industry, Apr. 1959.
35. 'Factors affecting Britain's competitive position in the Republic of South Africa', Board of Trade Journal, Sept. 21, 1962.
36. App. C. It was calculated on this occasion that "all in all the effect of stopping British trade with South Africa might be to worsen the British balance-of-payments position by something of the order of £300 million in the first year". Under the Ottawa Agreements, of course, British exporters also received (in certain categories) a degree of preference in the South African market, though the enormous complexity of this subject enabled it to be minimised by English-speaking South African economists and exaggerated by Afrikanerdom in the argument about "the balance of reciprocal advantage and disadvantage" (South Africa also received preference in the U.K. market), see H.M. Robertson, 'Can Industry afford to break the economic link', Optima, Vol. 10, 1960.
37. In 1961, for example, investment returns represented 56.8 per cent of Britain's invisible export earnings from South Africa. The rest consisted of freight and insurance (18.2%), other transportation (5.9%), travel (8.6%) and government and other services (10.5%), I.M.F., Balance of Payments Yearbook. The British government was also, of course, well appraised of these proportions, see App. C, p. 358.
38. Bank of England; for references, see fn. to App. B, Table 18.
39. See fn. 1 and fn. 2 to App. B, Table 18.
40. It should be remembered that, in 1945, South Africa held only 4.6 per cent of total UK overseas investment stock, Bank of England: 'United Kingdom overseas investments, 1938-48'.
41. Calculated from App. A, Table 6 and App. B, Table 18. For an excellent treatment which puts a bit more flesh on the British investment stake in South Africa during this period, see C. and M. Legum, South Africa: Crisis for the West, (1964), pp.124-137.
42. For general background on this, see, for instance, S. Pollard, The Development of the British Economy, 1914-1967, (2nd ed, rev. 1969), pp.357-364.
43. The Radcliffe Report, cmd, 827, observed in Aug. 1959 that, whilst it did not believe that "the dollar problem" was an illusion and could, as a result, be safely dismissed from future calculations, "the problem is likely to be more intermittent and less intractable than is sometimes supposed", para. 684.
44. It was mainly a British problem, of course.
45. On Anglo-South African payments relations for the war period itself, see N.N. Franklin, 'South Africa's Balance of Payments and the Sterling Area, 1939-1950', Economic Journal, June 1951.
46. Ibid. See also C. Gordon Tether, 'South Africa's relations with the Sterling Area', The Banker, Oct. 1949.
47. Gordon Tether, ibid.
48. 'Gold from South Africa', Economist, Feb. 4, 1950. This is confirmed by P.W. Bell, The Sterling Area in the Post-war World, (1956), p.27 and by J.R. Sargent, 'Britain and the Sterling Area', in G.D.N. Worswick and P.H. Ady, The British Economy, 1945-1950, (1952), p.541.
49. Sargent, ibid., p.540.

50. Ibid., p.541.
51. Economist, Oct. 14, 1950.
52. Para. 54.
53. Jan. 26, 1950.
54. See App. B, Table 28, 'Source'.
55. See App. B, Table 28, esp. column 'B'.
56. HCDeb. 537, cols. 1057-59.
57. K. Wright, 'Dollar Pooling in the Sterling Area, 1939-52', American Economic Review, Vol.44, Sept. 1954.
58. This is the most realistic method of assessing the importance of South Africa's contribution. Appendix B, Table 29(b), shows the respective contributions from all sources to the financing of the 'dollar gap' over these years.
59. Britain also became a major contributor in 1957, see App. B, Table 29(a).
60. A.R. Conan, The Rationale of the Sterling Area, (1961), pp.2-5 and The Problem of Sterling, (1966), p.77 and pp.89-90.
61. As Shonfield pointed out at the time was a likely development, this resulted in a more liberal attitude towards dollar spending on development, British Economic Policy since the War, (1958), p.138: see on Ghana, for instance, P. Keatley, The Politics of Partnership, (1963), pp.15-16.
62. Ibid., p.135 and p.140.
63. The Rationale of the Sterling Area, p.5.
64. Economic Survey 1959, Apr. 1959. Moreover, Britain and other members of the IMF substantially increased their gold quotas in 1959. N.B. R. Opie, 'Gold', in R. Segal (ed.), op.cit., p.163, specifically argues that convertibility had ended the usefulness of South African gold to Britain.
65. Economic Survey 1960, Mar. 1960; Annual Bullion Review, 1960, Feb. 1961.
66. Beginning with the Congo crisis and followed in 1962 by the Cuban missiles crisis, see Annual Bullion Reviews for 1960-64 period.
67. F. Hirsch, 'The Golden Test', The Banker, July 1962.
68. Economic Survey 1961, pp.7-9 and p.38 and Economic Survey 1962.
69. J.W.F. Rowe, Primary Commodities in International Trade, (1965), p.106. See also F.A.O., Commodity Reviews, 1961-64. It is true, on the other hand, that this was followed by a modest upsurge in prices from the end of 1962.
70. F.A.O., Commodity Review 1962, Part II, p.94.
71. For example, titanium for jet aircraft, antimony for ammunition and beryllium for, amongst other things, rocket and jet aircraft materials, moderators in nuclear reactors and supersonic missile materials. Revealing to the layman on the uses of these substances are S.J. Johnstone, Minerals for the Chemical and Allied Industries, (1954) and H. Kirsch, Applied Mineralogy, (1968).
72. The inadequacy of the trade statistics makes it impossible to form any estimate of the degree to which Britain relied on its South African source of supply for most of the more esoteric minerals

which it imported, such as beryllium, andalusite, sillimanite and vermiculite. As can be seen from App. B, Table 34(a), the Board of Trade's most detailed publically available figures groups them together under "All other sorts". For some suggestive evidence on this subject, however, see Da Gama Publications Ltd., Our First Half Century, 1910-1960: Golden Jubilee of the Union of South Africa, (Jo'burg, 1960), p.339.

73. For South African production as a per cent of world production of certain minerals on which statistics are available, see Appendix B, Table 35. In the case of antimony, Red China was the biggest producer but Bolivia and Mexico also represented major sources; in that of chromium, the alternative suppliers were S.Rhodesia, Turkey and the Philippines; in that of vanadium, the USA especially but also Finland and N. Rhodesia (Peru's rich reserves were almost exhausted by 1955); in that of titanium, Australia, India and Brazil ("If the scheduled production rate of 100,000 tons of ilmenite is reached, the Union will take 5th or 6th place among the titanium producers of the world", Da Gama Publications, op.cit., pp.336-337); and in that of platinum, the USSR, Canada and Colombia. Beryllium was produced in Brazil, S. Rhodesia, the USA, Mozambique and India. See U.N., Statistical Yearbook and C.A. Lamey, Metallic and Industrial Mineral Deposits, (Maidenhead, 1966).
74. South Africa in the Sixties, (1965), pp.89-90.
75. Though it is true that the manufacturing industry programme was absorbing an increasing amount of some of South Africa's mineral production, especially in the case of asbestos, manganese (in the steel industry) and chromium. See Da Gama Publications, op.cit. pp.333-335. Johnstone, op.cit., pp.83-84 also notes that "The export of beryl and other beryllium ore from (South Africa) and South West Africa has been prohibited since 1948, except under permit issued by the Chairman or Deputy Chairman of the Atomic Energy Board", though this is obviously of little significance in this context since the same applied to uranium and, as we shall see, this did not stop that substance from being exported in its entirety. In short, this is only evidence of its sensitivity and not of its limited availability.
76. Da Gama Publications, op.cit., pp.333-339.
77. See G.L. Rees, Britain's Commodity Markets, (1972), p.407, Table 19.2.
78. Annual Statement of the Trade of the UK.
79. Encyclopedia Britannica, (1959), Vol.7, p.317.
80. T. Gregory, Ernest Oppenheimer and the Economic Development of Southern Africa, (1962), p.321.
81. 'The Diamond Ring', Economist, Nov. 30, 1957.
82. Economist, Mar. 12, 1955.
83. A full account of this is given in Gregory, op.cit.
84. For the complicated history of the Diamond Cartel, see Gregory, ibid., Chps.3-6, 'King of Diamonds', Economist, June 19, 1954 and 'The Diamond Ring', Economist, Nov. 30, 1957.
85. For instance, following the death of Dr. Williamson, the discoverer of the rich Tanganyika mine and somewhat reluctant convert to the idea of selling through one channel, De Beers bought a half share of

his old company (the other half going to the colonial government), As Gregory observes, "this was only the latest and most striking example of a policy long pursued by Ernest Oppenheimer .... It had been his policy to acquire interests in the West African, Congo and Angola companies ...", op.cit., pp. 374-375.

86. By, for example, the South African government in South Africa-United Kingdom and Commonwealth Survey 1954, and 'King of Diamonds', op.cit.
87. 'The Diamond Ring', op.cit.
88. On the Hatton Garden market, see Rees, op.cit., Chp.19.
89. See, for instance, Economist, Feb. 28, 1959.
90. Rees, op.cit., p.399
91. Calculated from figures reproduced by Rees, ibid., p.407, from research undertaken by the Commodities Division of the Commonwealth Secretariat.
92. Ibid., pp.402-403.
93. Economist, June 1, 1963, p.925 and May 23, 1964, p.857. Nkrumah had started to give trouble over Ghana's (Gold Coast) diamonds for this reason as early as 1954, Rees, op.cit., p.406.
94. By General Electric Co., see Economist, Feb. 28, 1959, and Rees, ibid., pp.408-409.
95. Economist, Jan. 23, 1960.
96. Concluding, for instance, a marketing arrangement with the Russians which lasted from early 1960 until 1963, see Economist, ibid., and Rees, op.cit., p.406.
97. The "others" were naturally Guy Burgess and Kim Philby but Maclean was the Soviet agent who, in his capacity as FO secretary on the Combined Policy Committee, was particularly privy to secret information about uranium supplies. A splendid account of this is given in B. Page et al, Philby: The Spy who Betrayed a Generation, (1969), pp.224-231.
98. M. Gowing, Britain and Atomic Energy, 1939-1945, (1964) and Independence and Deterrence: Britain and Atomic Energy, 1945-1952, in Two Volumes (1974), see references below.
99. Gowing, Independence and Deterrence, Vol. I, p.349.
100. Dr. J. Bronowski, 'Nuclear Power - A Great Opportunity for Southern Africa', Optima, Vol. 4, Dec. 1954. Bronowski had been part of the Joint Target Group in Washington and the Chiefs of Staff Mission to Japan in 1945. At the time that this article was written, he was Director of the Central Research Establishment of the National Coal Board. In fact, he held this position from 1950 until 1959.
101. Ibid.
102. See, for instance, Economist, July 23, 1955 Supplement: 'Atomic Energy in Harness' and The Times Review of Industry during this year.
103. See Gowing, Independence and Deterrence, op.cit., for the general background to this. Britain was very cool about atomic collaboration with the French and even with leading Commonwealth countries because of its feared effects on atomic collaboration with the Americans, p.146ff.
104. Full Circle, (1960), pp. 313-314: "The development of nuclear power was essential to the future of our industry and to our national life, but it was expensive. Soon after the war, when on a private visit



to the United States, I had, through the kindness of President Truman, an opportunity for a discussion with a leading official dealing with atomic matters. He told me that he expected that we should lead the United States in the development of atomic power for civil use. He added that this was as it should be, because the United States, with its valuable resources of oil and gas, had less urgent need of this new source of power".

105. Ibid., p.314.
106. 'Britain's Drive for Atomic Power', Foreign Affairs, Vol. 35, Oct. 1956, p.314.
107. This message was actually delivered by proxy for Macmillan by Sir Edwin Plowden, who was Chairman of the UK Atomic Energy Authority from 1954 until 1959, Atom, No. 13, Nov. 1957.
108. Britain and Atomic Energy, 1939-1945, p.319.
109. Independence and Deterrence, op.cit., p.356.
110. UK Atomic Energy Authority, 2nd Annual Report, 1956.
111. Independence and Deterrence, op.cit., p.75 and p.355 and Bronowski, op.cit.
112. SA Yearbook, 1957.
113. For a contemporary account, see V.H. Osborn, 'South Africa becomes a Uranium Producer', Optima, Vol. 3, Mar. 1953 and, for the official British version (with more detail on prices paid), Independence and Deterrence, op.cit., pp.381-383.
114. Osborn, ibid., put this figure at £70m. (\$196m). Since he was at the time SA Secretary for Mines as well as Deputy Chairman of the SAAEB, he was in a position to know.
115. Independence and Deterrence, op.cit., pp.362-363.
116. Ibid., p.75, 95 and 355. The quotation is on p.355.
117. Ibid., p.355.
118. Ibid. It may well be true, of course, as Gowing goes on to argue, that "this was probably an illusion", since American dollars could buy almost anything in those days and they were prepared to pay any price for uranium. Furthermore, the British government's relations with the new Nationalist Party regime in South Africa were not as close as they had been with the previous one of Smuts. Nevertheless, the consideration is purely academic; what counts is that the British believed that it was a trump card. Moreover, if the value of South Africa's uranium to Britain at this time rested on a bluff, it was one which was given some plausibility by Anglo-American relations in other equally secretive areas. Thus, discussing combined SIS-CIA plans to detach Albania from the "Socialist bloc" in 1949-50, Philby (at that time SIS liaison officer to both CIA and FBI in the USA) recalls that the British were to provide, amongst other things, Malta as a forward base of operations. "In the prolonged Anglo-American wrangling that followed", he continues, "Malta was our trump card. 'Whenever we want to subvert any place', Wisner (head of CIA subversion unit, OPC) confided to me 'we find that the British own an island within easy reach'". Kim Philby, My Silent War (1969) p.142.
119. Ibid., p.362.
120. Ibid., p.358.

121. Atom, No.15, Jan. 1958; c.f. also UK Atomic Energy Authority's 4th Annual Report, 1957-58, paras.32-33 - South Africa continued to supply much the greater part of the Authority's imports of uranium concentrates during this year" (emph. added).
122. Sir F. How, 'The Future of Nuclear Power', Optima, Vol.10, Dec. 1960. How was Secretary to the UK Atomic Energy Office, 1954-59.
123. UKAEA, 4th Annual Report, 1957-58, paras.30-31.
124. In this year the new Labour government injected fresh hope into the nuclear energy business by announcing the second nuclear power station programme, for 1970-75, see Fuel Policy, Cmd. 2798, 1965. As a result, on Dec. 9, 1965, the government announced that Capenhurst was to be reactivated.
125. R.N. Rosecrance, Defense of the Realm, (1968), p.118.
126. Atom, No.111, Jan. 1966, repr. from Hansard.
127. R. First et al, op.cit., p.88 are explicitly wrong on this subject, maintaining that the uranium boom "lasted till the mid-1960s".
128. Economist, Mar. 3, 1956.
129. With Rio Tinto-Zinc's Mary Kathleen mine in Australia, Economist, Mar. 10, 1956.
130. 1956, para. 21.
131. Nov. 16, 1957.
132. The ceiling was fixed at 6,200 short tons annually (the current rate of production in 1958) and was to be effective as of July 1, 1959, SA Year Book, 1959-60. See also Atom, No. 20, June 1958, Parliamentary extracts.
133. A prelude to this had been an agreement signed between Britain and the United States in June, 1956. The first part of this provided for a full exchange of data on power reactors for military use, whilst of the second part the Economist remarked that it "is generally believed to do more than just make it possible for Britain to buy some of the immense quantities of enriched fuel that the US has on offer", June 23, 1956.
134. In the House of Commons on July 28, 1960, the Minister responsible (Eccles) was obliged to admit that the slow-down in the atomic power programme would result in the UKAEA carrying huge stocks of uranium, with the result that interest would be lost on capital to the tune of "several million pounds". He then said that "Present estimates indicate that the Authority's current and prospective uranium supplies may last for about ten years ...", Atom, No.47, Sept. 1960. The Authority itself was also concerned at the inflation in the costs of atomic energy production which the continuing commitment to buy high-priced uranium was encouraging, see J.A. Jules (Economic Adviser to the UKAEA) in Atom, No.34, Aug. 1959.
135. This involved the buyer honoring his original promise in so far as quantity was concerned but using his new market power to 'stretch out' the period over which he would have to take delivery.
136. The details of this agreement were given in a press release issued jointly by the SA Ministry of Mines and the UKAEA and published in Atom, No.53, Mar. 1961.
137. SA Yearbook, 1965.

138. When extra-Sterling Area gold/dollar dealings were temporarily permitted by the Bank of England: Annual Bullion Review 1947, (Feb. 1948).
139. Ibid.
140. Annual Bullion Review 1948, (Feb. 1949).
141. Annual Bullion Review 1954, (Feb. 1955) and Economist, Mar. 27, 1954.
142. Principally dollars, of course, but also "its progeny" registered sterling. See Annual Bullion Review 1954, (Feb. 1955).
143. Annual Bullion Review 1955, (Feb. 1956).
144. Ibid.
145. See on this, B. Johnson, The Politics of Money, (1970), p.202.
146. Previously, they had only been required to sell 60 per cent of their output to the SA Reserve Bank.
147. On the South African decision, see especially C. Gordon Tether, 'South Africa and the London Gold Market', The Banker, May 1954, and Economist, July 24, 1954, p.307, 'South Africa's Gold Sales'.
148. With the occurrence of good harvests after 1965, Russian sales on the LGM virtually disappeared for the rest of the decade. See Annual Bullion Review statistics for this period and M.A.Kriz, 'World Gold: The Real Contingency', The Banker, Feb. 1967.
149. 'South Africa and the London Gold Market', op.cit.
150. As the Board of Trade Journal commented on the re-opening of the London Gold Market and its attendant exchange control modifications: "Prior to World War II London was the premier centre of the world for dealings in gold. The opening of this market is in line with the Government's general policy of creating, by the re-opening in the UK of international markets, growing opportunities for traders, merchants, and bankers, so that they may make the fullest contribution towards the increased overseas earnings which the UK and the Sterling Area need .... These moves mark a stage in the strengthening of London as an international financial centre and of sterling as an international currency", Mar. 27, 1954, p.633. See also the comment of The Banker: "the principal effect of the re-opening of the gold market is likely to be seen in an enhancement of the position of London as a centre for gold dealing and international exchange arbitrage ...", May 1954.
151. Ibid. (The Banker); see also P. Ferris on this, The City, (1960) pp.161-162.
152. On this point and the general role of the Bank of England in the London Gold Market, see Bank of England, Quarterly Bulletin, Vol. IV, Mar. 1964, 'The London Gold Market', and Johnson, op.cit.
153. Which had been opposed to the re-opening of the L.G.M., Johnson, ibid.
154. 'Another Chapter in the Story of Gold', Feb. 1955.
155. See, for instance, Economist, Dec. 1, 1951.
156. IMF, International Financial Statistics, 1972 Supplement. Having never been lower than \$21,793m at the end of any year since 1948, US gold stocks dropped from \$22,857m at the end of 1957 to \$16,947m by the end of 1961.
157. These events will be discussed at some length in Chapter IV, Sec.4.

158. Da Gama Publications, op.cit., pp. 551-552.
159. Ibid., p. 552.
160. Houghton, op.cit., pp.173-174 and 178.
161. Da Gama Publications, op.cit., p.547. The year 1961, in particular, saw a large expansion in the number of South African trade missions radiating out "to the Americas, Europe and the Far East", 'South Africa's Expansion Sapped', Times Review of Industry, Feb. 1961.
162. "South African manufacturers know, from bitter experience in their own factories, to what strains these products might be subjected by primitive people who have never worked with tools and machines before. Their design is, therefore, purposely uncomplicated and sturdy", Da Gama Publications, op.cit., p.552.
163. Though diamonds are normally classified as 'manufactured' goods.
164. In March, 1957, Dr. J.E. Holloway, South Africa's High Commissioner in London, complained that the Union's exports to Britain were suffering because of a weakening of 'imperial' preference. "I am sorry to say", he added, "that the attack on the preference system has come from the United Kingdom Government", Jo'burg Star, Mar. 21, 1957.
165. R.W. Green, 'Commonwealth Preference: UK Customs Duties and Tariff Preferences on Imports from the Preference Area', Board of Trade Journal, Dec. 31, 1965. The year 1962, which Green used as his base year, is the only one for which figures are available.
166. Ibid.
167. Ibid. Wool and non-ferrous ores and concentrates were excluded from preference, incidentally. See also Robertson, op.cit., for another general calculation of the importance of preference in the UK market to South African exporters.
168. FAO, Commodity Review 1961 and 1962.
169. 'South Africa: The Ties of Imperial Preference'.
170. "... with it (imperial preference) South Africa is able to compete fairly successfully against most producers in the British market. But without preference it may not be able to do so, and may thus lose the entire market", ibid.
171. Times Review of Industry, Aug. 1960, p.87, and see also Apr. 1960, p.108. This reversal in South Africa's balance of trade with the Federation had, moreover, been in prospect for some time, see F.P. Spooner, South African Predicament, (1960), pp.190-191. This one-time economic adviser to the South African government was not, in fact, at all optimistic about the general prospects for South Africa's manufacturing exports at this time.
172. By August 1960, Ghana, Malaysia, the West Indies, and the Sudan had boycotted South African trade, whilst in this month The Times Review of Industry also reported that "exporters claim that South African goods are now running up against unofficial boycotts in Siam, Burma, Pakistan, Korea and Formosa", whilst, "other African states are expected to start boycotting South African goods soon", p.87.
173. See for instance, Times Review of Industry, July 1955, p.87, 'Atoms for Industry in South Africa'. According to M. Gowing, Independence and Deterrence, op.cit., the Union government did get some minimal technical assistance from the CDA powers as part of the 1950-51 contract, pp.334-335.

174. Annual Bullion Review 1951, Jan. 1952. For general background on this, see T. Geiger, The Premium Gold Controversy in the IMF, (University of Alabama Press, 1961).
175. See Annual Bullion Reviews, 1951-1953. The new Conservative government in Britain itself recently reversed the previous Labour administration's policy and given its weight to the campaign for an increase in the official price of gold, see C. Gordon Tether, 'New Phase in the Gold Price Controversy', The Banker, Feb. 1953. The further significance of this will be considered later.
176. Economist, Apr. 25, 1959 and The Banker, June 1959.
177. The Banker, Nov. 1959 and South Africa Yearbook 1959-60, p.162.
178. T. Green, The World of Gold, (1968), p.116.
179. Ibid. See also Johnson, op.cit., p.204 on this subject.
180. "Three-quarters of the total supplies of gem and industrial stones find their way to the United States", according to the Economist, 'King of Diamonds', June 19, 1954, p.993.
181. Economist, Jan. 1962, p.61, June 1963, p.925 and Feb. 8, 1964, p.528.
182. Power and Wealth: The Political Economy of International Power, (1973), p.91.
183. This is a euphemism representing an admixture of formal Commonwealth solidarity, emotional identification with the English-speaking population of South Africa and white racialism. This is, in fact, of clear relevance to our argument since, as Knorr points out, one of the social dispositions which either reinforces or undermines a government's will to exert economic strength is "the degree of national solidarity to which governments can appeal", ibid.
184. On this, see for instance, G.D.N. Worswick and P.H. Ady, The British Economy in the Nineteen-Fifties, (Oxford, 1962), esp. Chp. 1 and V. Bogdanor and R. Skidelsky (eds), The Age of Affluence 1951-1964, (1970), esp. Chps.2 and 5.
185. J.C.R. Dow, The Management of the British Economy, 1945-60, (1964), p.80.
186. W. Wallace, The Foreign Policy Process in Britain, (1975), pp.156-157.
187. At the 27th Meeting of the Committee, op.cit. p.271.
188. Sixty per cent of Tory back-benchers in the 1955-59 House of Commons, for example, according to the calculations of S.E. Finer et al, Backbench Opinion in the House of Commons, 1955-59, (1961) p.77ff.
189. This was not the case, of course, amongst Tory front-benchers since it is conventional for directorships to be resigned when government office is held. However, it is particularly interesting that Lord Salisbury, a dominant figure in the Tory 'magic circle' in the 1950s and, according to Nutting, a long-standing friend of Eden's who would have been made Foreign Secretary in 1955 had it not been for the fact that he sat in the Lords (No End of a Lesson: The Story of Suez/1967, p.80), assumed a directorship with the British South Africa Co. in 1957 (until 1961). Amongst other senior cabinet posts which he held prior to this was that of Secretary of State for Commonwealth Relations in 1952. As far as Tory back-benchers are concerned, Andrew Roth's The Business Background of MPs

and Lord on the Board are naturally the most revealing sources in this regard but see also D. Goldsworthy, Colonial Issues in British Politics, 1945-1961, (Oxford, 1971), App. 1. This point was driven home for this period by C. and M. Legum, op.cit., pp.248-251 and for the most recent period, by R. First et al, op.cit., esp. Chp.10 and App. 4, p.325ff.

190. Though he is primarily interested in the colonies, much of what Goldsworthy, op.cit., has to say about the connections between organizations like the British Empire Producers' Organization, the Federation of Chambers of Commerce of the British Empire, and so on, and the Tory Party in Parliament demonstrates how this process worked, see esp. p.190ff.
191. Op.cit., p.92. Wallace, op.cit., pp.14-15 makes essentially the same point, emphasising, too, that this happens particularly with British foreign policy where "sectoral policy" issues are concerned; he also explicitly mentions the competing pressures from the pro- and anti-South African lobbies in Britain in this context.
192. Op.cit., p.92.
193. Most observers of 'pressure group politics' hold that these groups, such as the Association of British Chambers of Commerce, the National Chamber of Trade, the Federation of British Industries and the National Association of British Manufacturers were becoming increasingly comprehensive in their representation and, partly for this reason and partly because government was becoming more reliant upon them as it assumed more responsibility for managing the economy, also more powerful in the 1950s, see, for instance S.H. Beer, Modern British Politics (1965), Chp. XII. Furthermore, C. and M. Legum, op.cit., stress the manner in which British business interests and pressure groups were cultivated by the South Africa Foundation (see below) in the early 1960s, and point to the latter's "coup" in getting the National Association of British Manufacturers to publish an attractive booklet for British businessmen entitled 'The British Stake in South Africa', pp.246-248. And, an acute observer of Anglo-South African relations observes, apropos the balance between economic 'losers' and ideological 'gainers' in the 1960-1964 period: "In both Britain and the United States there were vested financial interests and pressure groups which, though they might not be so influential with government as were sometimes supposed, were nevertheless marginally effective owing to the articulate assiduity with which they made the case against intervention (in South Africa) .... Public opinion", he continues, "was largely unaroused; the committed minorities were believed to be too small to have electoral significance", P. Calvocoressi, International Politics Since 1945, (New York, 1968), p.407.
194. This activity is well documented in R. First et al, op.cit., pp.216-222 and pp.233-239.
195. Economist, Apr. 25, 1964.
196. The significance of this will be discussed in Chapter IV below.
197. Economist, Nov. 28, 1964.
198. The weight of the Anglo-South African business lobby, especially through UKSATA is, of course, emphasised greatly by R. First et al op.cit., pp.218-219 in this affair and it is a view which is

seconded by the regularly well-informed Economist, of Dec. 16, 1967 - "The pressure to lift the embargo came not from South Africa but from British industry". However, it is clear that the Cabinet heavy-weights who seemed receptive to this pressure only saw it as politically feasible in the context of a general package-deal with the

Vorster government then in power in South Africa which involved, above all, South African cooperation in forcing the illegal Smith regime in Southern Rhodesia to make a settlement with Britain. On this, see George Brown's account in In My Way, (1972), pp.163-168, Economist, July 8, 1967, and Alan Watkins, 'The Great Arms Muddle', New Statesman, Dec. 22, 1967. A better example of the Labour government giving into pressure from the Anglo-South African business lobby is probably represented by the decision (kept secret for almost two years after the event) to allow the UKAEA, in March 1968, to conclude a deal with an RTZ subsidiary in South Africa for forward deliveries of uranium from a mine to be developed on recently discovered deposits at Rossing in the contested 'trust' territory of South West Africa. The reasons for supposing this to be a better example are two: first, the deal could be kept secret; second, the powerful lobby groups concerned badly needed pacifying after the arms embargo decision. On this, see for instance, The Sunday Times, July 5, 1970 and The Financial Times, July 9, 1970.

199. Quoted in R. First et al, op.cit., p.219.
200. Op.cit., pp.90-91.
201. Republic under Pressure: A Study of South African Foreign Policy, (1965), p.55.
202. At the 27th Meeting, op.cit., p.271.
203. See M.P. Doxey, Economic Sanctions and International Enforcement, (1971), pp.47-58 for Britain and the Italo-Ethiopian affair and Chp. I, Sec.3, above for Britain's attitude to American-inspired cold war economic warfare.
204. This was on the occasion of the 25th Meeting, op.cit.
205. See endnote 13 above. Though it should be recorded that, according to R. Horwitz, it was the Labour section of the coalition which was the prime-mover in this instance, The Political Economy of South Africa, (1967), pp.8-9.
206. Ibid. This is the principal theme of Horwitz's work and is spelled out, rather repetitively, in the Introduction.
207. Ibid., pp. 7-8.
208. More lucid accounts of the origins of Afrikaner resentment against the British and especially of the Nationalist party government's encroachments on the privileges and general position of the English-speaking whites and of its cumulative attacks on the symbols of the 'British connection' during the course of the 1950s, are to be found in G.M. Carter, The Politics of Inequality: South Africa since 1948, (1958) and in N. Mansergh, South Africa, 1906-1961: The Price of Magnanimity, (1962). For a classic exposition of the power structure of Afrikanerdom, see, of course, C. & M. Legum, op.cit., esp. Part I, Chp.1, Sec.1.
209. Spence, op.cit., pp.29-34.
210. Op.cit., p.91.

211. Spence, op.cit., pp.57-58 and Carter, op.cit., p.25 and p.302.
212. R. First et al, op.cit., p.103.
213. See on this page 88 above and, on Dr. M.S. Louw's 1958 campaign for Afrikaner participation in British-dominated companies, The Financial Times, Nov. 5, 1958. On M.S. Louw himself and the rise of Afrikaner business in general, see the well documented account by D. Welsh, 'The Political Economy of Afrikaner Nationalism', in A. Leftwich (ed.), South Africa: Economic Growth and Political Change, (1974).
214. J. De V. Graaff, 'The Union of South Africa', in M. FG. Scott, 'What should be done about the Sterling Area?', Bulletin of the Oxford University Institute of Statistics, Vol.21, Nov. 1959, p.355.
215. Op.cit., p.91.
216. This, of course, was the principal reason for English-speaking support of the 'Cape coloureds' in the prolonged constitutional crisis of the early 1950s in which the Nationalist government attempted (ultimately successfully) to remove this group from the common electoral role. The parallel between this crisis and the Dreyfus affair in France under the Third Republic is remarkable. See on this especially Carter, op.cit., Chp. 4.
217. On the general background to these points, see Carter, ibid., esp. Chps. 2, 3, 4 and 12 and B. Bunting, The Rise of the South African Reich, (rev. ed, 1969), Chps. 8-10.
218. As early as 1957 Colin Legum was pointing out to a British audience that the English-dominated business world was getting on quite well with the Nationalist government, and not only because they believed that they had no alternative but to live with the government of the day but because the companies found the Nationalist ministries to be more efficient than those of Smuts, 'South Africa', Journal of the RUSI, Aug. 1957. This point was, of course, documented in much greater detail by C. and M. Legum in their classic study South Africa: Crisis for the West, (1964), Part One, Chp. II, Sec. 2, 'The Business Men'.
219. Spence, op.cit., pp.34-41.
220. Especially good on this is A. Hepple, Verwoerd, (1967), pp.146-149.
221. Ibid., p.146.
222. For excellent documentation on the increasing control of ideas at this time, see Bunting, op.cit., Chp.12.
223. At the 25th Meeting, op.cit., p.261.
224. Op.cit., p.25.
225. "to follow the lead of government in matters of foreign policy, including foreign economic policy", op.cit., p.91.
226. Spence, op.cit., pp.24-25.
227. Since the government had been at great pains to point out to the English-speaking voters that a vote for the Republic was not tantamount to a vote against the Commonwealth and since the vote was, in any case, very close, see Hepple, Verwoerd, pp.175-178.
228. Spence, op.cit., pp.32-34.
229. Hepple, Verwoerd, p.149.
230. The distinction between 'sectional' and 'aggregate' consequences is made by Knorr, op.cit., pp.92-94.



231. In the case of protection for domestic manufacturing, for example, which began well before the second World War, it seems that the original political impetus came from the desire to improve the economic opportunities of the 'poor whites', Horwitz, op.cit. p.251.
232. Welsh, op.cit.. Also good on this is Bunting, op.cit., Chp.14.
233. Bunting, ibid., pp.387-388.
234. Ibid., pp.390-392 on the rise of the first Afrikaner-controlled mining company, Federale Mynbou.
235. See, for instance, Horwitz, op.cit., p.249, and pp.347-349.
236. This argument, of course, is based on traditional 'free trade' assumptions which have been challenged in the South African case, as in others. See Horwitz, ibid., p.347ff. In any case, if aggregate gains rather than costs were the result of this feature of the build-up of economic strength, support for government policy was likely to be more forthcoming. This qualification explains the parenthetical 'probably' in the final sentence of this paragraph.
237. Welsh, op.cit., pp.262-263.
238. Op.cit., pp.93-94. Though see endnote 236 above.
239. Bunting, op.cit., pp.379-380. As Bunting points out, though the Nationalist government itself never suggested during this period that the nationalization of the gold-mines was something which it was considering, "the idea of nationalization or some form of direct State control has remained in the background of Nationalist economic thinking, to be put on view from time to time as a threat whenever non-Afrikaans big business shows signs of proving recalcitrant" (p.380). In 1958 it was put on view by Dr. Hertzog (again), see The Times, July 26, 1958 whilst M.S. Louw was generally blandishing the threat of nationalization if more indigenous share-holding was not encouraged by South-African business. True to form, the Minister of Mines (van Rhijn) immediately denied any government intention to follow Hertzog's desire, The Observer, July 27, 1958.
240. Bunting, op.cit., pp.369-373. According to Welsh, op.cit., p.263, the influence of the farmers was also augmented "by a feature of the electoral system which, in effect, makes a platteland vote worth more than an urban vote".
241. The importance attached to Commonwealth preference by the South African farming community was acknowledged by the SA contributor to the Oxford symposium on the Sterling Area, M.FG.Scott, op.cit., though he himself thought that it was exaggerated and, as we have seen, it was a feature of Nationalist government policy to minimise its significance.
242. Endnote 167 above.
243. Natal was a bastion of the English-speaking population in South Africa. In the October 1960 referendum, it voted overwhelmingly against the Republic, by 135,598 votes to 42,299, Hepple, Verwoerd, p.178. C. and M. Legum, op.cit., p.42 confirm that "until quite recently" (1964) the great majority of Natal sugar planters were English-speaking.
244. Hobart Houghton, op.cit., Table 3, p.259.
245. Op.cit., p.94.

246. Ibid.
247. Op.cit., p.8. On the general and growing influence of the Nationalist government in the South African economy through state corporations, semi-state corporations and through such organizations as the I.D.C., avoid Horwitz. See instead Bunting, op.cit., Chp.14 (esp. pp.380-383) and Welsh, op.cit.
248. Osborn, op.cit.
249. Dating originally from an agreement with the Chamber of Mines in 1927, following the Bank's creation in 1920, Hobart Houghton, op.cit., p.192. According to Houghton "the constitution of the Reserve Bank was that of a privately owned institution subject to a large measure of state control". Of the eleven Directors, five were appointed by the government but these included the Governor and Deputy-Governor, whilst in 1960 a second Deputy-Governor was added. This "had the result", records Houghton, in his usual bland manner, "of equalizing the number of officially nominated and privately-elected members of the Board ...", p.191 and fn.5.
250. See esp. Welsh, op.cit., p.259 for the seminal importance in this respect of the 1939 Afrikaner Economic Congress.
251. An advantage in the exercise of 'small power' foreign policy which Spence omits to mention in the South African connection op.cit., pp. 6-7.
252. Louw was appointed Trade Commissioner to the USA and Canada in 1925 and thus was South Africa's "first diplomatic representative in a foreign country", The Case for South Africa as put forth in the public statements of Eric H. Louw, ed. and compiled by H.H.H. Biermann, (New York: 1963), p.2.
253. There are many accounts of the Broederbond and its cohesive role within the power structure of 'Afrikanerdom', see for instance, C. and M. Legum, op.cit., Part One, Chapter I, Section 1 and J. Cope, op.cit., Chp.11.
254. Op.cit., p.222. See also C. and M. Legum, op.cit., pp.112-116 and pp.243-246. NB. Demonstrating the strength of the South African economy and its importance to the West was not the only aim of these organizations of course. They were also concerned to "correct" foreign "misunderstanding" of South Africa's racial policies. Lord Cromer, Governor of the all-important Bank of England, proved an easy convert. On a visit to South Africa in early 1963, he was reported by The Times (Feb. 13, 1963) as observing that there was still a lot of "prejudice" against South Africa's policies in Britain generally, though this was to some extent due to "ignorance". "Responsible" people, he added, were better informed.
255. This point can be seen by comparing Tables 31 and 33 in Appendix B.
256. Economic Survey 1948, para. 66.
257. Geiger, op.cit., gives a lucid account of the Labour government's reasons for adopting this opposition to South Africa, especially after the Nationalists came to power in 1948. The Union, of course, wanted to force an increase in the official price by demonstrating the 'real' value of gold through 'premium' sales.
258. The evidence suggests that the Conservatives agreed to this when

they met the South Africans at the Commonwealth Conference in 1952. See C. Gordon Tether, 'New Phase in the Gold Price Controversy', The Banker, Feb. 1953. On Apr. 4, 1953, the Economist reported that the SA Finance Minister, Havenga, had just "let a long-suspected cat out of the bag when he declared that Mr. Butler 'pressed the case' for a higher dollar price of gold during his recent discussions in Washington ...".

259. In August 1959 the Radcliffe Report, op.cit., para.673, pronounced against the advisability of an increase in the official price and in Nov. 1964, the Midland Bank Review, clearly implying that things had never been otherwise, blandly asserted that "no modification in official views on the gold price has been apparent in the United States or in the United Kingdom. Both regard the now historic price as unalterable ...", 'Gold over a Decade'.
260. R. First et al, op.cit., p.135.
261. This was also true of the Union's balance of payments which had been forced to come to terms with a net capital outflow as early as 1957 (App. B, Table 8). By 1959, control on imports, a great improvement in exports and the expansion in gold output was already enabling the Union to cover the net capital outflow and increase its reserves as well (App. B, Table 33). See also Hobart Houghton, op.cit., pp.183-184.
262. Just having the gold mines was not of course sufficient. Strict import and exchange controls were also required, ibid., pp.184-185.

## CHAPTER III

THE SIMONSTOWN NEGOTIATIONS: SOUTH AFRICA'S PUTATIVE  
ECONOMIC POWER 'ACTUALIZED'

Addressing the Security Council of the United Nations on August 6, 1963, in the context of a by then familiar debate on apartheid, the United Kingdom representative, Sir Patrick Dean, felt obliged to explain that four considerations peculiar to Britain affected the attitude of his government towards South Africa: a strategic interest at the Cape, responsibility for the High Commission Territories (which lay within the Republic's sphere of economic, if not political, influence), an economic interest and "long historical connexion, ties of kin and ties forged in times of danger".<sup>1</sup> Thus baldly stated, this was the traditional catalogue of Britain's 'interests' in South Africa and one which has been generally accepted at face value as explaining the policy of successive post-war British governments of general friendship towards, and many-sided co-operation with, whatever regime held power in that country.<sup>2</sup>

Moreover, since the Simonstown Agreements, which were signed between Britain and South Africa in July 1955, were principally concerned with defence arrangements, it has been the conventional assumption that Britain's strategic interest at the Cape was the major factor in the negotiations which led up to them and in the final shape which they assumed. The further assumption is common, as we shall see, that the British government had got the better of the Nationalists in the deal which lay at the heart of these Agreements. Was security Britain's main consideration in these negotiations? Did the balance of advantage in the final Agreements favour Britain rather than South Africa? If both of these points are, in fact, highly questionable - as will be argued - is there any evidence to suggest that sentiment or concern for the High Commission Territories prompted British concessions or, indeed, that the explanation lies, in part at least, in the 'actualization' of the margin of putative economic power which the

Nationalist government was shown, in the previous Chapter, to have possessed over the British government at this critical historical juncture? Let us begin, then, by examining the background to the Simonstown Agreements, the Agreements themselves, and then subject the orthodox interpretation of them to detailed criticism.

### 1. The failure of multilateralism

It is clear that the Nationalist party had not been long in office in South Africa after the 1948 General Election before it found itself obliged to mute its traditional hostility to Britain and the Empire's military causes, and publicly declare for the Western Alliance of which Britain was a leading member.<sup>3</sup> In official policy 'world communism' had become the great threat to the Union's security and it was therefore declared to be in South Africa's best interests to assist in keeping this menace as far away from its doorstep as possible. This intent soon found expression in the Union's agreement to participate in an 'Allied' Middle East Command Organization, which was proposed (though to no subsequent effect) at the London Conference of Commonwealth Defence Ministers in June 1951, in response to nationalist stirrings in Egypt.<sup>4</sup> Though the Union probably did have some interest in the defence of the Middle East - the 'gateway to Africa' in contemporary thinking - this was evidently not, however, its major security priority. It is obvious, therefore, that its willingness in the early 1950s to participate in the defence of this area (which was, however, vital to Britain)<sup>5</sup> was designed more to demonstrate the strength of its commitment to the side of the West in the cold war and thus to bolstering its worthiness as a key member in the NATO-style regional defence pact for central and southern Africa for which it had been campaigning since 1949,<sup>6</sup> and for which the blessing of Britain (the leading colonial power in this area) was obviously vital.

A proposal for an African Defence Pact (essentially multilateral in South Africa's conception, given Nationalist sensitivities about the 'British connection') was in fact discussed at a conference which assembled at Nairobi in August 1951 on joint Anglo-South African initiative but it came to nothing ostensibly because of the Union's refusal to countenance the arming of black troops.<sup>7</sup> Since, however, opinion in London was

divided on this matter, the War Office itself being resolutely opposed to any extended use of 'colonial forces',<sup>8</sup> it seems possible that this point was exploited by the British government as a pretext for refusing to fall in with the Union's plan as a result of a rapidly crystallizing appreciation of the use to which the Nationalist government hoped to put such a southern and central African 'NATO'. For it is likely that the racist ideology of the Nationalist regime in South Africa had already made it clear to the British government that what the Union really wanted an African Defence Pact for was to act as a counter-insurgency agency against black nationalism and that, by embroiling the European colonial powers more formally in Africa (together with the United States, if possible), it hoped to freeze the colonial status quo to the north of its borders and thus safeguard white supremacy throughout the entire central and southern parts of the continent. Accordingly, the external and internal 'communist threat' to which the Nationalist government persisted in pointing as justification for the continuing necessity of such an arrangement was dismissed in Britain as nothing but a self-serving Nationalist myth.<sup>9</sup>

As a result, whilst Britain continued to appear after 1951 prepared to enter formal defence arrangements in central and southern Africa with the other European colonial powers and with the Nationalist government itself (as long as this was confined to the purpose of supplementing the defence of the primary Middle East region),<sup>10</sup> it remained at best lukewarm to the Union's ambitions for an African Defence Pact. For, as the 1950s progressed, it became increasingly clear that falling in with the Union's plan would not only have run counter to Colonial Office ideas for the development of the 'indigenous' colonies in Africa<sup>11</sup> but also have distracted the Foreign Office from its primary concern with the Middle East, damaged Britain's relations with the 'new Commonwealth' countries (especially India) and facilitated inevitably the northward spread of Afrikaner influence to which Britain was opposed.<sup>12</sup> Subsequent events, however, were hardly such as to cool the Union's ardour for this scheme.

By the mid-1950s, indeed, the concessions granted to the black nationalists in Nigeria and the Gold Coast in particular, the significantly firmer British opposition to the Union's desire to incorporate the High Commission Territories,<sup>13</sup> as well as British sponsorship of the anti-Afrikaner Central

African Federation, had all served to make the South African government "profoundly disturbed at the direction of British colonial policy".<sup>14</sup> As the 'quit Africa' policy of the greatest African colonial power thus appeared to be gathering momentum, the threat of black nationalism to the Union's security naturally came to be even more sharply perceived. As a result, the Nationalist government intensified its campaign in London and the other Western capitals for the extension of the NATO embrace to southern and central Africa, the more so since by 1954 it was apparent that all the other regions of major Western interest had been organized into the cold war alliance system. The Union's position thus stood, as Spence remarks, "in marked contrast to the other old Dominions".<sup>15</sup>

A further round of multilateral talks was therefore held on the subject of an African Defence Pact in Dakar in 1954 but this also proved abortive, and neither did the Union have any success in its supplementary campaign for the establishment of multilateral treaty organizations for the South Atlantic and Western Indian Ocean areas.<sup>16</sup> It was against this background of failure in the multilateral arena, therefore, that the Nationalist government decided to exert further pressure on Britain in the second half of 1954, if not to secure a regional defence organization (though it had by no means given up hope on this score, as we shall see), then at least to salvage a bilateral defence agreement with the United Kingdom.

## 2. The success of bilateralism.

In July, 1954, it was reported that Erasmus, the South African Minister of Defence, had himself requested a wide-ranging conference on defence matters with the British government.<sup>17</sup> Moreover, added urgency was given to the Union's request by the announcement, in the same month, of Britain's impending withdrawal from the Suez Canal Zone in Egypt, which was seen in the Union as the most dramatic manifestation to date of Britain's 'quit Africa' policy.<sup>18</sup> The British government acceded to this request on the understanding that South African help in the Middle East would be a high priority on the agenda and the meeting was scheduled for August 1954.

The subjects which were thought to be most likely topics of discussion in the August talks between Erasmus and the two British Ministers in London, Lord Alexander (Minister of Defence) and Lord Swinton (Commonwealth Secretary), were in fact the nature of the Union's contribution to Middle East defence and its continuing desire for an African Defence Pact.<sup>19</sup> Indeed, it was not until the talks were due to begin, in the middle of August, that it was revealed, by the Nationalist press in the Union, that the status of the Simonstown naval base would also be on the agenda and that transfer negotiations had in fact been opened with the British Admiralty "some time ago".<sup>20</sup> Moreover, since, as the Johannesburg Star recorded, "Simonstown no longer generates any political heat to speak of",<sup>21</sup> it seems clear that it was not irresistible party pressure to which the Nationalist government was responding in raising this issue but, rather, the need for additional leverage over London. For it soon became apparent that British opinion about the transfer of this traditional imperial base to Afrikaner control was by no means so universally complacent as some contemporary accounts suggested and nearly all subsequent assessments have maintained.<sup>22</sup>

In the event, the talks dragged on into September<sup>23</sup> and were kept tightly secret. The British side was noticeably reticent in commenting on their progress and, as a result, rumour became rife. On September 8 The Daily Telegraph reported that Britain had been asked to leave the Simonstown naval base and reiterated that newspaper's opposition to any such move, whilst on September 11 the Nationalist press in the Union gave big headlines to the story that a "blueprint" for an African defence pact had been provisionally agreed and awaited only the highest approval in both capitals.<sup>24</sup> British officials refused to comment on this<sup>25</sup> and Erasmus subsequently denied that his proposal in this regard had reached such an advanced stage.<sup>26</sup> Almost certainly nearer the truth, however (since it closely resembled the ultimate shape of the July 1955 Agreements) was the SAPA report carried in the Johannesburg Star of September 13, which claimed that Erasmus was bringing back to the Union an agreement which embodied, first, a proposal that the UK and South Africa would jointly sponsor a conference on the subject of an African defence pact, and second, a proposal that there should be closer co-operation between the South African Navy and the Royal Navy as part of a wider sea defence arrangement in which Simonstown would play a



bigger role. At any rate, the absence of any official pronouncements on progress at the end of the talks, together with the observation of Erasmus in a major speech to the O.F.S. National Party Congress on his return to the Union that "Africa still has not got the benefit of regional defence planning and without it, it may fall an easy prey to those who have their eyes on Africa",<sup>27</sup> made it clear that the Union remained less than satisfied and that further negotiations were inevitable.

In mid-October 1954 an Admiralty mission arrived in South Africa for further discussions on naval cooperation and the Simonstown base; by the end of the year it was the firm impression of South Africans that transfer of the base had been conceded in principle by Britain and that only the details remained to be sorted out.<sup>28</sup> Officially, however, nothing was announced, except that a report had been prepared and was being studied by the two governments: further discussions would be necessary.<sup>29</sup> Nevertheless, in his defence policy statement to the Senate in March 1955, Erasmus amplified his earlier statement on the need for an African defence pact and added that he was glad to say that this proposal was being considered by Britain.<sup>30</sup> He also announced at this juncture that the Union government had decided on a major eight-year expansion of the South African Navy "in view of the submarine danger" - a decision which was to be made much of by Britain as a South African 'concession' at a later stage.<sup>31</sup>

In mid-June 1955, Erasmus returned to London amidst press speculation that the major feature of this next round of Anglo-South African defence talks would be the Union's demand for the handing over of the Simonstown base. By now, many defence pundits had convinced themselves that the British government would go along with this since changes in strategy<sup>32</sup> and in naval technology<sup>33</sup> had rendered the base of less value to Britain than formerly. Moreover, it was known that the Union was giving firm assurances that the base would always be available to the Royal Navy in any case in any future East-West conflict.<sup>34</sup> As for the African Defence Pact, it was not thought that Erasmus had much to hope for on this score.

When, therefore, the exchange of letters between Erasmus and Selwyn Lloyd<sup>35</sup> formally constituting the agreements which had been arrived at as a

result of these final negotiations in June, was published on July 4, 1955, and revealed in the House of Commons by Sir Anthony Eden (and simultaneously in the Union House of Assembly by Strijdom), there were no great surprises. The new 'Simonstown Agreements', as thus embodied, fell into three parts, the first dealing with "The need for international discussions with regard to regional defence against external aggression", the second with "The defence of the sea routes round Southern Africa", and the third with the "Transfer of the Simonstown Naval Base and arrangements for its future use".<sup>36</sup>

In the first part of the Agreements, Britain clearly condoned the need for a regional defence pact for South Africa and its surrounding sea routes. Nevertheless, it equally clearly spelled out that this could only be contemplated as a mechanism for defence against "external aggression". It was, indeed, quite emphatic in stating that "The internal security of the countries of Southern Africa must .... remain a matter for each individual country concerned".<sup>37</sup> Britain, in other words, was not to be made a party under any such regional defence pact to the bolstering of white supremacy against 'internal subversion' and this paragraph was widely interpreted in this light by the British press. Moreover, the British view of the major likely source of external aggression was given greater emphasis. Thus, said this part of the Agreements, "The defence of Southern Africa against external aggression lies not only in Africa but also in the gateways to Africa, namely in the Middle East".<sup>38</sup> Both countries agreed to contribute forces to this proposed defence scheme though, significantly, the Union made its offer conditional "upon satisfactory arrangements being arrived at between the countries mainly concerned as to the nature and extent of the contribution which each will make ....."<sup>39</sup> Nevertheless, though Britain appeared to have ruled out at this stage the kind of regional defence pact which Pretoria wanted (in effect, of course, a counter-insurgency organization), there was an ambiguity in the phraseology and general tenor of this first part of the Agreements which allowed the Union, as we shall see, to interpret it as a British commitment to the defence of South Africa against external aggression at least. Both countries further agreed to jointly sponsor a conference on these matters to continue the work already begun at Nairobi, and the first part finished with the observation that "It is agreed that the United Kingdom and the Union will jointly endeavour, at this conference, to secure the setting up of suitable

machinery to pursue the aims of the conference on a continuing basis".<sup>40</sup>

Under the second part of the Agreements ("The defence of the sea routes round Southern Africa"), the two countries agreed to both improve and formalize their naval cooperation in order the better to defend the Cape Route and, to this end, the Royal Navy C. in C. South Atlantic Station was designated, for purposes of peace-time planning and operational command in war, C. in C. of a new maritime zone roughly approximating the Royal Navy's then existing South Atlantic Station. Moreover, in order that the Union's contribution to the joint naval defence scheme should be made positive, South Africa agreed (sic) to expand its Navy in an appropriate direction;<sup>41</sup> the orders, worth £18m, were to go to British yards.<sup>42</sup>

Finally, under the third part of the Agreements, the Simonstown Naval Base was to be transferred to the Union at a date not later than March 1957, though Britain was to be guaranteed continued use of the base in both peace and (along with its allies) in war, even if the Union should remain neutral. South Africa also agreed to both expand the base and maintain it in at least its present state of efficiency and gave assurances that apartheid policies would not be applied to the base area.<sup>43</sup> Ostensibly, the base was transferred to the Union "in order that the Union Government may be able to provide adequate logistic support for their expanded Navy".<sup>44</sup>

### 3. The Simonstown Agreements: a one-sided bargain.

The official British view of the bargain, which these three separate agreements expressed, was that Britain had handed over the Simonstown base to the Union in return for which South Africa had agreed to expand its Navy and thus increase the contribution which it could make to the defence of the Cape Route - all in the context of a new, NATO-style command structure (in which Britain was predominant) via which South African co-belligerency was implicit. As Eden, who was now Prime Minister, said, in personally introducing the Agreement in the House of Commons, "The important point, as the House will realize, is that (sic) the fact that the Union Government are building a Navy ..... is something which should be of real value for military collaboration between the

countries in the future.<sup>45</sup>

Now, whilst this South African 'agreement' to expand its Navy was paraded by Britain as a very significant concession, which would help to alleviate the economic burden of Britain's defence effort in a particularly trying period, Britain's concession over the base was represented as hardly any concession at all as a result of the generous provisions made for its continued use, in any eventuality, by the Royal Navy. Moreover, though guaranteed its full use, Britain would no longer have either the trouble or expense of running the Simonstown base and, on top of this, the Union government had agreed to expand it! When, added to this, £18m. worth of naval orders could be pointed to it is not difficult to see how easily was the Eden government able to disarm actual and potential criticism from the Suez Group in Parliament and the right-wing press in Britain, who were otherwise sure to have been exercised by this further instance of the hauling down of the Union Jack over a traditional imperial base.

Finally, it was claimed that a further source of satisfaction afforded by the Agreements was the explicit dissociation of the United Kingdom from any promise of commitment to the internal security of southern Africa, whilst it was held in the British and in the English-language press in South Africa that the proposal for a conference on African defence was nothing more than an anodyne solution with which the British had fobbed off the Union government and which, as a result, signalled the end of Pretoria's major ambition for an African 'NATO'.<sup>46</sup> The main emphasis of the proposed conference, moreover, was towards the defence of the Middle East!

Thus presented by the Eden government, and embellished by the British and the English-language press in South Africa, the Simonstown Agreements came to be accepted by most later British observers as a very one-sided bargain indeed. Tunstall, for instance, observes that "To have secured effective use of Simonstown for the Royal Navy, together with possible allies, in a war in which the Union might be neutral, must be regarded as a considerable gain for Britain".<sup>47</sup> Whilst Barber states that "It is ironic that the only defence agreement achieved by the Nationalist government was with the old imperial enemy, and the overall balance of the agreement favoured Britain. She continued to

have facilities in South Africa, which could be used even if Britain and not South Africa was at war, while the South Africans made a greater contribution to joint defence, and had signed away their right to break the arrangement unilaterally. The doubt about the agreement for Britain lay in the future".<sup>48</sup> Even Spence, whose treatment is in general more alive to the Union's gains from this Agreement, feels obliged to give prominence to the view that, on a number of points, "Britain got the best of both worlds".<sup>49</sup>

In sum, then, the orthodox interpretation of the Simonstown Agreements rests heavily on the British government's own dressing-up of it and it is not surprising, therefore, that it seriously misconceives the true nature of the bargain between the two governments which lay at its heart. This is so because it vastly exaggerates the concessions made by South Africa and virtually ignores those made by Britain - also testimony in part, no doubt, to the ingenuity of the Agreement's construction. In what sense, then, first of all, were South Africa's concessions exaggerated?

To be sure, Britain's guaranteed future use of Simonstown considerably mitigated the practical consequences of forfeited sovereignty over the base (as well as having certain small financial advantages). Nevertheless, it is mistaken to regard this as a South African 'concession' which, by compromising Pretoria's neutrality, rendered hollow the blow against 'British imperialism' ostensibly represented by the 'return' of the base to the Union government. For the point is obviously that, as with the similar assurances given by the Union over the use of its other ports and facilities in the event of war and with the general tenor of co-belligerency suggested by the Agreements, the Nationalists had no alternative, given the nature of their regime and its long standing public commitment to the side of the West in the cold war,<sup>50</sup> but to give these assurances whether Britain surrendered sovereignty over Simonstown or not. This line of argument is not new now and - more important - was not new then. As early as 1951, Legum and Wight had pointed out "that South Africa is no more able to resist a request for port facilities advanced by the Western democracies than is Spain. The government of neither country can afford to embarrass the only countries capable of militarily resisting Communism. Firm negotiation", they therefore concluded, "could obtain for the Western democracies all

the strategic facilities they need in South Africa, without having to make political concessions or accepting an embarrassing alliance (emphasis added). It would be sufficient quid pro quo that the Western democracies and their associates undertook the effective defence of Africa and the oceans that flank it".<sup>51</sup> In return for the surrender of sovereignty over the base, then, the British government received no guarantees of future co-belligerency from South Africa of which it was not already assured. What of the Union's other 'concessions'?

As we have seen, the Union's 'agreement' to expand its Navy and so 'increase its contribution to the defence of the Cape Route', is identified in the orthodox interpretation as the major gain accruing to Britain under the terms of the Simonstown Agreements. But in fact there can be little doubt that, as with the Union's assurances of future co-belligerency in the event of cold war turning hot, so was the Union in any case already determined on a programme of naval expansion. For reasons of its own it had, in fact, announced this decision well before the final round of Simonstown negotiations in June 1955!

From the early 1950s the Nationalist government had been purchasing and re-naming Royal Navy vessels already in service on the South Atlantic station and, indeed, one of the arguments which it used to support its demand for the return of the Simonstown base was that its own Navy was outgrowing its existing base at Salisbury Island, Durban Bay.<sup>52</sup> In September 1954 the Union's Naval and Marine Chief of Staff announced that "It is our intention to modernise our fleet particularly with regard to anti-submarine equipment".<sup>53</sup> And, in early March 1955, this was spelled out in detail by the Defence Minister, Erasmus, in his policy statement on defence to the Senate, in the course of which he said: "It has been decided, in view of the submarine danger, to expand the Navy over an eight-year period, starting this year with the purchase of two coastal minesweepers and two harbour defence ships, all electronically equipped".<sup>54</sup> In short, the Nationalist government in Pretoria had publicly committed itself to the full £18m. eight-year naval expansion programme geared to submarine and mine defence at least four months before the Simonstown Agreement was concluded, and had given an official intimation that

this was on the cards even earlier.

Now, whilst it is true that Britain had probably already conceded transfer of the Simonstown base to the Union in principle during the August-September negotiations in 1954 (see page 179 above) and that, as a result, the Union had not gratuitously discarded a bargaining counter on this score by premature announcement of the naval expansion programme, it is equally evident that South Africa had not similarly achieved its other major objectives by this time.

This was particularly true, of course, of the African Defence Pact, the particular terms favoured by it for the scheme of naval cooperation and, indeed, those on which the Simonstown base itself was actually to be transferred. With these points still at issue when the final round of negotiations took place in June 1955, therefore, it is difficult to believe that the Union's ability to 'increase its contribution to the defence of the Cape Route' by a major programme of naval expansion could have been its main bargaining counter, or even a particularly significant one. Moreover, even if it was a concession, it is unlikely that it could have been regarded in London as an especially valuable one, since even Tunstall feels obliged to remark that the planned expansion was of "a very restricted operational kind" and useful only as an "inshore contribution to the defence of the focal waters as a whole".<sup>55</sup>

In fact, though it is true that the announcement of the naval expansion served to provide earnest of the Union's commitment to the side of the West in the cold war, it is not difficult to see why Pretoria should have resolved to embark on it even in the absence of any concessions from Britain. For, in the first place, South Africa was itself as dependent as Britain - if not more so - on the security of the sea lanes around the Cape (especially on the eastern seaboard) and, if the threat to it from the Soviet Union and even India was as great as Pretoria insisted, then it clearly required an expanded Navy in its own interests. Erasmus himself admitted as much in the course of his defence of the Simonstown Agreements in the House of Assembly in January 1956, when he observed that "South Africa especially is dependent on oil and 60 per cent of our oil comes from the Middle East". As a result, he emphasised, the Union attached great importance to keeping open the sea lanes.<sup>56</sup> Secondly, the Union desired an expanded

Navy for the additional political weight which this gave it in African diplomacy. Once more, Erasmus leaves us in no doubt, subtly remarking in the House of Assembly in March 1956 that the Nationalist government had "built up a nice fleet which is earning the respect of the other territories in Africa with whom we negotiate ...".<sup>57</sup> Finally, there is no doubt that the Union was also alive to the value of announcing a large programme of naval expansion in bolstering its arguments for the return of the Simonstown base and, equally, in dramatizing its own belief in the strategic importance of the Cape Route upon which so much of its diplomacy towards the West hinged. Since, therefore, the Union had its own reasons for expanding its Navy and had, indeed, announced as much before the final round of Simonstown negotiations in June 1955, it is clear that, once more, the orthodox interpretation is incorrect in identifying this as a major - indeed, the major - South African 'concession' under the Simonstown Agreements.

So far, then, it can be seen that, as a result of the Union's unavoidable commitment to the West in any future world conflict with the Eastern bloc and its own need for an expanded Navy, neither its assurances of future military cooperation nor its promise of an increased contribution to the defence of the Cape Route were 'concessions' to Britain in any but the most nominal sense. Furthermore, even if they had been, they would only have been valuable to Britain if defence of the Cape Route in a future general war remained a strategic priority, and by the beginning of 1955 there were widespread doubts in certain circles in London on this score. If defence of the Cape Route was no longer realistic in a general war, then both sets of South African 'concessions' became doubly spurious.

The doubt which had been cast over the whole of existing maritime strategy was a result of the realization during the course of 1954 of the full destructive potential of the H-bomb. Already, in the first half of the 1950s the role of the Navy in a future general atomic war had been the subject of intense debate. In the so-called 'Global Strategy Paper', produced in 1952 by the Chiefs of Staff under Churchill's prompting and which became the basis for British defence policy in the 1950s as a whole, pride of place was given to the nuclear deterrent in a future general war. Since, however, it was considered that the initial nuclear exchange might not be decisive (owing to the



relatively low destructive capacity of the A-bomb and the limited numbers and delivery capabilities then available to both sides), "the notion of 'broken-backed' warfare was grafted onto the main concept".<sup>58</sup> This implied that it still remained necessary "to make provision for continuing operations, particularly at sea", though it is described by Darby, even at this early stage, as "a concession to the Navy" which the Air and Army Chiefs were obliged to grant in order to secure the Navy's acceptance of the paper.<sup>59</sup> If the chief architects of British defence policy had, therefore, been sceptical of the Navy's role in a general war during the atomic age, they had no doubts at all once the full power of the H-bomb was appreciated in 1954. The result was that, by 1955, with the belief now current that the initial nuclear exchanges in a general war would be decisive, the notion of 'broken-backed' warfare was generally discredited, with the corollary that, in the Defence White Paper of February 1955, even greater emphasis was placed on the deterrent, the decision to build the H-bomb was announced, and across the board cut-backs were announced in conventional defence expenditure.<sup>60</sup>

The significance of these developments for the Simonstown Agreements, it is clear, is that they were predicated on a strategic theory which had become obsolete at least half a year before they were signed (though not, it is true, before the negotiations leading up to them had reached an advanced stage). For it was only on the assumption that a 'broken-backed' stage of warfare would follow on the first - and indecisive - nuclear exchanges, that it made sense to provide for the defence of the Cape Route (or any other strategic point in the chain of imperial communications, for that matter) in the event of general war. Nevertheless, even if an influential section of opinion in and around the British government regarded it as obsolete, the Board of Admiralty itself had no choice but to cling to the notion of 'broken-backed' warfare and it demonstrated its political strength in employing the concept to justify full retention of its share of the Defence Budget in 1955.<sup>61</sup>

It is thus highly likely that the strategic assumptions upon which the Simonstown Agreements were based were similarly the product of Admiralty special pleading and represented, as a result, a particularly good example of the general failure of British governments in this period to

relate their overall political and strategic conceptions to their practical military dispositions. Darby has drawn particular attention to this phenomenon.<sup>62</sup> Spence, directing his comments explicitly to the Simonstown Agreements, supports this interpretation in a somewhat more tactful manner by observing that "it seems reasonable to conclude that the strategic advice each Government received drew heavily on the experience of World War II ....".<sup>63</sup>

Since, therefore, it clearly fitted in with the Navy interest to emphasise the importance of the Cape route and since the Board of Admiralty appears to have had the last word in deciding on its strategic value to Britain, it might be held to be an unpardonable historical rationalization to suggest that this rendered the Union's 'concessions' in terms of military co-operation and an increased contribution to the defence of the Cape "doubly spurious". After all, it is clearly perceptions and influence which were current at the time which account for the shape of events. Having acknowledged this, however, it is equally clear that the revolution in strategic thinking which was occurring simultaneously had drawn a fairly substantial question mark over the Admiralty's views about the Cape route and that other sections within the British government with an interest in relations with South Africa (either directly or indirectly), such as the Commonwealth Relations Office, the Colonial Office, and the Foreign Office, not to mention the Ministry of Defence itself,<sup>64</sup> were, therefore, for this reason, unlikely to attach the same degree of weight to the strategic argument. At the least, therefore, this must have weakened the Admiralty/South African case.

If, then, the British government received nothing of which it was not already assured in the way of future co-belligerency or an increased naval contribution to the defence of the Cape route, and if these 'concessions' were rendered more, if not "doubly", spurious by the question mark which lingered over their strategic value in any case, what of the remaining 'gain' which Britain is supposed to have obtained from the Simonstown Agreements? What, that is to say, of the £18 million-worth of naval orders for British yards?

The view that this, too, was a South African concession is necessarily based on the assumptions that, in the absence of the Agreements, either

the Union would not have expanded its Navy and therefore had no orders to place or that it would have expanded its Navy in any event and placed the orders elsewhere. Since, however, the former assumption has already been shown to be false, it follows that the orders would have existed irrespective of the fate of the Simonstown negotiations. This question therefore turns on the possibility that the Nationalist government might have given them to other suppliers as retaliation in the event of an unfavourable outcome and used this threat as an inducement to insure against such an eventuality during the course of the negotiations. Since this is of the stuff of 'actualized' economic power, however, and since this will be the major preoccupation of the final part of this Chapter, a consideration of the Union's employment of its arms market in the Simonstown negotiations will be postponed until then.

In any event, it will be clear by now that South Africa gave very little away under the formal terms of the Simonstown Agreements. At the most, it can be said that the British government received formal confirmation of the Union's military cooperation in the event of war and was able, in addition, to make one or two small economies on the Navy estimates at a time when the burden of the Defence Budget was being particularly felt.<sup>65</sup> But even on the count of military cooperation, the Nationalist government had not conceded unconditional support for Britain in the area which British policy-makers regarded as the most important of all, that is to say, in the Middle East. This, moreover, was in spite of the British stipulation for high priority on this topic on the agenda as a condition for commencing the 1954-55 negotiations in the first place. As the final Agreements explicitly stated, "the Union's contribution will depend upon satisfactory arrangements being arrived at between the countries mainly concerned as to the nature and extent of the contribution which each will make",<sup>66</sup> or, in other words, on the success of further discussions on the Nationalists' ambition for an African Defence Pact.<sup>67</sup> In the circumstances, this was a weighty condition! As The Times subsequently complained, "In 1951 South Africa did undertake to send ground and air forces to the Middle East in time of war, but the undertaking seems to have lapsed because some form of Middle East (sic) defence organization was not set up".<sup>68</sup>

If closer inspection therefore reveals that the South African government

gave away very little indeed in the Simonstown Agreements, the same cannot, however, be said for the British government. What then did Britain give to the South African government in July 1955?

It is clear that, in the first place, by laying stress on the financial cost which the Union was obliged to assume in regaining sovereignty over the Simonstown base and then on the fact that the Union had 'thrown away' this gain by compromising its neutrality under the terms of the understanding on future use of the base, the conventional interpretation seriously glosses over the political implications of the sovereignty issue - both for Britain and South Africa. It is, in fact, obvious that the terms on which the Simonstown base was returned to South Africa could not have suited Pretoria's interests more perfectly. For there is no doubt that, though the issue of the base had lain relatively dormant for some years, great importance was attached by the Nationalist government to its return. It was, after all, the most tangible remaining symbol of the country's long subservience to the interests of the British Empire and, as the preceding years of Nationalist rule well testified, the Nationalists were very attached to the importance of symbolic forms. Furthermore, since Pretoria had been obliged to delay removal of the most loathsome symbol of all - formal attachment to the British Crown - the return of the base was obviously a most useful political compensation.<sup>69</sup> As Lawrie is bound to observe, "It was British willingness 'to hand over to the Union Government the administration and control of the Naval Base at Simonstown' ... which made an emotional appeal to nationalist opinion and which consequently obscured the other provisions of this Agreement and the significance of the Correspondence as a whole. It is not too much to say that in 1955 this single phrase constituted the whole 'agreement' for the South African public".<sup>70</sup> Fittingly, in a statement issued on the day that the Agreements were announced, Strijdom was able to say that "it represents a logical continuation of South Africa's development towards full independence".<sup>71</sup>

However, if the return of the base to the Union was a triumph for Nationalist emotion, the terms on which it was returned were a triumph for Nationalist diplomacy. For, as will by now be clear, the Union government had no intention to give the impression to Britain, or the Western powers in general, that its desire for the return of the base

signified an indifference to the contribution which its strategic position could make to the Western defence effort in any future confrontation with the communist states. On the contrary, as we have seen, it was the major plank in the Union's diplomacy to emphasise its commitment, as well as its indispensability, in such an eventuality. As a result, the Union was bound to make it clear, in the Simonstown Agreement, that it wished its neutrality to be compromised. It is, therefore, nonsense to suggest that this point involved a sacrifice for South Africa. Indeed, though some anti-Nationalist opinion in the Union has taken the partisan view that, for the transfer of the base, "the price paid was dear",<sup>72</sup> it was, quite correctly, regarded in no such light by the Nationalist government itself. On the contrary, it was clearly pleased to have been able to reconcile the rarely compatible goals of gratifying popular national feeling without at the same time irretrievably offending an imperial power. It is for this reason, of course, that official United Party opposition to the Agreements was notably muted on this score.<sup>73</sup>

From the British point of view, nevertheless, the fact remained that the Union Jack had been hauled down over another British base less than a year after the announcement of withdrawal from the Suez Canal Zone base and against a background of nationalist pressure on other British bases in Cyprus, Ceylon and Singapore.<sup>74</sup> There was, therefore, the danger for Britain that 'retreat' from Simonstown - however nominal - would encourage encroachments on British power in more important areas, as well as in Southern Africa. As Elizabeth Monroe points out: "Modern imperialism, whether by sea or land, is a game of spillikins in which the moving of one piece is difficult without disturbing the others".<sup>75</sup> Consistent with this, the Economist observed after the announcement of the Agreements that "There were no shouts of 'Abadan' or 'Suez' in the House of Commons; but the fact has to be faced that some people in South Africa, and others elsewhere, will interpret the transfer as yet another proof of British weakness",<sup>76</sup> whilst Macmillan himself records that he had feared "certain political dangers" from the Agreements - "from the Right as 'another surrender'" as well as "from the Left as an immoral compact with the 'reactionary' South Africans".<sup>77</sup> Moreover, on top of this, it seems that there was also resistance in the Admiralty to the arrangements for the transfer of the base,<sup>78</sup> probably based on doubts

about the efficiency with which it would be run by the Nationalist government which had been engendered by Pretoria's policy of Afrikanerization of the Union's defence forces since 1948.<sup>79</sup>

Thus, despite the unique characteristics of the transfer of Simonstown to South Africa (which obviously explains the lack of real hostility to it on the Tory back benches in the House of Commons), it is misleading to imply that, provided the Royal Navy had continuing use of the base, the British government was indifferent to the question of sovereignty over it. In the conditions of the mid-1950s, surrender of sovereignty over Simonstown to the South African government involved certain potential costs for Britain. Accordingly, it represented a real concession which certainly would not have been granted unsolicited, or unrequited, by a Conservative government in these years, and one which equally brought substantial satisfaction to the Nationalist party government in Pretoria.

The return of the base to the Union on terms which enabled the Nationalist party to curry favour with its domestic constituency as well as to avoid giving excessive hurt in London and arousing apprehension amongst English-speaking voters in the Union, was undoubtedly the Nationalist government's most obvious immediate gain from the Simonstown Agreement. But it must also have been a cause of some satisfaction in Pretoria that this part of the Agreement, together with that dealing with naval cooperation, clearly endorsed the continuing importance of the Cape Route in the general war strategy of the Western powers. This was especially significant since, as we have seen, the implications of the H-bomb had recently cast a large doubt over the rationality of providing for the defence of lines of communication in the event of general war. Since the strategic importance of its position on the Cape Route constituted, on the face of it, one of the Union's strongest bargaining counters in its relations with Britain and the other Western powers, it was naturally of the greatest consequence to Pretoria that the continuing need to defend the Cape Route be acknowledged. This was provided by the Simonstown Agreements.

Finally, however, and without doubt most importantly of all, South Africa gained from the Simonstown Agreements a close formal military association

with Britain, which, though it was less than an alliance was more than 'just good friendship', and gave the Union that outward appearance of British military support which, though imprecise enough to be denied in London with a semblance of plausibility, was clear enough to give pause to South Africa's enemies. It is this aspect of the Agreement, moreover, which tends to be overlooked in conventional interpretations, mainly because it does not find expression in any specific textual provision and because heavy emphasis tends to be paid instead on the Union's failure to secure British acceptance of a formal African Defence Pact. Though it is true that Simonstown did not deliver this highly unrealistic South African ambition (nor did it give it an open rebuff - see below), it did produce this extremely useful second-best solution to the Union's security problem; that is to say, the Agreements provided the Nationalist regime, in effect, with an implicit British guarantee of its external security.

That this guarantee was at least implicit in the Agreements followed, as Spence points out, from "British acceptance of the view that Anglo-South African security in the Southern oceans was indivisible".<sup>80</sup> For any attack on the Union - landward as well as seaward - was bound to threaten British sea power at the Cape and thus ensure that Britain was involved. This, in fact, explains why no provision was made in the Agreements for British neutrality in the event of South African belligerency, though provision was made for the reverse situation (Britain's far-flung interests making it possible that it would be involved in a war in which South Africa had no stake). In short, as Spence rightly argues, this aspect of the Agreements gave substance to the Union's "hopeful assumption that any threat to its external security by a third party would of necessity be of concern to Britain, and this would be so regardless of how much validity was ascribed to any Commonwealth obligation on the part of Britain towards South Africa arising out of the latter's membership of that body".<sup>81</sup>

Though Britain subsequently attempted to distinguish between the necessity of defending the Cape Route and South Africa's wider external security needs, thus trying to formally dissociate itself from any responsibility for the latter, it remains clear that in 1955 an implicit guarantee was given. Erasmus certainly thought so. Indeed, he exploited the wording of the first part of the Agreements to argue

that this guarantee was explicit. Thus, in defending the Agreements in the House of Assembly in January, 1956, he observed that "In the agreement we have for the first time in history obtained an undertaking in peacetime that Britain will also make armed forces available for the defence of Africa (interjection). It may be that Britain was always willing, but I prefer it when an agreement is in writing. The agreement says - 'It is the declared policy: (a) that the United Kingdom should contribute forces for the defence of Africa, including Southern Africa ....'"<sup>82</sup> And in March, he reiterated this belief even more strongly.<sup>83</sup>

This suggestion that the first part of the Simonstown Agreements contained 'substantive obligations' on the part of Britain to regional defence was, in fact, rejected by the British government in a formal reservation attached to the Correspondence when it was registered as a Treaty at the United Nations in the following August.<sup>84</sup> However, since, as we have seen, the British guarantee derived implicitly from acknowledgement of the "indivisibility" of Anglo-South African security in the Southern oceans (which was contained elsewhere in the Agreements), this reservation was somewhat lame - as well as belated. Erasmus had clearly chosen to emphasise the first part of the Agreements since the wording lent itself better to his purpose and since it condoned the principle of the Union's major ambition for an African Defence Pact. And, in the event, by stating that the first part was only "registered in order to facilitate the understanding of the other two agreements", the formal reservation made by Britain at the United Nations simply served to confirm the existence of this implicit guarantee, since paragraph 1 of the first part states that "Southern Africa and the sea routes round Southern Africa must be secured against aggression from without".

Textual argument of this kind is, in any case, mere pedantry. What made Britain's implicit guarantee of South Africa's external security real were the practical schemes of cooperation in which it agreed to engage with the Nationalist government. To begin with, Britain had agreed to a scheme for naval cooperation which, if it was on the bilateral basis which the Union had originally sought to avoid, was at least in the style of NATO. Next, Britain agreed to jointly sponsor with the Union a conference on African regional defence which, though it may have been merely a sop to Pretoria's sensibilities which Britain never intended



to follow up, as Spence suggests,<sup>85</sup> nevertheless condoned the principle of such a scheme (though not on counter-insurgency lines) and enabled the Union to claim at least until 1957 that it was still cooperating closely with London in pursuit of this goal.<sup>86</sup> Whilst finally, the seal was placed on the newly formalized military association between the two countries by the Agreement's provision for the supply of naval equipment to the Union from Britain up to 1963, and for what could plausibly be interpreted as a 'moral obligation' to continue the supply of arms for 'external defence' thereafter for as long as the Agreement should last.<sup>87</sup> Though Spence describes this future guarantee to the Union as a direct gain,<sup>88</sup> the temptation to make an anachronistic judgement must be avoided. The supply of arms to the Union was not, after all, so highly charged a subject in the mid-1950s as it was to subsequently become. Nevertheless, at least by adding a further practical dimension to the military association between Britain and South Africa, this served to publicise its reality and thus to serve the Union's interest in this manner.<sup>89</sup>

Altogether, then, it is not surprising that Erasmus should have described this new military association as "an important step forward for which we are very thankful".<sup>90</sup> For although the Nationalists would obviously have preferred full and formal inclusion in the Western security system on a multilateral basis, this was a good second-best solution to its security and diplomatic needs. As Spence remarks: "The 1955 Agreement represented a lifeline of sorts, in so far as it could be interpreted as conferring on South Africa a degree of quasi-formal association within the Western alliance".<sup>91</sup> "From South Africa's point of view", as he comments at another place, "the Simonstown Agreement represented the best that could be hoped for in a world which found its domestic policies increasingly objectionable",<sup>92</sup> and, he might have added, the strategic significance of its neighbouring sea lanes increasingly questionable.

To sum up the Nationalist regime's gains from the Simonstown Agreements as a whole, therefore, they provided it with a symbolic victory over the base sovereignty issue which was of considerable value vis-a-vis 'verkrampste' opinion within the ranks of Afrikanerdom, the formal enshrinement of the strategic importance of the Cape route and, inter alia, an implicit British guarantee of its external security within the context of "quasi-formal association within the Western alliance". Thus was the

sting drawn from the United Party's claim that apartheid policies were forcing the Union into isolation from the West and thus was the Nationalist regime given a clearly discernible - if noticeably uneasy - British stamp of approval.

It is, therefore, quite true that the Simonstown Agreements represented a very one-sided affair: they were wholly in the Union government's favour. Perhaps, however, Britain was prepared to give so much away because the favours cost it so little. If this was so, the Union's gains need occasion no surprise. Was this in fact the case?

We have already seen that the concession of sovereignty over the naval base to the Nationalist regime was not without its dangers (real or imagined) to the Conservative government of Anthony Eden but what of this newly formalized military association with the 'apartheid' regime? Did this not also involve very real dangers for Britain, especially in its policy towards the 'new Commonwealth' in Asia (where Indian hostility to the Union as a result of discriminatory policies towards the Natal Indians was a fact of long standing - see below) and, shortly to emerge, in Africa itself? Barber affirms that "The doubt about the agreement for Britain lay in the future" (see page 183 above) and certainly there is here, too, the danger of making an anachronistic judgement. For it is true that the danger to Britain's 'new Commonwealth' policy from close identification with South Africa was not as great in the mid-1950s as it was in the post-Sharpeville period. Nevertheless, it seems likely that there were some dangers even then and that the greater ones may have been dimly visible.

To begin with, however, it must be certainly admitted that Britain's action over the Simonstown Agreements was in no way inconsistent with previous British policy in Africa, or indeed with the general style and practice of foreign policy under the imprint of Sir Anthony Eden. Most obviously, it in no sense represented a new and dramatic shift in British support from the black nationalist to the white nationalist side of the racial equation in Africa which, if had been the case, would certainly have involved very major costs to Britain's colonial and 'new Commonwealth' policies.<sup>93</sup> In short, it was quite consistent with the long-standing British policy of 'dualism' in Africa to which attention was drawn at the end of Chapter I.

Furthermore, the Simonstown Agreements were also consistent with the Eden policy of creating alliances with pro-Western governments in areas of traditional British influence, despite the fact that these were regarded as anathema by nationalist leaders on the contemporary non-aligned circuit. After the Baghdad Pact, for instance (joined by Britain only four months before the announcement of the Simonstown Agreement), Simonstown could have come as no real shock. Moreover, in his memoirs, written in 1959, Eden states that "A danger to the free world lies in the incompleteness of its alliances. In Europe N.A.T.O., and in South-East Asia S.E.A.T.O., are both fulfilling after a fashion the purpose for which they were originally created. At least there is no vacuum there. But in the vital intervening continents of central and western Asia and Africa, there is no common policy, plan or propaganda. Alliances cannot be limited geographically in a cold war which is global ...." (emph.added).<sup>94</sup> Bearing in mind, then, Eden's well known predilection for paper agreements<sup>95</sup> and counter-productive policies, this observation must cast doubt, at the least, on Spence's contention that, under Eden at any rate, Britain's promise to sponsor discussions with a view to establishing an African Defence Pact under the first part of the Simonstown Agreement was insincere. In short, both the formal military association with South Africa as it emerged from the Agreements and the embryonic African Defence Pact were consistent with Eden's style, as well as with his vision of what was necessary for the protection of Britain's interests in the non-European world.

Finally, the Simonstown Agreements were consistent with the fact that the Eden administration (returned with an enlarged majority at the general election in May) was generally thought to be "more conservative in outlook than its predecessor".<sup>96</sup> In foreign policy, the earliest expression of this was perhaps the newly declared open support for France's colonial war in Algeria, made by the Eden government in April.<sup>97</sup> Significantly, "the only other country which came out unreservedly in support of France", according to Barraclough and Wall, "happened to be the Union of South Africa".<sup>98</sup> Perhaps the tendency which this illustrated is partly attributable to the pressures to which Eden was being subjected from the right-wing of the Conservative party in Parliament as a result of his identification in its eyes with the Suez Canal Zone 'scuttle',<sup>99</sup> which also, as we

have seen, alarmed the South African government. According to McDermott, however, Eden himself was essentially an 'inner-circle' diplomat with little sympathy for Black Africa, in particular, which he "never bothered to visit".<sup>100</sup>

If, however, the Simonstown Agreements were consistent with these features of the Conservative governments and their policies in these years to this degree, it remains clear that the Agreements did involve potential costs for Britain, that the British governments were aware of this at the time, and that there was one crucial respect in which the Agreements were not consistent with Conservative foreign policy during this period.

There is no doubt that the very formality which the Simonstown Agreements introduced into the military association between Britain and South Africa (already close, in any case, on an intra-Commonwealth basis) served to highlight once more Britain's highly equivocal attitude on racial matters within the Commonwealth. Coming when they did, this made them potentially dangerous. For already the shape which the Conservative government under Churchill had allowed the Central African Federation to assume (created in 1953) was causing alarm and unrest in Northern Rhodesia and in Nyasaland and thus created a massive problem for the Colonial Office.<sup>101</sup> In April 1955 the Bandung Conference had created another forum for the expression of anti-colonialist, as well as neutralist, sentiment. But above all, perhaps, the Indian government had finally severed relations with the Nationalist regime in Pretoria in 1954 over the latter's treatment of the Natal Indians.<sup>102</sup> This was especially significant, moreover, because Indian disaffection with Britain as a result of too open identification with the 'apartheid regime' could have led to Nehru's withdrawal from the Commonwealth. In that event, this essential prop of Britain's great power status would have shrunk quantitatively to its 'white dominion' core (and remained as such when the African colonies became independent) and Britain's claim to be the leader of a 'multi-racial' world association would also, by the same token, have been destroyed.<sup>103</sup> Furthermore, Nehru was regarded as a highly useful adjunct to British diplomacy towards China and to the new states outside, as well as inside, the Commonwealth.<sup>104</sup>

Clearly, it was an appreciation of the dangers of identification with

South Africa's racial policies represented by this background, amongst other things, which, as indicated at the beginning of the Chapter, had prompted British coolness towards the Nationalists' scheme for an African Defence Pact from the beginning. That awareness of the heightened dangers in 1955 was also present in Britain was similarly demonstrated, of course, by those parts of the Simonstown Agreements which explicitly discountenanced a British commitment to internal security arrangements for Southern Africa (that is to say, to an African Defence Pact along the lines originally envisaged by the Nationalist government) and which provided for the ban on the application of apartheid policies in the base area itself.<sup>105</sup> Finally, testifying to the fact that diplomatic costs had probably already been incurred<sup>106</sup> and that greater ones were in view, there was the reservation which the Eden government felt obliged to attach to the Correspondence when it was registered as a Treaty at the United Nations just over one year after it had originally been initialled by both governments - and after Erasmus had been unable to resist boasting openly about its implications.<sup>107</sup>

It is thus evident that in the final shape assumed by the Simonstown Agreements, the British government gave quite a lot away to the Nationalist regime and that these favours were not, in fact, without costs which were clearly discernible to the British government at the time. Furthermore, as we have seen, under the formal terms of the Agreements, Britain, contrary to many accounts of this affair, received nothing of any significance in return. This is the real anomaly of the Simonstown Agreements; this is the way in which they were in fact inconsistent with the practice of current Conservative foreign policy. For the British governments of this period were prepared to pursue policies which ran the risk of being branded 'reactionary' in the 'non-white' Commonwealth and in the forum of the United Nations General Assembly; it was rare, however, for them to be gratuitously reactionary. A substantial quid pro quo was, in other words, normally sought, as in the case, for instance, of the Eden government's declaration of support for the French policy in Algeria which has already been mentioned.<sup>108</sup>

If, therefore, the British government had no need to return the Simonstown naval base to the Nationalist government or to give it

"quasi-formal association within the Western alliance" in order to assure its questionable security interests at the Cape (since these were already guaranteed by the nature of the Nationalist regime in South Africa and its own ambitions), the question is: why did Britain grant these very substantial concessions? What, in other words, was the real South African quid pro quo? The Times of London, showing a scepticism towards the official British justification of the Simonstown Agreements which was almost unique at the time and has remained almost equally unique since, suggested that the true explanation was probably that Britain wished to avoid "putting a needless strain on friendship (with South Africa) in the future".<sup>109</sup> Could it have been the case, then, that Britain's political interests in South Africa would have been jeopardised in the absence of British concessions under the Simonstown Agreements? Let us consider the evidence for supposing that it was a concern for the High Commission Territories or for Britain's 'kith and kin' interests in the Union which prompted Britain's policy towards the Nationalist regime at this juncture.

#### 4. Political 'interests'

The High Commission Territories of Bechuanaland, Basutoland and Swaziland had been British protectorates since the second half of the 19th Century and, in view of their geographical location (the last two are physically encircled by South African territory) and the provisions of the Act of Union of 1910, it is hardly surprising that their incorporation into South Africa itself had been a long-standing ambition of successive governments in Pretoria.<sup>110</sup> In 1951, Dr. Malan publicly harangued a visiting British minister on the matter and in 1953 gave the British government an ultimatum to the effect that transfer of the territories would have to take place within five years.<sup>111</sup> Britain, on the other hand, was committed by treaty to consult the inhabitants of the protectorates before agreement to such a transfer and, after the Nationalist election victory in 1948, it became obvious that not only would such consultation be likely to meet with an embarrassing rebuff but that even its contemplation would have serious repercussions on British colonial and Commonwealth policy.<sup>112</sup> Accordingly, as far as the British government was concerned, the

possibility of transferring the protectorates to the Nationalist government ceased to be a matter of practical politics. Indeed, in August 1954, that is to say, in the same month that the formal negotiations on Simonstown commenced, Churchill went significantly further than usual in rebutting the Union's claim.<sup>113</sup> Against this background, then, and in view of the undoubted economic dependence of these neglected and thus impoverished territories on the Union, is it in fact possible that the Nationalist government used them as a lever on Britain during the Simonstown negotiations?

The suggestion clearly has to be taken seriously. After all, since incorporation was by this time out of the question, the British government could no longer hold it out as an inducement to good behaviour on the Union's part, as formerly appears to have been the case.<sup>114</sup> Instead of being a British ace, therefore, the High Commission Territories seem to have become by this time, in Halpern's phrase, "South Africa's hostages".<sup>115</sup> Theoretically, the Nationalist government could have threatened to apply to them economic pressure, for instance, if not in order to secure their incorporation, then in order to obtain the kind of concessions which it sought and, as we have seen, in substantial measure obtained, during the Simonstown negotiations. Furthermore, the possibility that this threat was in fact used successfully during these negotiations with Britain is supported by the fact that the replacement of Malan by the reputedly more extreme Nationalist, Strijdom, in December 1954, did not lead to more militant public demands on this matter - as might have been expected - but rather the reverse. As Barber records: "At the beginning of his premiership Strijdom reaffirmed the government's intention of incorporating the Territories, but he never threatened direct action as Malan had done. He and Louw continued to make public claims and kept up negotiations with Britain, but there was a suspicion that they did this more to satisfy demands within the Nationalist Party than with any real hope of persuading the British Government".<sup>116</sup> In short, therefore, it might be held that the British government exchanged military and diplomatic concessions under the Simonstown Agreements in return for a Nationalist promise to leave the 'hostages' unharmed and perhaps even for helping in their subsequent economic development.<sup>117</sup>

That this was part of the Simonstown deal cannot be ruled out. On the

other hand, the point about hostages is that they are only useful if the threat to do them harm, or the promise to do them good, is credible to the other partner in the negotiations. Now, whilst the latter clearly was credible, the former is less likely to have been the case. As The Round Table was quick to point out when the subject was under discussion in the early 1950s, the Union would also have lost seriously in any economic confrontation with the High Commission Territories since it relied on them as an important reservoir of cheap labour for its mines and developing industries.<sup>118</sup> On balance, therefore, it is not likely that the protectorates were particularly significant in the Simonstown negotiations, though it would be surprising if they had not had some marginal impact on the outcome.

What, finally, then, of the 'kith and kin' agreement? It would, in fact, be equally foolish to rule this out altogether. The idea of 'South Africa' seems to have had a fairly strong romantic hold over certain sections of the Tory party in Parliament during these years, for which the novels of John Buchan must be held in large measure accountable.<sup>119</sup> It can be safely assumed that memories of the Union's war-time assistance against the Axis Powers were still quite fresh and that the contribution which Smuts had made to the 'philosophy', at any rate, of the Commonwealth had not yet been forgotten. And then, of course, there was the large and somewhat embattled English-speaking population in the Union for which the British government presumably had the same sort of feelings that Nehru had for the Natal Indians.

Perhaps, therefore, these things were of some consequence. After all, failure on the part of the British government to be forthcoming during the Simonstown negotiations might have stiffened the resolve of the Nationalists to declare a republic and even withdraw from the Commonwealth, thus severing the 'family link'. On the other hand, it is clear that the Nationalist government had a variety of excellent reasons, domestic as well as external, for not pressing the republican issue at this time and is thus not likely to have been able to make this threat very credible at this juncture.<sup>120</sup> Above all, however, the South Africa of Malan and Strijdom was hardly the South Africa of Smuts of fond memory. On the contrary, as we have seen, it was ruled by an increasingly well entrenched group of people whose hostility to the British and their causes was notorious. It does not seem unreasonable



to hold, therefore, that the disposition of the British government to be generous to the Nationalists during the Simonstown negotiations, which might have been produced by feelings of 'kith and kin' for the population which they ostensibly represented, must have been in large measure off-set by the effects of the people and traditions which they actually represented.

We have thus established that the Nationalist government had serious diplomatic and military ambitions during the early and mid-1950s towards which, after the Union had been thwarted in their pursuit in the multilateral arena, the British government went a long way in gratifying on a bilateral basis in the Simonstown Agreements. We have also seen that it is difficult to believe that the clearly discernible costs which this involved for Britain could have been borne as a result of the security 'concessions' which the Union government is purported to have made in return (since these were spurious) or by Britain's other 'interests' in South Africa. In circumstances of mounting hostility to the Nationalist regime (albeit nothing like the post-Sharpeville hysteria of criticism), therefore, the British government had come closer to meeting the Nationalists' demands than at any time since their accession to power, despite a customary avoidance of gratuitously reactionary policies. On the other hand, we have also seen that the Nationalist regime possessed a significant margin of putative economic power over the British government at this time. It is thus likely that this margin was the decisive factor. The argument should thus be clear: the outcome of the Simonstown negotiations represented the actualization of this putative power. The thesis that this must have been so, however, does not rest merely on an acknowledged British government concern for the effects of an unfriendly attitude towards the Union on Britain's 'economic stake' in South Africa, nor even on the deductive reasoning which has so far characterised the development of the argument, though both are important. For there is, in fact, some fairly strong evidence which has a direct bearing on the manner in which the Nationalist government 'actualized' its putative economic power at this historical juncture.

### 5. The economic factor

It will be recalled that at the time of the Simonstown negotiations the Union's putative economic power vis-a-vis the British government was held to have rested principally on the superiority of the Nationalists in terms of the non-economic bases of such power, especially in regard to the skill to exert and, above all, in the will to apply it. It will be further recalled that the most significant ingredients of the Union's economic strength vis-a-vis Britain was its importance as a contributor of gold to the Sterling Area's 'dollar pool' (which had to be earned above a \$140m. minimum guarantee by visible and invisible exports to the Union), the size of Britain's assets which were substantially locked in South Africa and, possibly (given the complicating factor of the CDA), the Union's crucially important position at that time as a supplier of uranium. Let us consider the evidence, then, for suggesting that these items of economic strength were actually employed by the Nationalist government during the course of the Simonstown negotiations.

It must at once be conceded that there is no evidence to support the view that the Nationalists threatened any move against Britain's assets in the Union or to interfere in any way with the repatriation of earnings from them. Furthermore, it is unlikely that this would have been contemplated, since, although the Union was much less dependent upon British capital at this time, as we saw in Chapter II, the agitation of Afrikaner economic groups against the domination of the South African economy by foreign capital in general, and British capital in particular, had not yet begun to mount seriously and thus lend the credibility required to such a threat. On the other hand, given the vast size of these assets and their overall importance to Britain's overseas investment earnings, it is obvious that they were a South African 'hostage' of much greater importance than the High Commission Territories and one which was probably more vulnerable, too. After all, over the medium-term, at any rate, the Nationalist government could only gain economically by expropriating these assets and it is hardly likely to have found itself condemned for doing this by "the Afro-Asian cum-Communist cum-Western-socialist-humanist bloc in the United Nations Assembly"! <sup>121</sup> Anticipation of the consequences for these assets of an unforthcoming attitude during Simonstown may well

have been a significant factor, therefore, but it has probably been exaggerated. The evidence suggests that the real leverage was exerted directly and employing different ingredients in South Africa's economic strength vis-a-vis the United Kingdom.

The first round of formal bi-lateral defence talks between Britain and South Africa, it will be recalled, took place during August-September 1954 and that they were inconclusive. Though it seems clear that, as was suggested above (see page 178), the British government had by this time already moved a good deal of the way towards the point at which it was ultimately to stick in these negotiations, the Nationalists had clearly still not got a firm British commitment to the African Defence Pact which they so desired and were thus dissatisfied with existing progress in the talks. It is against this background, therefore, that the Union's decision to withdraw its \$140 million minimum gold guarantee to the Sterling Area's 'dollar pool' must be seen. For this decision was communicated to the British government in October 1954,<sup>122</sup> known to the City by at least mid-December<sup>123</sup> and announced to the world not by the British government but by Eric Louw on February 4, 1955.<sup>124</sup>

Of course, the British Chancellor, R.A. Butler, maintained that this move would occasion no harm to the Sterling Area since the South African authorities had been obliged to contribute substantially more than the minimum in gold to the 'dollar pool', in any case, as a result of the size of the Union's commercial deficit with the Sterling Area since the guarantee was first given. This development, he held, had rendered the guarantee irrelevant and it had therefore been withdrawn by mutual agreement. As a result, he insisted, it suggested no weakening of South Africa's ties with the Sterling Area. Gaitskell, who queried Butler on this point, was not able to substantially challenge this interpretation.<sup>125</sup>

This is not surprising, since Butler's account was not in fact wholly disingenuous. As can be seen from Appendix B, Table 28, the Union's commercial deficit with the Sterling Area had in fact been in excess of the \$140 million gold guarantee in three of the five years since 1950 when it was first given and, in 1954 itself, was more than double this amount. On the other hand, it is manifestly obvious that the National-

ist government had withdrawn this crucial guarantee to the dollar pool in precisely the circumstances which had made it initially necessary to the British monetary authorities in the late 1940s. For by October 1954, when the guarantee was withdrawn, British manufacturers had already been obliged to face dollar competition in the Union market across the board for eight months<sup>126</sup> and the net sterling capital inflow was once more assuming large proportions (App. B, Table 8). Not surprisingly, therefore, the SA Reserve Bank's holdings of foreign exchange (mainly sterling) were by this time substantial, standing at just about double their level in the previous October and rising rapidly, (App. B, Table 33). In short, the eagerness of the South Africans to spend their gold on non-Sterling Area commodities and their ability to offset their current account deficit with the Sterling Area with their capital account surplus with it, were both combining once more to threaten the Union's gold contribution to the 'dollar pool' at the very time at which the minimum guarantee was withdrawn. As a result, Butler was either misinformed or simply putting a brave face on things.

When the Nationalist government had actually announced the ending of anti-dollar discrimination in the South African market (effective as of January 1, 1954) on October 16, 1953, there had naturally been some alarm in Britain.<sup>127</sup> Moreover, on this occasion Butler was quick to point to the value of the \$140 million minimum gold guarantee which, he said, "the South African Government has agreed to renew .... in 1954".<sup>128</sup> If, on the later occasion, then, Butler was constrained to be politic when the decision to withdraw the guarantee had been made public by the South African government, this was not true to quite the same extent of the City press. The Economist, for instance, explicitly contradicting Butler, observed that "Under the new dispensation South Africa will become even more the odd member of the Sterling Area, being more than ever dissociated from the Pool and more and more identified with the hard currency area".<sup>129</sup> Whilst The Banker went even further, suggesting that, if an increase in the net sterling capital inflow to the Union should result in the South African authorities using this currency - rather than gold - to cover their current account deficit with the Sterling Area, the "United Kingdom authorities might find it necessary to end the concession, now wholly unrequited, that gives South Africa free access to the London capital market" (emphasis added).<sup>130</sup> Unfortunately for the

British government, the potency of this counter-threat had been all but removed by the vastly diminished dependence of the Union on British capital compared to the time in 1949 when Cripps had employed this weapon with such marked success (see page 145 above).

Against the background of such gloomy gold-earning prospects for the 'dollar pool' in the South African market at this time (Britain's share of the SA market actually fell from 37.5 per cent at the end of 1953 to only 31.6 per cent by the end of 1956 (App. B, Table 6), coming, too, at the juncture which it did in the Simonstown negotiations and being publicly announced by Eric Louw, the Union government's new and aggressive Finance and External Affairs Minister, it would be surprising indeed if the withdrawal of the minimum gold guarantee by the Nationalists was not intended as a signal to the British government that the Union's golden favours had to be earned.

Of course, the gold guarantee was not re-instated after the Simonstown Agreements had been signed but it never became an issue after the mid-1950s in any case because the 1954 revival in sterling investment in the Union did in fact turn out to be a 'flash-in-the-pan' (App. B, Table 8). Together with a deteriorating invisible balance with the Sterling Area, this ensured that the Union remained short of sterling for the remainder of the period and thus had no alternative but to settle its commercial deficit with the Sterling Area in gold (see Chapter II, Part A, Sec. 1). Thus Butler's prognosis turned out to be correct after all but the point is that this could not have been foreseen in October 1954, nor even in the first half of 1955.<sup>131</sup>

It is also against the background of these gloomy gold-earning prospects in the Union that the importance to the British government (as well to British ship-builders) of the naval orders, which were made an explicit part of the Simonstown deal, must be seen. We have already established that the Union intended to develop its Navy irrespective of the outcome of these negotiations. Is the Nationalist government likely to have threatened to buy elsewhere in order to bring additional pressure to bear on Britain at this time?

Given Britain's sliding position in the South African market in general at this time and the quickening pace of the international arms market

(see Chapter II, Part A, Sec.1), it does indeed seem possible, on the face of it, that the British government might have been concerned that a failure to be forthcoming during the Simonstown negotiations might have induced the South African government to turn elsewhere for its naval equipment, even if no explicit threat was made. After all, it was already doing this with its air force, as we have seen. On the other hand, the existing SA Navy was wholly of British production and Britain's reputation in this field stood particularly high at this time.<sup>132</sup> Moreover, actually being supplied by Britain appeared to lend greater substance to the Union's military association with Britain which was of such importance to the Nationalist government at this time, as we have also seen. On balance, therefore, it seems unlikely that the Union government used these orders as an explicit bargaining counter during the negotiations (and there was not the slightest hint in the contemporary press that it was threatening to turn elsewhere), though the possibility of such a firm and substantial advance commitment was no doubt pleasing to Britain's ship-builders and, against the general background which has just been painted, some small inducement to the British government - if only because it would assist it in selling the package to the House of Commons.

If, however, it is unlikely that the Nationalist government threatened to turn elsewhere for supplies of naval equipment as a bargaining ploy in the Simonstown negotiations, it seems that they did attempt to extract some negotiating mileage out of their uranium supply position. As we established earlier (see Chapter II, Part A, Sec. 2), it was at precisely the time of the Simonstown negotiations that South Africa's uranium was beginning to become so important to the CDA and sometime yet before it became evident that there would soon be a substantial excess of supply over demand in the world market.

The Nationalist government did, of course, use its uranium plants to bolster the general argument of the South Africa-Admiralty alliance concerning the strategic importance of the southern part of the continent in a general war<sup>133</sup> but this had nothing to do with the 'actualization' of putative economic power. Indeed, given the fact that South Africa was contractually bound to sell all of its uranium to the CDA until ten years after each plant came on stream (which effectively meant 1963 although, as we have seen, the appearance of

surplus in 1957 enabled the CDA to release the SAAEB from this obligation in 1958) and given the further fact that it had to sell to the CDA itself, rather than directly to the British government, it must have been fairly obvious to the South African government at this time that uranium did not provide it with a great deal of putative economic power to play with.

Nevertheless, since it was known in Britain that the South African government was dissatisfied with the August-September talks in 1954, that almost certainly as a result it had withdrawn the gold guarantee in the following month, and that it was widely believed that a new hard-line element had been injected into the leadership of the Nationalist government by the changes at the top in December 1954, it seems probable that there may well have been apprehensions within the British government concerning the Union's future attitude towards uranium supplies - CDA or no. It is also possible (though admittedly, by this stage, unlikely) that the British were apprehensive concerning the effects of a deterioration in their general atomic relationship with the South African government, especially with regard to the development of uranium resources, as a result of the importance which this had hitherto had for their own fragile atomic relationship with the United States (see page 111 above).

Against this background, therefore, it is intriguing, to say the least, that, in early June 1955, on the eve of the departure of Erasmus for the final round of negotiations with the British government, an article which was syndicated in both the Jo'burg Star and The Times of London should have observed that "Britain has less need to retain Simonstown than in the past, and more reason not to cavil now that much of her uranium comes from mines in the Transvaal and the Free State".<sup>134</sup> Even more intriguing, Erasmus did not journey directly to London but went instead via Paris, where he remained for five days and presumably spent much time attempting to drum up support for the African Defence Pact.<sup>135</sup> However, it appears that he was entertained during this interval by M. Gaston Palewski, who was not only Deputy Prime Minister in the government of Edgar Faure but also French Minister in charge of Atomic Affairs.<sup>136</sup> Now, this may well have been entirely innocuous in the context of the Simonstown negotiations but the background already described and the history of France's relations with Britain in atomic energy

matters suggests otherwise.

French offers of atomic collaboration with the British at the end of the second World War had, in fact, been rebuffed because of the feared effects of such a proposition on the critical Anglo-American relationship in this field.<sup>137</sup> Nevertheless, France had thereafter made considerable progress on her own<sup>138</sup> and as early as 1952-53 the manufacture of a French bomb was under discussion.<sup>139</sup> Furthermore, it was also at this juncture that the French were seeking other partners for atomic collaboration within Western Europe and that, as a result, Euratom was in the process of gestation.<sup>140</sup> In these circumstances, therefore, and despite the fact that the French are known to have had access to some small quantities of uranium of their own (see App. B, Table 39), the visit of Erasmus to M. Palewski may well have been intended by the South African government as yet another signal to the British negotiators that Britain had something to lose in the event of an unsatisfactory outcome to the Simonstown negotiations: in particular future difficulties over uranium supplies and South African sustenance of a Western European atomic energy effort which was developing quite separately from, and probably in competition with, that of Britain.<sup>141</sup>

### Conclusion

The Nationalist government did not, of course, get everything which it wanted out of the Simonstown negotiations with Britain. This, in any case, was impossible since its scheme for an African Defence Pact was essentially a multilateral conception and, as such, was by no means entirely in Britain's gift. Its success required, in other words, the assent of the other colonial powers in Africa as well as the tacit support of the United States. On the other hand, as we have seen, it secured the return of the naval base to South African sovereignty, the formal enshrinement of the strategic importance of the Cape route in general war at a time when developments in strategic thought were rendering this questionable, British endorsement of the principle (at any rate) of the need for an African Defence Pact and, above all, an implicit British guarantee of South Africa's external security in the context of a "quasi-formal association within the Western alliance". These significant British concessions were not, furthermore, requited in any



degree whatsoever in security terms and thus the conventional interpretation of the Simonstown Agreements, as exemplified by writers such as Barber, stands refuted.

It is also difficult to believe that concern for the High Commission Territories or for Britain's 'kith and kin' interest in South Africa could have been decisive factors in explaining this anomaly. As a result, the logic of the analysis forces us to the conclusion that the real South African *quid pro quo* in the Simonstown negotiations was economic.

It is true that the Nationalist government never subjected the British government to any crude economic carrot-and-stick treatment in the public domain during the course of these negotiations, though, as we shall see, this was to become a more marked feature of its diplomacy towards Britain in the post-Sharpeville period. On the other hand, the Union government's will to exploit economic strength was evident to the British government, its skill in this respect substantial and the evidence - not overwhelming by any means but highly suggestive nevertheless - seems to indicate that economic pressure was actually applied during the negotiations. Furthermore, though the size of Britain's assets in South Africa no doubt weighed heavily on the minds of the highly City- and Bank of England-influenced Conservative government of this period, it seems likely that the Union's most immediately effective economic weapon was its direct control over the size of South Africa's gold contribution to the 'dollar pool'. All things considered, therefore, the conclusion seems inescapable: the outcome of the Simonstown negotiations constituted a particularly significant actualization of putative economic power vis-a-vis Britain by the post-1948 Nationalist regime in South Africa.

Endnotes: Chapter III

1. UN Doc. S/PV. 1054.
2. See, for instance, D. Austin, Britain and South Africa, (1966) and P. Calvo-coressi, International Politics since 1945, (New York: 1968), p.407. Calvo-coressi is, however, somewhat more shrewd in weighting them than Austin.
3. J.E. Spence, The Strategic Significance of Southern Africa, (1970) p.11.
4. W.C.B. Tunstall, The Commonwealth and Regional Defence, (1959) p.47.
5. See on this, E. Monroe, Britain's Moment in the Middle East, 1914-1956, (1963), esp. Chps. 4 and 7.
6. This plan was conceived after a direct request to join NATO itself was turned down, according to J. Cope, South Africa, (2nd ed. 1967), p.193.
7. Tunstall, op.cit., p.47 and J. Barber, South Africa's Foreign Policy, 1945-1970, (1973), p.84.
8. P. Darby, British Defence Policy East of Suez, 1947-1968, (1973), pp.41-42.
9. The New York Times, Sept. 14, 1954 and The Times, Sept. 24, 1954 both lend substance to this interpretation.
10. As far as South Africa was concerned in this regard, this was confirmed by the first Part of the Simonstown Agreements themselves (see below).
11. Notwithstanding Die Transvaler's editorial hope that the new Churchill government might handle British colonial policy "a little more carefully than the Attlee Government had done ...", Oct. 27, 1951, repr. in SA Press Digest, Nov. 1, 1951. On British colonial policy during this period, see D. Goldsworthy, Colonial Issues in British Politics, 1945-1961, (Oxford, 1971), esp. Chps. II and VIII (pp.304-306).
12. The prevention of this northward advance was an important reason for Britain's sponsorship of the Central African Federation at that time, see R. Hyam, The Failure of South African Expansion, 1908-1948, (1972), p.189 and Goldsworthy, ibid., p.53.
13. This was made manifest in Churchill's statement to the House of Commons in April 1954. See Hyam, op.cit., p.191.
14. Spence, op.cit. p.12.
15. Ibid., p.15.
16. Ibid., p.12.
17. Jo'burg Star, July 25, 1954.
18. See, for example, Jo'burg Star, Aug. 9, 1954, and The Scotsman Aug. 10, 1954. The Times of Aug. 12, 1954, commented that "One thing is certain: the changes in the Middle East and the current tension between Portugal and India have given a fresh sense of urgency to South Africa's consideration of defence problems".
19. Erasmus actually reiterated the Union's pledge (given at the beginning of the 1950s) to contribute to the defence of the Middle East against 'communist aggression' on the occasion of his departure

- for London, Jo'burg Star, Aug. 13, 1954.
20. Recorded in the Jo'burg Star, Aug. 19, 1954.
  21. Ibid.
  22. See, for instance, Macmillan's cryptic remark about "some doubts in the Admiralty", Tides of Fortune, 1945-1955, (1969), p.574, the comment of The Daily Telegraph's Military Correspondent that "in any future war the Cape Route would be so important, and Simonstown would have so large a part to play in providing cover for it, that it is inconceivable that Britain could agree (to surrender it)" (Aug. 27, 1954) and the editorial opinion of The Times that "Any suggestion of South Africa taking over the vast Royal Navy dockyard and base at Simonstown, on which the whole safety of the East African coastline hangs, is scarcely within the realm of practical strategy" (Aug. 30, 1954).
  23. Since the talks were originally scheduled to last only for 2-3 days, this was evidence of heavy going according to the Military Correspondent of The Daily Telegraph, Sept. 13, 1954.
  24. Jo'burg Star, Sept. 11, 1954 and The New York Times, Sept. 12, 1954.
  25. The New York Times, Sept. 13, 1954.
  26. Jo'burg Star, Sept. 14, 1954.
  27. Jo'burg Star, Sept. 22, 1954.
  28. See the letter from Lord Winster to The Daily Telegraph, Jan. 31, 1955.
  29. Jo'burg Star, Mar. 7, 1955.
  30. The Times, Mar. 8, 1955.
  31. Ibid.
  32. The Times: Defence Correspondent, June 4, 1955 and the Economist, June 11, 1955.
  33. The Naval Correspondent of The Times, June 4, 1955, observed that "While Simonstown remains a valuable base, the development of mobile fleet supply trains and the common practice of towing floating docks about the world have both contributed to the reduction of its importance to British maritime strategy".
  34. Economist, June 11, 1955.
  35. Selwyn Lloyd was the third British Defence Minister to be concerned with the Simonstown negotiations. After the August-September talks, Alexander had been replaced by Macmillan in October and then, following Churchill's retirement and the formation of a new Cabinet under Eden in April 1955, Macmillan departed for the Foreign Office.
  36. Ministry of Defence, 'Exchange of Letters on Defence Matters between the Governments of the United Kingdom and the Union of South Africa, June 1955', Cmnd, 9520, July 4, 1955
  37. Ibid., p.2, paras 1 and 2.
  38. Ibid., p.2, para. 3. See also p.3, para. 6: "The adequacy and security of logistic facilities and communications within Southern Africa, and particularly along the lines of communication to the Middle East, are matters which should be further considered".
  39. Ibid., p.2, para 3b.
  40. Ibid., p.3, para.10.

41. 6 Anti-submarine frigates, 10 Coastal minesweepers, and 4 Seaward defence boats to be acquired over an eight-year period beginning in 1955, ibid., p.4, para. 2.
42. Ibid., p.4, para. 3.
43. Ibid., pp. 10-19.
44. Ibid., p.10, para. 1.
45. HCDeb. 543, Col. 775.
46. See, for instance, the Jo'burg Star, July 4, 1955: "The most important outcome of these discussions is Britain's rejection of South Africa's demand for a security arrangement covering all of the territories south of the Sahara. It has been presented to the four major colonial powers on several occasions as the African equivalent of Nato or Seato, though the principal purpose of such an 'African Charter' ... was clearly defence against hostile forces within the sub-continent rather than defence against an invader from without ... The Union Government's inter-African security plan was doomed to failure", it concluded, "because below it a certain ideological slip was showing".
47. Op.cit., p. 51.
48. Op.cit., p. 89.
49. Op.cit., p. 13.
50. It was on this understanding, of course, that the Nationalist government had signed an agreement with the United States, announced on Nov. 10, 1951, for the supply of American military equipment, see endnote 10, Chp. 2 above.
51. In W.A. Lewis, et al, Attitude to Africa, (1951), pp.66-67.
52. The Daily Telegraph, Aug. 17, 1954.
53. The New York Times, Sept. 19, 1954: 'South Africa Aims at a Modern Navy'.
54. The Times, Mar. 8, 1955. See also SA House of Assembly Deb., May 11, 1955, esp. col. 5450.
55. Op.cit., p.49. See also the comment of The Times, which, having minimised South Africa's naval forces at the time of the Agreements' announcement, continued that "It is difficult to see how even this expansion could justify the handing over of the base solely on logistic grounds" (repr. in Times Weekly Review, July 7, 1955).
56. Erasmus had made much of this in his justification of the Agreements to the SA House of Assembly on Jan. 26, 1956. See SA House of Assembly Deb., Vol.90, esp. col. 409.
57. Ibid., Vol. 91, col. 3046.
58. Darby, op.cit., p.47 and R.N. Rosecrance, Defense of the Realm, (New York: 1968), pp. 159-175.
59. Ibid., and Rosecrance, ibid., p.173.
60. 'Statement on Defence', Cmnd. 9391, Feb. 1955. See also Rosecrance, ibid., p.189 and Darby, ibid., p.82.
61. Darby, ibid., pp.74-75. It is noteworthy that Darby should add

- that "By 1955 the Board of Admiralty had begun serious rethinking, but it was not until 1957 that the Board turned to overseas defence (the so-called 'limited war' role) as the answer to the navy's search for a role in the nuclear age" (p.75). See also the Admiralty's 'Explanatory Statement on the Navy Estimates, 1955-56', Feb. 1955, Cmd. 9396, esp. Part 1: 'The Role of the Royal Navy in the Age of Thermo-Nuclear Weapons', para. 4, where a 'broken-backed' stage is clearly assumed, though not referred to by name. The exchange between Sir R. Ackland and the Admiralty spokesman in the Debate on the Navy estimates on Mar. 3, 1955, is also instructive in this context, HCDeb, 537, col. 2432.
62. Commenting on the first post-war decade, Darby concludes that "the picture which emerges is of each service determining its own role and equipment programmes without much outside interference", ibid., p.72. See also p.58.
  63. Op.cit. p. 14.
  64. Though its influence within Whitehall was still weak at this time, Defence was the Ministry at least nominally in charge of the principal negotiations with the Union government on this occasion, and during his short possession of this post Macmillan had been responsible for the February 1955 Defence White Paper which had down-graded the concept of a 'broken-backed' stage in general war.
  65. Though Eden clearly did not regard this as important, as the following exchange in the House of Commons revealed after his announcement of the Agreements: "Mr. Bellenger: Will these arrangements result in any lightening of the burden on our own Service estimates? The Prime Minister: I think it might result in a slight reduction in Navy expenditure, perhaps a saving of about £500,000. But the important point, as the House will realize ....", HCDeb. 543, col.775.
  66. Op.cit., p. 2, para 3b.
  67. SA House of Assembly Deb., Mar. 22, 1956, Vol. 91, cols. 3047-3048. On this occasion Erasmus made sure that the House of Assembly was aware of this condition.
  68. Repr. in Times Weekly Review, July 7, 1955.
  69. On the reasons for the Nationalist governments' postponement of the Republic, see J.E. Spence, Republic under Pressure, (1965), pp. 29-34.
  70. G.R. Lawrie, 'The Simonstown Agreement: South Africa, Britain and the Commonwealth', SA Law Journal, Vol. LXXXV, Part 2, May 1968, pp. 164-165.
  71. Jo'burg Star, July 5, 1955.
  72. C.J.R. Dugard, 'The Simonstown Agreements: South Africa, Britain and the United Nations', SA Law Journal, Vol. LXXXV, Part 2, May 1968, p. 146.
  73. See comments of Strauss, Leader of the U.P. in SA House of Assembly Deb., Vol. 91, col. 4099, Apr. 23, 1956.
  74. Darby, op.cit., pp. 83-89.
  75. Op.cit., p. 142.
  76. July 9, 1955.
  77. Tides of Fortune, pp. 574-575.

78. Ibid.
79. See, for instance, Barber, op.cit., p. 88.
80. The Strategic Significance of Southern Africa, p. 13.
81. Ibid.
82. SA House of Assembly Deb., Jan. 26, 1956, Vol. 90, Col. 409.
83. See endnote 67 above.
84. Spence, The Strategic Significance of Southern Africa, p. 14.
85. Ibid., p. 15. Though this does not square with Eden's own view: see below.
86. Lawrie, op.cit., p.174.
87. Dugard, op.cit., pp.152-153.
88. The Strategic Significance of Southern Africa, p. 15.
89. "The setting up of the joint maritime war planning committee, as well as the general tone of the various documents comprising the Agreement as a whole, seems to suggest that a situation of co-belligerency is assumed rather than the opposite", Tunstall, op.cit., p. 51.
90. SA House of Assembly Deb. Jan. 26, 1956, Vol. 90, col. 410.
91. The Strategic Significance of Southern Africa, p.15.
92. Ibid.
93. The announcement of the Simonstown Agreements precipitated no public row, either in the Commonwealth at large or in the House of Commons. Indeed, the comment of the Leader of the Labour Opposition, Attlee, was that "Generally speaking, this would seem to be a satisfactory settlement of a very difficult question which we have been discussing for a good many years", HCDeb. 543, cols. 773-774.
94. Full Circle, (1960), p. 580. In the same breath, Eden makes the suggestion of a "Marshall Plan for Africa", including the Russians (sic!).
95. This is a major theme of G. McDermott's attack on Eden, see The Eden Legacy and the Decline of British Diplomacy, (1969), passim. See also Monroe, op.cit., p.182.
96. G. Barraclough and R.F. Wall, Survey of International Affairs 1955-56, (RIIA, 1960) p. 70.
97. Ibid., p.33 and p.35.
98. Ibid., p. 36.
99. See on this L.D. Epstein, British Politics in the Suez Crisis, (1964), Chp. 4, and p. 62 and p. 65; Goldsworthy, op.cit., Chp. 8; and S.E. Finer et al., Backbench Opinion in the House of Commons 1955-59, (1961), p. 85ff.
100. Op.cit., p. 98.
101. See on this P. Keatley, The Politics of Partnership, (1963), esp. pp. 432-434.
102. C.M. Woodhouse, British Foreign Policy since the Second World War, (1961), p.155.

103. On the importance of India to Britain's Commonwealth diplomacy, see M. and T. Zinkin, Britain and India: Requiem for Empire, (1964), pp. 135-139.
104. Eden himself testifies to India's help with China, HCDeb, 542, col. 76, June 1955, whilst F.S. Northedge claims that India, together with Pakistan, helped Britain to bring Nasser to terms over the Suez Canal Zone base agreement in 1954, British Foreign Policy: the process of readjustment, 1945-1961, (1962), p.217.
105. Op.cit., p. 14, para 4.
106. After the appointment of Eric Louw to the Ministry of External Affairs in the new Strijdom cabinet, South Africa had begun to take a much more aggressive line at the UN General Assembly in response to attacks on her 'internal affairs' and then actually withdrew her permanent representative from the 1955 Session. The Union resumed its seat at the 1956 Session but shortly withdrew once more in the face of continued attacks, especially from India. The Union also withdrew from UNESCO during this period. See Cope, op.cit., pp.195-196.
107. Spence, The Strategic Significance of Southern Africa, p.14: "This might be plausibly interpreted as a British attempt to dissociate itself from any construction of the Agreement that might imply a too close identification with the ideological aspirations of a regime based on apartheid and white supremacy and a corresponding obligation to defend it".
108. Barraclough and Wall, op.cit., p.35, suggest that the French quid pro quo was approval of the Paris agreements on Western European defence though H. Thomas, The Suez Affair, (1967), pp. 19-20, argues that it was to cease criticism of the Baghdad Pact. For what it is worth, the latter theory is endorsed by Eden himself, Full Circle, p.436.
109. Repr. in Times Weekly Review, July 7, 1955.
110. On the background to this, see especially R. Hyam, op.cit., and J. Halpern, South Africa's Hostages, (1965), Chp. 3.
111. Annual Register, 1953.
112. E.A. Walker, A History of Southern Africa, (1957), p.805 and E.S. Munger, Bechuanaland: Pan-African Outpost on Bantu Homeland? (Institute of Race Relations, 1965), pp.19-20.
113. See endnote 13 above.
114. Hyam records that Leo Amery had regarded the protectorates as an all-important bargaining counter in "keeping the Union straight" (i.e. pro-Empire), op.cit., pp.118-120.
115. Op.cit.
116. Op.cit., p.112.
117. Halpern documents the story of Britain's neglect of these territories, op.cit., Chp. 6, whilst Munger discusses the shape and extent of post-war economic development in Bechuanaland and the contribution of South African technical assistance in particular, op.cit., Chp. III.
118. Dec. 1951, p. 93.
119. Interestingly enough to mention, Buchan's son (the second Lord Tweedsmuir) was the President of the Commonwealth and British Empire

Chambers of Commerce, 1955-57, whilst his daughter-in-law had been a Conservative MP since 1946 with a main interest in Commonwealth and foreign affairs, Who's Who, 1963, p.3096.

120. See endnote 69 above and Cope, op.cit., p.134, where domestic distractions are emphasised.
121. H.H.H. Biermann (ed. and compiler), The Case for South Africa as put forth in the public statements of Eric H. Louw, (New York: 1963), p. 10.
122. HCDeb. 537, Cols. 1057-1059, Feb. 22, 1955.
123. Economist, Dec. 25, 1954 and The Banker, Mar. 1955 - "News to this effect had reached London from unofficial sources already in mid-December".
124. HCDeb. 537, cols. 1057-1059.
125. Ibid.
126. Prior to Jan. 1, 1954 the Union had discriminated in favour of the Sterling Area in imports of 'non-essential' goods, Economist, Oct. 24, 1953.
127. Ibid.
128. HCDeb. 518, cols. 341-342, Oct. 27, 1953.
129. Dec. 25, 1954.
130. Mar. 1955.
131. See, for instance, the emphasis of the London Correspondent of the Jo'burg Star, Mar. 15, 1955, on the "considerable revival" in the sterling capital inflow to the Union during 1954: "this trend might well go on".
132. SIPRI, The Arms Trade with the Third World, (Stockholm: 1971), p.11.
133. See especially the Jo'burg Star, Feb. 10, 1954, which gave considerable coverage to the stress placed on this by Major-General F.H. Theron (then recently retired) at a Cape Town University summer school on 'Southern Africa in Perspective'. Significantly, his views were clearly endorsed in this regard by the recently retired British C.-in-C. of the South Atlantic Station, who was the other leading speaker on this occasion (Admiral Sir Herbert Packer). On Sept. 2, 1954, The Daily Telegraph's Military Correspondent observed that, in the current defence talks with Britain, Erasmus "is likely to stress ... that the importance of South Africa as Africa's industrial centre has been heightened by its growing production of uranium", whilst as late as 1957 - somewhat pathetically in the circumstances - the South African government was still giving prominence to the view that "The world will want South Africa's uranium and for that reason South Africa will be regarded as a very important bastion of Western civilization", SA Year Book 1957 (quoting a leading Anglo-American Corporation executive).
134. The article appeared in both newspapers on June 4, 1955.
135. On June 10, 1955 the Jo'burg Star reported that Erasmus had talked to the NATO Supreme Commander in Paris, as well as to Palewski, whilst on the following day The New York Times reported that "The French government ... is known to be keeping in close contact with Britain about Mr. Erasmus' proposals".



136. Who's Who in France (Paris: 1965).
137. M. Gowing, Independence and Deterrence: Britain and Atomic Energy 1945-1952, Vol. I, Policy-Making, (1974), p.153ff.
138. Ibid., p.331.
139. A. Werth, De Gaulle, (3rd ed, 1969), p.308.
140. Gowing, op.cit., p.331.
141. For the British view on Euratom, see esp. Sir G. Thomson, 'Britain's Drive for Atomic Power', Foreign Affairs, Vol. 35, Oct. 1956.

## CHAPTER IV

THE POST-SHARPEVILLE PERIOD: SOUTH AFRICA'S PUTATIVE  
ECONOMIC POWER 'ACTUALIZED' ONCE MORE

In the period which intervened between the Simonstown Agreements in July 1955 and the shootings at Sharpeville on March 21, 1960, Anglo-South African relations remained largely unruffled. Despite the reservation which the British government attached to the Simonstown Agreements at the UN, it was not until the end of 1957 that the South African government realized that its hopes for an African Defence Pact were finally dead. For as late as September of that year, after yet another visit by Erasmus to London, the British government had once more endorsed the South African proposal for a multilateral conference on regional defence in southern Africa. "In the meantime", concluded the Ministry of Defence statement issued as a result of these talks, "the Union and the U.K. would develop cooperation on a bilateral basis in respect of the territories for which they are responsible".<sup>1</sup>

In view of the fact that two well-known right-wingers were responsible for handling Britain's relations with South Africa in these matters (Douglas-Home at the Commonwealth Relations Office and Duncan Sandys at the Ministry of Defence)<sup>2</sup> and in view of the commitment made by Britain to sponsor such a conference under Nationalist pressure in the Simonstown Agreements, it is perhaps not surprising that this scheme should have been further endorsed by the British government in 1957. Nevertheless, no conference was ever held and nothing more was heard of the scheme.<sup>3</sup>

No detailed explanation of this development has been offered, though it seems clear that the departure of Eden (who was so keen on this sort of thing) at the beginning of 1957 and his replacement by the more liberal Macmillan as British Prime Minister, the gathering momentum of African nationalism,<sup>4</sup> the continuing coolness of the other African colonial powers, and the post-Suez determination of

the United States government to place still further distance between itself and European colonialism,<sup>5</sup> together provide sufficient explanation of the failure of the Nationalist government to achieve this long-standing ambition. It might also be added that its economic leverage over the British government was also particularly weak at this juncture as a result of the seriously weakened uranium market and the continued strength of the dollar vis-a-vis gold. What, then, of Anglo-South African relations during the post-Sharpeville period? For this was the next occasion on which they were put to most severe test over the years between 1951 and 1964 and on which, accordingly, it might be expected that the Nationalist government would be most likely to try and actualize the putative economic power which it has been shown to have possessed in substantial measure over the British government at this time.

Though it preceded the shootings by some weeks, the post-Sharpeville period in Anglo-South African relations was effectively announced by Harold Macmillan's famous 'wind of change' speech at Cape Town on February 3, 1960, which was widely interpreted as signalling a major new departure in British policy towards South Africa.<sup>6</sup> This was supposed to consist in a more hostile attitude towards the Nationalist regime as a result of its stubborn retention of apartheid and to disabuse it of any idea that the previous British policy of support for the Union in the matter of outside 'interference' in its internal affairs (either at the UN or within the Commonwealth) could be henceforth regarded as axiomatic.<sup>7</sup> It was to be an expression of what Macmillan liked to call his "middle course" between the conflicting demands of the 'new' and the 'old' Commonwealth countries.<sup>8</sup>

Let us examine the nature of this new policy and consider the evidence for the official British claim that it did in fact represent a new departure in Britain's political relations with the South African Nationalist party regime. If - as will be argued - this amounted to nothing more than diplomatic window-dressing and that, on the contrary, the British government did in fact adopt a highly protective attitude towards South Africa both at the UN and within the Commonwealth, let us next consider (as in the case of the Simonstown Agreements) the evidence for suggesting that Britain's non-economic interests in South Africa were responsible for this attitude. And then, finally,

examine the evidence for supposing that an integral part of the explanation lies in South African actualization of putative economic power.

In the Cape Town speech<sup>9</sup> in February 1960, it is true that Macmillan explicitly dissociated Britain from the practice of apartheid and added the warning that since "in this shrinking world ... the internal policies of one nation may have effects outside it", Britain could no longer be relied upon to give automatic and unqualified support to the Union in defence of its right to order its internal affairs as its leaders saw fit. This shift in British policy - for such it clearly was - was evidently prompted by a desire on the part of Macmillan's government to avoid compromising its colonial and Commonwealth policies by too close identification with the Nationalist regime; it is also clear, however, that it was designed to bring some pressure to bear on Dr. Verwoerd to modify at least the more blatant aspects of apartheid. For South Africa, after all, was a leading member of what was supposed to be a 'multi-racial' Commonwealth and apartheid represented a striking contradiction of this ideal, to say the least. Racial 'partnership' was also a key element in the Conservative justification of the Central African Federation.<sup>10</sup> Moreover, it was at precisely this juncture that a number of African colonies were on the verge of being granted independence by Britain and were thus faced with the imminent decision of either choosing or rejecting the Commonwealth.

### 1. Britain, South Africa and the United Nations

After the Sharpeville shootings on March 21st, 1960, which followed so hot on the heels of Macmillan's speech and which occasioned such an outburst of world-wide condemnation,<sup>11</sup> the first sign of the new British policy towards South Africa emerged on March 24 in an amendment which was tabled by the government to an official opposition motion strongly condemning the Nationalist regime. "This House", read the government amendment, "while recognizing that it has no responsibility or jurisdiction over the independent countries of the Commonwealth, at the same time wishes to record its deep sympathy

with all the people of South Africa at the recent tragic events which have taken place at Vereeniging and Langa".<sup>12</sup> Moreover, on March 30, the day on which the shootings led to South Africa's racial policies being discussed in the Security Council of the United Nations for the first time, the British government also announced that it had agreed to the inscription of an anti-South African motion on the agenda on the grounds that "discussion" of an internal affair of a UN member did not constitute "interference" in that affair and thus was not in contradiction of Article 2(1) of the Charter, which expressly forbade such action.<sup>13</sup> In endorsing inscription, furthermore, the British government rejected an explicit request from Dr. Verwoerd to resist this move on his behalf.<sup>14</sup>

The motion which emerged from this meeting of the Security Council had strong words for apartheid in South Africa, declared that the situation in that country had "led to international friction and, if continued, might endanger international peace and security", and requested the Secretary-General (in consultation with the South African government) "to make such arrangements as would adequately help in upholding the purposes and the principles of the Charter".<sup>15</sup> The British government failed to veto this motion, as Dr. Verwoerd would no doubt have liked, but instead abstained. The French government did likewise, and the result was that it was passed by nine votes to nil.<sup>16</sup> Of the British abstention, Macmillan subsequently recorded that this was the "not very noble, but very sensible" course which Commonwealth unity demanded.<sup>17</sup>

As the Security Council had requested, the Secretary-General visited South Africa in January 1961 but, Calvororessi records, "his visit was as fruitless as the (General) Assembly's resolutions".<sup>18</sup> As a result, in March, the General Assembly's Special Political Committee once more debated apartheid and on this occasion the British government's attitude towards the Nationalist regime seemed to have hardened still further. Affirming once more his government's continued attachment to the importance of non-interference by the UN in matters of domestic jurisdiction, the British representative nevertheless declared that Britain now "regarded apartheid as being ... so exceptional as to be sui generis". As a result, he continued, the British government felt free from now on to consider any resolution on its merits: he

then cast the first British vote in favour of an anti-apartheid resolution.<sup>19</sup>

In August, 1963, after General Assembly exhortations to members to bring individual pressure to bear on South Africa had proved futile, the question of apartheid was once more brought before the Security Council. The Afro-Asian states who were, of course, South Africa's chief antagonists in this matter, had by now decided that the only possible course of action was to persuade the Security Council that apartheid constituted a threat to the peace and that, accordingly, it was an appropriate subject for UN enforcement action binding on all member nations.<sup>20</sup> In this they failed but the British government was sufficiently persuaded by the extent and the force of opinion which had by this time built up against the South African Nationalist regime's apartheid politics to announce an embargo on the export of any armaments from Britain which could be used by the Nationalist government for internal repression.<sup>21</sup> In the autumn of 1963 the British government also supported near-unanimous motions in the General Assembly calling on South Africa to end the persecution of internal opponents of apartheid<sup>22</sup> and in June of the following year, shortly before the Conservative party left office, Britain similarly endorsed a Security Council resolution to establish a committee to investigate the feasibility of applying economic sanctions against the Nationalist regime.<sup>23</sup>

As in the case of the general question of apartheid, Britain's official attitude towards other contentious issues involving South Africa at the United Nations also demonstrated a new coolness after Macmillan's 'wind of change' speech in February 1960. For instance, until October, 1959, Britain had solidly defended the Union government in the UN's Fourth Committee (Trusteeship) over the question of South Africa's jurisdiction in the old League of Nations mandate of South-West Africa.<sup>24</sup> At the Committee's next session in October-December 1960, however, the British representative, though maintaining his government's view that negotiation remained the only practical solution, abstained on the question of the hearing of petitioners and abstained similarly on the resolutions which, inter alia, condemned South Africa's administration of the mandate, rejected the possibility of success through negotiation and announced the UN's decision to send the South West Africa Committee

into the mandated territory. Tabled by Afro-Asian members, these resolutions were successfully adopted with the combined support of the USA and the Soviet Union.<sup>25</sup> Though the British government refused to have any truck with a resolution passed by the Fourth Committee's next session in March 1961, which called for the Committee to enter the mandate with, or without South Africa's co-operation,<sup>25(a)</sup> it maintained its abstentionist posture in general on this question despite the increasingly forceful nature of the resolutions which were put to the Committee.

Such, then, were the broad contours of the British government's new policy towards the Nationalist regime subsequent to Macmillan's 'wind of change' speech to the South African Parliament in 1960. Such, then, was the result of Macmillan's "middle course" between the 'new' and the 'old' Commonwealth, at least in so far as it affected Britain's attitude towards the Nationalist regime in the UN forum. Was it a policy which had substantial implications for Anglo-South African relations? Of course it was not. Was it really no more than diplomatic window-dressing? Of course it was.

It is true that Macmillan's 'wind of change' speech came as something of a shock to the South African government and to white opinion in the Union in general, especially since it was the year of South Africa's half-centenary and the speech was originally expected to be a congratulatory one.<sup>26</sup> On the other hand, Macmillan had gone to considerable lengths in the speech itself to emphasise that the points of difference between Britain and South Africa were small - though not insignificant - compared to "the many practical interests which we share in common",<sup>27</sup> and the manner as well as the content of the delivery served to emphasise that the British government had no intention of leaving South Africa to the wolves. As Macmillan's biographer observes, "It was a speech of masterly construction and phrasing, beautifully spoken, combining a sweep of history with unambiguous political points. It was probably the finest of Macmillan's career .... The House applauded it, Dr. Verwoerd politely agreed to differ, and in the lobby afterwards the M.P.s were very enthusiastic about the oratory".<sup>28</sup>

It was, in fact, the press reaction to the key phrase - the 'wind of

change' - and especially the encouragement which this gave to African nationalists, which subsequently created concern in South Africa and made the reaction something of a "double-take".<sup>29</sup> Macmillan, too, soon showed signs of alarm and insisted on his return to England that a wind of change was one thing; "a howling tempest" quite another.<sup>30</sup> And only a few days later, he was reassuring the Commonwealth and Empire Industries Association of his government's determination to prevent the difference on racial policy between Britain and South Africa from sweeping aside the friendship that existed between the two countries, employing much the same language that he had used in the Cape Town speech.<sup>31</sup>

It swiftly became apparent, therefore, that no profound alteration in Anglo-South African relations was foreshadowed by this speech: indeed, the 'wind of change' had given birth to no more than a breeze of adjustment in British policy towards South Africa. It was an adjustment, moreover, which was so marginal, so inconsequential for the position of the Nationalist regime, that the "middle course" which Macmillan hoped to be able to steer between white and black nationalism in Africa (and in the Commonwealth at large) was soon left high and dry on the white side of the divide. The events at Sharpeville, coming so soon after the Cape Town speech, made it inevitable that no British government - and certainly not a Conservative one (even under the liberal Macmillan) - would be able to place sufficient distance between itself and the South African Nationalist regime to satisfy Asian and especially black African opinion. This particular British government also had to bear in mind the likely consequences of a too hostile posture towards South Africa on Roy Welensky's Central African Federation. For, as Sampson points out, Sharpeville or no, as far as Africa was concerned in 1960, "Macmillan's main problem was still Welensky".<sup>32</sup>

If the real substance of Macmillan's speech, together with his subsequent disclaimers, had left anyone in any doubt about its implications for British policy towards South Africa, the nature of the British government's reaction to the Sharpeville shootings very rapidly dispelled them. In marked contrast to the attitude of hostility towards South Africa which was demonstrated by most other Western governments (including the United States),<sup>33</sup> by the Labour Party in the House of Commons, and by the great bulk of the British press during the week which intervened



between the killings and the meeting of the Security Council, Macmillan's government seemed to find great difficulty in facing the logic of the Cape Town speech. In fact, it refused to condemn the shootings and displayed a pronounced reluctance to say anything at all about what had happened. When, under intense pressure, the government finally brought itself to comment (three days after the event) in the amendment to the opposition motion which we have already noted (see page 222 above), its posture was revealed to be one of studied neutrality. As for endorsing inscription of the anti-South African motion on the Security Council agenda on March 30, this already had such a degree of support amongst the Council's members that it would have been procedurally impossible for Britain to prevent. Macmillan therefore decided to go along with this course, he explains in his memoirs, in order to avoid the bad odour of opposition and inevitable defeat and yet to retain some influence "for steering a later discussion in a reasonable fashion".<sup>34</sup> Macmillan had also agreed with his Foreign Secretary (Selwyn Lloyd) that Article 2(7) "would not serve us in our own troubles" and that, therefore, the price to be paid for this small sacrifice of principle over outside 'interference' in matters of domestic jurisdiction would not be high.<sup>35</sup> In any case, as Macmillan also records of this decision in his memoirs, "I kept Dr. Verwoerd closely informed of our tactics and the reasons for them".<sup>36</sup>

In view of this, it is hardly surprising that in the subsequent discussion in the Security Council the British government should have taken a very conciliatory line towards South Africa. At the outset, the British representative emphasised that, notwithstanding his government's concurrence in inscription, Britain "maintains its strong view that nothing in the Charter authorizes the United Nations to intervene in matters which are essentially within the domestic jurisdiction of any State".<sup>37</sup> Thereafter, his speech on the substance of the issue was little more than a pale reflection of that made earlier by the Nationalist regime's representative. He emphasised that the Security Council must not be seen to condone law-breaking - whatever the law<sup>38</sup> - and that the use of violent language at the UN would only exacerbate racial tensions in South Africa and, indeed, harden the attitude of the Nationalist government. As a result, the Security Council was urged by the British representative to see its major role as contributing

"to an alleviation of tension .... in the hope that the lessons will be learned".<sup>39</sup> In the event, as we have seen (page 223 above), the majority disagreed with the British viewpoint and Britain was obliged to abstain on the vote.

Thus was established the pattern of the British government's disposition towards South African questions at the United Nations for the remainder of the Conservative party's tenure of power. Discussion was conceded but opposition to any form of direct interference in South Africa's internal affairs made explicit; instead, a course of discreet remonstrance and negotiation with the Nationalist government was advocated. Since, however, the overwhelming majority of Afro-Asian states in the General Assembly not only refused to accept the efficacy of Britain's proposals but also doubted the sincerity which prompted them,<sup>40</sup> and since they were invariably supported in the Security Council by the Soviet Union and, increasingly, by the Kennedy administration in the United States (which had no desire to be outdone in the competition for Afro-Asian approval),<sup>41</sup> they commonly demanded stronger action in their resolutions than Britain was prepared to countenance. In such circumstances, British abstention became the rule unless the resolutions were so threatening to South African interests that failure to vote against them would have done irreparable harm to Anglo-South African relations. Only when the resolutions appeared "reasonable" - sometimes the result of British lobbying amongst the various delegations assembled at New York - was the British government prepared to endorse an anti-South African attitude. Instead, therefore, of withdrawing support from the Nationalist regime at the UN, it is clear that the British government became the chief obstructionist of Afro-Asian schemes to bring an end to apartheid and South African sway over the territory of South-West Africa; in short, the South African government's most powerful ally in this forum.

This posture was also illustrated by the British delegation's attitude in the March 1961 meeting of the Special Political Committee at which Britain had declared apartheid to be a domestic question "sui generis" (see page 223 above). For it voted against the African resolution which demanded economic boycott action against South Africa along the lines of the Addis Ababa resolution of the previous year and, unlike the United States, abstained on the mild operative paragraphs of the

'moderate' Asian resolution which, as a whole, it subsequently endorsed.<sup>42</sup> It was thus by now clear beyond question that the British government had gone just about as far as it was prepared to go in publicly dissociating itself from Dr. Verwoerd's government at the United Nations: the resistance to collective UN economic action against South Africa, in particular, was made quite unequivocal.<sup>43</sup>

This was all the more unfortunate for the British Conservative government, however, since in 1961 the Afro-Asian campaign at the United Nations was only just beginning and, in the remaining three years of the Conservative administration, reached a crescendo of indignation in which demands for collectively enforced sanctions against the Nationalist regime in Pretoria became a regular and highly publicized feature of the UN's sessions. In June 1962 the US government imposed a partial arms ban on the South African regime<sup>44</sup> and in the autumn the UN General Assembly "asked members to break off diplomatic relations with South Africa, close their ports to South African shipping and their airports to South African aircraft, prevent their own ships from calling at South African ports, boycott all South African products and suspend exports to South Africa".<sup>45</sup> Britain, needless to say, voted against this resolution.<sup>46</sup> And at the Security Council meeting in August 1963 the British representative was once more South Africa's best friend, though it is true that exceedingly strong competition for this role was offered it by the French delegation.

In this meeting, the background to which has already been described (see page 224 above), a resolution proposed by Ghana, Morocco and the Philippines demanded both a total economic boycott on South Africa and, in particular, a total ban on the sale of arms to the Republic. This was justified, they held, on the grounds that the Nationalist regime's apartheid policy constituted a "threat to the peace" and was thus an appropriate object of mandatory UN sanctions under Chapter VII of the Charter.

The US government for once actually took the lead in opposing this resolution on the view that the adoption of such a resolution by the Security Council would be both "bad law" and "bad policy" but disarmed criticism of its position to a degree by immediately announcing the decision of the United States to transform its existing partial arms

ban on South Africa into a total arms embargo.<sup>47</sup> After listening (presumably) to a lengthy and partially accurate Soviet analysis of Western reluctance to endorse collective UN action against South Africa, the United Kingdom representative then stated his government's position. Largely echoing the sentiments of his American colleague,<sup>48</sup> Sir Patrick Dean observed that "We must distinguish between a situation which has engendered international friction and one which constitutes a threat to the peace. There is no evidence before us", he continued, "that the actions of the South African Republic ..... are actions which threaten the territorial integrity or political independence of any member country". And then, having indicated the nature of Britain's interests in South Africa which disposed it to take a dim view of UN intervention (see page 174 above), he urged that the Security Council content itself with a strong moral censure of South Africa and leave the rest to the governments of the member countries, which, he held, should "continue to exert the maximum pressure possible and to use whatever methods they think appropriate and which are consistent with the Charter, to persuade the Government of South Africa to change its racial policies before it is too late". He did, however, concede, as we have seen, that the British government would no longer supply arms to South Africa "which would enable the policy of apartheid to be enforced".<sup>49</sup>

At the final meeting of the Security Council on August 7, 1963, the American representative asked for a separate vote on the paragraph calling for an economic boycott of South Africa and, with the Western members abstaining en masse, it failed to get the necessary number of affirmative votes and was, as a result, thrown out. But although Britain and the other Western members had refused to accept that apartheid constituted a "threat to the peace", they had been obliged (in order to avoid the embarrassment of using the veto) to make the uncomfortable semantic concession that "the situation in South Africa is seriously disturbing international peace and security".<sup>50</sup> Under this heading and with the paragraph demanding a total (but non-mandatory) arms embargo on South Africa left intact, the amended resolution was passed by the Security Council by nine votes to nil. Britain, together with France, abstained.<sup>51</sup>

Justifying his government's refusal to endorse this anti-South African

resolution, the British representative observed that, whilst it agreed "with the underlying purpose", it could not accept the insinuation in the resolution that Britain was one of the states which were "indirectly providing encouragement" to South Africa, and nor could it concur in the blanket nature of the arms ban. For this, he held, would deny South Africa the right of self-defence and undermine Britain's ability to sustain her "arrangements of cooperation with South Africa for the protection of the sea routes" around the Cape.<sup>52</sup> And from this position Britain refused to be moved at the subsequent Security Council discussions of apartheid in November-December 1963 and again in June 1964.

Though, on the latter occasion, it is true that the British government voted in favour of the establishment of a committee to inquire into the feasibility of applying economic sanctions (see page 224 above), it equally stressed that this in no way committed Britain to their use if feasibility was proven.<sup>53</sup> Moreover, in view of the British government's well known attitude toward the efficacy of economic sanctions in situations such as this, it seems reasonable to speculate that it concurred in this move not only through fear of causing gratuitous offence to Afro-Asian sensitivities<sup>54</sup> but also because it had a shrewd suspicion that such an inquiry would vindicate the British policy as, in effect, subsequently proved to be the case.<sup>55</sup>

With the solitary if significant exception of France,<sup>56</sup> therefore, Britain remained unique amongst the leading members of the Security Council throughout this period in setting its face firmly against both economic sanctions against South Africa and a total arms ban. The Security Council resolution of August 1963 had, moreover, been non-mandatory in any case. But surely the decision of the Conservative government to place a ban on the sale to South Africa of arms for internal purposes was a significant mark of hostility towards the Nationalist regime, a real sign that Britain was beginning to succumb to Afro-Asian pressure and American example at the UN. Was this in fact the case? There are two convincing reasons for supposing that it was not.

To begin with it is clear that, by the end of 1963, when the ban was to come into effect, South Africa was already fast approaching self-sufficiency in the kind of counter-insurgency arms (small arms, tear gas

and armoured cars, for example) which Britain had agreed to withhold. This was, of course, the fruit of the policy of local munitions manufacture on which the Nationalist government had embarked after the major scares of 1960 and which had been greatly assisted by the local manufacture of many weapons under foreign licence.<sup>57</sup>

Furthermore, it is notoriously difficult to make a practical distinction of the kind which Britain adhered to on this occasion between weapons which can be used only against external attack and those which can be used for the suppression of internal disorder. Thus, whilst in June 1963 the South African Minister of Defence had claimed that he wanted helicopters from Britain for "joint seaward defence", <sup>58</sup> the Americans shortly demonstrated in Vietnam that such weapons made an excellent counter-insurgency arm. Furthermore, as Spence points out, the distinction is hardly less difficult to make in theory, since it is inconceivable that either internal disorder would not have generated external support or that, alternatively, external attack on South Africa would not have aroused domestic 'non-white' opposition to the regime. "Thus", says Spence, "the Republic's security is indivisible, and it follows that weapons supplied to the Republic must of necessity have a dual function, as any serious threat to it must inevitably be seen as having both an internal and external dimension, requiring the mobilization of all the state's resources".<sup>59</sup>

In short, therefore, Britain's agreement to a partial arms ban on the Nationalist regime was incapable of inflicting any damage on the Republic's internal security whatsoever and is hardly likely to have been interpreted as a particularly hostile gesture in Pretoria. It is true that after a brief interlude the Nationalist government issued some rather loud threats about the possible abrogation of the Simons-town Agreements and other things (which we shall discuss at the end of this Chapter) but it seems likely that these were directed rather more at the Americans than the British and that they were designed to say: 'thus far with the Afro-Asian cum-Communist cum-Western-socialist-humanist bloc in the United Nations and no further'.<sup>60</sup> The British government had, after all, only agreed to sell the Nationalist government arms which it no longer required (and which did not have significance for the military relationship between the two countries), whilst many of the weapons which it insisted on continuing to sell

(despite the Security Council resolution) ostensibly for external defence could equally well be turned to counter-insurgency purposes. And, as Spence suggests, even those which could only operate externally (such as warships) could be used to prevent the arrival of external support for a domestic rising.

All things considered, therefore, it is clear that Britain's partial arms ban on the Nationalist regime was nothing more than a public relations exercise, the quality of which was particularly underlined by the simultaneous American decision to impose a total arms ban on South Africa. Moreover, it was by no means without value for the South African government that Britain should have chosen the occasion of the Security Council debate on arms supply to re-state its attachment to the strategic value of the Cape route as justification for continuing to supply arms for 'external defence' to the Nationalist regime. For this point was a valuable weapon in South Africa's propaganda offensive vis-a-vis the Western countries and it was clearly in much greater need of it in the early and mid-1960s than it had been at the time of the Simonstown Agreements in the mid-1950s.

Britain's protective attitude towards the Nationalist regime at the United Nations during the post-Sharpeville period can be illustrated finally by its position on the South-West African affair. Although, as we have seen (page 224 above), Britain had moved into an abstentionist posture on most of the more innocuous anti-South African resolutions concerning the mandate in the UN's Fourth Committee by 1960, it continued to maintain a highly legalistic attitude towards the whole question. Consistent with its hostility to the Fourth Committee's notion that the Committee on South-West Africa should proceed to enter the territory with or without the South African government's consent, Britain was subsequently instrumental in denying the Committee access by obstructing its passage through Bechuanaland,<sup>61</sup> which, as we know, was at the time still a British protectorate. The result of this, not surprisingly, was that the British government was charged with "collusion" with the South African regime at the Fourth Committee's next session at the end of 1961<sup>62</sup> and continued to be so accused in every session of the Fourth Committee until the end of the period.

The charge of collusion with South Africa over the South-West affair, however, did not rest solely on Britain's refusal of passage to the Committee on South-West Africa through Bechuanaland. For Britain's view of the whole question was that - apart from further "study" of the problem - the Fourth Committee should propose no action until the International Court of Justice had produced a decision on the mandate. The problem with this, however, was that, in the first place, the complexity of the issue promised to make the Court's proceedings inordinately lengthy and that, in the second, the Nationalist regime openly refused to commit itself to prior acceptance of the Court's judgement in any case. South Africa, clearly, was not going to give up the mandate whatever the Court decided unless it could be subjected to an unacceptably high degree of political and economic pressure.<sup>63</sup>

The charge of collusion thus had obvious substance. Writing in 1963, Ruth First concluded that "The power behind conciliation of South Africa at the UN has been Britain ...",<sup>64</sup> whilst this judgement was confirmed by the resignation towards the end of 1962 by Sir Hugh Foot. This liberally-minded ex-colonial governor had been the British representative who had been obliged to face the charge of collusion in the Fourth Committee and, whilst it is clear that Britain's attitude on the South-West affair was not the only aspect of the Conservative government's policy in central and southern Africa which exercised him, it is equally evident that it was for him a part of a whole. British policy, he believed, in the whole of this area, was characterised by procrastination and "drift" and was increasingly jeopardising all of the goodwill and sympathy for Britain which had been earned by the timing and the manner of Britain's de-colonization programme.<sup>65</sup>

We have thus seen that, in spite of violently mounting demands from the Afro-Asian states for some form of positive action from the United Nations with regard to South Africa's racial policies in general and the Nationalist government's administration of the South-West Africa mandate in particular, and in spite of the support which these demands received from the small but vocal body of concerned opinion at home<sup>66</sup> and in spite, too, of the fellow-travelling posture adopted by the vast majority of non-colonial Western states (not least amongst them the United States), the Conservative government had by 1964 moved no further away from support for South Africa at the United Nations than



had been promised by Macmillan in his 'wind of change' speech in February 1960 - and that, as we have seen, was not very far. Concurrence in discussion of South Africa's domestic affairs and British condemnation of them, together even with the partial arms embargo, were consistent with the policy which Macmillan had set out in this speech. This policy was to bring some small pressure to bear on Dr. Verwoerd to tone down his racial policies by these gestures but, at the same time, to prevent any decisive action from being initiated against South Africa at the UN whilst attempting to minimise the odium which would inevitably attach to Britain as a result of this obstructive position should the pressure for action mount.

The first objective of this British policy was manifestly not achieved and was never likely to have been. Apartheid was further developed during the post-Sharpeville period and it is clear that, as far as Dr. Verwoerd was concerned, Britain's new public attitude was merely an example of political opportunism. As he said of Macmillan shortly after the 'wind of change' speech, "He had to contend with a great liberalistic tendency".<sup>67</sup> Even in this respect, however, the British policy also failed: the odium of identification with the Nationalist regime was not avoided. As Sir Hugh Foot was bound to report to his government shortly before his resignation in 1962, "We are looked upon as the supporters, if not the friends, of Tshombe, Welensky, Salazar and Verwoerd .... The Americans will not stay with us. We shall be isolated with Portugal and South Africa" (App. D). But in the key respect, of course, the policy was successful.

Britain, that is to say, probably played the major role during this period in preventing any kind of decisive action from being taken by the United Nations against South Africa. Even the August 1963 Security Council ban on the sale of all arms to the Nationalist regime was non-mandatory and, as a result, not very effective.<sup>68</sup> All proposals for economic sanctions were effectively blocked and nothing was done about South-West Africa which was of any consequence. As the Economist remarked (though not entirely accurately in regard to the United States), "Dr. Verwoerd has always been able to rely on London and Washington to take the smallest steps necessary to placate the Africans".<sup>69</sup>

## 2. Britain, South Africa and the Commonwealth

It is not only in the United Nations forum, however, that we find evidence of the British government's singular disposition to afford as much diplomatic cover to the South African regime as it could possibly reconcile with its other external policies in the troubled aftermath of the Sharpeville shootings: this was equally evident in its attitude towards South Africa's continued membership of the Commonwealth. For, from the first moment when it was mooted that the Union should be expelled on the grounds of its racial policies, the Macmillan government threw all its weight against the idea, "exhausting", as Macmillan later recalled, "every effort to preserve South Africa in the Commonwealth".<sup>70</sup> Moreover, in view of the absolute refusal of Dr. Verwoerd to do the slightest thing to simplify his task, the lengths to which Macmillan went in pursuit of this goal are, on the face of it, surprising to say the least.

On January 20, 1960, Dr. Verwoerd had announced that a referendum was to be held in the Union on the question of the Nationalist party's longstanding ambition to transform South Africa into a republic. He had also, furthermore, refused to indicate whether or not his government would use the opportunity of an affirmative vote to take South Africa out of the Commonwealth and thus complete the constitutional severance from Britain. This, he said, would be left to the latest possible moment before the referendum, since conditions in Britain and in the Commonwealth at large might have changed by then and thus altered the calculation of national interest which South Africa would have to make before deciding whether or not to remain a member.<sup>71</sup> This announcement and these observations were made by Dr. Verwoerd, it should be noted, a fortnight before Macmillan's 'wind of change' speech in Cape Town.

Following the Sharpeville shootings and the world reaction to them, it seems clear that Dr. Verwoerd had little difficulty in deciding that, on such a calculation of national interest, it was obviously in South Africa's interest to pursue the goal of a republic within the Commonwealth. Indeed, it was in order to secure a promise that South Africa would be allowed to remain within the Commonwealth in the event of an affirmative vote on the republic that Eric Louw travelled to

London for the Commonwealth Prime Minister's Conference in May.<sup>72</sup>

The reasons for this decision to try and remain inside the Commonwealth have never been made explicit but they are not difficult to deduce. An important short-run consideration, to begin with, was obviously Dr. Verwoerd's fear that the English-speaking population of the Union might suspect that a vote for the republic would represent a vote against the Commonwealth and thus not give him the affirmative vote in the referendum which he so desired.<sup>73</sup> Straw-vote figures in early 1960 indicated the possibility of defeat and, in the event, the affirmative vote was only achieved by a small margin.<sup>74</sup> However, it also seems likely that Dr. Verwoerd feared that expulsion from the Commonwealth after South Africa became a republic might make it less easy for Britain to defend it against UN 'interference' (being thenceforward a 'foreign' country rather than a member of the Commonwealth 'family') and that the retention of 'Commonwealth preference' on South African goods in Britain's market might also be less easy to justify. Furthermore, the successful expulsion of South Africa from the Commonwealth would have represented a major triumph for the Afro-Asian members and perhaps encouraged them in their mounting campaign against the Union at the United Nations.

In any event, whatever Dr. Verwoerd's principal motives, he clearly desired to remain within the Commonwealth: certainly in 1960, at any rate. And this made things somewhat difficult for the Macmillan government (which clearly wanted to gratify this desire, as we have already seen) because even before the Commonwealth Prime Ministers assembled in London in May, 1960, it was being suggested in some quarters that the South African request should be either unconditionally rejected or, more commonly, that it should be held over until the Union could show evidence that it had begun to mend its apartheid ways.<sup>75</sup>

Against the background of highly vocal but largely ineffectual anti-apartheid lobbying in Britain (an unofficial boycott of South African goods had started even before the Sharpeville shootings) on the one hand,<sup>76</sup> and near unanimous support for his South African policy amongst his own back-benchers on the other,<sup>77</sup> Macmillan rebutted the first of these suggestions on the following grounds. To begin with, he argued, expulsion of South Africa from the Commonwealth as a result of its

domestic policies would set a most dangerous precedent; the Commonwealth would become a centre of recrimination on other matters and this might eventually lead to its total disintegration. In any case, argued Macmillan, the Commonwealth was composed of peoples rather than governments and would "outlast the particular people who preside over the fortunes of any country at any given time". Since, therefore, it was impossible to expel a government without also expelling its people (many of whom would be blameless), such an act would be both irrational and churlish.<sup>78</sup> Finally, insisted Macmillan, since the Nationalist government could only be brought to change its racial policies through persuasion, it would be equally irrational to discard the enormous opportunities which were presented for such persuasion by the intimacy of the Commonwealth connection. His government managed to secure widespread acceptance of these arguments in the House of Commons and in the debate on apartheid which had been occasioned by the Sharpeville shootings (but delayed by the Budget) not a voice was raised demanding the expulsion of South Africa from the Commonwealth.<sup>79</sup>

Macmillan's task, however, was more uphill when the Commonwealth Conference actually assembled in the following month. The meetings which occurred on this occasion witnessed some acrimonious exchanges involving Eric Louw and South Africa failed to secure agreement from the assembled prime ministers that its application for Commonwealth membership should be granted hypothetical assent. On the other hand, neither was it given a hypothetical refusal.<sup>80</sup> Macmillan clearly implies in his memoirs that Britain's own response to South Africa's request on this occasion was non-committal,<sup>81</sup> obviously hoping that, as with Britain's new public distance at the UN, this would give his government (together with those of the other Commonwealth countries) some leverage over Dr. Verwoerd in trying to persuade him to make token adjustments to the Union's apartheid policies. Such a deal, however, was clearly out of the question for, as The Times observed, "Mr. Louw has roundly and publicly declared the implacable determination of his Government to maintain every jot and tittle of their quasi-religious dogma".<sup>82</sup> Macmillan could nevertheless console himself with the thought that, though nothing had been resolved, his mediation had kept the Commonwealth at least "for the time being from being broken up".<sup>83</sup>

It seems clear, however, that Macmillan had been encouraged by the "restraint" shown by some of the more radical 'new Commonwealth' members (especially Nkrumah) at this meeting, as well as by the strength of Pretoria's perceived need for continued membership, to believe that he could force some token adjustments in apartheid and still prevent the Union's expulsion - even if it should become a republic. Clearly, however, his chances would be vastly improved if the Afro-Asian members could be deprived of the pretext for raising this question which would be presented by the Union's assumption of this new constitutional status. As a result, Macmillan set himself two tasks: first, to persuade Dr. Verwoerd to postpone the referendum on the republican issue<sup>84</sup> "until times in Africa are calmer",<sup>85</sup> as well as to remind him that, if the question could not be avoided, certain concessions on apartheid would be necessary if South Africa's membership were not to be opposed;<sup>86</sup> secondly, to persuade the Afro-Asian members in particular not to adopt any firm postures of opposition to South African membership prior to the next meeting of the Commonwealth Prime Ministers.<sup>87</sup> In the latter task he was assisted to some extent by the diversion created by the eruption of the Congo crisis in June.

As was to be expected, however, Verwoerd, though protesting to Macmillan his continuing desire to remain a Commonwealth member, informed him that the republic came first and that, as Louw had already made clear in May, he refused to doctor his internal policies if this was the price which would have to be paid for continued membership.<sup>88</sup> Moreover, despite the fact that the Afro-Asian members ultimately agreed to withhold comment until the next meeting of the Commonwealth Prime Ministers in London, now scheduled for March 1961, the summer of 1960 had witnessed a call from the Second Conference of Independent African States meeting at Addis Ababa for a complete economic boycott of South Africa, as well as for the African members of the Commonwealth to press for the expulsion of the Union from that body.<sup>89</sup> Shortly afterwards, both Ghana and Malaya announced that they could commence an economic boycott of South Africa on August 1 1960. On October 5, the white voters of the Union elected for a republic by a narrow majority.<sup>90</sup>

Nevertheless, Macmillan's determination to prevent the expulsion of South Africa remained firm.<sup>91</sup> Neither was he entirely without confidence:

"At a similar conference in the previous year we had, at the last moment, been able to devise an acceptable formula. There seemed a fair chance of finding a similar solution now. Nor was this confidence unreasonable. Even a small - almost a trivial - concession by Dr. Verwoerd would have been accepted with relief".<sup>92</sup>

However, if Macmillan had succeeded in achieving a substantial measure of bi-partisan support for the retention of South Africa in the Commonwealth in the House of Commons debate in April of the previous year, and managed to carry some of the leading Afro-Asian members with him over the subsequent winter, it was clear by the time that the Commonwealth Prime Ministers assembled in London for their next conference in March 1961 that his position no longer placed him on the side of the angels. Liberal opinion in both South Africa and Britain was now calling for membership to be withheld indefinitely as a lever on Pretoria, that is to say, to be granted only in return for a substantial modification in its racial policy. For, it was pointed out, the rigours of apartheid had increased, rather than decreased, under the impact of 'moral pressure' from within the Commonwealth, and South Africa had found important support under its protective wing at the United Nations. Moreover, it was now argued that it was the retention of South Africa in the Commonwealth, rather than its expulsion, which was now more likely to lead to the latter's disintegration.<sup>93</sup>

Macmillan, however, remained initially unmoved by these arguments, and it seemed at first that he might contrive yet another compromise formula which would have allowed South Africa's application to be passed.<sup>94</sup> In the end, however, the Afro-Asian members (together with Canada) refused to go along,<sup>95</sup> and when Macmillan realized that the opposition would be overwhelming he decided to "induce" Dr. Verwoerd to withdraw his application and thus avoid the personal humiliation of a formal vote.<sup>96</sup> With only Australia and New Zealand likely to join Britain in supporting South Africa, such a course could also have led - Macmillan belatedly realized - to "a possible dissolution of the whole Commonwealth".<sup>97</sup>

Despite the bitterness which the Macmillan government felt - and made little attempt to conceal - at the refusal by Dr. Verwoerd to make even the slightest concession on apartheid and so assist it in its attempt to keep South Africa in the Commonwealth,<sup>98</sup> it seems clear that Mac-

millan had assured Dr. Verwoerd that withdrawal would not in any way affect the substance of Anglo-South African relations. And that, in particular, the benefits which the Nationalist regime received from membership of the Sterling Area (sic) and the Preference Area, on the one hand, and under the terms of the Simonstown Agreement, on the other, would remain essentially intact. This was suggested by Dr. Verwoerd himself when, on the day after the Union's departure, he claimed that bilateral arrangements would continue both unamended and "untrammelled by the former problems",<sup>99</sup> and confirmed by the course of action which the Conservative government took in adjusting to South Africa's departure.

To begin with, the Conservative government announced a decision to promote temporary legislation through parliament in order to freeze the status quo in all constitutional and other relations with South Africa for a period of up to one year in order, so it was claimed, for the complicated legal issues produced by the Union's departure to be sorted out.<sup>100</sup> As an Opposition critic pointed out in the committee stage of this Bill, this was, of course, "a straight political move .... an attempt to minimise the impact, the psychological and political impact, in South Africa of their severance from the Commonwealth"; furthermore, as the same critic also added, the government was simply "preparing the way for the development of a new kind of special association between South Africa and the Commonwealth".<sup>101</sup>

It is thus by no means surprising that Duncan Sandys, in his opening statement on the South Africa Bill, should have agreed with Dr. Verwoerd inasmuch as, though the special relations in economic and defence affairs between Britain and South Africa would certainly have to be "reviewed", their foundation in essentially bilateral arrangements made it formally impossible for the Union's departure from the Commonwealth to have any effect upon them. Furthermore, after paying lip-service to the point of view to which both he and Gaitskell had subscribed in the Departure debate - that Commonwealth membership would be devalued if South Africa was not to be deprived of some privileges - Sandys concluded by saying: "At the same time, we have had an intimate and many-sided association with South Africa for more than a century. Our affairs have become closely interwoven in numerous ways, and we have developed between one another valuable connections in trade and other spheres.

The relationships between Britain and South Africa will, of course, not be the same as before, but I should like to emphasise that we have no desire needlessly to destroy links which are of mutual benefit to both our peoples".<sup>102</sup>

Thus it was that, upon becoming a republic on May 31 1961, South Africa was not deprived of any of the important privileges of her former financial, commercial and military arrangements with Britain: that is to say, the new republic was ousted from neither the Sterling Area nor from the Preference Area, whilst the sanctity of the Simonstown Agreement was re-affirmed.<sup>103</sup> The continued flow of British arms to South Africa was also assured.<sup>104</sup>

Thus guaranteed the continuation of the status quo in Anglo-South African relations (and with the problem of the referendum behind him), Dr. Verwoerd had some justification for the complacency with which he very shortly came to regard South Africa's withdrawal from the Commonwealth. For the 'privileges' of membership of which the new republic was ultimately deprived (citizenship rights, and so on),<sup>105</sup> were largely the symbolic legacy of British imperialism and thus hardly consonant with the prejudices of Afrikanerdom in any case. Indeed, as Macmillan somewhat bitterly recounts, the gratitude which Dr. Verwoerd conveyed to him for doing his utmost to keep South Africa in the Commonwealth "did not, of course, preclude him from organizing a hero's welcome by the Nationalist Party on his return home .... Verwoerd, who was a brilliant politician, was easily able to transform a reverse into a triumph".<sup>106</sup> As Hepple points out, "For the Nationalists, breaking the British connexion was a major victory".<sup>107</sup> As in the case of the Simonstown Agreement, therefore, where the Nationalists has succeeded in gratifying domestic Afrikaner opinion on an Imperial question without offending the Imperial power, so in the case of Commonwealth withdrawal. For Dr. Verwoerd could present it as accomplishment of the final stage in the Nationalist ideal of independence from Britain, without, at the same time, having given the British government public cause to believe that he undervalued the Commonwealth. South Africa had, after all, applied for continued membership but had been forced out.

Although it seems clear, therefore, that, on balance, Dr. Verwoerd would have preferred to remain within the Commonwealth, he was obviously alive



to the compensations of withdrawal. Indeed, in his January 1960 address to the House of Assembly on the occasion of his announcement of the referendum decision, he had observed that "it will be in the interests of South Africa to remain friends with Britain and also with the other countries in Africa. If a situation were to develop", he nevertheless continued, "in which we can best retain our friendship with both of them by not being a member (of the Commonwealth), but by negotiating with each of them on a suitable basis without quarrelling with anybody around one table, we would have to decide to do that".<sup>108</sup> Such a situation had, in fact, arisen and South Africa had not found it difficult to make the necessary - and in some ways advantageous - adjustment. Dr. Verwoerd had scored another victory with Afrikanerdom and seen Anglo-South African relations placed on a basis on which the solid business of commerce and defence could proceed "untrammelled by the former problems". Moreover, it seems safe to assume that Dr. Verwoerd remained happy with the attitude which had been adopted by the Macmillan government on this question throughout the period. Britain had done its utmost to gratify his desire to remain within the Commonwealth and Macmillan had ensured that he was kept informed at every stage of the reasons behind Britain's tactics, as he had done with regard to the British delegation's manoeuvrings in the Security Council at the UN.

### 3. Political and security 'interests'.

We have thus seen that over the period from early 1960 until it left office in October 1964, the Conservative government in Britain had, in spite of the development of a massive weight of hostility towards South Africa throughout the Afro-Asian world and beyond, refused to make more than nominal adjustments to its policy of friendship towards that country in an attempt to avoid diplomatic identification with its regime. Thus, although Britain had most reluctantly concurred, by degree, in the view that South Africa's racial policy was a legitimate matter of United Nations concern, it had permitted itself to become the most significant opponent of external UN pressure on the Nationalist party government and had, furthermore, supported the retention of South Africa in the Commonwealth until the eleventh hour.

Admitting that certain traditional characteristics of British diplomacy form a small part of the explanation of this policy, especially in the UN context,<sup>109</sup> could the importance of Britain's political and security interests have contributed in significant measure to Britain's support for South Africa during these years? The so-called 'kith and kin' interest was one such interest, as we saw in Chapter III, and, since this was obviously wrapped up in the Commonwealth link which we have just discussed, let us take this first.

In fact, until South Africa left the Commonwealth in March 1961 it was, as already noted, Macmillan's consistently paraded view that it was necessary for Britain to steer a 'middle course' between the demands of the Afro-Asian states for action against South Africa, on the one hand, and the Union's insistence on non-interference in its domestic affairs, on the other, in order to avoid not only losing South Africa to the 'family' but the complete disintegration of the Commonwealth. Thus Britain, on this argument, had to support South Africa in order to prevent the Commonwealth from becoming a centre of recrimination but to qualify this support by nominal anti-apartheid gestures and 'moral pressure' on the Union government in order to avoid dividing the Commonwealth along racial lines. If Britain had not supported South Africa but given in to the demands of the Afro-Asian states, argued Macmillan, the Union itself would have 'seceded' from the Commonwealth and probably taken Welensky's Rhodesia along in its wake;<sup>110</sup> Australia would have been considerably disaffected at the least and grist would have been provided to the mill of all those in the Tory Party who were turning away from the 'new' Commonwealth - either 'back' towards the old white dominions, or 'forward' towards Europe. Alternatively, if Britain had given South Africa wholehearted support, the existing Afro-Asian members of the Commonwealth and potential new members, such as Tanganyika, would have refused to join. Thus, on this argument, if Britain had pursued any alternative to the 'middle course', the multi-racial Commonwealth itself would have been doomed, let alone the ties of Britain to its 'kith and kin' in South Africa.

The plausibility of this justification is considerable: however, it soon evaporates upon closer scrutiny. In the first place, then, though

there seems no reason to doubt the genuineness of Macmillan's concern about the effects of failure to support South Africa on Welensky,<sup>111</sup> it is difficult to believe that, if Britain had taken a tougher line on South Africa, Australia would have risked the diplomatic odium of following Dr. Verwoerd out of the Commonwealth on such an issue or that New Zealand, with its liberal traditions, would have failed to follow a British lead. Canada, as we have seen, was already as hostile to Dr. Verwoerd as any Afro-Asian member of the Commonwealth, whilst a more hostile attitude towards South Africa would hardly have given Macmillan tactical grounds (at any rate) for fearing the prospects of a rightwing revolt in Parliament, since the Labour opposition would obviously have supported him and, in any case, his own right wing were notably muted in the aftermath of Sharpeville.<sup>112</sup>

However, if it is by no means clear that a stronger British line towards the Nationalist regime would have resulted in any more than the loss of South Africa itself - and perhaps Southern Rhodesia - to the Commonwealth, what is certain is that a favourable line surely would have very soon led to the complete break-up of that organization, with the departure of most of the Afro-Asian members (and perhaps even Canada), together with the refusal of potential new members to join. And, as we have seen, contrary to the rhetoric of the 'middle course', Macmillan did in fact pursue such a line towards Dr. Verwoerd's government, dissembling on his behalf at the United Nations and arguing, in particular, for the retention of South Africa in the Commonwealth until it became evident to him that he was on the verge of precipitating the very collapse which it was ostensibly his paramount purpose to prevent.<sup>113</sup> It is thus clear that the dimension of Macmillan's so-called 'middle course' which involved support for South Africa was either misguided - which is unlikely - or was prompted by considerations other than the desire to prevent the Commonwealth itself from disintegrating. Indeed, since Macmillan's Cabinet had taken the decision to swing closer to Europe at least by the beginning of 1960, it is clear that the Commonwealth had already been down-graded in British government thinking as a vehicle of British influence, prestige and prosperity.<sup>114</sup> Finally, if British support for South Africa had been prompted above all by concern for the Commonwealth during this period, the Macmillan government would presumably have ensured that Dr. Verwoerd's eventual withdrawal was seen to be more consequential in terms of deprived privileges than subsequently proved to

be the case.<sup>115</sup> Perhaps, however, if it was not the Commonwealth as such which explains Britain's posture it was more specifically British 'kith and kin' in South Africa. After all, referring to South Africa's departure from the Commonwealth in his memoirs, Macmillan recalls that "I felt the heavy responsibility of presiding over so tragic a break, especially remembering the many loyal British people in the Union".<sup>116</sup>

As at the time of the Simonstown negotiations in 1954-1955 (see Chapter III, Sec. 4 above), this cannot really be taken too seriously as far as the post-Sharpeville period is concerned. The same characteristics of the South African government which substantially off-set sentimental concern for the English-speaking population of the Union on the earlier occasion applied with equal force on the later one. Indeed, by this time Afrikanerdom was even more firmly entrenched in South Africa and the contours of its culture stamped more comprehensively on the whole of the South African way of life. It is evident, moreover, that there was no personal love lost between Macmillan and Verwoerd (or Eric Louw, for that matter): their political styles, as well as their individual ideals, were poles apart.<sup>117</sup> During this period, too, it cannot be held that British generosity to Pretoria was prompted by a desire to deprive the Nationalist government of any pretext for further alienating the English-speaking population in South Africa, for by this time, as we have already seen (Chapter II, Part B, Sec. 2 above), Dr. Verwoerd was more anxious to win their support and create a 'white laager' against the Common Black Enemy. And, finally, if the 'kith and kin' argument meant a desire to keep the English-speaking population of South Africa within their own Commonwealth, then this could hardly have applied after March 1961. If the 'kith and kin' interest had any force at all during this period, therefore, it is more likely that it resided in, and was, therefore, a euphemism for, a generalized feeling of sympathy on the Tory right-wing for a small, white and staunchly anti-communist state which found itself embattled against a very different world - "the Israelis", as someone has said, "of southern Africa". This sentiment, however, was not saving the Kenyan settlers and, if it was to help in saving Welensky,<sup>118</sup> it was not at this time in the process of saving his Federation.

What next, then, of Britain's security interest in South Africa? Had this assumed new and compelling importance in the post-Sharpeville

period? For we have seen that it was of little account during the Simonstown negotiations themselves (Chapter III, Sec. 3 above), though it was, nevertheless, constantly emphasised by the British government on the later occasion. In fact, any semblance of plausibility attaching to the British government's official justification for the necessity of retaining the Simonstown Agreements in the mid- and late 1950s had virtually disappeared without trace by the time of the post-Sharpeville period.

It is true that the diversion of shipping to the Cape ports as a result of the closure of the Suez Canal in 1956 had temporarily dramatized the usefulness of the Cape route as an alternative to the Mediterranean in this sort of circumstance. However, as the flood of suggestions produced by Britain's military strategists demonstrated (following Louw's incredible threat to unilaterally abrogate the Simonstown Agreements after the August 1963 Security Council resolution recommending a total arms ban on South Africa),<sup>119</sup> there were also alternatives to the Cape route.<sup>120</sup> Moreover, it remained true that the presumably brief duration of a general H-bomb conflict made pointless any major provision for such conventional and protracted manoeuvres as the naval defence of sea lanes.<sup>121</sup> And, despite the post-Dulles shift away from 'massive retaliation' with nuclear weapons towards a re-emphasis in American strategic thought on a preliminary conventional stage, Britain, along with the other Western European members of NATO, remained committed to a very swift approach to the nuclear threshold.<sup>122</sup> The Royal Navy, moreover, no longer required to claim a general war role in the defence of the sea lanes in order to justify its continued existence, for it had not only discovered for itself a new 'limited war' role<sup>123</sup> but the development of nuclear submarines and Polaris missiles in the United States was promising it a key role in general war itself in the future.<sup>124</sup> Finally, it could not be reasonably argued that Britain needed to safeguard its naval position at the Cape as a back-up for possible involvement in an anti-communist limited war in southern Africa in co-operation with the Nationalist government, since such a commitment had obviously been ruled out by Britain in so far as it had allowed the proposal for an African Defence Pact to lapse.

But the main point, of course, is that in the post-Sharpeville period South Africa experienced its maximum degree of diplomatic isolation and

military insecurity and was, therefore, in even less of a position to extract a political price from the British government as a quid pro quo for strategic favours than it had been in 1954-1955. As the Legums recorded at the end of the period, "Experts in Whitehall admit that .... existing joint defence arrangements are now almost exclusively to South Africa's advantage".<sup>125</sup> If the point needed confirmation, then this was amply provided by South Africa's refusal to abrogate the Simonstown Agreements after the Wilson government in Britain transformed Macmillan's partial arms ban into a total arms ban under the terms of the Security Council's resolution, even though by this time the Nationalist regime's security position had significantly improved.<sup>126</sup> Evidently, therefore, rather than providing a framework within which vital British security interests were assured, the Simonstown Agreements were merely another facet of the protective policy which Britain adhered to vis-a-vis the Nationalist regime during the post-Sharpeville period.

Finally, then, what of Britain's remaining 'interest' in South Africa, that is to say, its concern for the High Commission Territories? Were these territories any more real South African 'hostages' in the post-Sharpeville period than they had been during the Simonstown negotiations (see Chapter III, Sec. 4 above) and for fear for whose safety, therefore, the British government was obliged to adopt a protective policy towards the Nationalist regime? On the face of it, this would seem to be the case, for South Africa's post-Sharpeville reputation was such that incorporation was by this time wholly out of the question and, in fact, received its legal quietus when South Africa became a republic outside the Commonwealth in 1961.<sup>127</sup> In terms of formal incorporation, therefore, the South African government had even less to lose by applying pressure on Britain via the High Commission Territories in 1960-64 than it had in 1954-55. But how could Dr. Verwoerd's government have actually applied pressure on Britain through the protectorates?

Military intervention was clearly out of the question. As Munger pointed out in 1964, "Nothing would give South Africa's foes greater pleasure than for the Republic to make an overt and aggressive move outside its own borders".<sup>128</sup> For, obviously, this would have given the Afro-Asian states an unanswerable case for UN intervention under Chapter VII of the Charter,<sup>129</sup> from consideration in the terms of which the British and American governments were, as we have already seen, having some difficulty

in excluding apartheid within South Africa itself. Economic pressure would have been slightly more credible<sup>130</sup> but this would have entailed economic costs for South Africa too<sup>131</sup> and may also have intensified Afro-Asian demands for UN intervention. However, after 1961, at any rate, it is clear that speculation of this sort is no longer of any relevance, for it is apparent that, if formal incorporation of the High Commission Territories was by then out of the question, Dr. Verwoerd had determined on his own kind of 'incorporation' of these areas - and this meant making friends, rather than enemies, of influential sections of black opinion within them.

In short, by 1962 at least, the first signs of South Africa's famous 'outward policy' towards its black northern neighbours were dimly visible. Dr. Verwoerd evidently saw the High Commission Territories as 'greater bantustans' and, by promises of economic development assistance and direct financial subventions to "the traditionalists" in the protectorates,<sup>132</sup> was resolved to bring them within South Africa's general sphere of influence, if not a formal part of his separate development scheme as a whole.<sup>133</sup> This being the case, threatening to harm the High Commission Territories in order to put pressure on the British government is hardly likely to have been employed by the Nationalist regime during the post-Sharpeville period and, if employed, less likely to have been believed.

#### 4. The economic factor.

It will by now be apparent, therefore, that the argument of this Chapter, as in the case of that of Chapter III, is this: that Britain's political and security interests were at the most of marginal importance in shaping Britain's South Africa policy; and that, as a result, the British government's freely acknowledged economic interest in South Africa was not simply one amongst many but manifestly the decisive factor in producing British support for the Nationalist regime on the diplomatic level. This conclusion is further supported by the evidence of Chapter II (Part C, Sec. 2), where it was demonstrated that, though a crude balance of economic strength obtained between the British and South African governments during the post-Sharpeville period (as it had

during the years of the Simonstown negotiations), the latter government had a substantial advantage in terms of putative economic power as a result of its immeasurably increased superiority in the non-economic bases of such power. It will be further recalled that it was Britain's dependence on South African gold and on its earnings (invisible as well as visible) from the South African market which were the chief ingredients of the Nationalist government's economic strength over the 1960-64 period. How was this putative economic power 'actualized'?

Since it has been argued that gold was the Nationalist government's most powerful economic lever over Britain during the post-Sharpeville period, it is perhaps not surprising that the gold weapon was the first to be invoked in the second half of 1960 when the Nationalists had been disturbed by the small shift made by the British government towards the Afro-Asian point of view at the United Nations and by the mounting pressure to which Britain was been subjected to exclude South Africa from the Commonwealth. Of course, as a result of South Africa's continuing commercial account deficit with the Sterling Area, the Nationalist government could not seriously threaten Britain with a severance in, or reduction of, gold deliveries to the central reserves as it had been able to do in the 1954-1955 period. What it could do, however, was to threaten the prestige and profits of the City and, above all, the Bank of England's control of the key currency exchange rates on the London Gold market by the relatively simple expedient of diverting its surplus gold elsewhere.

As we have seen (Chapter II, Part A, Sec. 2), South Africa had already begun, in 1959, a policy of selling a small portion of its new-mined gold direct to private purchasers outside the Sterling Area if the price offered was higher than that prevailing on the London Gold Market. Though the original motive behind the new policy, as suggested earlier, was probably not to bring pressure on the British government, the ground was nevertheless well prepared by 1960 for a more vigorous attempt to by-pass London should the Nationalist government deem this necessary in order to remind Britain (as it had during the Simonstown negotiations) that South Africa's golden favours had to be earned.

Since quarterly figures on British gold imports by country of origin are not available, it is not possible to discern the short-term levels of



South African gold sales to the United Kingdom during the course of 1960. What is clear, however, is that, though the fall in the absolute level of deliveries over the year as a whole was not great (App. B, Table 41), nevertheless almost one-third of South Africa's total net sales abroad in this year by-passed the London market (App. B, Table 44). As the same Table reveals, this was more than double the loss to London in the previous year. On August 16, 1960, Eric Louw publicly declared that it would be "a tremendous blow to Britain and to the Bank of England" if South Africa were (sic) to sell her gold through Switzerland or the United States.<sup>134</sup>

This threat was immediately met by brave noises from the City: the London Gold Market would get its gold from elsewhere (Australia, for instance!); South Africa would be cutting off its nose to spite its face since the London market remained its most profitable outlet, and so on. "The only advantage (sic!) to the United Kingdom", disclaimed the London Correspondent of the Johannesburg Star,<sup>135</sup> "in having these sales in London is that it enables the Bank of England to sell gold secretly when Sterling needs support".<sup>136</sup> Unwittingly, this reporter had, of course, put his finger on the point, as events were shortly to confirm. For the interesting thing is that, if the Nationalist government was keeping the London market short of almost one-third of its total net gold sales in 1960, it was keeping the Bank of England itself even shorter, allowing it to handle at the most forty per cent of its total sales.<sup>137</sup>

The effect of this deprivation became dramatically evident when, in September 1960, a combination of political uncertainty resulting from events in the Congo and the belief that the continuing loss of gold from US stocks would lead to an increase in the official price, led to a massive upsurge in speculative demand for gold on the London Gold Market. The result was that, by mid-October, the Bank had, for the first time since the post-war reopening of the market, lost control of the price, which, on October 20, soared to over \$40 per ounce.<sup>138</sup> And the point is that, though strong demand was clearly at the basis of this dramatic price increase, this was precisely the kind of situation in which the Bank of England's ability to dispose of large quantities of South African gold had previously enabled it to match demand with supply and thus defend the official price at or near \$35 per ounce.

During September and October of 1960, however, not only does the evidence suggest that the Bank was being deprived of more and more South African gold,<sup>139</sup> but it was reluctant to sell what gold it did possess against dollars as a result of the abnormally large quantity of dollars which it was already being obliged to hold.<sup>140</sup> It is thus clear that the Bank's plight, already unenviable, was made drastically worse by the Nationalist government's gold sales policy and that South Africa had, as a result, made a direct contribution to the gold price crisis of October 1960 - a crisis which the Bank of England was to later describe as threatening "the whole structure of exchange relationships in the Western world"<sup>141</sup> - and thus, almost nonchalantly, demonstrated the power of its gold weapon. No doubt the Nationalist government was well appraised of the straight forward economic advantages of its action, especially in so far as this might have forced an increase in the official price of gold<sup>142</sup> but, in the context of its current relations with the British government, it is difficult to believe that the political motive was not also urgent.

In the following year, having made its point, South Africa reversed its direct sales policy and re-routed almost all of its gold through the London Gold Market (App. B, Table 44) and, as far as can be gathered, also through the agency of the Bank of England.<sup>143</sup> As a commercial gambit, the direct sales policy had, in any case, failed in its major objective, for in January 1961 Kennedy re-stated the firm United States commitment to the existing parity of the dollar and speculative demand for gold quickly tailed off. By the spring of 1961, helped by substantial Russian sales (App. B, Table 41), the price of gold had more or less returned to the official level.<sup>144</sup> Moreover, in the immediate aftermath of the October crisis, the US Treasury had at last acknowledged the legitimacy of the Bank of England's managerial role in the London market (in defending the official parity by meeting the hoarding demand) and had, as a result, made it known that it would replenish British gold lost in this exercise. Together with the subsequent announcement that the European central banks would hold off the market when the price was under pressure, the establishment of the 'gold bridge' between New York and London certainly helped to thwart what can be assumed to have been South Africa's commercial interest in forcing an increase in the official price.<sup>145</sup> Finally, once the premium had disappeared it is not surprising that South Africa should have felt

it necessary to return to what was undeniably its most economic outlet for gold,<sup>146</sup> especially since by the spring of 1961 it was in the throes of an acute balance of payments crisis.<sup>147</sup>

On the political level, furthermore, it was clear that by March 1961 the British government had gone just about as far as it was prepared to go in 'withdrawing support' from South Africa at the United Nations (see page 228 above) and that Britain had no intention of making the Nationalist regime suffer as a result of its departure from the Commonwealth.

Though, as can be seen from Appendix B, Table 44, the Nationalist government did not activate the gold weapon again during the post-Sharpeville period (that is to say, up to the end of the Conservative government in October 1964), it was publicly threatened once more in September 1963. This, of course, was after the Nationalists had been "rattled", according to the Economist,<sup>148</sup> by the August decision of the Security Council to recommend a total arms ban on South Africa but, in view of the differences in the positions adopted by the

British and American governments on this occasion (see page above), it seems more likely that the threat on this occasion was designed more for American than for British ears. To the extent that it was directed at London as well as Washington, however, it remains necessary to consider its credibility, for the claims of the City press that South Africa could not harm the Bank's interests by a direct sales policy<sup>149</sup> seemed to have been lent greater substance by the development of the 'gold bridge' into a fully-fledged central banker's gold selling and buying syndicate - thus confronting the Nationalist regime with a sort of gold equivalent of the CDA.<sup>150</sup>

Certainly, the formation of the 'Gold Pool' in October 1961 in response to yet another imminent gold price crisis,<sup>151</sup> had helped to consolidate US and European central bank support behind the Bank of England's control of the London Gold Market and thus to reduce the Bank's dependency on its marketing agency for South Africa's new-mined gold. And there is evidence to suggest that the operation of the Gold Pool assisted the stabilization of the market in late 1961 and during 1962, when the official price was under heavy speculative pressure and the South African government was stockpiling a considerable proportion of

its annual gold output as part of its seige economy policy.<sup>152</sup> On the other hand, the reluctance of the European central bankers to take the strain off the United States by pouring their own gold stocks into the pockets of the hoarders was well known, and eloquently testified to by the meagre contributions which they were prepared to make to the Pool.<sup>153</sup> Furthermore, with the US balance of payments still in the doldrums, it was clear that New York could not go on indefinitely losing gold at the rate of the last few years.<sup>154</sup> Ironically, too, large Russian sales during the period had been of considerable assistance to the Gold Pool but these clearly could not be relied upon (see page 115 above); this was confirmed by their virtual disappearance from the London market after 1965 (App. B, Table 41).

In short, therefore, whilst the Gold Pool derived a psychological advantage from the fact that it signalled a degree of central bank co-operation in the free market to potential speculators, its combined resources as an alternative to regular South African gold deliveries were by no means the impregnable defence of the official price that they might at first sight have appeared. This point was made quite evident when, under intense speculative attack over a prolonged period following the devaluation of sterling, the Gold Pool collapsed in March 1968.<sup>155</sup> Moreover, the argument that the South African gold weapon would be ineffective because the operation of the Gold Pool would ensure that its gold would end up in London anyway, not only assumed that the Pool would hold under pressure but also that South Africa would necessarily have to sell. As the events of 1968-69 were also to demonstrate, neither of these assumptions was true.<sup>156</sup> Altogether then, it seems reasonable to conclude that South Africa's gold weapon was effectively employed during 1960 and remained far from being an incredible threat during the Gold Pool period from 1961 to 1964.

If the Nationalist government made political capital out of Britain's need to have South African gold marketed in London (and especially via the Bank of England) during the post-Sharpeville period, it was evidently more circumspect in employing the economic strength which it derived from Britain's need to earn gold for the central reserves. For interference with Britain's export earnings from South Africa - both visible and invisible - might well have invited retaliation from Britain

in the two areas where South Africa was most vulnerable; that is to say, in its own market in the United Kingdom, where the British government might have withdrawn 'Commonwealth' preferences on certain South African commodities, and in the matter of confidence in the security of investments in South Africa, where British private investors might have been dissuaded from re-investing even in a re-stabilized political climate.

On the other hand, it was not immediately necessary for the Nationalist government to take explicit action on its own account to actualize its putative power vis-a-vis Britain in this respect, for Britain's sliding grasp on the South African market had already been a matter of considerable concern to British exporters for some time before 1960 and, after 1960, ipso facto to the British foreign policy elite (vide Chapter I). And it seems reasonable to assume that the South African government could rely on the voluntary inclinations of its supporters to intensify this concern by turning even further away from British goods in the event of any pronounced political hostility on the part of Britain towards South Africa. Certainly, it was the firm belief of British business that this would be the case, as was amply demonstrated by its almost hysterical reaction towards the Wilson government's arms supply policy in 1967-68 (see Chapter II, Part B, Sec.1 above).

Indeed, the Nationalist government's intensification of its policy of external arms supply diversification after the events of 1960 was undoubtedly in part an indirect signal to British industry that it would suffer in this vital export sector if the British government would not afford it the necessary diplomatic cover. In this connection, the entry which Macmillan made in his diary at the time of the August 1963 Security Council meeting is worth quoting in full: "We all agree", he recorded, "to no arms for S. Africa for internal oppression. We want to sell arms (such as submarines, warships, aeroplanes) against external aggression. But (sic) that's where the big money is. While Governor Stevenson was pontificating at U.N., American arms interests - with full support of State Department and Pentagon - were making a desperate bid against our exporters for some huge contracts".<sup>157</sup> Shortly after this, on the same occasion that Eric Louw publicly brandished the gold weapon, he also threatened both Britain and the United States with the closure of

its markets to them in the event that they should countenance sanctions against South Africa.<sup>158</sup> It is also worth noting that by the end of 1963 South Africa's passive economic power was immeasurably increased from its position in 1960-62: the South African economy had experienced a strong recovery, the voluntary Afro-Asian boycott had proved largely ineffectual and its gold reserves were huge (App. B, Table 33).

There is, then, some fairly strong evidence to suggest that South Africa exerted political pressure on the British government during this period through Britain's need to both market and earn the Union/Republic's gold. But what of Britain's most well-publicized economic interest in South Africa at this time, that is to say, the ever-growing investment stock? Was this similarly exploited as an economic lever by the Nationalist government over Britain?

It has already been suggested that Pretoria would have risked destroying what British confidence was left in South African investments at this time if the government had moved against the unrestricted flow of repatriated profits and it can be safely assumed that this would have applied with even greater force to any hint of expropriation. In the early part of 1961 Dr. Verwoerd himself gave assurances to the outside world in general concerning both the safety and profitability of foreign investments in the Union,<sup>159</sup> and even in the worst moments of the 1961 balance of payments crisis the repatriation of profits was allowed to continue unchecked despite some scepticism in the City.<sup>160</sup> It is significant, too, that there was no mention of investments when Eric Louw made his otherwise comprehensive statement of potential economic and, indeed, political reprisal threats in September 1963.

Nevertheless, this attitude did not prevent the Nationalist government from placing a ban on the repatriation of all non-resident capital itself at the height of the June 1961 crisis, a ban which was, of course, of primary concern to British investors, (App. B, Table 8). Though this was effectively presented as a short-term defensive measure with no political implications,<sup>161</sup> it served to point up the fact that political instability in South Africa and foreign hostility to the Nationalist government were contrary to the interests of the British investor and, indeed, to the British government, since this prevented its 'commercial account' surplus with South Africa from increasing even

further. Moreover, it underlined the determination of the South African government to interfere in some measure with British (and other foreign-owned) assets in that country if the occasion should be thought to require it.

### Conclusion

As in the case of the Simonstown negotiations, the Nationalist government did not extract quite the full extent of concessions from the British government in the post-Sharpeville period which it would no doubt have liked. In the circumstances of the time, however, the diplomatic support which it did receive - 'wind of change' speech or no - was considerable, as we have seen, both at the UN and within the Commonwealth. It is also clear that Britain's political and security 'interests' in South Africa were of even less consequence on this occasion than they had been in the period leading up to the Simonstown Agreements.

As a result, the force of the economic factor in explaining Britain's South Africa policy during the post-Sharpeville period - what Horwitz has accurately described as "an undeclared but none the less pervading Monroe Doctrine"<sup>162</sup> - can hardly be gainsaid. That this should have been the case, moreover, is hardly surprising. For, whilst the South African government's non-economic bases of putative economic power were considerably more substantial at this time than they had been during the 1954-55 period (the successful application of economic pressure by the Nationalists during the Simonstown negotiations having no doubt contributed to their reputation for the actualization of putative economic power, for instance) and Britain's will to apply it even more reduced, the increased concern of the British foreign policy elite with economic questions during this period (vide Chapter I) made it even more vulnerable to economic pressure. And that such pressure was applied - or putative economic power 'actualized' - by the South African government vis-a-vis Britain is even more evident in the post-Sharpeville period than it is in the case of the Simonstown negotiations.

In particular, the evidence is convincing that the Nationalist regime

not only privately and publicly threatened Britain (and America) with economic reprisals in the event of diplomatic hostilities - merely bringing "into the open", as the Economist observed of Louw's famous threats of September 1963, "all the aces South Africa has previously waved around in private arguments with Britain and America"<sup>163</sup> - but actually realized the most potent of these threats at a moment in the second half of 1960 when there appear to have been doubts within the South African government concerning the resolve of the Macmillan government to withstand Afro-Asian pressure for some sort of effective action to bring an end to apartheid. This, as had been argued, consisted in the deprivation of the Bank of England of the bulk of South Africa's new-mined gold at the very moment in late 1960 when it was most needed to defend the key currency exchange rates in the London Gold Market; exchange rates, moreover, which were believed to be vital to the stability of the Bretton Woods system and to the ultimate status of sterling itself (see page      above). The ban on the repatriation of non-resident capital in 1961 also caused temporary discomfort to British investors in South Africa as well as preventing the British central reserves from benefiting from South African gold to quite the degree to which they would have done in its absence. South African policy during this period, therefore, demonstrated the 'actualization' of putative economic power with a vengeance.



Endnotes: Chapter IV

1. Repr. in Keesings Contemporary Archives, Oct. 5-12, 1957, p. 15792. The statement was issued on Sept. 18, 1957 and is reproduced in full in this section of Keesings.
2. Though Lord Mancroft (Minister without Portfolio and Parliamentary Secretary at Defence) was in charge of the actual negotiations with Erasmus on this occasion.
3. J.E. Spence, The Strategic Significance of Southern Africa, (1970), p.15. NB. Welensky, PM in the Central African Federation, was also pressing this scheme on the Macmillan government, see R. Welensky, Welensky's 4,000 Days, (1964), pp.110-112.
4. Gold Coast became independent as 'Ghana' in 1957 and the Central African Federation was showing increasing signs of strain, see M. Proudfoot, British Politics and Government, (1974), pp.95-97.
5. Ibid., p.96.
6. Interestingly enough, Welensky, op.cit., p.101, reports that R.A. Butler, visiting the CAF informally in 1958, was due to go on to South Africa "and there deliver in his capacity as a senior British Cabinet Minister a speech along precisely the same lines as Mr. Macmillan's 'wind of change' declaration of February 1960. However", continues Welensky, "while he was in the Federation the death occurred of Mr. Strijdom, the South African Prime Minister, and it was decided that this would be an inopportune occasion for the delivery of a major policy statement of so surprising a character".
7. On Britain's support for South Africa at the UN in the 1950s, see J. Barber, South Africa's Foreign Policy, 1945-1970, (1973), p.62. This had been most recently demonstrated in the British vote against an anti-South African motion adopted by the General Assembly's Special Political Committee on Nov. 10, 1959 (UN Doc. A/SPC/L.37). On this occasion, there had been 67 votes for, 3 against (UK, Portugal and France) and 7 abstentions (Netherlands, Spain, Australia, Belgium, Canada, Dominican Republic and Finland).
8. H. Macmillan, Pointing the Way, 1959-1961, (1972), p.167.
9. This is reproduced in full in Appendix One, ibid., pp.473-482.
10. Ibid., p.132ff.
11. See, for instance, P. Calvocoressi, South Africa and World Opinion, (1961) and M. Benson, South Africa: The Struggle for a Birthright, (rev.ed., 1966), Chp. 16.
12. Repr. in Times Weekly Review, Mar, 31, 1960.
13. HCDeb. 620, Cols. 1329-35.
14. As Macmillan records in Pointing the Way, p.167, "Verwoerd sent me an appeal urging me to help in opposing this ...".
15. UN Doc. S/PV. 856.
16. Ibid.
17. Pointing the Way, p.169. In a minute at the time, Macmillan said that "The old Commonwealth countries (like Australia) think we should veto it. The new Commonwealth (like India and Ghana) will never forgive us if we do".

18. P. Calvocoressi, International Politics since 1945, (New York: 1968), p.406.
19. UN. Doc. A/SPC/SR. 232.
20. C. and M. Legum, South Africa: Crisis for the West, (1964), p.236.
21. UN Doc. S/PV.1054.
22. C. and M. Legum, op.cit., p.237.
23. International Organization, June 8-18, 1964, Security Council: South Africa.
24. In the usual company of the other European colonial powers and Australia, UN Doc. A/C 4/SR. 894, re. Oct. 1959. For general background on the South-West African affair, see R. First, South West Africa, (1963), and esp. Part 5, Chp. 2, for Britain's attitude to South Africa's position on this matter.
25. UN. Doc. A/C 4/SR. 1076. 25(a). UN Doc. A/C.4/SR.1115.
26. A. Sampson, Macmillan : A Study in Ambiguity, (1968), p.184. See also W.A. Bellwood, South African Back-Drop, (Cape Town: 1969), p.163.
27. Pointing the Way, p.481.
28. Sampson, op.cit., p.187. NB. Sampson observed the speech and the reaction to it as a reporter at the time.
29. Ibid. NB. Welensky in the CAF described Macmillan's African tour, of which this speech was the culminating point, as a "general disaster", op.cit., p.170.
30. Quoted in Sampson, op.cit., p.188.
31. Times Weekly Review, Mar. 24, 1960.
32. Op.cit., p.189.
33. Calvocoressi, South Africa and World Opinion, p.3.
34. Pointing the Way, pp.167-168. This was on Selwyn Lloyd's advice (Foreign Secretary, then in Washington).
35. Ibid., p.168.
36. Ibid.
37. UN Doc. S/PV. 851.
38. This was a reference to the occasion of the Sharpeville shootings, i.e. the campaign organized by the PAC to get South African blacks to disobey the Nationalist government's 'pass laws'.
39. UN. Doc. S/PV. 853.
40. This was not only a product of their appraisal of Britain's economic interests in South Africa but of British policy at the same time towards other African problems, especially in the Congo and in the CAF. The replacement of Selwyn Lloyd as Foreign Secretary in July 1960 by the aristocratic and right-wing Lord Home did not assist in this regard either. Home, who remained at the FO until his elevation to the premiership in October 1963, made no secret of his distaste for the anti-colonial clamour at the UN General Assembly and believed that the Macmillan/Macleod policy of imperial withdrawal was too fast. He was not only very pro-Katanga in the Congo affair and pro-Welensky in the CAF but was also well disposed towards Portuguese colonial policy in Africa and wanted to see Spain in NATO. In 1961 he visited both Spain and Portugal. On Home's views in these

respects, see K. Young, Sir Alec Douglas-Home, (1970), esp. pp.114-116, pp.130-131, and pp.134-140. Duncan Sandys, whose right-wing credentials were also sound, took over the Commonwealth Relations Office from Home in July 1960.

41. On United States' differences with the British government over African policy at this time, see esp. D. Nunnerley, President Kennedy and Britain, (1972), Chp.14. A.M. Schlesinger Jnr. adds the observation that the Kennedy administration's decision to take a stronger line on South Africa was in part inspired by its desire to deflect non-aligned criticism of the intimacy of its own NATO connections with Portuguese colonialism, A Thousand Days: John F. Kennedy in the White House, (1965), pp.505-509.
42. UN Doc. A/SPC/SR. 232-245. The adopted resolution was A/SPC/L.59. The operative paragraphs on which Britain abstained called for "all states to consider taking such separate and collective action as are open to them to bring about the abandonment of (apartheid) ..." (3) and noted "with grave concern that these policies have led to international friction and that their continuance endangers international peace and security". (5).
43. Ibid. The reasons actually given by the UK representative on this occasion were that economic boycott would prevent diplomatic contact (which Britain maintained was the only route along which pressure could be applied to bring about an end to apartheid); do the most harm to those whom it was designed to help (i.e. South Africa's 'non-white' population); intensify white solidarity behind Dr. Verwoerd's policies; and, since it would not work in any case, "bring the UN into ridicule and contempt".
44. Schlesinger, op.cit., p.506.
45. Calvocoressi, International Politics since 1945, p.406.
46. A. Hepple, Verwoerd, (1967), p.194. The USA also voted against this resolution.
47. UN Doc. S/PV. 1052.
48. According to Nunnerly, op.cit., pp.204-207, the American government gradually moved a little nearer to Britain's position on African questions and colonialism in general as the early 1960s turned into the mid-1960s and as it began to recognise the complexity of the problems involved and the dangers of precipitate haste in decolonization.
49. UN Doc. S/PV. 1054.
50. As Peter Calvocoressi, with his usual precision of phraseology, observed at the unofficial London Conference on Sanctions in 1964, "the Security Council had got itself into the position of acknowledging a threat to the peace but avoiding the consequences of its own resolution by calling it something else", 'The politics of sanctions: The League and the United Nations', in R. Segal (ed.), Sanctions against South Africa, (1964), p.61.
51. UN Doc. S/PV.1056. For the French attitude on this occasion, see R. First et al, The South African Connection, (1972), p.135.
52. Ibid. (UN Doc.)
53. See endnote 23 above.
54. In the same meeting, Britain had already abstained (along with the USA, Brazil and France) on a successful resolution calling on

South Africa to renounce the Rivonia trials, ibid.

55. J. Cope, South Africa, (2nd ed. 1967), p.198.
56. The French government, of course, effectively ignored the arms ban altogether and, as a result, experienced something of a "bonanza" in sales to South Africa thereafter, Barber, op.cit., p.195.
57. See on this, for example, Spence, op.cit., p.23 and J. Stanley and M. Pearton, The International Trade in Arms, (IISS, 1972), pp. 171-172.
58. Spence, op.cit., p.13 fn 20.
59. Ibid., p.42. NB. Explaining the American decision to impose a total arms ban on South Africa at this time, Schlesinger says with regard to arms for internal and arms for external purposes: "the distinction was not always clear and the partial embargo had proved ineffective", op.cit., p.507.
60. Economist, Sept. 14, 1963.
61. First, op.cit., p.218.
62. UN Doc. A/C 4/SR.1224.
63. On this issue, see First, op.cit., esp. Part 5, Chp. 2 and Part 6.
64. Ibid., p.214.
65. H. Foot, A Start in Freedom, (1964), Chp. 10 NB. see also App.D.
66. Most emphatically represented by the unofficial London Conference on Sanctions in May 1964. See R. Segal, (ed.) op.cit.
67. Times Weekly Review, Mar. 24, 1960. NB. Verwoerd made this observation on Mar. 21, the day of the Sharpeville shootings.
68. Barber, op.cit., pp.194-195.
69. Sept. 14, 1963.
70. At the End of the Day, 1961-1963, (1973), p.312.
71. N. Mansergh, Documents and Speeches on Commonwealth Affairs, 1952-1962, (1963), pp.358-361.
72. Economist, May 14, 1960. See also Bellwood, op.cit., p.160. NB. Verwoerd had intended to come in person but had not yet fully recovered from an assassination attempt in early April.
73. Times Weekly Review, May, 19, 1960.
74. Hepple, op.cit., pp.176-178. NB. Though Hepple records here Dr. Verwoerd's determination to deliver the republic by simple majority in the Nationalist-dominated House of Assembly in the event of defeat in the Referendum, it is clear that such defeat would have been a major blow to Verwoerd's prestige and hardly assisted his 'white laager' policy.
75. The Economist itself took this view, Apr. 30, 1960.
76. Economist, Feb. 27, 1960.
77. Times Weekly Review, Apr. 7, 1960. The Times Political Correspondent observed that the traditional Tory imperialists had been unprecedentedly muted since Sharpeville.
78. HCDeb. 621, Cols. 191-193, Apr. 5, 1960.
79. HCDeb. 621, esp. Col. 830, Apr. 8, 1960.

80. Economist, May 4, 1960.
81. "I myself", writes Macmillan of his attitude in between the May 1960 Conference and the October Referendum, "would continue to refuse to be drawn as to the attitude of the United Kingdom Government on one hypothesis or the other" (emph. added), Pointing the Way, p.287.
82. Times Weekly Review, May 12, 1960.
83. Pointing the Way, p.176. On this conference, see also P. Calvocoressi, South Africa and World Opinion, pp.13-15.
84. Macmillan was personally notified on August 2 that this would take place on October 5, 1960, Pointing the Way, p.286.
85. Ibid.
86. Ibid.
87. Ibid., pp.287-288.
88. Ibid., pp.287-289.
89. Calvocoressi, South Africa and World Opinion, pp.32-33 and App.8.
90. See Chapter II, endnote 227 above.
91. Pointing the Way, p.292.
92. Ibid., p.297.
93. See letters to The Times, repr. in Times Weekly Review, Mar. 9, 1961, esp. that from A.J. Ayer, H. Gaitskell, Griffiths et al.
94. That this was Macmillan's object was the view of the Commonwealth historian J.D.B. Miller, writing without benefit of Macmillan's memoirs: see 'South Africa's Departure', Journal of Commonwealth Political Studies, Vol. I, 1961-1963.
95. Encouraged, no doubt, by Nyerere's threat to withdraw an independent Tanganyika from the Commonwealth should South Africa remain a member. See The Observer, Mar. 12, 1961.
96. This is Macmillan's claim, Pointing the Way, p.299. Miller, op.cit., was of the opinion that Macmillan had not in fact put pressure on Dr. Verwoerd, though he conceded that there was no evidence for this conclusion.
97. Ibid.
98. The speeches of Macmillan and Sandys in the SA Withdrawal Debate are revealing in this respect, see HCDeb. 637, Mar. 22, 1961.
99. Quoted in HCDeb. 639, Col. 1063.
100. This was The Republic of South Africa (Temporary Provisions) Bill, introduced into the House of Commons by Edward Heath, the Lord Privy Seal, on Feb. 26, 1962, see R. First et al, op.cit., p.237.
101. Barbara Castle, HCDeb. 639, Col. 1070, May 1, 1962.
102. HCDeb. 639, Apr. 24, 1961.
103. HCDeb. 654, Col. 940ff, Heath speech for the government on the South Africa Bill.
104. Spence, op.cit., p.17.
105. HCDeb. 654, Col. 940ff.
106. Pointing the Way, p.301.

107. Op.cit., p.9. Hepple actually introduces his biography of Verwoerd with a description of the hero's reception which Verwoerd received at Jan Smuts Airport on his return from the London conference in March 1961.
108. Mansergh, op.cit., p.361.
109. See, for instance, F.S. Northedge, 'Britain and the United Nations', in K. Twitchett (ed), The Evolving United Nations: A Prospect for Peace? (1971), pp.141-156. This sort of argument can, however, be exaggerated. Macmillan was a realist: commenting on the decision on inscription in the March 1960 Security Council debate on apartheid, he observed that "Australia was against inscription on well-based if somewhat obsolescent legal grounds" (emph. added) Pointing the Way, p.168.
110. Pointing the Way, pp. 300-301.
111. Ibid.
112. See endnote 77 above.
113. Pointing the Way, p.299.
114. See on this Chapter I, page 67 above.
115. Barber, op.cit., Chp.12, takes a slightly different view of this.
116. Pointing the Way, p.300.
117. Ibid., pp.152-153.
118. The major factor in saving Welensky, as Keatley stresses, was the fact that the British government had allowed the Southern Rhodesian whites to establish their own military machine over which they retained total control, P. Keatley, The Politics of Partnership, (1963), pp.394-395.
119. Economist, Sept. 14, 1963.
120. C. and M. Legum, op.cit., pp.271-272, go into considerable detail on these alternatives. See also P. Calvocoressi, South Africa and World Opinion, (1961), pp. 36-37, who clearly believed that the Western powers were increasingly regarding South Africa as strategically expendable.
121. Ibid. (Legum), p.271: "This is the view of senior British naval officers who question whether the Cape route is 'vital'. They believe that preoccupations with Simonstown are a relic of outdated thinking".
122. R.N. Rosecrance, Defense of the Realm, (New York: 1968), Chp. 9.
123. P. Darby, British Defence Policy East of Suez, 1947-68, (1973), p.75.
124. C.J. Bartlett, The Long Retreat: A Short History of British Defence Policy, 1945-70, (1972), pp. 152-153 and p.178.
125. Op.cit., p.272.
126. Spence, op.cit., pp.16-19.
127. C. and M. Legum, op.cit., p.230. This was officially communicated to the UN by the British government in December, 1962, Economist, Sept. 7, 1963.
128. E.S. Munger, Bechuanaland, (1965), p.80.
129. C. and M. Legum, op.cit., p.232.
130. Ibid.

131. Munger, op.cit., p.87.
132. C. and M. Legum, op.cit., pp.232-233.
133. Hepple, op.cit., pp.195-196. On the subsequent development of South Africa's so-called 'outward policy', see L.W. Bowman, 'South Africa's Southern Strategy and its Implications for the United States', International Affairs, Vol. 47, Jan. 1971.
134. Jo'burg Star, Aug. 29, 1960.
135. Who had obtained his information from "unshakeable sources in the London bullion market", ibid.
136. Ibid.
137. Annual Bullion Review 1960. The remainder of the gold sold in London was marketed by private bullion houses.
138. Ibid.
139. The always well-informed yet discreet Economist reported on Sept. 3, 1960 that South Africa's direct sales policy was "a growing tendency".
140. 'Hot money' outflows from the US was the cause in this instance, the moreso since they were being increasingly denied a refuge in Europe, ibid., and Oct. 22, 1960.
141. Quarterly Bulletin, Mar. 1964, 'The London Gold Market'.
142. The Banker, Nov. 1960 recorded that "The market upheaval was welcomed with wild excitement among gold-producing interests and holders of gold shares, notably in Johannesburg", 'This Gold Muddle'.
143. Annual Bullion Review 1961: the largest single seller in the market was "as usual" the Bank of England, which derived most of its supplies from South African new-mined gold.
144. Bank of England, Quarterly Bulletin, Mar, 1964, 'The London Gold Market'.
145. F. Hirsch, 'The Golden Test', The Banker, July 1962.
146. Air-freighting to Zurich could not compete with the London route, see Chp. II, Part A, Sec. 2 above.
147. From which, however, its reserves swiftly recovered, see App. B, Table 33.
148. Sept. 14, 1963 and The Banker, Oct. 1963, 'Gold Bluff'.
149. Ibid. and Lombard in The Financial Times, Sept. 17, 1963.
150. On this development, see Bank of England, Quarterly Bulletin, Mar, 1964. 'The London Gold Market'.
151. Ibid.
152. Ibid. See also App. B, Table 33.
153. Economist, Apr. 21, 1961. \$250m. was provided in total by the central banks - "far too small", said the Economist, though it added that the psychological impact of this move on the market was an important consideration. See also Hirsch, op.cit., on this. On Nov. 24, 1962, the Economist estimated that the total had reached \$270m. NB. This was equivalent to barely one-third of South Africa's output of new-mined gold in the same year (App. B, Table 26).
154. In 1961 alone the US was obliged to pour more gold over the 'gold bridge' to London than was accounted for by South Africa's entire

sales on the London Gold Market in that year (App. B, Table 41), and US gold stocks dropped by a further 12.4 per cent between end-1960 and end-1963 to stand at only 68 per cent of their level at end-1957, IMF, International Financial Statistics, 1972 Supplement, pp.vi-vii. On the other hand, it is true that in 1963 the Gold Pool was a net purchaser of gold, Bank of England, Quarterly Bulletin Mar. 1964, 'The London Gold Market'.

155. For a summary of the circumstances attending this development, see I. Davidson and G.L. Weil, The Gold War, (1970), esp. Chp. 6. France, a good friend of the South African government in this, as in other respects, withdrew from the Gold Pool in July 1967.
156. Ibid.
157. At the End of the Day, p.487.
158. Economist, Sept. 14, 1963 and The Times, Sept. 13, 1963.
159. R. Horwitz, 'Dr. Verwoerd and the Foreign Investor', The Banker, Mar. 1961.
160. The Banker, July 1961, 'Blocked Kaffirs'.
161. See, for instance, H. Hobart Houghton, The South African Economy, (3rd ed, Cape Town and London: 1973), p.184. NB. Non-residents were still permitted to sell their shares on the Johannesburg Stock Exchange.
162. Op.cit.
163. Sept. 14, 1963.



## CHAPTER V

## SUMMARY AND CONCLUSION

The central preoccupation of this work is the hypothesis that economic power (resting on non-economic, as well as on economic, bases) has been an important factor in explaining the ability of states in the recent past to achieve their foreign policy objectives. In addition, however, attention is also directed to the hypothesis that economic considerations - relating to both prosperity and power - have also loomed large amongst these objectives themselves; attention thus directed partly because of the intrinsic interest of the subject but partly also because the extent to which this has been the case is likely to have influenced the efficacy of economic pressure applied in political diplomacy.

In order to test the latter of these hypotheses, the importance of economic considerations in British foreign policy as a whole has been investigated over the 1951-1964 period, and it has been found that the 'conventional view' of this question - characteristically holding that economic considerations received relatively low priority during these years (see Chapter I, Sec. 1, above) - is somewhat in need of revision. It is evident, in particular, that this view of the question is weak on two main counts: first, in its failure to coherently articulate the changing nature of the economic considerations which influenced British foreign policy during these years; and second, in its assumptions concerning their impact on foreign policy in the later 1950s and early 1960s.

On the former count, it is clear that, whilst a preoccupation with the status of sterling and the Sterling Area remained a pre-eminent consideration throughout the period, changes in the nature of strategic thought and in the condition of the world's primary commodity markets rendered concern with secure access to foreign sources of raw materials of much less account in the second half of the period than in the first. The reverse, however, was the case with manufacturing exports and invisible earnings, as Macmillan's anxiety concerning, and active personal involvement in, export promotion in 1960 so eloquently confirms (see Chapter I, Sec. 2 above).

On the latter count, that is to say, that concerning the conventional view of the influence of economic considerations on the shape and direction of British foreign policy in the second half of the 1950s and in the early 1960s, it is equally apparent that this was greater than is commonly supposed. That this was the case is to be explained by the economic shock of Suez, the powerful and widely acknowledged influence of banking, business and commercial interests on the Conservative governments of these years, the increasingly economic nature of the cold war, the perceptibly reduced anxiety over security once the major Western alliance systems had been constructed and it was apparent that the Soviet government was prepared to countenance some sort of *modus vivendi* with the West, and the slowly dawning understanding on the part of the British foreign policy elite that Britain's external economic problems in the later 1950s were somehow 'fundamental' rather than a temporary consequence of the second World War. That this was the case is confirmed by the evidence of the recorded anxiety of leading members of the foreign policy elite with regard to economic questions, by organizational changes within the Foreign Office at the end of the 1950s which gave more resources and status to the economic sections, and by the diplomatic implications (especially with regard to Germany) of the changes in Britain's defence policy beginning in 1956-57 and by the stubborn insistence on the retention of the tradesman's style abroad despite the increasing costs which this forced onto the British governments in the increasingly idealistic international environment with which they were faced in the late 1950s and early 1960s (see Chapter I, Sec. 3 above).

In sum, therefore, it can be safely concluded that, in the case of British foreign policy in the second half of the 1951-1964 period, economic considerations represented an increasingly high policy priority, whilst in the first half of the period they were, - if not, overall, as important as in the second - still very significant and as much coloured by traditional 'economic power' calculations as by prosperity *per se*.

In order to test the hypotheses concerning the exploitation of economic power in diplomacy, this work gave detailed consideration to the political economy of Anglo-South African relations during the Simons-town negotiations (1954-55) and during the post-Sharpeville period

(1960-64), employing, inter alia, a vital distinction made by Knorr between 'putative' and 'actualized' economic power. In this instance, it is clear that, though on both of these occasions a crude balance of 'economic strength' obtained between the two governments (that is to say, that each was, amongst other things, economically dependent upon the other in the sense that each was theoretically in a position to grant or withhold economic favours in urgent demand and unobtainable elsewhere), the South African government possessed a very significant margin of putative economic power vis-a-vis the British government as a result of its marked superiority in the non-economic bases of such power. This putative power was 'actualized' by the South African government in the extraction of political and security concessions from Britain at both of the historical junctures in question. How are these conclusions justified?

During both the Simonstown negotiations and the post-Sharpeville period the difference in weight between Britain and South Africa as agents in the world economy and the most obvious quantitative indices of the nature of their bilateral economic relations appears to suggest that the British government had far more economic strength to dispose of vis-a-vis the South African government than vice versa. Unfortunately for the government of the United Kingdom, however, the structure of those relations changed this picture dramatically.

In particular, Britain had very little monopoly power over South Africa in regard to the supply of goods or services to it (though its monopsony power was considerable, especially in the later period), whilst South Africa, though possessing little global monopsony power over British exporters, possessed considerable monopoly power over commodities which were regarded as vital by the British governments of these years. This was especially true in the case of gold, which was not only an increasingly important bulwark of the Sterling Area's central reserves during the 1950s but was also indispensable to the profits and prestige of the London Gold Market and, above all, to the Bank of England's control of the key currency exchange rates on that market. It was also true - though to a somewhat lesser extent as a result of the CDA mechanism - of South Africa's position in the world uranium market, in the mid-1950s at any rate. For uranium was vital to Britain's civil and military atomic programmes throughout the period. South Africa, moreover, contained huge

and lucrative British investments, whilst the reverse was not the case. On both occasions South Africa's reserve position was relatively stronger than that of Britain, whilst the latter was incapable - in the face of unbending American opposition - of exploiting its greater weight as an agent in the world economy to further or obstruct the South African government's most coveted international economic ambition - an increase in the official price of gold.

Indeed, though there is no logical relationship with this last point, the bearing of the British government's relations with South Africa on its relations with the United States (most vital of all to Britain throughout the post-war period), was a most significant feature of the British government's structural economic weakness vis-a-vis the South African government. In the early 1950s, at any rate, South Africa's uranium not only lent credibility to Britain's position within the CDA but also seemed vital to the atomic power station programme which Eden clearly regarded as constituting an important claim for the retention of the 'special relationship' with the United States. But more important even than this was the Bank of England's control of the disposal of South Africa's new-mined gold on the London Gold Market, for this almost certainly strengthened the hand of the British government in its economic dealings with the United States.

What it comes down to, then, at the risk of some oversimplification, is this: that British monopsony power over South African exports and South African monopoly power over key British imports (plus its possession of huge British investments) constituted the essence of a crude balance of 'economic strength' which obtained between the two governments at both the time of the Simonstown negotiations and during the post-Sharpeville period. The decisive factor, therefore, in providing the South African government with a significant margin of putative economic power over the British government had, perforce, to arise from a discrepancy between them in terms of the non-economic bases of such power. This discrepancy was manifest from the beginning of the period and widened as it progressed.

For the British government's part, the will to employ economic strength in diplomacy with South Africa (or any other country for that matter) was clearly absent as a result of Conservative economic ideology and

the long-standing 'style' of British foreign policy to which Northedge has drawn such persuasive attention (see pages 68-69 and 126-128 above), to mention just two of the reasons germane to this issue. It was not a disposition, either, which was encouraged by the general increase in the importance which was attached to economic considerations in British foreign policy-making in the later 1950s and early 1960s. This renders consideration of the other non-economic bases of putative economic power strictly academic in the case of the British government.

For South Africa, however, though the strength and nature of certain domestic interests (such as the gold-mining companies and the farming community) may not have contributed to the will to exploit economic strength in anti-British diplomacy in the economic circumstances of the mid-1950s, this was of less account in the post-Sharpeville period and, in any case, the determination of the Nationalist party government to subordinate the economy in general to political considerations and its loathing of the 'British connection' (economic and political) in particular, was more than sufficient to provide the necessary 'will-power' on both occasions. But this was even more obviously the case in the later period as a result of the closing of ranks within the white community in the face of mounting world-wide condemnation of apartheid and increasingly bi-partisan support for foreign policy. Furthermore, the Nationalist regime possessed the skill to give effect to this determination, the more so because of direct government control over the disposal of the two most vital commodities in its trade with the United Kingdom (gold through the SA Reserve Bank and uranium through the SA Atomic Energy Board), as well as certainly something of a reputation for the exercise of economic pressure in diplomacy during the post-Sharpeville period (at the least) as a result of its employment against Britain during the Simonstown negotiations.

Whilst each government had, in consequence, the potential to inflict very considerable economic harm on the other, only the South African government possessed the will, the skill and (in smaller measure, to be sure) the reputation to transform it into putative economic power. That this power was 'actualized' during the Simonstown negotiations and during the post-Sharpeville period is strongly suggested by the shape of British policy towards the South African regime on both of these occasions, by its inexplicability in terms of Britain's non-economic

interests in South Africa, and by the direct evidence that it was actually exerted.

In the Simonstown Agreements the British government secured from South Africa nothing of which it was not already assured and gave many concessions to the Nationalist regime, not least amongst them being the return of the naval base to Union sovereignty and, in Spence's telling formulation, "quasi-formal association within the Western alliance". It is possible - but unlikely - that concern for the fate of the High Commission Territories and for the 'kith and kin' relationship with the Union were important factors in explaining this otherwise gratuitously 'reactionary' policy (see Chapter III, Sec. 3 above). The logic of the analysis thus forces us to conclude that the British government's freely acknowledged economic interests in South Africa were the most important factor in explaining the shape of the Agreements. Furthermore, the evidence suggests that, at the critical stages in the negotiations which led up to them, the South African government actually took steps to threaten the British government with economic damage in the event of an unsatisfactory outcome: thus the withdrawal of the minimum gold guarantee in the inauspicious gold-earning circumstances of October 1954 and the discreet suggestions that there might be circumstances in which South African uranium might not find its way so readily to the United Kingdom (see Chapter III, Sec. 5 above).

In the post-Sharpeville period, after the initial establishment of a degree of public distance between the British government and South Africa's racial policies by Macmillan, Britain went to inordinate lengths to keep South Africa within the Commonwealth, to prevent any kind of effective action against the Nationalist regime's apartheid policies or hold on South-West Africa by the United Nations and to defend the Simonstown Agreements in circumstances which made their strategic value to Britain even more questionable than those in which they had been first initialled. On this occasion, too, the possibility that concern for the High Commission Territories or for the 'kith and kin' relationship might throw any light on these policies is not even plausible, let alone a reasonable hypothesis (see Chapter IV, Sec. 3 above). Once more, therefore, we are forced to the conclusion that the most persuasive explanation is economic and the evidence is even more suggestive on this occasion that the Nationalist government exerted economic leverage on Britain after it had been shaken by the Macmillan government's new

attitude in the spring of 1960. Hence, in particular, the diversion of South Africa's new-mined gold from the London Gold Market in general and from the Bank of England in particular in the latter half of the year, and the renewed threat (publicly issued) in September 1963.

Table 44 in Appendix B, read in conjunction with Table 26 in the same Appendix, is probably more revealing of the reasons for Britain's South Africa policy during these years than all of the Tables on British investments in South Africa put together.

Accordingly, it is the argument of this work that the principal hypothesis to which it is addressed, to wit, that economic power (resting on non-economic, as well as on economic, bases) has been an important factor in explaining the ability of states in the recent past to achieve their foreign policy objectives, is vindicated in an especially interesting and telling manner in the case of the South African government's relationship with Britain during both the Simons-town negotiations and the post-Sharpeville period. What implications do this empirical findings have for some of the other general questions discussed in the theoretical Introduction to this work?

As far as the debate about the economic objectives of foreign policy is concerned, it is clear that, given the essentially non-empirical nature of the theory (see pages 15-16 above), the Leninist theory of imperialism is not - and nor could it be - either refuted or confirmed by the evidence which has been brought to light in the course of this work. Since, however, it is invariably offered as an empirical, indeed, as a 'scientific', theory, it seems worthwhile to note the following points which emerge from this study.

To begin with, then, for it is certainly true that the theory of imperialism engenders empirical hypotheses, it seems clear that, in the case of British foreign policy in general over the 1951-1964 period, the influence of financial interests in securing the designation of the sterling parity and the Sterling Area as matters of 'high policy' was probably greater than non-marxists have commonly been prepared to concede (see pages 58-60 above).

Secondly, on the other hand, the obsession of marxists and fellow-travelling polemicists with overseas investments, high rates of return, markets per

se, and so on, has, in the case of British foreign policy vis-a-vis South Africa, tended to have the historiographical drawback of distracting attention from aspects of Anglo-South African economic relations which fit less readily with the assumptions of the theory of imperialism: in particular, the unusually significant and complicated issue of new-mined gold and the Bank of England. Attention has invariably been concentrated on Britain's absolutely and relatively large investment stocks and markets in South Africa as the principal explanation of Britain's diplomatic posture towards the Nationalist regime, as a result of the crucial importance which such matters are assumed to possess in the overall calculations of Britain's 'capitalist' foreign policy elite. In actual fact, as we have seen, though these interests were obviously important, the evidence, such as it is, suggests that they were not, as such, the major economic conditioners of Britain's policy towards South Africa in either 1954-55 or 1960-64. It took a non-Marxist historian, Peter Calvocoressi, to point out amidst the excitement of the latter period that "Gold deserves a special word",<sup>1</sup> whilst Roger Opie, in a paper specifically devoted to the question of gold and the importance of British and general Western access to South Africa's annual output, completely missed the point about its value to the Bank of England in defending the key currency exchange rates, though it is true that he acknowledged its value to the Sterling Area's central reserves in the pre-convertibility period.<sup>2</sup>

Thirdly, the evidence brought to light in the course of this work also suggests that there was not invariably a unanimity of outlook in foreign economic matters between the British government and its domestic capitalist and finance capitalist sectors, as tends to be regarded as axiomatic in the theory of imperialism. This was quite apparent in the early and mid-1950s when Treasury anxiety about Britain's ability to earn South African gold for the central reserves contrasted rather markedly with the preference of British manufacturers for concentrating on the easier home market at this time. The same contrast was also apparent in the October 1960 gold price crisis on the London Gold Market. By this time, as we have seen, the British government had relinquished its futile attempt to persuade the United States government to agree to an increase in the official price of gold and was unquestioningly committed to defending the existing parity. The City bullion houses, on the other



hand, remained as discreetly anxious as ever for an increase, as did the British holders of South African gold shares - somewhat less discreetly. The South African government, moreover, was aware of this discrepancy in interest, appreciated the nature of its truest friends in London and, in the October crisis, was careful to hurt the Bank of England (and thus the British government) more than these sectors of the City (see pages 250-252 above). Furthermore - and a point of considerable significance - these instances demonstrate not only the frequent lack of unanimity of economic interest between government and sectional economic interests in the foreign sphere but also that it was especially 'British economic interests' which were peculiarly governmental which provided the South African Nationalists with their strongest leverage over Britain during these years. Except in so far as its initial exploitation boosted the value of gold-mining company shares, uranium was not of much immediate interest to British capitalists either.

What next of the economic power theory of foreign policy, which was most closely associated with the name of R.G. Hawtrey in the inter-war period? It has been argued, as we have seen, that such ideas do indeed seem to have influenced the shape of British foreign policy in the early 1950s, as well as in the late 1940s, for the idea of 'total war' still exercised some influence over British strategic thought at this time; and that, in the new phase of the cold war heralded by Krushchev's announcement of the policy of peaceful co-existence in the mid-1950s, economic power in a new form had some small influence on the shape of policy. On the other hand, it was argued with regard to Britain's relations with South Africa in particular and apropos the 'style' of its relations with the outside world in general throughout the 1951-1964 period, that the British governments of these years were singularly lacking in the will to transform 'economic strength' into putative economic power and thus to make possible its 'actualization'. These two arguments, it might be reasonably suggested, are contradictory: if the British government lacked the will to employ economic power in diplomacy, why cultivate it?

The explanation of this paradox lies, in the first instance, in the distinction which Knorr makes between 'passive' and 'active' economic power (see page 26 above). For, clearly, whilst the British governments of the early years of our period may have been unwilling to pursue

policies which were designed to provide them with the ability to inflict economic harm on a diplomatic adversary, that is to say, with 'active' economic power, the experience of total war had shown them that it was expedient to pursue policies which would render it less easy for a diplomatic, or a military, adversary to inflict such economic harm upon them. In short, the economic power considerations which influenced British foreign policy in some significant degree in the first post-war decade were prompted by a desire to build up 'passive', rather than 'active', economic power and were thus not inconsistent with the absence of a desire on the part of Britain's foreign policy elite to exploit economic strength in diplomacy.

On the other hand, it is difficult to apply the same argument to the kind of economic power which the British government began to feel rather important in the circumstances of the post-1956 cold war. Economic power as a goal of foreign policy no longer resided in self-sufficiency (especially in conventional war-related materials) to the same degree as earlier, and the emphasis was placed instead on general domestic prosperity and international economic stability as the necessary conditions for extending economic aid to the overseas governments (normally within the Commonwealth) whose policies the British government wished to influence. 'Active' economic power thus seems to have been much more obviously at stake in these circumstances. In fact, this did represent a real inconsistency in British foreign policy, with its traditional emphasis on the separation of politics and economics in foreign relations, though one which it would be unwise to exaggerate.

It is no doubt true that the British government employed its so-called 'aid programme' as an inducement to good behaviour on the part of its erstwhile African and Asian colonies, especially in so far as their attitudes towards the Commonwealth were concerned and that, therefore, this testifies in some small degree to the existence of a determination to employ economic strength to diplomatic ends. On the other hand, the British aid programme was miniscule when compared to the American effort and was never employed in anything like the blatantly political manner of that country's government. The emphasis, moreover, was much more on rewards than on punishments.<sup>3</sup> Indeed, by confining its aid programme largely to ex-colonies, the British government seems to have been largely successful in convincing the world at large of its non-

political nature and that it was merely a logical continuation of Britain's determination to bring the colonies to full 'maturity' and not to leave them in the lurch after independence.<sup>4</sup>

In short, therefore, as already concluded, though economic power in the Hawtrey sense clearly continued to have a bearing on the overall priorities of British foreign policy in the first half of the 1950s, this was far less true of the remaining years of the period, whilst the very importance which continued to be attached by the foreign policy elite to the necessity of a strict separation of politics from economics in foreign relations ensured that economic power in the cold war sense never had a really serious impact on Britain's foreign policy priorities in the second post-war decade. The difficulties of realizing it in Britain's always fairly precarious economic position also acted as a damper in this respect. On the other hand, as was argued in Chapter I, the economic implications of the cold war certainly did make their own small contribution to the mounting ascendancy of economic priorities in British foreign policy at this time; alone, they would hardly have been sufficient.

Ironically, it was South Africa, a non-imperial state in the territorial sense (South-West Africa and the Nationalist government's designs on the High Commission Territories notwithstanding), which, faced after the early months of 1960 with the possibility of economic warfare in one form or another, was obliged to pursue a domestic and foreign policy which was much more squarely in line with Hawtrey's economic power theory than was the United Kingdom's. By emphasising in its propaganda the success of its racial policies and the pace of its economic growth and, indeed, by the offers of economic and technical assistance which it was beginning to make to the black states to the north, it could also be said with much justification that South Africa also better exemplified cold war economic power calculations in the overall shape of its foreign policy than did Britain.

Perhaps the most substantial general lessons to be drawn from the empirical findings of this research, however, are those relating to the debate concerning the role of economic leverage in inter-state diplomacy. This, after all, has been the major preoccupation of this work and it is, therefore, only reasonable that this should be the case.

Knorr, it will be recalled from the Introduction, holds that putative economic power has both its economic and its non-economic bases and that the former resides in the absolute size of a state's foreign economic transactions, the proportion of its GNP represented by these transactions, their structure and the size of its international currency reserves; whilst the latter is held by Knorr to reside in the will to employ economic strength (thus constituted) in diplomacy, the skill available for its exercise and the reputation for its successful employment. It was also pointed out in the Introduction that Knorr's notion of 'economic strength' appeared to subsume the hardy concept of 'economic dependence'. To what extent has this work confirmed the usefulness of these conceptual distinctions? Does it suggest that certain of the criteria for evaluating putative economic power are more important than others?

Of course, too much cannot be concluded from one case study alone. It does seem clear, however, that, to begin with, this work has particularly demonstrated the value of Knorr's distinction between the economic and the non-economic bases of putative economic power: first, because on methodological grounds, it greatly assists the organization of a welter of empirical detail (it was on this distinction that the division between Parts A and B in Chapter II was based); second, because it greatly reduces the risk of assuming that 'economic strength' automatically implies political influence.<sup>5</sup> As we have established, Britain's 'economic strength' vis-a-vis the South African government over the 1951-1964 period was considerable but was vitiated in diplomatic terms not only by the Nationalist regime's equally considerable economic strength vis-a-vis the United Kingdom government but also by a firmly entrenched resolve on the part of the British foreign policy elite to avoid recourse to such action except in the most urgent of circumstances.

As for the four main criteria of economic strength suggested by Knorr, it also seems clear from this study of the political economy of Anglo-South African relations that the structural criterion is by far the most important. In the first place, Knorr's distinction between the absolute size of a state's foreign economic transactions and their size relative to GNP is not of much practical value. For, clearly, what makes absolute size - as distinct from size relative to GNP - important

is only this quantum relative to the GNPs of potential economic victims of the state in question. If there are no potential victims (the state in question being concerned at most only with 'passive' economic power), the consideration of the absolute size of a state's foreign economic transactions is strictly academic and if there are, then Knorr's first criterion is subsumed by his second. No object (other than that of preliminary research) was served by considering the absolute size of Britain's economic transactions with South Africa, or vice versa; the assessment of the economic strength of each in regard to the other did not require such a calculation. As a result, we are left with three criteria rather than with four.

Furthermore, our case study also demonstrated that international reserves were more important to 'passive', than to 'active', economic strength (the gold which the South African government employed to bludgeon Britain came largely from new-mined resources) whilst, as was also emphasised, South Africa possessed considerable active economic strength vis-a-vis the British government despite the fact that British trade and investments represented a vastly greater proportion of South Africa's GDP than was the case in the other direction. Ironically enough, the crucial significance of the remaining criterion - the structural one - was demonstrated at South Africa's expense by the case of uranium, where South Africa's quasi-monopoly supply position in the mid-1950s (in prospect much earlier) was largely - if not wholly - offset by the monopsonist strength of the British government via the mechanism of the CDA. Amply compensating for this as far as the South African government was concerned, however, was the structure of Anglo-South African gold relations.

The point is, then, that no matter how insignificant a country's economic transactions with another are in absolute or in crude relative terms, if the one possesses, for example, a monopoly, or near monopoly, in some one item of trade or finance which is considered vital to the success of some policy of the other - and is not offset by a reciprocal monopsony position - then that country will have a very considerable ingredient of economic strength vis-a-vis the other. Clearly, therefore, any study of bilateral relationships of 'economic strength' must - whilst not ignoring crude relativities and international reserves - give pride of place to the structural criterion. This is the point which empirical

research - as opposed to arm-chair conceptual speculation - most vividly brings out.

It will also have become clear from this study that whether or not, in such an exercise, the term 'economic strength' or the term 'economic dependence' is employed is largely a matter of style or of syntax: the two are, to all intents and purposes, synonymous. Both imply a condition in which State A is in urgent requirement of an economic favour (be it a market, a raw material or capital, for example) which is unobtainable in sufficient measure from any other source than State B.<sup>6</sup> Equally clear, the empirical circumstances which the concept illuminates are matters of degree and, above all, of sectional interest and governmental perception. This is what matters to the historian.

Finally, then, what light has this work thrown on the question of the 'actualization' of putative economic power as abstractly conceived? For Knorr, it will be recalled, holds quite rightly that there is no point in establishing the foundations upon which putative power rests unless it be to identify its principal uses. This is a key question.

According to Knorr, "Putative economic power, like putative military power, can become actualized in particular relationships through three mechanisms: (1) 'A' applies economic power purposely for weakening 'B' economically; (2) 'A' applies economic power by threatening 'B' with economic reprisals or by offering economic rewards for compliance with a request by 'A'; (3) 'B''s behaviour is influenced by the mere anticipation that, if he pursues actions detrimental to 'A''s interests, 'A' might resort to the exercise of economic power". He also adds that, once 'A' has had frequent recourse to mechanisms (1) and (2), mechanism (3) may well suffice to keep 'B' in line.<sup>7</sup>

From the evidence of Chapters III and IV of this work, it seems clear that the principal manner in which the South African government actualized its putative economic power vis-a-vis the British government can quite adequately be conceived in terms of mechanism (2), most commonly - by surmise - in private but occasionally - by direct evidence - in public. The evidence also strongly suggests, however, that the Nationalist regime also employed mechanism (1) when it found the British government particularly recalcitrant - thus the withdrawal of the minimum gold

guarantee after the first formal and (to South Africa) unsatisfactory round of defence talks in August-September 1954 and then, most dramatically, the diversion of new-mined gold from London after the more distant public posture adopted by the Macmillan government towards Pretoria in early 1960. This having been the case, it is a highly reasonable supposition that Knorr's mechanism (3) encompasses most appropriately the manner in which South African economic leverage operated on the British government after the end of 1960. As we have seen, the gold returned to London in the following year and the British government subsequently refused to be forced into a posture of further diplomatic hostility towards the Nationalist regime. It seems fair to conclude, therefore, that this study of the political economy of Anglo-South African relations demonstrates that Knorr's formulation of the mechanisms by which putative economic power can become 'actualized' is at once succinct and comprehensive.

If the central thesis of this work is, indeed, that the South African government actualized its putative economic power vis-a-vis the British government through each of these three mechanisms identified by Knorr, what of the method and what of the nature of the evidence by which it has been substantiated? For it would be grossly inappropriate to conclude a work of such an explicitly contemporary historical nature without a measure of self-criticism.

The basic problem throughout, of course, has been that of attributing reasons for governmental policy (especially in the case of Britain) in the absence of 'hard evidence'; in the absence, that is to say, of access in particular to the records of key government meetings in both South Africa and Britain which had a bearing on their economic and political relations. It is as yet impossible to know, for instance, exactly what was said during the highly secret meetings held between British and South African ministers and officials during the course of the Simonstown negotiations. This is the basic problem confronting all contemporary historians and it is one which is compounded by the fact that the 'soft evidence' (such as newspaper and periodical accounts, official statements in parliament chambers and at the UN, for instance, and notoriously partisan and self-justificatory 'insider works' - see Bibliographies below) is suffocatingly copious. As a result, getting at even an approximation of 'the truth' is enormously difficult, though it is sometimes said that the contemporary historian does have one

compensating advantage. In particular, it is often held that he can actually talk to the key personalities who were involved in the decision-making process since there is a very good chance that they will still be alive. Let us consider some of these problems - as well as the theoretical compensating advantages - of writing contemporary history.

It is at once apparent that the 'drawbacks' of writing contemporary history are not much greater than those confronting 'non-contemporary' historians. If it was not clear before publication, then certainly since the appearance of the Crossman Diaries it has become obvious that even British Cabinet minutes are neither comprehensive nor disinterested.<sup>8</sup> It is also a reasonable supposition that some of the most important meetings between the representatives of different governments - especially within the ostentatiously informal Commonwealth context - have never been recorded anyway, in part because of their very importance.<sup>9</sup> This would seem to be especially true in the case of Britain's sensitive dealings with such a routinely anathematised regime as that in South Africa.

As far as the advantages of writing contemporary history, especially in so far as access to living personalities is concerned, this is an almost complete illusion. To begin with, interviewing the 'key actors' presupposes a theory about who they were, which must necessarily be based on other sources; secondly, there is no guarantee that they are telling the truth and the memories of politicians are notoriously vague;<sup>10</sup> and thirdly, there is a natural tendency to tone down any observations which the author subsequently makes in reference to his interviewees for fear of appearing churlish. Social distance, it is suggested here, is an important condition of what objectivity it is possible to achieve in the writing of contemporary history.<sup>11</sup>

In sum, therefore, the contemporary historian is probably neither so disadvantaged nor so advantaged when compared to other historians than is sometimes supposed. Moreover, whilst it is true that the materials on which he does have to rely are 'suffocatingly copious', they at least provide him with a record of events and some extraordinarily well-informed commentary on motivation. This is especially true in the case of investigatory reporting in such newspapers as The Times, The Guardian and The Economist. Though not explicitly concerned with



motivation in this context, it is nevertheless an extremely salutary fact that the figure which The Economist put on Britain's contribution to the highly secret CDA financing of South Africa's new uranium industry in the early 1950s was confirmed roughly twenty years later by the publication of Margaret Gowing's official history of Britain's atomic energy programme for that period.

This study, then, has rested largely on so-called 'soft-evidence' of the kind which has been described above, and is listed under 'Primary Sources' in the Bibliographies. How has it been marshalled; in short how have reasons been attributed in the absence of 'hard evidence'?

Establishing the context of action has been crucial to this work. This, as already indicated, partly explains the length of Chapter I in documenting the place and nature of economic priorities in the hierarchy of Britain's general foreign policy calculations over the 1951-1964 period. Knowing from this that Britain's foreign policy was being increasingly shaped by economic considerations at the end of the 1950s makes it historiographically legitimate to infer that Britain's economic interests in South Africa would have greater impact on Britain's South Africa policy at this juncture. Again, for instance, knowing that the British government was extraordinarily exercised by the 'dollar gap' in the early and mid-1950s makes it a legitimate inference that great value was attached to South African gold; knowing that enormous importance was attached to the atomic energy programme at the same time throws telling light on South Africa's uranium supplies; and knowing that the Eden government did not engage in gratuitously 'reactionary' policies but normally sought a tangible quid pro quo helps to illuminate the Simonstown Agreements.

Secondly, and obviously related to the last point, establishing the nature of inter-governmental perceptions has also been a major method employed in this study. In this instance, the statistical record, though often incomplete (especially in the most interesting and important items of Anglo-South African economic relations, to wit, in gold, uranium and diamonds) and, over time, disjointed, constituted extremely valuable evidence. The more so because it was, in the main, compiled by government ministries or agencies and was clearly the same evidence with which ministers and officials themselves operated. Auto-

biography was also particularly valuable in this respect, of course, as well as articles and books by people who had been on 'the inside' at, or near, the times in question (see 'Insider Works' under Primary Sources in the Bibliographies). It is clear that it was the world as interpreted by the politicians, officials and others involved which influenced their actions. Even if South African uranium was not a 'trump card' in Britain's atomic dealings with the United States, the British government clearly thought that it was and this almost certainly influenced its attitude towards the Nationalist regime.

Thirdly, there is what can only be described as the process of elimination. Thus it was held publicly by the British government that Britain had other interests in South Africa besides the economic ones, and this view has been endorsed by writers such as Dennis Austin (see page 174 above). On this view, it was the cumulative weight of all of these interests which disposed Britain towards a friendly policy towards South Africa during the period in question. It will be clear that what has been done in the course of this work is to give serious consideration to each of these non-economic interests at each historical juncture (on the basis of the available evidence) and to largely - not wholly - eliminate them as explanatory factors (even collectively) in comparison with the weight of the economic interests at stake. This is a matter of historical judgement and it has been acknowledged that they probably possessed greater weight during the Simonstown negotiations than in the post-Sharpeville period.

Finally, and most important in establishing that the South African government did in fact 'actualize' its putative economic power during both interludes, has been observed action and reaction and their timing. Thus the importance of the stalemate in the Simonstown negotiations in August-September 1954, followed by the withdrawal of the minimum gold guarantee in October, in turn followed by otherwise unrequited British concessions in the shape of the Simonstown Agreements in the subsequent year. Thus, too, Macmillan's posture of public hostility to South Africa's racial policies in the early part of 1960, followed by the diversion of new-mined gold from London, in turn followed by the Macmillan government's subsequent stalling operation vis-a-vis the Nationalist regime within the Commonwealth and at the United Nations - followed by the return of the gold to London.

Of course, as has been acknowledged at various parts in this study, there are alternative explanations of Britain's South Africa policy during these years. Marxists and fellow-travelling polemicists regard it as sufficient to point to the 'capitalist' nature of the British government, on the one hand, and to the size and lucrativeness of Britain's markets and investments in South Africa, on the other. More conventional diplomatic historians emphasise Britain's non-economic interests in South Africa and point to the 'status quo' style of British foreign policy in general, of which Britain's South Africa policy is assumed to be a particular example. It will be apparent that the methodological premisses of this work are closer to the latter than to the former but that the emphasis of its argument and the particular economic reasons offered for British policy are somewhat at odds with both. The nature of the evidence and the comprehensiveness of the method, it is suggested, make this thesis more compelling than either.

Endnotes: Chapter V

1. 'The politics of sanctions: The League and the United Nations', in R. Segal (ed), Sanctions against South Africa, (1964), p.59.
2. 'Gold', ibid., esp. pp. 162-164.
3. It is notable that the Eden government, though under right-wing pressure to do so, was not the first to withdraw financial support from the Aswan High Dam project in 1956 in response to Nasser's flirtation with the Soviet bloc. It was particularly Dulles's decision in this regard which forced Britain's hand, see E. Monroe, Britain's Moment in the Middle East, 1914-1956, (1965), pp. 191-192.
4. In T. Hayter's indictment of 'foreign aid', Aid as Imperialism, (1971), it is difficult to find a single mention of British aid.
5. This common failing is emphasised by C. Reynolds in Theory and Explanation in International Politics, (1973), pp. 232-237.
6. Reynolds complicates this issue unnecessarily by suggesting two definitions of the concept of 'economic dependence': "firstly, as the dependence of one country upon another for its major source of foreign exchange, derived either from capital investment, aid or exports, and secondly, as the dependence of a country on international trade or aid in terms of its GNP", ibid., p.232. To begin with, this begs the question as to what "dependence" means and, in the second place, merely represents different applications of the same concept.
7. K. Knorr, Power and Wealth: The Political Economy of International Power, (1973), p. 89.
8. See introductory comments to the Bibliographies below.
9. Another contemporary historian, David Nunnerley, is also of this opinion: "It is well known ... that some of the steps in the making of government decisions are never, nor could ever be, fully documented. Public records all too often tend to disclose reasons rather than motivations", President Kennedy and Britain, (1972), p. vii.
10. This also applies to their diaries and autobiographies, of course, but if they are prepared to go into print it is at least more likely that they will have done some checking back and not offer reasons which are clearly outrageous - if only because they will inevitably be attacked if such is the case.
11. A particularly good example of a work of contemporary history in which the "chief source .... has been the systematic interrogation of as many as possible of the principals involved", is Nunnerley, op.cit., (p.vii). There is no intention to suggest here, however, that his work is necessarily compromised. Only an authority on Anglo-American relations could determine that.

A P P E N D I X    ATable 1.

Britain's Visible Exports as per cent of G.D.P. compared with Selected Countries, 1948-1964.

	UK	USA	Canada	W.Germany	France	Japan
1948	14.0	4.9	21.2	...	...	...
1949	14.9	4.7	19.1	...	...	...
1950	17.5	3.6	18.3	8.5	10.7	...
1951	18.7	4.6	19.0	12.2	12.0	...
1952	17.5	4.4	18.4	12.3	9.7	7.4
1953	15.8	4.3	17.0	12.5	9.3	6.5
1954	15.8	4.2	16.2	13.9	9.4	7.5
1955	16.1	3.9	16.5	14.2	10.1	8.4
1956	16.3	4.6	16.4	15.5	8.5	9.3
1957	15.7	4.8	15.8	16.6	8.9	9.3
1958	14.9	4.0	15.3	16.0	8.8	9.0
1959	14.8	3.7	15.2	16.4	10.2	9.6
1960	14.9	4.1	15.3	15.8	11.2	9.4
1961	14.5	4.1	16.2	15.3	10.9	8.0
1962	14.2	3.9	16.1	16.7	10.0	8.3
1963	14.4	4.0	15.9	15.1	9.8	8.0
1964	13.9	4.2	17.2	15.4	9.9	8.3
AVE.	15.5	4.2	16.5	14.7	9.9	8.4 <sup>1</sup>

Source: I.M.F., International Financial Statistics, 1972 Supplement.

Footnotes:

1. Average for 1952-1964.

Table 2.

Britain's Visible Imports as per cent of G.D.P. compared with Selected Countries, 1948-1964.

	UK	USA	Canada	W.Germany	France	Japan
1948	17.7	3.2	18.2	...	...	...
1949	18.4	3.0	18.1	...	...	...
1950	20.2	3.4	18.9	11.6	10.6	...
1951	27.0	3.6	20.0	12.3	13.1	...
1952	22.3	3.4	17.4	11.7	10.9	11.7
1953	19.8	3.3	18.3	10.8	9.6	12.4
1954	19.2	3.1	17.2	12.1	9.5	11.1
1955	20.6	3.2	18.0	13.5	9.7	10.3
1956	19.1	3.4	19.4	14.0	10.4	12.0
1957	18.5	3.3	18.4	14.6	10.7	13.9
1958	16.8	3.3	16.4	13.8	9.6	9.5
1959	17.0	3.5	17.0	14.2	9.2	10.0
1960	18.3	3.3	16.3	14.0	10.3	10.4
1961	16.7	3.1	16.5	13.2	10.1	10.9
1962	16.2	3.2	16.6	13.6	9.9	9.5
1963	16.5	3.2	15.5	13.5	10.5	9.9
1964	17.3	3.2	16.1	13.8	10.9	9.9
AVE.	19.0	3.3	17.4	13.2	10.3	10.9 <sup>1</sup>

Source: Ibid.

Footnotes:

1. Average for 1952-1964.

Table 3.

Britain's Imports by Main Category in selected years, 1951-1964. Per cent.  
by value.

	Foodstuffs <sup>1</sup>	Raw Materials	Fuels	Manufactures <sup>2</sup>	TOT.
1951	33	39	8	19	100
1955	37	29	9	23	100
1956	37	28	11	23	100
1958	40	24	12	24	100
1960	34	24	11	31	100
1963	35	21	12	33	100

Source: Annual Abstract of Statistics.

Footnotes:

1. Includes beverages and tobacco.
2. Includes both semi- and finished manufactures.

Table 4.

Britain's Primary Commodity Imports in selected years, 1951-1964:  
Principal Regional Sources by Main Categories. Per cent by value.

A. FOODSTUFFS. <sup>1</sup>					
	1951	1954	1958	1960	1964
N. America	19.4	13.9	16.2	17.7	15.9
S. America	10.8	8.4	10.0	8.7	6.5
Sterling C'wealth	23.4	33.0	31.5	{ 43.3	45.7
UK Colonies	7.1	11.0	7.8		
Non-Sterling OEEC	25.0	19.8	21.2	23.4	25.7
Middle East	...	...	1.2	1.1	...
B. RAW MATERIALS.					
	1951	1954	1958	1960	1964
N. America	10.5	15.2	16.7	17.7	18.0
S. America	10.1	7.6	7.1	6.3	7.0
Sterling C'wealth	19.1	23.9	27.5	{ 35.1	30.5
UK Colonies	22.0	16.8	10.1		
Non-Sterling OEEC	16.8	17.5	19.3	20.9	27.9
Middle East	...	...	2.3	2.6	...
C. MINERAL FUELS.					
	1951	1954	1958	1960	1964
N. America	...	7.9	4.5	1.9	1.4
S. America	...	6.0	14.1	14.6	11.2
Sterling C'wealth	...	-	-	{ ...	...
UK Colonies	...	6.0	5.7		
Non-Sterling OEEC	...	9.2	11.5	14.2	13.4
Middle East	...	...	59.0	59.7	...

Source: Board of Trade, Report on Overseas Trade.

Footnotes:

1. Includes beverages and tobacco.



Table 5.

The Importance of Invisible Earnings in general and of Overseas Investment Income in particular to Britain's total earnings on Current Account in Selected Years. Per Cent.

	Invisible Earnings as % of <u>all</u> Earnings on Current Account	Total Investment Income as % of Total Invisible Earnings	Total Investment Income as % of <u>all</u> Earnings on Current Account
1952	38.2	29.3	11.2
1956	36.1	29.9	10.8
1961	36.8	29.9	11.0

Source: UK Balance of Payments 'Pink Book'.

Table 6.

British Overseas Investment Stocks as per cent of 'National Wealth', 1962.  
 £thou. mill. except where stated.

A	B	C	
Overseas Stocks	Domestic Stocks	National Wealth (A + B)	A as % of C
8.6	60.7	69.3	12.4

Source: J.H. Dunning, Studies in International Investment, (1970),  
 Table 4 and National Income and Expenditure 'Blue Book' 1971,  
 Table 64.

Table 7.

Britain's Overseas Investment Stocks: per cent of total by Main Regions for selected years.

	1954	1960	1964
Africa	17.8	21.1 <sup>1</sup>	19.1 <sup>1</sup>
N. Africa <sup>2</sup>	0.2	0.3	0.2
W. Africa	2.0	4.9	4.1
E. Africa	2.3	2.2	1.8
C. Africa	5.6	2.7	2.1
S. Africa	7.6	8.8	9.0
Aus. & N. Zealand	19.7	17.8	19.9
N. America	17.8	24.4	22.2
W. Europe	8.5 <sup>4</sup>	12.0 <sup>3</sup>	14.6 <sup>3</sup>
S. & C. America	7.3	4.9	5.1
India, Pak. & Ceylon	4.7	10.1	9.5
S.E. Asia	4.5	5.5	5.1
O. S. A.	...	56.5	57.0
OSA Developed	...	28.5	31.0
OSA Developing	...	27.9	26.0

Source: The figures for 1954 are derived from United Kingdom Overseas Investment 1955, (Bank of England, 1957), p.4: 'All securities' at nominal value. The figures for 1960 and 1964 are derived from the Board of Trade Journal, Jan.26, 1968, 'Book Values of Overseas Investments', p.vii. The latter figures exclude oil, banking and insurance; hence the exclusion of the Middle East from the Table.

Footnotes:

1. Includes 'Africa Other' n.s.d.
2. Includes Sudan.
3. Includes Irish Republic; excludes Turkey.
4. All Europe.

Table 8.

Britain's Overseas Investment Earnings: per cent of total by Main Regions for selected years.

	1954	1960	1964
Africa	21.7	23.0	27.0
N. Africa	...	...	...
W. Africa	3.0	6.5	5.5
E. Africa	1.4	0.5	0.7
C. Africa	7.3	4.8	4.0
S. Africa	9.8	11.2	16.7
Aus. & N. Zealand	10.4	16.0	17.8
N. America	15.3	15.2	20.1
W. Europe	5.1 <sup>1</sup>	11.5 <sup>2</sup>	8.7 <sup>2</sup>
S. & C. America	2.6	5.8	5.2
India, Pak. & Ceylon	11.0	8.7 <sup>3</sup>	6.8 <sup>3</sup>
S. E. Asia	6.1	10.7	7.5
 O. S. A.	 ...	 67.3	 67.5
OSA Developed	...	30.1	36.8
OSA Developing	...	37.2	30.7

Source: The figures for 1954 are derived from United Kingdom Overseas Investment 1955, (Bank of England, 1957), p.4. The figures for 1960 and 1964 are derived from the Board of Trade Journal, June 30, 1967, 'Overseas Investment, 1959-1966', p.xx-xxi.

Footnotes:

1. All Europe.
2. Includes Irish Republic.
3. Excludes Ceylon.

Table 9.

Average Rates of Return on Britain's Direct Investment Overseas by Main Regions, 1960 and 1964.

	1960	1964
W. Africa	11.0	11.6
E. Africa	5.4	6.4
C. Africa	15.1	17.3
S. Africa	10.3	14.8
Australia	7.3	7.0
New Zealand	7.4	8.1
N. America	5.2	8.0
W. Europe	7.3	5.0
S. & C. America	9.6	9.1
India	8.4	6.9
Pakistan	8.0	9.4
Ceylon	6.7	3.3
Hong Kong	22.4	14.6
Malaysia	17.8	15.8
Singapore	30.0	...
O. S. A.	9.6	9.6
OSA Developed	8.5	9.6
OSA Developing	10.8	9.7

Source: 'Book Values of Overseas Investments', Board of Trade Journal, Jan.26, 1968, p.xv-xvi.

A P P E N D I X    BTable 1.

Trade as per cent of World Trade: Britain and South Africa compared,  
1948-1964 (selected years).

	Britain		South Africa	
	Exp.	Imp.	Exp. <sup>1</sup>	Imp.
1948	12.48	14.39	1.15	2.89
1952	10.45	12.27	1.35	1.62
1954	10.27	12.08	1.23	1.71
1955	10.32	12.44	1.26	1.67
1958	9.98	10.69	1.17	1.70
1960	9.37	10.91	1.11	1.43
1961	9.36	10.20	1.13	1.24
1962	9.17	9.78	1.08	1.19
1963	8.98	9.70	1.04	1.30
1964	8.38	9.88	0.96	1.47

Source: I.M.F., International Financial Statistics, 1972 Supplement,  
p.xxxii-xxxv.

Footnotes:

1. Excludes gold.

Table 2.

Gross Domestic Product, and Trade as per cent of G.D.P.: Britain and South Africa compared, 1948-1964 (selected years).

	Britain			South Africa		
	GDP (£m.)	Exp. as % GDP	Imp. as % GDP	GDP (£m.)	Exp. <sup>1</sup> as % GDP	Imp. as % GDP
1948	11,740	14.0	17.7	1,017	13.7	37.9
1952	12,930	17.5	22.3	1,600	22.1	28.7
1954	17,760	15.8	19.2	1,944	17.3	24.9
1955	19,110	16.1	20.6	2,061	18.1	25.7
1958	22,770	14.9	16.8	2,378	16.7	25.7
1960	25,490	14.9	18.3	2,637	17.0	23.2
1961	27,220	14.5	16.7	2,773	17.2	20.0
1962	28,530	14.2	16.2	2,956	16.2	19.1
1963	30,280	14.4	16.5	3,277	15.4	20.3
1964	32,930	13.9	17.3	3,604	14.6	23.5

Source: I.M.F., International Financial Statistics, 1972 Supplement, p.xxviii-xxxi, pp.102-103 and p.348.

Footnotes:

1. Excludes gold.

Table 3.

Bilateral Trade Dependence: Britain and South Africa, 1948-1964.

	Britain		South Africa	
	Exp. to SA as % tot. UK Exp.	Imp. from SA as % tot. UK Imp. <sup>1</sup>	Exp. to UK as % tot. SA Exp. <sup>1</sup>	Imp. from UK as % tot. SA Imp.
1948	7.6	1.5	27.6	33.5
1949	7.0	1.5	26.0	41.7
1950	5.6	2.0	30.3	41.2
1951	6.4	1.6	28.0	35.4
1952	5.6	1.9	25.3	34.5
1953	6.2	2.2	26.5	37.5
1954	5.9	2.7	33.0	34.9
1955	5.8	2.3	31.0	34.6
1956	4.9	2.6	29.4	31.6
1957	5.2	2.5	27.4	32.6
1958	5.9	2.7	29.8	33.8
1959	4.5	2.5	27.8	31.0
1960	4.4	2.3	27.9	28.4
1961	4.1	2.5	29.8	28.9
1962	3.9	2.6	27.8	30.0
1963	4.9	2.8	30.3	29.8
1964	5.4	3.6	31.5	28.4
Ave., '51-				
'64:	5.2	2.5	28.7	32.2

Source: United Nations, Yearbook of International Trade Statistics.Footnotes:

1. Excludes gold.



Table 4.Britain's Major Markets,<sup>1</sup> 1948-1964.

1948			1949		1950	
1.	Austral.	9.1	Austral.	10.6	Austral.	11.8
2.	S.Africa	7.6	S.Africa	7.0	Canada	5.8
3.	India	6.1	India	6.6	S.Africa	5.6
4.	Ireland	4.8	Canada	4.4	USA	5.2
5.	Canada	4.4	Ireland	4.3	India	4.5
1951			1952		1953	
1.	Austral.	12.6	Austral.	8.6	Austral.	8.2
2.	S.Africa	6.4	USA	5.7	USA	6.2
3.	Canada	5.3	S.Africa	5.6	S.Africa	6.2
4.	USA	5.3	Canada	5.0	Canada	6.1
5.	India	4.5	N.Zealand	4.5	India	4.4
1954			1955		1956	
1.	Austral.	10.4	Austral.	9.8	USA	7.7
2.	S.Africa	5.9	USA	6.3	Austral.	7.6
3.	USA	5.7	S.Africa	5.8	Canada	5.6
4.	Canada	4.9	Canada	4.8	India	5.3
5.	N.Zealand	4.7	N.Zealand	4.8	S.Africa	4.9
1957			1958		1959	
1.	USA	7.4	USA	8.5	USA	10.9
2.	Austral.	7.1	Austral.	7.3	Austral.	6.7
3.	Canada	5.9	S.Africa	5.9	Canada	6.2
4.	India	5.3	Canada	5.9	India	5.1
5.	S.Africa	5.2	India	5.0	S.Africa	4.5
1960			1961		1962	
1.	USA	9.2	USA	7.7	USA	8.7
2.	Austral.	7.3	Canada	6.0	Austral.	6.0
3.	Canada	6.0	Austral.	5.5	W.Germany	5.3
4.	W.Germany	4.6	W.Germany	4.6	Canada	5.0
5.	S.Africa	4.4	India	4.1	Sweden	4.1
1963			1964			
1.	USA	8.4	USA	9.2		
2.	Austral.	5.8	Austral.	5.8		
3.	W.Germany	5.2	S.Africa	5.4		
4.	S.Africa	4.9	W.Germany	5.0		
5.	France	4.4	Sweden	4.5		

Source: United Nations, Yearbook of International Trade Statistics.Footnotes:

1. Visible exports by destination as per cent of Britain's total visible exports (by value).

Table 5.South Africa's Major Markets,<sup>1</sup> 1948-1964.

1948			1949			1950		
1.	UK	27.4	UK	26.0	UK	26.2		
2.	S.Rhod.	8.6	France	9.6	France	11.9		
3.	France	8.3	S.Rhod.	8.8.	USA	8.7		
4.	USA	7.2	USA	7.7	S.Rhod.	7.3		
5.	SWA	4.4	Egypt	4.3	Switz.	5.0		
1951			1952			1953		
1.	UK	24.3	UK	25.3	UK	26.0		
2.	France	14.5	France	15.2	France	13.5		
3.	USA	10.7	S.Rhod.	8.1	S.Rhod.	8.0		
4.	S.Rhod.	8.2	USA	6.7	W.Germany	6.4		
5.	Switz.	5.1	Netherl.	5.5	USA	6.3		
1954			1955			1956		
1.	UK	33.0	UK	30.9	UK	29.4		
2.	S.Rhod.	9.5	Fed.R&N	14.8	Fed.R&N	14.9		
3.	USA	9.0	USA	8.0	USA	7.8		
4.	W.Germany	5.4	Belgium	5.1	Belgium	5.7		
5.	N.Rhod.	5.2	W.Germany	4.9	W.Germany	5.0		
1957			1958			1959		
1.	UK	27.4	UK	29.8	UK	27.8		
2.	Fed.R&N	14.5	Fed.R&N	13.7	Fed.R&N	13.5		
3.	USA	6.3	USA	7.1	USA	8.9		
4.	W.Germany	5.0	Italy	4.2	Belgium	4.2		
5.	Belgium	4.5	W.Germany	3.9	W.Germany	4.2		
1960			1961			1962		
1.	UK	27.9	UK	29.8	UK	27.8		
2.	Fed.R&N	13.2	Fed.R&N	11.3	Fed.R&N	9.7		
3.	USA	6.7	USA	8.0	USA	9.0		
4.	W.Germany	4.4	Japan	6.0	Japan	8.3		
5.	Belgium	4.0	W.Germany	4.8	Italy	5.1		
1963			1964					
1.	UK	30.3	UK	31.5				
2.	USA	8.9	Japan	8.8				
3.	Fed.R&N	8.2	USA	8.6				
4.	Japan	7.7	W.Germany	6.0				
5.	W.Germany	5.6	S.Rhod.	5.3				

Source: United Nations, Yearbook of International Trade Statistics.Footnotes:

1. Visible exports by destination as per cent of South Africa's total visible exports (by value), excluding gold.

Table 6.South Africa's Major Suppliers,<sup>1</sup> 1948-1964

1948			1949			1950		
1.	USA	33.5	UK	41.7	UK	37.1		
2.	UK	29.3	USA	25.8	USA	14.2		
3.	Canada	5.2	Canada	6.5	Canada	4.1		
4.	Belg-Lux	2.6	Iran	2.6	Iran	3.6		
5.	Iran	2.2	Belg-Lux	2.4	Japan	2.7		
1951			1952			1953		
1.	UK	35.3	UK	34.5	UK	37.5		
2.	USA	19.0	USA	20.9	USA	18.4		
3.	Canada	3.8	Canada	4.4	W.Germany	5.9		
4.	Italy	3.7	W.Germany	4.1	Canada	4.1		
5.	W.Germany	3.2	S.Arabia	2.5	Japan	2.4		
1954			1955			1956		
1.	UK	35.0	UK	34.6	UK	31.6		
2.	USA	20.2	USA	20.8	USA	20.0		
3.	W.Germany	5.3	W.Germany	6.0	W.Germany	6.5		
4.	Canada	3.6	Canada	4.0	Canada	4.6		
5.	Japan	2.5	Fed. R&N	3.1	Fed. R&N	3.6		
1957			1958			1959		
1.	UK	32.6	UK	33.8	UK	31.0		
2.	USA	19.6	USA	17.5	USA	17.1		
3.	W.Germany	8.1	W.Germany	10.4	W.Germany	10.1		
4.	Iran	3.6	Iran	4.1	Canada	4.0		
5.	Japan	3.2	Canada	3.3	Iran	3.6		
1960			1961			1962		
1.	UK	28.4	UK	28.9	UK	30.0		
2.	USA	19.3	USA	17.6	USA	16.6		
3.	W.Germany	10.0	W.Germany	10.8	W.Germany	10.1		
4.	Japan	3.7	Japan	3.7	Japan	4.1		
5.	Canada	3.5	Iran	3.2	Iran	3.6		
1963			1964					
1.	UK	29.8	UK	28.4				
2.	USA	16.9	USA	19.0				
3.	W.Germany	10.8	W.Germany	10.7				
4.	Japan	4.6	Japan	5.3				
5.	Canada	3.4	Canada	3.0				

Source: United Nations, Yearbook of International Trade Statistics.

Footnotes:

1. Visible imports by source as per cent of South Africa's total visible imports (by value).

Table 7.

South Africa: Ownership of Foreign Liabilities, 1956-1964 (selected years).

	£m.					
	1956	1959	1960	1962	1963	1964
Sterling Area	935	977	986	997	1,020	1,049
UK	866	903	899	909	928	952
OSA	69	74	87	88	92	97
Dollar Area	252	308	311	271	265	275
W.Europe	201	218	235	229	232	235
Other	<u>8</u>	<u>25</u>	<u>6</u>	<u>9</u>	<u>9</u>	<u>10</u>
TOTAL	1,396	1,528	1,538	1,508	1,526	1,568

  

	per cent					
	1956	1959	1960	1962	1963	1964
Sterling Area	67	64	64	66	67	67
UK	62	59	59	60	61	61
OSA	5	5	5	6	6	6
Dollar Area	18	20	20	18	17	17.5
W.Europe	14	14	15	15	15	15
Other	<u>1</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>0.5</u>
	100	100	100	100	100	100

Source: South African Reserve Bank, 'The Foreign Liabilities and Assets of the Union (Republic) of South Africa', published as a supplement to the Quarterly Bulletin of Statistics, Dec.1958, Sept.1960, Dec.1961, Dec.1963, Dec.1964 and Sept.1966.

Table 8.South Africa: Net Capital Flows by Region, 1950-1964.<sup>1</sup>

	£m.	1950	1951	1952	1953	1954	1955	1956	1957
Sterling Area		50.0	55.0	24.0	9.0	26.0	2.0	2.0	-20.0
Dollar Area		10.0	-2.0	12.0	17.0	18.0	9.0	3.0	-10.0
W. Europe	{		3.0	6.0	2.0	6.0	3.0	-	1.0
Other		1.0	2.0	1.0	-	-	-	-	-
TOTAL		61.0	58.0	43.0	28.0	50.0	14.0	5.0	-29.0
		1958	1959	1960	1961	1962	1963	1964	
Sterling Area		7.0	-18.0	-50.5	-25.5	-22.0	-30.0	-23.5	
UK					-24.0	-20.0	-32.5	-28.0	
OSA					-1.5	-2.0	2.5	4.5	
Dollar Area		15.0	-3.0	-16.0	-0.5	-6.0	-7.5	-	
W. Europe		9.0	-1.0	-6.5	-4.5	-7.0	-10.5	-4.5	
Other		1.0	-	-1.5	-2.0	0.5	1.5	-1.5	
TOTAL		32.0	-22.0	-74.5	-32.5	-34.5	-46.5	-29.5	

	per cent	1950	1951	1952	1953	1954	1955	1956	1957
Sterling Area		82	95	56	32	52	14	40	-69
Dollar Area		16	-3	28	61	36	64	60	-35
W. Europe	{		5	14	7	12	22	-	3
Other		2	3	2	-	-	-	-	-
TOTAL		100	100	100	100	100	100	100	100
		1958	1959	1960	1961	1962	1963	1964	
Sterling Area		22	-82	-68	-78	-64	-64	-80	
UK					-74	-58	-70	-95	
OSA					-4	-6	6	15	
Dollar Area		47	-14	-21	-1	-17	-16	-	
W. Europe		28	-5	-9	-14	-20	-23	-15	
Other		3	-	-2	-6	1	3	-5	
TOTAL		100	100	100	100	100	100	100	

Source: I.M.F., Balance of Payments Yearbook.Footnotes:

1. Private investment only. NB. Figures do not always add up to 100 as a result of rounding.

Table 9.

South Africa: Net Capital Inflow as per cent of Gross Domestic Investment, 1946-1964.

	£m.				
	Gross Dom- estic Sav- ing	Net Cap- ital In- flow(NCI)	Change in Gold and For.Curr- ency Res.	Gross Dom- estic In- vestment (GDI)	NCI as per cent GDI
1946	109	40	43.5	192.5	20.8
1947	89	176	1	266	66.2
1948	118	82.5	86	286.5	28.8
1949	155.5	52.5	68.5	276.5	19.0
1950	258	91	-71.5	277.5	32.8
1951	250.5	93.5	36	380	24.6
1952	296	72	7.5	375.5	19.2
1953	340.5	56.5	27	424	13.3
1954	401.5	96.5	-44	454	21.2
1955	434.5	25.5	21	481	5.3
1956	486.5	17.5	-12	492	3.6
1957	529.5	-23.5	31.5	537.5	
1958	506	67	4	577	11.6
1959	588.5	-30.5	-53.5	504.5	
1960	592.5	-90	71.5	575	
1961	681	-64.5	-43	573.5	
1962	717.5	-44	-114.5	559	
1963	839.5	-40	-43	756.5	
1964	855	-20.5	44.5	879	

Source: South African Reserve Bank, 'A Statistical Presentation of South Africa's National Accounts for the period 1946 to 1970', Quarterly Bulletin, Supplement June 1971, Table 15.

Table 10.

British Exports to South Africa<sup>1</sup> by Main Category, 1952-1963 (selected years).

	£m.				
	1952	1954	1957	1960	1963 <sup>2</sup>
A. Food, Beverages & Tob.	1.71	1.88	3.12	3.14	3.29
B. Basic Materials	0.80	1.62	1.91	1.66	2.49
C. Mineral Fuels & Lubricants	0.52	2.00	1.59	1.13	1.55
D. Manufactured Goods	136.25 (93%)	144.17 (92%)	161.07 (92%)	143.15 (92%)	181.35 (93%)
Of which:					
Chemicals	10.05	9.74	12.80	12.93	12.85
Leather	0.93	1.15	1.16	0.98	0.99
Rubber	0.56	0.52	0.96	0.88	0.95
Wood & Cork (excl. furn.)	0.24	0.26	0.21	0.29	0.44
Paper, Paperboard etc.	3.29	2.68	3.39	3.23	3.16
Woollens & Worsteds	5.15	6.26	4.80	3.58	15.99
Cotton Yarns & Woven Fabrics	9.72	11.76	8.33	6.04	
Synth. Fibre Yarns & Woven Fab.	3.16	4.04	2.78	3.11	
Misc. Textiles	6.29	6.36	5.07	4.19	
Misc. Non-Metallic Mineral Manufactures	3.74	2.93	3.40	3.82	3.92
Silver, Plat., & Jewellery	0.29	0.02	...	0.12	...
Iron & Steel	8.61	3.56	8.00	5.66	5.78
Non-ferrous Base Metals	1.72	1.09	2.09	1.11	2.26
Manufactures of Metals <sup>3</sup>	8.93	11.26	9.05	6.91	6.62
Machinery other than Elec.	28.20	28.70	34.80	30.53	42.58
Elec. Machinery, Apparatus, & Appliances	18.63	17.94	17.91	15.29	22.90
Railway Vehicles	2.06	9.17	7.20	5.98	3.47
Road Vehicles	14.13	14.56	27.58	23.27	39.02
Aircraft	0.39	0.79	0.37	0.17	1.20
Ships & Boats	0.08	2.07	0.20	0.16	8.47
Building Fixtures	1.41	1.33	1.30	1.24	0.55
Clothing, Footwear etc.	2.61	2.27	2.11	1.72	0.94
Scientific Instruments; photo- graphic & Optical; Watches & Clocks	1.70	1.52	2.03	1.97	3.10
Miscellaneous	4.35	4.19	5.32	6.03	6.05
E. Miscellaneous	5.62	6.45	4.92	4.95	6.90 <sup>3</sup>
TOTAL	144.89	156.13	172.62	154.03	195.58
plus Re-exports	145.90	157.37	174.32	155.07	

Source: Annual Statement of the Trade of the U.K., Vols. 3 and 4, 1954, 1958, 1961 and 1963.

Footnotes:

1. Excludes South West Africa.
2. In 1963 the basis of classification employed was different from that of the previous years. For the sake of comparability, however, an attempt has been made to fit the new SITC (rev.) categories into the earlier ones. Hence category A represents 0 and 1 of the SITC (rev.), B represents 2 and 4, C represents 3, and D includes categories 5, 6, 7 and 8 of the SITC (rev.).

Table 10. (contd.)

3. Arms exports are included in "Manufactures of Metals" up to and including 1960 but are entered under "Miscellaneous" in 1963.



Table 11.

## South Africa's Arms Supplies, 1950-1964.

Date	Number	Item	Supplier
AIRCRAFT			
(1950)	(5)	Lockheed P2V-5 Neptune	USA
1952-54	30	DH Vampire FB.5	UK
1952-54	20	DH Vampire T.55	UK
1955	4	Sikorsky S-51	USA
(1955)	9	DH Devon C Mk.1	UK
(1955)	(5)	Auster AOP.9	UK
(1955)	2	D.H. 114 Heron	UK
(1955)	20	Douglas C-47	USA
1956	36	Canadair CL-13 B	Canada
		Sabre Mk.6	
(1956)	3	Sikorsky S-55	USA
1957	1	Canadair CL-13 B	Canada
		Sabre Mk.6	
1957	8	Avro Shackleton MR-3	UK
1958	1	Canadair CL-13 B	Canada
		Sabre Mk.6	
(1958)	2	Sikorsky S-55	USA
(1958)	2	Dornier Do-27B	W.Germany
1959	2	Canadair CL-13 B	Canada
		Sabre Mk.6	
(1959)	1	Vickers Viscount	UK
1960	1	Canadair CL-13 B	Canada
		Sabre Mk.6	
1961	1	Canadair CL-13 B	Canada
		Sabre Mk.6	
1962	6	English Electric	UK
		Canberra B.12	
1962	25	Cessna 185	USA
1962	30	Sud Alouette II	France
1963	16	Dassault Mirage III CZ	France
1963	7	Lockheed C-130B Hercules	USA
1964	3	Dassault Mirage III BZ	France
1964	4	Westland Wasp AS.1	UK
MISSILES			
(1956)	200	Sidewinder	USA <sup>1</sup> .
1963	(48)	Nord AS-30	France <sup>2</sup> .
(1963)	(96)	Matra R-530	France <sup>2</sup> .
NAVAL VESSELS			
1950	1	Destroyer, "W" Class	UK
1952	1	Destroyer, "W" Class	UK
1954	1	Seaward Defence Vessel, "Ford" Class	UK
1955	1	Seaward Defence Vessel, "Ford" Class	UK
1955-59	10	Coastal Minesweeper, "ton" Class	UK
1956	1	Anti-submarine Frigate	UK
1958-59	3	Seaward Defence Vessel, "Ford" Class	UK
1963	1	Frigate, "Whitby" Class	UK
1963	1	Frigate, "Whitby" Class	UK
1964	1	Frigate, "Whitby" Class	UK

Table 11. (contd.)

## ARMOURED FIGHTING VEHICLES

(1950-51)	(15)	Staghound	USA
(1955-59)	(68)	Centurion	UK
(1956-60)	(45)	Saracen	UK
1962	(32)	Centurion	Israel
(1963-64)	(45)	Ferret	UK
(1961-70)	(600)	Panhard Model 245	South Africa/ France

Source: S.I.P.R.I., The Arms Trade with the Third World, (Stockholm, 1971), Register 32, p.861. Brackets round an entry indicate a degree of uncertainty.

Footnotes:

1. For use with Sabre.
2. For use with Mirage.

Table 12.British Arms Exports to South Africa, 1946-1964.<sup>1</sup>

£m.

1946	1947	1948	1949	1950	1951	1952	1953	1954	1955
1.02	1.02	2.01	1.15	3.08	0.33	0.63	3.03	4.85	5.00
1956	1957	1958	1959	1960	1961	1962	1963	1964	
3.86	2.01	1.09	0.73	0.61	0.51	1.55	1.89	1.40	

Source: Annual Statement of the Trade of the U.K., Vol.4. From 1946 until 1962 these entries were styled 'Arms, Ammunition and military stores and equipment' and from 1963 until 1964 'Firearms of war and ammunition therefor'.

Footnotes:

1. Excludes explosives and sporting ammunition from 1951 until 1954 and from 1954 until 1962 excludes revolver ammunition as well.

Table 13.

Direct Investments and Portfolio Investments in South Africa's  
Total Foreign Liabilities,<sup>1</sup> 1956-1964.

	per cent								
	1956	1957	1958	1959	1960	1961	1962	1963	1964
Direct	58	59	60	61	61	61	63	65	65
Portfolio	<u>42</u>	<u>41</u>	<u>40</u>	<u>39</u>	<u>39</u>	<u>39</u>	<u>37</u>	<u>35</u>	<u>35</u>
TOTAL	100	100	100	100	100	100	100	100	100

Source: South African Reserve Bank, 'The Foreign Liabilities and Assets of the Union (Republic) of South Africa', published as a supplement to the Quarterly Bulletin of Statistics, Dec.1958, Sept.1960, Dec.1961, Dec.1963, Dec.1964 and Sept.1966.

Footnotes:

1. Includes private and official.

Table 14.

Net Changes in South Africa's Foreign Liabilities, 1956-1964. £m.

	<u>Direct Investment</u>			<u>Non-direct Inv. &amp; Stock Exch. Trans- actions</u>			<u>Total net change in liabilities</u>
	Long term	Short term	Total	Long term	Short term	Total	
1956	16.5	15.5	32.0	0.5	-2.0	-1.5	30.5
1957	4.5	-5.0	-0.5	-11.5	-1.5	-13.0	-13.5
1958	17.5	17.5	35.0	2.0	2.5	4.5	39.5
1959	9.0	4.5	13.5	-22.5	-3.5	-26.0	-12.5
1960	-12.0	-7.5	-19.5	-45.5	7.0	-38.5	-58.0
1961	-2.5	1.5	-1.0	-7.5	-1.5	-9.0	-10.0
1962	4.0	0.5	4.5	-37.5	1.5	-36.0	-31.5
1963	-11.0	13.0	2.0	-48.5	3.5	-45.0	-43.0
1964	1.5	-3.5	-2.0	-24.0	-	-24.0	-26.0

Source: South African Reserve Bank, 'A Statistical Presentation of South Africa's Balance of Payments, for the period 1946 to 1970', Quarterly Bulletin, Mar.1971 Supplement, Table 7.

Table 15.

Net Capital Inflow and the South African Balance of Payments, 1946-1955.

	Rand m.				
	1946	1947	1948	1949	1950
Current balance	-167	-354	-337	-242	-39
Net capital inflow	80	352	165	105	182
Total change in SA reserves	-50	-2	-172	-106	143
	1951	1952	1953	1954	1955
Current balance	-259	-159	-167	-105	-93
Net capital inflow	187	144	113	193	51
Total change in SA reserves	-72	-15	-54	88	-42

Source: South African Reserve Bank, 'A Statistical Presentation of South Africa's National Accounts for the period 1946 to 1970', Quarterly Bulletin, June 1971 Supplement, Table 15.

Table 16.

The Composition of South Africa's External Public Debt, 1949-1958.

	£m.									
	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
London										
Issues	13.4	23.5	33.7	45.7	41.1	37.9	34.3	26.3	25.9	
IBRD				2.6	7.2	14.0	17.9	17.2	19.9	
IMF Cred.										17.7
Swiss Pub.										
Loans		3.0				9.8	9.8	9.8	9.8	
Swiss Banks										
Loans								2.5		
Dutch Pub.										
Loans								4.7	4.7	
US Pub.										
Loans		7.1						8.9	8.9	
US Revolv-										
ing Credit								3.6		
TOTAL	13.4	30.0	33.7	48.3	48.3	61.7	62.0	73.0	69.2	89.5
UK % Tot.	100.0	78.3	100.0	95.0	85.0	61.4	55.3	36.0	37.4	

Source: United Nations Dept. of Economic and Social Affairs, Economic Survey of Africa since 1950, (New York, 1959), Table 4-35, p.226.

Table 17.(a)

Britain's Exports of Manufactures to South Africa by Main Category as per cent of Total British Exports in these Categories, 1952-1963 (selected years).

	1952	1954	1957	1960	1963
Chemicals	5.5	4.8	4.8	4.1	3.5
Leather	5.4	6.8	5.6	4.2	3.5
Rubber	1.5	1.6	2.5	2.0	1.9
Wood & Cork (excl. furniture)	12.8	11.1	7.0	8.6	8.5
Paper, Paperboard etc.	9.6	8.0	8.7	8.0	6.7
Woollens & Worsteds	6.3	7.5	5.1	4.2	} 6.3
Cotton Yarns & Woven Fabrics	7.5	10.5	9.5	9.7	
Synth. Fibre Yarns & Wovens					
Fabrics	9.1	10.1	8.5	10.6	
Miscellaneous Textiles	7.1	7.1	6.0	5.2	
Misc. Non-Metallic Mineral Manufactures	6.0	5.0	5.3	5.5	5.8
Silver, Platinum & Jewellery	1.3	-	-	-	-
Iron & Steel	6.6	2.6	3.8	2.6	2.8
Non-Ferrous Base Metals	3.3	2.0	2.2	1.1	1.8
Manufactures of Metals	6.7	7.8	5.5	4.4	5.0
Machinery other than Electric	7.0	7.0	6.2	4.8	5.0
Elec.Machinery, Apparatus & Appliances	10.3	10.5	7.9	6.6	7.2
Railway Vehicles	5.6	20.7	17.2	29.5	
Road Vehicles	} 4.6	5.0	6.9	4.7	8.3
Aircraft					
Ships & Boats	-	4.1	-	-	
Building Fixtures	5.3	6.2	5.2	4.8	5.9
Clothing, Footwear etc.	5.8	5.1	4.3	3.6	1.8
Scientific Instruments etc.	6.4	4.8	4.9	4.1	4.1
Miscellaneous	6.7	6.1	6.2	5.5	4.7

Source: Annual Statement of the Trade of the United Kingdom, Vol.3.



Table 17(b)

Information on UK Exports to South Africa in 1963 and 1964 submitted by the British Government to the UN Committee on Sanctions

SITC heading	Description of item	1963		First half 1964		1963		First half 1964	
		A	B	A	B	C	D	C	D
51	Chemical elements & compounds	3.00	3.2	2.01	3.8				
53	Dyeing, tanning & colouring materials	1.48	3.1	0.93	3.4				
54	Medicinal and pharmaceutical products	1.80	3.3	1.04	3.5	'000cwt.		'000cwt.	
58	Plastic materials etc.	3.26	5.1	2.10	5.8	285	4.8	173	5.3
59	Chemicals n.e.s.	1.96	3.3	1.20	3.6				
61	Leather, leather manufactures, etc.	1.07	3.8	0.62	4.1				
62	Rubber manufactures n.e.s.	0.94	1.9	0.63	2.5				
64	Paper, paperboard and manufactures	Y 3.17	6.8	Z 1.70	7.0	362	7.7	201	8.2
65	Textile yarn, fabrics, etc.	16.00	6.3	8.88	6.4	'000 lb.		'000 lb.	
651.2	of which: wool & animal hair yarn & thread	0.97	4.6	0.59	5.0	1,546	4.6	895	5.1
651.3 & 651.4	cotton yarn and thread	Z 1.13	8.9	Z 0.72	10.8	1,183	5.7	705	6.4
651.6 & 651.7	man-made fibre yarn & thread	2.43	7.7	1.49	7.5	5,324	6.5	3,230	6.7
						'000sq.yds.		'000sq.yds.	
652	woven cotton fabrics	X 3.73	12.0	X 1.70	11.1	29,195	13.1	12,157	11.8
653.21	( woven woollen fabrics	0.82	2.3	0.59	3.0	1,989	3.8	1,254	4.6
	( woven worsted fabrics	1.13	4.5	0.73	5.9	1,575	5.1	932	6.4
653.5 & 653.6	woven man-made fibres	X 1.59	9.8	Y 0.86	9.1	5,881	7.3	3,221	7.2
66	Non-metallic mineral manufactures n.e.s.	3.93	5.8	2.36	6.2				
664	of which: glass	Z 1.38	10.0	Y 1.08	12.8	'000 tons		'000 tons	
67	Iron and steel	5.79	2.8	3.59	3.3	68	1.9	49	2.5
674	of which: universals, plates & sheets	3.84	4.0	2.12	4.2	52	2.9	32	3.1
68	Non-ferrous metals	2.35	1.9	1.27	1.9	'000cwt.		'000cwt.	
682	of which: copper	1.08	2.9	0.68	3.4	64	2.3	39	2.8
69	Manufactures of metal n.e.s.	6.56	4.9	Z 3.89	5.3				
695	of which: tools and parts	Y 1.92	7.3	X 1.11	7.8				
696	cutlery of base metal	Z 0.86	6.8	0.42	5.5				
71	Machinery other than electric	42.61	5.0	24.90	5.4	1,421	5.4	780	5.5
711.3	of which: steam engines	Z 0.84	7.7	Z 0.58	10.2	14	6.7	10	11.1
711.5	i.c. piston engines	3.29	4.1	1.93	4.3	74	3.3	47	3.7
712.5	agricultural & track laying tractors	Y 7.87	7.1	X 4.50	7.8	Numbers 11,851	6.8	Numbers 6,930	7.5

714	Office machinery		1.66	4.2		0.88	4.2	'000cwt.		'000cwt.	
715.1	machine tools		2.66	5.9		1.78	7.1	9	3.8	5	4.5
717.1	textile machinery		3.19	4.8		1.59	4.4	107	9.0	57	8.7
718.4	construction & mining							113	7.1	35	4.3
	machinery n.e.s.		2.76	5.2		1.35	4.6	104	4.6	52	4.3
719.1	heating & cooling equipment		1.16	3.5	Z	0.87	5.3	35	3.7	22	4.3
719.2	pumps and centrifuges		2.25	5.5	X	1.41	6.1	50	5.3	31	5.8
719.3	mechanical handling equipt.	Z	2.13	6.1	Y	1.45	7.8	86	5.9	55	6.9
72	Electrical machinery, apparatus and										
	appliances	Y	22.92	7.2	Y	11.02	6.8				
722.1	of which: generators, motors, etc.	Y	4.19	9.1	Z	1.20	5.4	118	8.4	33	4.8
722.2	switches, voltage regulators,										
	etc.	X	3.94	12.7	X	2.16	12.9	76	12.4	41	13.0
724	telecommunications apparatus	X	7.61	9.7	X	3.90	9.2				
725	domestic equipment		1.84	5.2		1.03	6.2				
73	Transport equipment	Y	52.23	8.3	Y	29.69	8.6	'000tons		'000tons	
731	of which: railway vehicles	X	3.48	16.7	X	1.59	16.9	10	11.6	4	11.8
								thousands		thousands	
732.1	motor cars, new	Y	18.84	8.0	Y	11.81	8.6	55	9.0	37	10.2
732.3	lorries, trucks, ambulances etc.	X	7.66	9.5	X	4.71	10.6	12	10.0	7	10.6
732.7(part)	Chassis for goods vehicles	Y	3.37	15.1	Y	2.22	18.5	4	13.4	2	15.3
								'000cwt.		'000cwt.	
732.8	bodies, chassis, frames, etc.		6.42	5.1		4.18	5.7	175	3.9	119	4.5
734	aircraft		1.20	2.6	Z	1.97	7.9				
735	ships and boats	Y	8.47	20.0	Z	1.90	11.7				
84	Clothing		1.02	2.6		0.68	3.6				
86	Scientific & photographic goods, clocks, etc.		3.13	4.2		1.73	3.8				
89	Miscellaneous manufactures n.e.s.		5.77	4.4		3.27	4.8				
892	of which: printed matter, MSS, typescripts	Z	2.47	5.8	Z	1.49	6.7				
9	Commodities and transactions not classified										
	according to kind										
951	of which: firearms of war & ammunition		...	...		...	...				
	Total, all merchandise		195.81	4.8		108.99	5.9				
	Diamonds and precious stones		9.40	7.2		6.15	8.2				

Table 17(b) (Contd.)

- A = Value of United Kingdom exports of item to the Republic of South Africa (£m.)
- B = Percentage by value of total exports of item exported to the Republic of South Africa.
- C = Volume of United Kingdom exports of item to the Republic of South Africa (in units stated).
- D = Percentage by volume of total exports of item exported to the Republic of South Africa.
- X = Items for which the Republic of South Africa is the United Kingdom's principal customer by value.
- Y = Items for which the Republic of South Africa is the United Kingdom's second largest customer by value.
- Z = Items for which the Republic of South Africa is the United Kingdom's third largest customer by value.

Report from U.N. Security Council Official Records, 20th Year, Special Supplement No.2 Doc.S/6210 and Add.1; Table 2; submitted to Committee on Sanctions by U.K. Government.

Table 18.

British Investments in South Africa, 1950-1964: Analysis of Assets  
by Statistical Source. £m.

	<u>Direct</u>			<u>Portfolio</u>		<u>Total</u>	
	BE <sup>1</sup>	BT <sup>2</sup>	SARB <sup>3</sup>	BE	SARB	BE	SARB
1950	28.4			133.0		160.0	
1951	26.1			134.8		161.0	
1952	26.9			128.3		155.0	
1953	28.3			132.4		161.0	
1954	31.6			130.1		162.0	
1955	34.8			126.6		161.0	
1956	35.1		556.1	120.4	309.5	155.0	865.6
1957	35.8			111.4		147.0	
1958							
1959			633.6		269.4		903.0
1960		258.3	642.5		257.5		899.5
1961		270.6					902.5
1962		290.0	659.5		249.5		909.0
1963		319.4	670.5		257.5		928.0
1964		352.9	686.0		266.0		952.0

Footnotes:

1. Bank of England: 'United Kingdom Overseas Investments' (published as a supplement to the Bank's Annual Report from 1950 until 1959). The Bank's figures on direct investment assets are extremely low for the following reasons: first, they record only the assets of "UK-registered companies operating entirely or almost entirely abroad", and so exclude those of companies which indulged in both domestic and foreign activity; second, they also exclude all insurance and shipping companies, investment and financial trusts; and third, they are recorded at 'nominal' or 'book' values. For portfolio assets, on the other hand, the Bank's figures are more realistic. The method of measurement ensured fewer exclusions and both private and official investments were included. However, the valuation remained 'nominal'. Whilst the Bank included South West Africa in its definition of 'South Africa', it excluded the High Commission Territories.
2. British Board of Trade: 'Book Values of Overseas Investments', Board of Trade Journal, Jan.26, 1968 and 'Book Values of Overseas Direct Investments', Board of Trade Journal, Sept.23, 1970. Though a considerable improvement on the Bank's figures for direct investment assets, the figures produced by the Board of Trade remain an underestimate since: first, they exclude not only oil

Table 18. (contd.)

but also banking and insurance (a very significant exclusion, given the well known dominance of SA banking by Barclays and Standard Bank); second, they are only recorded at 'book values'. Furthermore, whilst South West Africa is included in the Board's definition of 'South Africa', it is not clear whether or not the High Commission Territories are similarly included.

3. South African Reserve Bank: 'The Foreign Liabilities and Assets of the Union (Republic) of South Africa', published as a supplement to the Quarterly Bulletin of Statistics, Dec.1958, Sept. 1960, Dec.1961, Dec.1963, Dec.1964, and Sept.1966. For both direct and portfolio assets, the Reserve Bank's figures include the official as well as the privatesector, the High Commission Territories as well as South West Africa, all foreign activity in the country and, most notable in boosting the figures, a large addition for 'undistributed profits' (in the case of direct investment assets) and for 'market' valuation (in the case of portfolio investment assets). Not surprisingly, therefore, the Reserve Bank's figures provide by far the largest estimate of British and other foreign investment in South Africa and are for this reason the most widely quoted. All of the parties to the political argument about South Africa have had an interest in using the highest figures: the anti-apartheid groups, in order to emphasise the extent of the West's guilt and to reinforce the economic explanation of its reluctance to desert the Nationalist government in Pretoria; the Western governments themselves, in order to demonstrate the dimensions of the economic disaster which would follow any hostile political move against the Republic; and the South African government itself, lest the West should forget the size of its 'stake' in South Africa.

Table 19.

South Africa in the Hierarchy of Major Hosts to British Overseas Investment Assets, 1950-1964 (selected years).<sup>1</sup>

	1950		1954		1955
1.	Austral. 18.4	Austral.	15.8	Austral.	15.8
2.	Canada 7.8	USA	8.5	USA	8.7
3.	<u>S. Africa 7.8</u>	Canada	7.9	Canada	8.0
4.	USA 6.2	<u>S. Africa 7.6</u>		<u>S. Africa 7.5</u>	
5.	Br.Gen.Afr. 4.5	Fed. R&N	5.6	Fed. R&N	6.2
	1957		1960		1962
1.	Austral. 15.7	Canada	15.3	Austral.	15.3
2.	Canada 9.6	Austral.	14.7	Canada	14.2
3.	USA 8.1	USA	9.1	USA	8.9
4.	<u>S. Africa 7.0</u>	<u>S. Africa 8.8</u>		<u>S. Africa 8.5</u>	
5.	Fed. R&N 6.5	India	7.7	India	7.6
			1964		
1.		Austral.	16.8		
2.		Canada	13.0		
3.		USA	9.2		
4.		<u>S. Africa 9.0</u>			
5.		India	7.4		

Source: 1950-1957, Bank of England; 1960-1964, Board of Trade.  
There is thus a break in comparability in the middle of the period, see f.n. 1 and f.n. 2 to Table 18 above.

Footnotes:

1. Per cent of Britain's total recorded overseas assets at book values. This represents only direct investments after 1957.

Table 20.

British Direct Investment in South Africa: Annual Average Rates of Return<sup>1</sup> compared with Returns in the Overseas Sterling Area as a whole and the World as a whole, 1960-1964.

	Per cent		
	S. Africa	OSA	World
1960	10.3	9.6	8.2
1961	10.4	8.4	7.4
1962	12.1	8.7	7.6
1963	12.9	9.0	8.1
<u>1964</u>	<u>14.8</u>	<u>9.6</u>	<u>8.5</u>
Ave.	12.1	9.1	8.0

Source: 'Book Values of Overseas Investments', Board of Trade Journal, Jan.26, 1968, Table 12.

Footnotes:

1. The 'average rate of return' is the ratio of earnings to the book value of net assets, with oil, banking and insurance excluded in this instance from the former as well as from the latter. It is also the return after overseas tax.

Table 21.(a)

British Investments in South Africa, 1950-1964: Analysis of Earnings  
by Statistical Source. £m.

	Direct			Portfolio		Total		
	BE <sup>1</sup>	BT <sup>2</sup>	IMF <sup>3</sup>	BE	IMF	BE	BE+BT	IMF
1950	3.0			15.8		18.8		
1951	2.8			18.2		21.1		
1952	2.9			17.6		20.4		
1953	3.1			15.7		18.9		
1954	3.3			16.0		18.3		
1955	3.6			15.1		18.7		
1956	4.0			15.7		19.6		
1957	4.1			16.3		20.4		
1958		21.2		16.4			37.6	
1959		21.1		16.4			37.5	
1960		29.0		16.0			45.0	
1961		28.5	42.5	16.0	20.0		44.5	62.5
1962		36.0	36.0	17.4	20.0		53.4	56.0
1963		47.1	31.0	16.9	20.5		64.0	51.5
1964		61.7	39.0	17.3 <sup>e</sup>	21.5		79.0 <sup>e</sup>	60.5

Footnotes:

1. Bank of England: the Bank's figures for the years from 1950 until 1957 are taken from 'United Kingdom Overseas Investments', which was published as a supplement to its Annual Report from 1950 until 1959; for the years from 1958 until 1963, they are taken from its Quarterly Bulletin over this period. After 1963 the Bank ceased publishing country detail on this, as on other aspects of British overseas investments.  
The Bank's figures on earnings exclude unremitted profits.
2. British Board of Trade: Board of Trade Journal, Apr.19, 1963 and June 30, 1967. The Board's figures for direct investment earnings exclude the oil industry but include banking and, after 1962, insurance as well. They also include unremitted profits which, between 1965 and 1970 (the only years for which figures are available), accounted for roughly 50 per cent of all earnings on British direct investment in South Africa - see, for instance, Board of Trade Journal, June 30, 1967, p.xix and p.xx.  
Nb. The figures here for 1958-1959 are not comparable with those for 1960-1964.
3. International Monetary Fund: Balance of Payments Yearbook (based, of course, on SA Reserve Bank returns).



Table 21.(b)

British Investments in South Africa, 1951-1964: Earnings from Direct and Portfolio Investments as per cent of Total British Overseas Investment Earnings in these Categories.

	Direct		Portfolio	
	£m.	%	£m.	%
1951	2.8	3.2	18.2	25.2
1952	2.9	3.5	17.6	24.6
1953	3.1	3.7	15.7	20.4
1954	3.3	3.3	16.0	18.1
1955	3.6	3.1	15.1	16.3
1956	4.0	3.3	15.7	15.6
1957	4.1	3.4	16.3	16.8
1958	21.2	10.9 <sup>1</sup>	16.4	18.2
1959	21.1	8.9	16.4	17.2
1960	29.0	11.2	16.0	15.9
1961	28.5	11.4	16.0	15.6
1962	36.0	13.1	17.4	17.3
1963	47.1	14.3	16.9	17.0
1964	61.7	16.7	...	...

Source: Direct Earnings: Bank of England (fn.1, Table 18 above) for 1951 until 1957; Board of Trade (fn.2,, Table 21a above) for 1958 until 1964.

Portfolio Earnings: Bank of England, ibid.

Footnotes:

1. No significance is attributable to the great increase over 1957 shown by this figure, since the basis of computation used by the Board of Trade was different from that employed by the Bank. The horizontal line indicates a break in comparability.

Table 22.

South Africa in the Hierarchy of Major Earners on British Overseas Investment Assets, 1950-1964 (selected years).<sup>1</sup>

	1950		1954		1955
1.	S. Africa 13.1	S. Africa	9.8	USA	9.6
2.	Australia 11.5	USA	9.3	S. Africa	9.0
3.	USA 10.4	Australia	8.6	Australia	8.2
4.	Malaya 7.9	Fed. R&N	7.4	Fed. R&N	7.3
5.	Br. Cen. Afr. 7.8	India	7.1	Malaya	7.0
	1957		1960		1962
1.	USA 10.7	Australia	13.0	S. Africa	13.1
2.	S. Africa 9.3	S. Africa	11.2	Australia	12.7
3.	Australia 7.9	India	7.8	India	8.4
4.	Malaya 7.1	Fed. Malaya	7.8	Canada	8.4
5.	Canada 6.8	Canada	7.8	USA	8.2
			1964		
1.		S. Africa	16.7		
2.		Australia	14.4		
3.		USA	11.4		
4.		Canada	8.7		
5.		Malaysia	6.1		

Source: see Table 19 above; the same qualifications apply here, with the added complication that unremitted profits are excluded from the earlier period but included in the later one.

Footnotes:

1. Per cent of Britain's total overseas investment earnings at current prices.

Table 23.

The Character of Britain's Capital Assets in South Africa, 1956-1964  
(selected years). £m.

	<u>Direct Investment</u>				<u>Portfolio Investment</u>				<u>Total</u>
	<u>Mining</u>	<u>Manu.</u>	<u>Other</u>	<u>Total</u>	<u>Mining</u>	<u>Manu.</u>	<u>Other</u>	<u>Total</u>	
1956	164.0	186.6	205.5	556.1	121.9	26.4	161.2	309.5	865.6
1959				633.6				269.4	903.0
1960	164.5	216.0	262.0	642.5	98.5	27.5	131.5	257.5	900.0
1962				659.5				249.5	909.0
1963				670.5				257.5	928.0
1964				686.0				266.0	952.0
	<span style="float: right;">Per cent</span>								
1956	(19.0)	(21.6)	(23.7)	64.2	(14.1)	(3.0)	(18.6)	35.8	100.0
1959				70.2				29.8	100.0
1960	(18.3)	(24.0)	(29.2)	71.4	(10.9)	(3.1)	(14.6)	28.6	100.0
1962				72.6				27.4	100.0
1963				72.3				27.7	100.0
1964				72.1				27.9	100.0

Source: see Table 7 above.

Table 24.

British Direct Investment in South Africa: Assets, Net Capital Flows and Net Earnings by Industrial Sector, end-1965.

	£m.			Per cent		
	Assets	NCF	NE	Assets	NCF	NE
Agriculture	...	{ 1.8	...	...	{ 4.0	...
Mining	16.8		4.4	4.3		7.7
Elec. & Mechanical Engineering	44.1	4.0	3.0	11.3	9.0	5.3
Vehicles, Shipbuilding & Marine Engineering	16.1	2.4	1.0	4.1	5.4	1.8
Other Manufact.	214.6	17.6	24.4	54.8	39.6	43.0
Construction	5.6	2.3	1.7	1.4	5.2	3.0
Distribution	42.5	7.1	8.5	10.8	16.0	14.9
Transp. & Commun.	...	{ -0.7	0.5	...	ND <sup>2</sup>	0.9
Shipping	7.5		...	1.9	ND	...
Other <sup>1</sup>	39.7	10.0	13.1	10.1	22.5	23.0
TOTAL	391.7	44.5	56.9	100.0	100.0	100.0

Source: Assets - 'Book Values of Overseas Investments', Board of Trade Journal, Jan. 26, 1968; NCF and NE - Board of Trade Journal, July 19, 1968.

Footnotes:

1. Banking and insurance are included in this category for NCF and NE only.
2. Indicates net disinvestment.

Table 25.

British Direct Investment in South Africa: Assets, Net Capital Flows and Net Earnings by Industrial Sector as per cent of all British Overseas Direct Investment in these Sectors, end-1965.

	Assets	NCF	NE
Agriculture	...	{ 8.0	...
Mining	6.2		12.2
Elec. & Mechanical Engineering	14.8	30.1	18.6
Vehicles, Shipbuilding & Marine Engineering	16.5	240.0	111.0
Other Manufact.	12.6	14.3	14.1
Construction	11.3	31.2	33.4
Distribution	6.3	8.8	16.8
Transp. & Commun.	...	{ ND <sup>1</sup>	4.9
Shipping	8.8		...
Other <sup>2</sup>	7.5	20.0	16.3

Source: see Table 24 above.

Footnotes:

1. Indicates net disinvestment.
2. Banking and insurance are included in this category for NCF and NE only.

Table 26.

South Africa's Annual Gold Output and Net Sales Abroad, 1950-1964.

	A	B	C	D
	Annual Output <sup>1</sup>	Annual Output as % of total Non-Communist World Output	Net Sales Abroad <sup>1</sup>	Net Sales Ab- road as % of total SA Vis- ible Exports <sup>2</sup>
1950	408.0	48.0	339.0	36.1
1951	403.0	48.8	424.0	34.5
1952	414.0	48.6	442.0	35.4
1953	418.0	49.4	419.0	33.6
1954	463.0	51.5	435.0	32.0
1955	511.0	54.4	495.0	32.4
1956	556.0	56.9	537.0	31.9
1957	596.0	58.5	603.0	32.7
1958	618.0	58.8	616.0	36.2
1959	702.0	62.4	673.0	35.3
1960	748.0	63.5	796.0	39.2
1961	803.0	66.1	681.0	34.5
1962	892.0	68.0	679.0	33.8
1963	961.0	70.0	828.0	36.6
1964	1,019.0	72.5	1,079.0	41.8

Source: Cols. A and B - F. Hirsch, 'Influences on Gold Production', I.M.F. Staff Papers, Vol. 15, 1968, p.486.  
 Cols: C and D - South African Reserve Bank, Quarterly Bulletin of Statistics. Figures converted into dollars at IMF par value of R1 = \$1.40.

Footnotes:

1. \$m. at \$35 per troy ounce.
2. The figure for "total SA Visible Exports" from which this percentage was computed was arrived at by adding "Net Sales Abroad" to non-gold exports.

Table 27

The Sterling Area's Net Gold and Dollar Deficit, 1947-1958.<sup>1</sup>

	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
<u>Transactions with £ Area</u>												
United Kingdom												
Total Surplus or Deficit	-542	-301	-273	+49	-520	-137	+17	-15	-204	-114	-	+114
On Current Account	-510	-252	-296	-88	-436	-173	-4	-72	-184	+4	-97	+56
Other Transactions	-32	-49	+23	+137	-84	+36	+21	+57	-20	-118	+97	+58
<u>Rest of Sterling Area</u> <sup>2</sup>												
Total Surplus or Deficit	-306	-65	-54	+170	+102	+38	+87	+27	+34	+11	+47	+139
UK Colonies	+10	+51	+58	+146	+165	+136	+101	+100	+48	+51	+54	...
Other Sterling Area	-316	-116	-112	+24	-63	-98	-14	-73	-14	-40	-7	...
<u>Transactions with Non-£ Area</u>												
Total payments to, or receipts from, other countries & non-territorial organizations	-260	-95	-89	-12	-67	-147	+58	-23	-235	-313	-309	-193
THE 'DOLLAR GAP'	-1,108	-461	-416	+207	-485	-246	+162	-11	-405	-416	-262	+60
Met by:												
RSA Gold Sales to London <sup>3</sup>	+84	+55	+68	+100	+78	+71	+78	+138	+176	+220	+223	+227
SA Gold Loan	-	+80	-	-	-	-	-	-	-	-	-	-
Drawings on:												
US Line of Credit	+707	+74	-	-	-	-	-	-	-	-	-	-
Canadian Credit	+105	+13	+33	+16	-	-	-	-	-	-	-	-
IMF	+60	+15	-	-	-	-	-	-40	-	+201	-	-
Exp-Imp. Bank Credit	-	-	-	-	-	-	-	-	-	-	+89	-
Other	-	-	-	-	-	-	-	-	-	-	-	-3
ERP Receipts	-	+169	+312	+252	+63	-	-	-	-	-	-	-
Change in Reserves	+152	+55	+3	-575	+344	+175	-240	-87	+229	-5	-50	-284

See following page for Source and Footnotes.

Table 27. (contd.)

Source: Annual Abstract of Statistics, No.95, 1958, Table 277, p.241 and No. 96, 1959, Table 270, p.233.

Footnotes:

1. This Table is modelled on the mode of presentation of Britain's gold and dollar account last employed for the year 1953. See Annual Abstract of Statistics, No.91, 1954, Table 278, p.241.
2. For the years 1955-1957, Ghana, the Federation of Malaya, and Singapore are included in "Other Sterling Area".
3. By convention, this entry should be placed in the top half of the Table; it is placed here in order to demonstrate the size of the 'dollar gap' in its absence.



Table 28.

South Africa's Contribution to the Sterling Area's Dollar Pool,  
1950-1964. \$m.

	SA's Commercial Def- icit with the £ Area <sup>1</sup>		Gross SA Gold Sales to London	Net SA Con- tribution to Pool	Net SA Con- tribution as % Annual SA Output
	A	B			
1950	-101	-165	207	187	46
1951	-137	-70	185	185	46
1952	-160	-151	190	190	46
1953	-210	-106	218	218	52
1954	-134	-238	350	283	61
1955	-246	-151	467	266	52
1956	-188	-204	530	288	52
1957	-294	-224	594	300 <sup>e</sup>	50 <sup>e</sup>
1958	-277	-294	594	300 <sup>e</sup>	49 <sup>e</sup>
1959	-204	-277	576	300 <sup>e</sup>	43 <sup>e</sup>
1960	-370	-280	540	300 <sup>e</sup>	40 <sup>e</sup>
1961	-272	-286	605	300 <sup>e</sup>	37 <sup>e</sup>
1962	-305	-382	675	350 <sup>e</sup>	39 <sup>e</sup>
1963	-462	-417	826	400 <sup>e</sup>	42 <sup>e</sup>
1964	-463	-326	1,080	400 <sup>e</sup>	39 <sup>e</sup>

Source: The difficulty in establishing the exact magnitude of South Africa's net contribution of gold to the dollar pool is considerable. Figures on gross sales to London are available from both South African and British sources. The ones in this Table are derived from those published by the SA Reserve Bank in its Quarterly Bulletin of Statistics and reproduced in the I.M.F.'s Balance of Payments Yearbook. They correspond as nearly as one would expect to those released in the Annual Statement of the Trade of the U.K. after 1959 (on this, see Samuel Montagu's Annual Bullion Review 1959). Until 1953 these figures on gross sales can be taken as roughly equivalent to South Africa's net contribution to the dollar pool since in the late 1940s the Union had agreed to settle directly its own non-sterling deficit. Thereafter, however, the Union re-directed almost its entire annual gold output to the London Gold Market and the gross sales figures thus included a substantial amount of gold which was, in effect, destined for re-export. The net contribution figures for 1950-1953 are derived from P.W. Bell, The Sterling Area in the Postwar World, (1956), p.57 and for 1954-1956 from Barclays Bank Review, Aug.1957, whilst the basis on which the estimates have been made for 1957-1964 is explained in Chp.II.

Table 28. (contd.)Footnotes:

1. In column A the figures represent the balance of current and private capital accounts, whilst in column B the balance of long- and short-term capital movements in the official and banking sector is included as well. For our purposes, column B is the most significant. The figures are derived from Table 30 below.

Table 29. (a)

Net Contributions to the Sterling Area's Dollar Pool, 1953-1958.

	<u>£m.</u>					
	1953	1954	1955	1956	1957	1958
United Kingdom	+48	-42	-572	-319	+249	+319
Colonies	+283	+302	+367	+328	+151	...
South Africa	<u>+218</u>	<u>+283</u>	<u>+266</u>	<u>+288</u>	<u>...</u>	<u>...</u>
Total (+)	+549	+585	+633	+616	...	...

  

	<u>Per cent</u>					
United Kingdom	8.7					
Colonies	51.6	51.6	58.0	53.2		
South Africa	<u>39.7</u>	<u>48.4</u>	<u>42.0</u>	<u>46.8</u>		
Total	100.0	100.0	100.0	100.0		

Source: Tables 27 and 28 above.Table 29. (b)

The Financing of the 'Dollar Gap' of the United Kingdom and Dominions (excluding South Africa), 1946-1952.

	<u>£m.</u>	<u>Per cent</u>
North American Loans	4,909	41.1
IMF	400	3.3
Receipts under E.R.P.	2,839	23.8
SA Gold Loan	325	2.7
Net SA contribution <sup>1</sup>	918	7.7
Net Colonial contribution	1,920	16.1
Net Drawing on Reserves	<u>630</u>	<u>5.3</u>
THE 'DOLLAR GAP' <sup>2</sup>	-11,941	100.0

Source: Annual Abstract of Statistics, No.90, 1953, Table 275.Footnotes:

1. This is Wright's figure: 'Dollar Pooling in the Sterling Area, 1939-1952', American Economic Review, No.44, Sept.1954.
2. This constitutes the Sterling Area's 'Total net gold and dollar deficit' in the absence of Colonial and South African reckonings: it is not, therefore, the orthodox presentation.



Table 30

## SOUTH AFRICA'S BALANCE OF PAYMENTS WITH THE STERLING AREA, 1946-1964

£m.

	1946	1947	1948	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	
Visible Exports	31.0	49.0	71.0	63.0	97.0	139.0	142.0	152.0	165.0	172.0	188.0	217.0	200.0	214.0	212.5	218.5	196.5	182.0	206.0	Visible Exports
Visible Imports	-91.0	-122.0	-141.0	-156.0	-159.0	-217.0	-192.0	-199.0	-200.0	-220.0	-210.0	-245.0	-245.0	-214.0	-223.5	-211.0	-225.0	-263.5	-284.5	Visible Imports
Services	-8.0	-18.0	-15.0	-23.0	-25.0	-28.0	-31.0	-37.0	-39.0	-42.0	-47.0	-58.0	-63.0	-55.0	-65.5	-74.5	-63.0	-62.0	-72.5	Services
A. Current Balance <sup>1</sup>	-68.0	-91.0	-85.0	-116.0	-87.0	-104.0	-81.0	-84.0	-74.0	-90.0	-69.0	-85.0	-106.0	-55.0	-81.5	-71.5	-87.0	-135.0	-142.0	A. Current Balance <sup>1</sup>
B. Private Capital <sup>2</sup>	18.0	175.0	82.0	46.0	51.0	55.0	24.0	9.0	26.0	2.0	2.0	-20.0	7.0	-18.0	-50.5	-25.5	-22.0	-30.0	-23.5	B. Private Capital <sup>2</sup>
OVERALL BALANCE (i.e. A + B)	-50.0	84.0	-3.0	-70.0	-36.0	-49.0	-57.0	-75.0	-48.0	-88.0	-67.0	-105.0	-99.0	-73.0	-132.0	-97.0	-109.0	-165.0	-165.5	OVERALL BALANCE (i.e. A & B)
COMPENSATORY OFF- ICIAL FINANCING																				COMPENSATORY OFF- ICIAL FINANCING
Multilateral Settlements	-9.0 <sup>3</sup>	-42.0 <sup>3</sup>	-9.0 <sup>3</sup>	-45.0	-15.0	-41.0	-14.0	-38.0	-49.0	-100.0	-125.0	- 9	9.0 <sup>9</sup>	7.0 <sup>9</sup>	2.5 <sup>9</sup>	3.5 <sup>9</sup>				Multilateral Settlements
Monetary Gold	-	-	80.0	57.0	74.0	66.0	68.0	78.0	125.0	167.0	189.0	212.0	212.0	206.0	192.5	216.0	241.0	295.0	386.0	Monetary Gold
Short-Term Assets/ Liabilities				-25.0	-33.0	24.0	3.0	37.0	-37.0	34.0	-6.0	25.0	-8.0	-23.0						Short-Term Assets/ Liabilities
Long-Term Assets/ Liabilities												2.0	2.0	-3.0						Long-Term Assets/ Liabilities
Cent. & Local Govt.(net)															-11.0	4.0	-1.0	7.5	17.0	Cent. & Local Govt.(net)
Comm. & Cent. Banks(net)															43.0	-9.0	-27.0	8.5	32.0	Comm. & Cent. Banks(net)
Other	59.0 <sup>4</sup>	-42.0 <sup>5</sup>	-68.0 <sup>6</sup>	83.0 <sup>7</sup>	10.0 <sup>8</sup>															Other
Net errors & Omissions								-2.0	9.0	-13.0	9.0	-134.0	-116.0	-114.0	-95.0	-117.5	-104.0	-146.0	-269.5	Net Errors & Omissions
	50.0	-84.0	3.0	70.0	36.0	49.0	57.0	75.0	48.0	88.0	67.0	105.0	99.0	73.0	132.0	97.0	109.0	165.0	165.5	

Table 30 (Contd.)

Source: I.M.F., Balance of Payments Yearbook. N.B. Format changed in 1960 for Short-Term, Long-Term presentation to that of Cent. & Local Govt. (non-monetary), Comm. and Central Banks (Monetary).

Footnotes:

1. This entry includes "Donations" or "Transfer Payments" in all years.
2. This entry includes "Donations" in 1949-50, "Net errors and omissions" in 1946-52 and excludes banking capital in all years.
3. Excluding multilateral settlements through London financed by new-mined Gold.
4. 'Foreign Exchange Assets' (£60.0m.), less 'Special Official Financing' (-£1m.)
5. 'Foreign Exchange Assets'.
6. 'Foreign Exchange Assets' (£12.0m.) less Gold Loan to UK (-£80.0m.)
7. Gold Loan to UK (£80.0m.) plus 'New borrowing' (£3.0m.)
8. Sterling Loans.
9. Transactions in currencies with IMF, IBRD and BIS.
10. From 1957, includes Multilateral Settlements.

Table 31.The Sterling Area's Central Reserves, 1951-1964.<sup>1</sup>

	<u>£m.</u>						
	1951	1952	1953	1954	1955	1956	1957
Mar. 31	3,758	1,700	2,166	2,685	2,667	2,277	2,209
June 30	3,867	1,685	2,367	3,017	2,680	2,385	2,381
Sept. 30	3,269	1,685	2,486	2,901	2,345	2,328	1,850
Dec. 31	<u>2,335</u>	<u>1,846</u>	<u>2,518</u>	<u>2,762</u>	<u>2,120</u>	<u>2,133</u>	<u>2,273</u>
Change	-965	-489	+672	+244	-642	+13	+140
	1958	1959	1960	1961	1962	1963	1964
Mar. 31	2,770	3,139	2,780	3,021	3,452	2,814	2,660
June 30	3,076	3,172	2,892	2,772	3,433	2,713	2,705
Sept. 30	3,120	3,284	3,108	3,553	2,792	2,736	2,540
Dec. 31	<u>3,069</u>	<u>2,736</u>	<u>3,231</u>	<u>3,318</u>	<u>2,806</u>	<u>2,658</u>	<u>2,316</u>
Change	+796	-333	+495	+87	-512	-148	-342

Source: UK Treasury.Footnotes:

1. These figures exclude reserves held with the IMF in all years.

Table 32.Gold as a Proportion of Britain's Central Reserves, 1950-1968.<sup>1</sup>

Per cent.

1950	1951	1952	1953	1954	1955	1956	1957	1958	1959
83.0	91.5	75.6	84.7	83.5	84.0	78.0	68.6	91.5	89.7
1960	1961	1962	1963	1964	1965	1966	1967	1968	
75.4	68.4	78.0	78.9	92.5	75.6	62.5	48.0	60.9	

Source: I.M.F., International Financial Statistics, 1972 Supplement,  
pp6-7.

Footnotes:

1. In the derivation of this Table, Britain's reserve position in the IMF was included in total reserves.



Table 33.

South Africa's Reserves, 1947-1964: End-year and (at selected intervals) monthly. \$m.

	Gold <sup>1</sup> .						F. Exchange			Total		
1947	761 (75.6)						245			1,006		
1948	183 (56.0)						144			327		
1949	128 (43.7)						165			293		
1950	197 (42.2)						270			467		
1951	190 (49.5)						194			384		
1952	170 (44.8)						209			379		
1953	176 (60.5)						115			291		
1954	199 (47.8)						217			416		
1955	212 (57.6)						156			368		
1956	224 (60.2)						148			372		
1957	217 (75.1)						72			289		
1958	211 (66.8)						105			316		
1959	238 (55.7)						189			427		
1960	178 (73.8)						63			241		
1961	298 (76.6)						91			389		
1962	499 (82.2)						108			607		
1963	630 (86.8)						96			726		
1964	574 (86.6)						89			663		

  

1953												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Gold	165	173	174	173	175	175	174	176	175	175	175	176
F.Ex	190	171	172	156	145	130	107	84	90	85	91	115

  

1954												
Gold	176	178	175	180	180	187	188	193	195	199	194	199
F.Ex	56	98	116	121	133	147	127	130	152	166	182	217

  

1955												
Gold	195	201	203	208	207	212	215	212	214	211	213	212
F.Ex	203	205	189	161	141	129	129	130	109	108	113	156

  

1959												
Gold	212	211	193	190	197	201	217	204	205	231	230	238
F.Ex	98	118	136	143	124	142	155	164	154	178	176	189

  

1960												
Gold	248	244	256	258	255	240	233	219	204	187	176	178
F.Ex	191	175	152	108	71	71	70	59	67	64	61	63

/contd



1961												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Gold	170	186	196	172	149	153	159	179	205	218	256	298
F.Ex	79	74	65	58	66	63	68	67	73	95	97	91
1962												
Gold	343	361	379	386	407	432	446	468	488	501	509	499
F.Ex	85	85	97	118	133	132	145	127	129	138	119	108
1963												
Gold	486	505	551	571	591	598	611	639	643	630	629	630
F.Ex	127	133	113	85	94	88	100	93	89	97	97	96
1964												
Gold	632	631	628	627	626	607	615	597	589	601	592	574
F.Ex	90	93	84	83	77	96	97	76	100	96	88	89

Source: I.M.F., International Financial Statistics.

Footnotes:

1. Figures in brackets indicate gold as per cent of total reserves.

Table 34.(a)

340.

British Imports from South Africa<sup>1</sup> by Main Category,<sup>2</sup> 1952-1963  
(selected years).

	£m.				
	1952	1954	1957	1960	1963 <sup>3</sup>
A. Food, Beverages & Tob.	25.99	43.51	45.50	48.15	66.06
Of which:					
Meat and Meat Preparations	1.85	1.23	1.08	0.77	1.47
Dairy Prods., Eggs & Honey	0.91	1.32	0.87	1.71	0.75
Fish & Fish Preparations	1.65	0.92	0.08	0.19	0.29
Cereals & Cereal Preps.	0.35	6.71	7.02	7.29	15.20
Fruit & Veg.(inc.preserves)	18.51	22.20	29.20	28.85	33.50
Sugar & Sugar Preparations	-	7.87	4.78	5.96	10.12
Feeding Stuffs	0.63	1.49	0.65	1.70	2.14
Misc. Food Preparations	0.08	-	-	-	0.19
Beverages (mainly wine)	0.93	0.76	0.84	1.03	1.59
Tobacco	-	0.11	0.10	0.42	0.51
Cocoa Butter	-	-	0.05	-	-
All Other	0.92	0.83	0.78	0.22	0.21
B. Basic Materials	32.52	34.82	39.12	37.28	34.18
Of which:					
Hides, Skins & Fur Skins	2.74	2.86	2.04	2.63	2.26
Oil Seeds etc.	-	0.90	1.75	1.06	1.29
Pulp & Waste Paper	-	-	2.18	3.44	5.35
Wool & Other Animal Hair	18.11	19.61	15.31	12.17	12.31
Cotton	0.05	0.11	0.26	-	0.41
Crude Fertilizers & Minerals (mainly Asbestos)	2.07	1.36	2.10	2.64	2.47
Non-ferrous Base Metal Ores & Concentrates	8.26	7.95	13.55	14.00	9.47
Of which:					
Zinc	0.50	-	-	-	-
Tin	0.02	0.45	0.36	0.09	0.48
Manganese	0.63	0.73	0.60	1.20	1.06
Chromium	0.54	0.47	0.43	0.45	0.35
Tungsten	0.34	0.02	-	-	-
Antimony	1.70	0.88	0.74	0.96	0.89
Titanium	...	...	...	0.54	...
All other sorts	4.53	5.40	11.42	10.76	6.69
Animal & Veg. Oil & Fats	0.82	1.69	1.19	1.62	1.67
All Other Articles	0.45	0.31	0.71	0.53	0.27
C. Mineral Fuels & Lubricants	0.02	0.02	0.02	0.12	0.43
D. Manufactured Goods	4.62	5.43	7.80	10.60	12.63
Of which:					
Wattle Bark	2.19	2.78	1.90	0.97	0.82
Copper & Copper Alloys	0.44	0.62	-	0.72	-
Iron & Steel	-	-	0.87	1.78	4.66
Wood & Cork	-	-	0.62	1.01	1.14 <sup>4</sup>
Chemicals	-	-	-	2.54	1.03
Silver Bullion	-	-	-	-	0.82
E. Miscellaneous	1.05	0.54	0.30	0.26	0.37
TOTAL	64.20	84.31	92.75	96.41	115.04

contd/

Table 34.(a) (contd.)

Source: Annual Statement of the Trade of the U.K., Vol. 4,  
1954, 1958, 1961 and 1963.

Footnotes:

1. Excludes South West Africa.
2. Excludes gold, diamonds and uranium. For the available figures on these items, see Tables 28, 37 and 40.
3. See fn.2, Table 10 above.
4. Hardboard alone in this year.

Table 34.(b)

## British Imports from South Africa by Main Category, 1952-1963

(selected years).

Per cent

	1952	1954	1957	1960	1963
A. Food, Beverages & Tob.	40.5	51.6	49.0	49.9	57.4
Of which:					
Cereals & Cereal Preparations	0.5	8.0	7.6	7.6	13.2
Fruit & Veg. (inc. preserves)	28.8	26.3	31.5	29.9	29.1
Sugar & Sugar Preparations	-	9.3	5.2	6.2	8.8
 B. Basic Materials	 50.6	 41.3	 42.4	 38.7	 29.7
Of which:					
Wool & Other Animal Hair	28.2	23.3	16.5	12.6	10.7
Non-ferrous Base Metal Ores & Concentrates	12.9	9.4	14.6	14.5	8.2
 C. Mineral Fuels & Lubricants	 0.03	 0.02	 0.02	 0.1	 0.4
 D. Manufactured Goods	 7.2	 6.4	 8.4	 11.0	 11.0
 E. Miscellaneous	 <u>1.6</u>	 <u>0.6</u>	 <u>0.3</u>	 <u>0.3</u>	 <u>0.3</u>
	100.0	100.0	100.0	100.0	100.0

Source: see Table 34 (a).

Table 35.

South African<sup>1</sup> Mineral Production as per cent of World<sup>2</sup> Production, 1948-1964 (selected years).

	1948	1952	1955	1958	1960	1962	1964
Antimony	9.0	15.7	30.4	17.7	37.3	32.2	31.6
Asbestos	4.8	10.0	8.1	12.0	9.8	11.4	9.9
Chrome	28.6	21.5	19.8	21.4	25.4	31.9	34.3
Copper	1.8	2.0	2.4	2.6	1.7	1.7	2.2
Lead	2.5	3.0	4.1	3.9	3.2	3.7	4.5
Manganese	5.0	8.0	5.0	7.0	8.5	9.6	9.1
Nickel	0.4	0.9	1.2	2.0	1.1	0.9	0.8
Phosphates	0.2	0.4	0.5	0.7	0.8	0.8	1.3
Tin	0.4	0.6	0.9	1.2	1.1	1.3	1.4
Vanadium	11.1	14.3	7.7	10.5	20.3	29.0	30.0

Source: United Nations, Statistical Yearbook.

Footnotes:

1. Includes South West Africa.
2. For antimony, excludes China, Czechoslovakia, USSR, Afghanistan and Hungary; for asbestos, USSR, China and Czechoslovakia; for chrome, Albania, Bulgaria, N. Vietnam, Rumania and USSR; for copper, Albania, China, N. Korea, USSR, Czechoslovakia and Iran; for lead, China, Czechoslovakia, E. Germany, Iran, N. Korea, Rumania and USSR; for manganese, China; for nickel, Albania, E. Germany and USSR; for phosphates, USSR, China, N. Korea and N. Vietnam; for tin, China, Czechoslovakia, E. Germany, N. Vietnam and USSR; for vanadium, includes only Argentina, Finland, France, South Africa, South West Africa, USA and Zambia.

NB. This Table does not include some of South Africa's most significant minerals, for instance, platinum\* and titanium. It also excludes fluorspar, sillimanite, and vermiculite. South African zinc production was insignificant as a proportion of world production.

\* In his book Metallic and Industrial Mineral Deposits, (Maidenhead, 1966), C.A. Lamey estimates that over the 1945-59 period South Africa produced an annual average of 30.6% of total world production of platinum, whilst Canada produced 40 per cent and the USSR 22.3 per cent.

Table 36.

Britain's Imports of Non-ferrous Base Metal Ores and Concentrates from South Africa as per cent of Britain's Total Imports by value in these Categories, 1948-1963 (selected years).

	1948	1952	1955	1958	1961	1963
Antimony	50.0	72.2	95.0	85.0	94.7	90.5
Chromium	10.4	25.8	15.2	18.5	16.6	21.0
Lead	...	...	...	...	...	...
Manganese	13.6	10.6	6.3	3.2	14.0	24.5
Molybdenum	-	-	-	-	-	-
Nickel	...	...	-	-	...	...
Tin	-	-	2.7	2.8	-	3.7
Titanium	-	-	-	-	-	10.0
Tungsten	1.5	3.2	-	-	-	-
Vanadium	90.0	100.0	...	...	...	...
Zinc	-	5.9	-	-	-	-

Source: The Annual Statement of the Trade of the United Kingdom, Vol.2.

Table 37.Britain's Diamond Imports from South Africa,<sup>1</sup> 1951-1966.

£m.

	1951	1952	1953	1954	1955	1956	1957	1958
Total Imports <sup>2</sup>							125.7	123.1
Total Imports excl. Diamonds <sup>3</sup>	59.9	64.2	71.9	84.3	80.4	90.9	92.7	90.4
DIAMONDS							33.0	32.7
Diamonds as % Total Imports <sup>4</sup>							26.3	26.6
	1959	1960	1961	1962	1963	1964	1965	1966
Total Imports	128.9	139.1	156.3	150.5	166.4	182.5	180.9	191.5
Total Imports excl. Diamonds	89.3	96.4	103.3	103.1	115.0	126.6		
DIAMONDS	39.6	42.7	53.0	47.4	51.4	54.5 <sup>5</sup>	63.4 <sup>5</sup>	67.7 <sup>5</sup>
Diamonds as % Total Imports	30.7	30.7	33.9	31.5	30.9	30.0	35.0	35.4

Source: Annual Statement of the Trade of the U.K., and Annual Abstract of Statistics.

Footnotes:

1. Excludes South West Africa.
2. The figures for Britain's total imports were revised upwards in the Annual Abstract of Statistics as far back as 1957 after the Board of Trade decided to release information on diamond imports in 1964. These figures still exclude gold and uranium, however.
3. Annual Statement figures.
4. Excludes gold and uranium.
5. These are the actual figures for British diamond imports published in the Annual Statement.

Table 38.

South Africa<sup>1</sup> and World Diamond Production,<sup>2</sup> 1948-1964 (selected years).

	Total SA Dia- mond Product- ion as % World Production	'Industrials' as % Total SA Production	SA 'Gems' as % World 'Gems'	SA 'Ind- ustrials' as % World 'Industr- ials'
1948	15.4	...	...	...
1955	16.3	48.4	26.8	9.5
1958	12.8	46.3	33.6	7.4
1960	14.8	45.6	33.6	9.0
1962	17.6	47.2	54.4	10.2
1964	20.9	47.2	...	...

Source: United Nations, Statistical Yearbook.

Footnotes:

1. Includes South West Africa.
2. Excludes USSR.



Table 39.World<sup>1</sup>. Uranium Production, 1952-1965.

thou. long tons.

	1952	1953	1954	1955	1956	1957	1958
Canada	...	...	(9.7) <sup>3</sup>	(9.5)	1.7	5.0	10.7
Australia	...	...	...	...	...	0.4	0.5
S. Africa	-	(3.3)	(15.4)	(25.3)	3.3	4.3	4.7
USA	...	...	...	...	4.5	6.5	9.5
France	...	-	-	...	0.2	0.3	0.5
Congo Rep. <sup>2</sup>	...	...	...	...	...	1.7	1.8
World Total	...	...	...	...	16.0	23.0	35.0
	1959	1960	1961	1962	1963	1964	1965
Canada	12.0	9.7	7.3	6.4	6.3	5.5	3.4
Australia	0.9	1.1	1.2	1.1	0.9	0.3	-
S. Africa	4.9	4.9	4.1	3.8	3.4	3.4	2.2
USA	12.4	13.4	13.1	12.9	10.8	9.0	7.9
France	0.7	1.0	1.1	1.0	1.1	1.0	1.1
Congo Rep.	1.8	0.9	0.1	-	-	-	-
World Total	40.0	40.0	37.0	35.0	31.0	27.0	23.0

per cent.

	1952	1953	1954	1955	1956	1957	1958
Canada	...	...	...	...	10.6	21.7	28.9
Australia	...	...	...	...	...	1.7	1.4
S. Africa	...	...	...	...	20.6	18.7	13.4
USA	...	...	...	...	28.1	28.3	27.1
France	...	...	...	...	1.2	1.3	1.4
Congo Rep.	...	...	...	...	...	7.4	5.1
World Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	1959	1960	1961	1962	1963	1964	1965
Canada	30.0	24.2	19.7	18.3	20.3	20.4	14.8
Australia	2.2	2.7	3.2	3.1	2.9	1.1	-
S. Africa	12.2	12.2	11.1	10.9	11.0	12.6	9.6
USA	31.0	33.5	35.4	36.9	34.8	33.3	34.3
France	1.7	2.5	3.0	2.9	3.5	3.7	4.8
Congo Rep.	4.5	2.2	0.3	-	-	-	-
World Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Statistical Summary of the Mineral Industry, (Overseas Geological Surveys).

NB. Colonial Geological Surveys for earlier years. Reliable figures did not become available until the late 1950s for security reasons.

Footnotes:

1. Uranium was also produced in small quantities in the USSR, in several Eastern European countries, Finland, Italy, Sweden, W. Germany, Mozambique, China, India, Gabon, Malagasy Republic, N. Rhodesia, Argentina, and elsewhere. The Surveys made an allowance for these in the 'World Total'.
2. Until 1960, The Belgian Congo.
3. Figures in brackets are in sterling.

Table 40.

South Africa's Exports of Uranium, 1953-1965.

\$m.

1952	-
1953	10.9
1954	41.5
1955	84.0
1956	108.0
1957	140.0
1958	151.0
1959	138.0
1960	152.0
1961	111.0
1962	104.0
1963	93.5
1964	81.2
1965	46.5

Source: United Nations, Yearbook of International Trade Statistics.

Table 41.

Britain's Gold Imports from Major Sources, 1952-1966.

		1952		1953	
		T.ounces (mill)	%	T.ounces (mill)	%
1.	S. Africa	9.21	70.2	S. Africa	6.84
2.	Br. W. Afr.	0.71	5.4	USSR	1.32
3.	France	0.67	5.1	Br. W. Afr.	0.72
4.	Canada	0.66	5.1	Australia	0.66
5.	Australia	0.34	2.6	Czechosl.	0.64
TOTAL		13.12	100.0	12.03	100.0

  

		1954		1955	
		T.ounces (mill)	%	T.ounces (mill)	%
1.	S. Africa	12.09	75.2	S. Africa	13.16
2.	USSR	1.25	7.8	USSR	1.58
3.	Br. W. Afr.	0.81	5.0	Br. W. Afr.	0.73
4.	Fed. R. & N.	0.53	3.3	Fed. R. & N.	0.52
5.	Belgium	0.29	1.8	Columbia	0.22
TOTAL		16.09	100.0	16.53	100.0

  

		1956		1957	
		T.ounces (mill)	%	T.ounces (mill)	%
1.	S. Africa	15.53	83.1	S. Africa	16.55
2.	USSR	1.62	8.7	USSR	5.68
3.	Ghana	0.57	3.1	Ghana	0.72
4.	Fed. R & N.	0.52	2.8	Fed. R & N.	0.54
5.	Nicaragua	0.07	0.4	Czechosl.	0.16
TOTAL		18.68	100.0	24.00	100.0

  

		1958		1959	
		T.ounces (mill)	%	T.ounces (mill)	%
1.	S. Africa	18.6	77.8	S. Africa	17.8
2.	USSR	2.7	11.3	USSR	7.3
3.	Ghana	0.9	3.8	Ghana	0.9
4.	Rhodesia	0.5	2.1	Bel.Congo	0.8
5.	USA	0.5	2.1	Rhodesia	0.5
TOTAL		23.9	100.0	27.6	100.0

Table 41.(contd.)

## Britain's Gold Imports from Major Sources, 1952-1966 (Contd.)

		1960		1961	
		T.ounces (mill)	%	T.ounces (mill)	%
1.	South Africa	17.1	64.5	USA	21.6 42.5
2.	USSR	3.0	11.3	S. Africa	20.4 40.1
3.	Canada	2.4	9.1	USSR	6.4 12.6
4.	Australia	2.3	8.7	Ghana	0.8 1.6
5.	Ghana	0.9	3.4	Rhod. & Nyas.	0.6 1.2
TOTAL		26.5	100.0		50.8 100.0

		1962		1963	
		T.ounces (mill)	%	T.ounces (mill)	%
1.	S. Africa	19.0	55.7	S. Africa	23.3 67.9
2.	USA	9.6	28.2	USSR	8.0 23.3
3.	USSR	3.0	8.8	USA	1.2 3.5
4.	Ghana	0.9	2.6	Ghana	1.0 2.9
5.	Rhod. & Nyas.	0.5	1.5	Rhodesia	0.6 1.7
TOTAL		34.1	100.0		34.3 100.0

		1964		1965	
		T.ounces (mill)	%	T.ounces (mill)	%
1.	S.Africa	31.6	77.4	S. Africa	34.6 87.8
2.	USSR	7.7	18.9	USSR	3.2 8.1
3.	Ghana	0.8	2.0	Ghana	0.7 1.8
4.	Rhodesia	0.6	1.5	Rhodesia	0.5 1.3
5.	-	-	-	-	-
TOTAL		40.8	100.0		39.4 100.0

		1966	
		T.ounces (mill)	%
1.	S. Africa	23.8	89.5
2.	France	0.9	3.4
3.	USSR	0.9	3.4
4.	Ghana	0.7	2.6
5.	-	-	-
TOTAL		26.6	100.0

Source: Annual Statement of the Trade of the U.K. Vol.2.

Table 42.

South Africa's Main Exports,<sup>1</sup> 1952-1964 (selected years), per cent by value.

	1952	1955	1958	1960	1962	1964
<u>Food &amp; Live An.</u> <sup>2</sup>	...	20.3	25.4	21.3	30.4	28.5
Of which :-						
Maize	5.0	4.1	5.0	2.5	8.3	5.6
Fr. & Veg.	15.6	9.8	10.7	9.1	9.6	10.5
Sugar	...	2.1	4.2	2.1	3.8	3.8
Bev. & Tob.	1.0	0.8	0.6	0.7	0.8	1.0
Wool	20.3	17.7	11.8	13.0	13.3	13.9
Asbestos	3.1	2.5	2.9	3.2	2.9	2.9
N.F. Ores & Con.	...	8.7	4.5	4.6	4.2	3.6
Uranium	-	9.0	15.0	13.5	8.6	6.1
<u>Chemicals</u>	1.0	1.1	4.1	3.9	3.5	3.5
<u>Manufactures</u>	...	...	18.7	22.6	21.2	22.3
Of which :-						
Diamonds	5.8	9.6	8.6	8.6	8.5	10.0
Iron & Steel	...	...	...	4.2	4.8	4.2
N.F. Metals	...	...	...	5.2	4.3	4.9
<u>Machinery &amp; Transport Equipment</u> <sup>3</sup>	5.2	5.6	4.1	4.5	3.4	2.9
	<hr/> 100.0	<hr/> 100.0	<hr/> 100.0	<hr/> 100.0	<hr/> 100.0	<hr/> 100.0

Source: U.N., Yearbook of International Trade Statistics.

Footnotes:

1. Excludes gold and, since only "main" exports are included, totals do not add up to 100 per cent.
2. Underlined items are SITC categories.
3. In 1952 and 1955, this category includes "machinery and parts", "motor cars and trucks", "tyres and tubes" and "ships and stores".

Table 43

South Africa's Exports to Britain as per cent of Total South African Exports (by value) by Major Commodity Group, 1952-1964 (selected years).

	1952	1955	1958	1960	1962	1964
<u>Food &amp; Live An.</u>	72.8	61.0	62.5	56.4	42.0	48.3(40.4)
Of which:-						
Maize	...	21.7	55.8	61.5	19.1	56.5
Fr. & Veg.	...	...	...	78.0	73.0	70.2
Sugar	...	65.5	77.0	70.2	28.1	28.1
Bev. & Tob.	30.2	...	...	48.8	49.0(41.0)	52.6(43.0)
Wool	28.4	28.4	27.1	20.0	15.0	17.0
Asbestos	...	...	...	16.0	13.5	13.0
N.F.Ores & Con.	100.0	45.0	30.8	75.0	62.0	89.0
Of which:-						
Antimony	100.0	82.0	...	...	...	...
Chrome	31.8	12.6	14.0	...	...	...
Manganese	16.9	11.4	4.7	...	...	...
Uranium	...	...	...	...	...	...
<u>Chemicals</u>	...	...	...	16.0	15.0(13.3)	13.0(12.0) <sup>1</sup>
<u>Manufactures</u>	...	...	...	...	...	...(41.0) <sup>1</sup>
Of which:-						
Diamonds	100.0	100.0	100.0	100.0	100.0	100.0
Iron & Steel	...	...	...	10.5	...	...
N.F.Metals	...	...	...	7.2	5.3	15.3
<u>Machinery &amp; T.Eq.</u>	...	...	...	...	...	... (5.0)
Misc.Manufactures	...	...	...	...	...	... (8.7)

Source: The nature of the presentation of South Africa's trade statistics by the SA Dept. of Customs and Excise in its Monthly Abstract of Trade Statistics made it almost impossibly complex a task to produce this Table (as it should be produced) exclusively from the South African end. The figures are at once too simple and too detailed. As a result, the percentages were calculated by employing Annual Statement of the Trade of the UK figures for South Africa's exports to Britain (British imports, of course, in these figures) and UN, Yearbook of International Trade Statistics for South Africa's total exports in these categories. Where possible, this procedure was checked by employing the South African Monthly Abstract figures and the results of this are shown in the figures in brackets in the Table. The discrepancies are obvious and emphasise the dubious nature of the procedure by which the Table was constructed. On the other hand, since the same procedure was employed throughout, the Table does provide valid evidence of trends and the bracketed figures suggest that the rough proportions are correct.

Footnotes:

1. Mainly a result of diamonds, of course.

Table 44.The Marketing of South Africa's Gold, 1951-1964.<sup>1</sup>

	London <sup>2</sup>	Continental W. Europe	New York	Other
1951	44.0	0.7	52.7	2.7
1952	42.8	0.6	56.6	-
1953	51.8	3.3	45.2	-
1954	79.9	0.6	19.2	-
1955	93.8	1.1	5.1	-
1956	98.7	1.3	-	-
1957	98.5	1.5	-	-
1958	96.4	3.6	-	-
1959	85.6	14.4	-	-
1960	67.8	32.2	-	-
1961	88.8	11.2	-	-
1962	99.4	0.6	-	-
1963	99.8	0.2	-	-
1964	100.0	-	-	-

Source: South African Reserve Bank, Quarterly Bulletin of Statistics,  
and I.M.F., Balance of Payments Yearbook.

Footnotes:

1. Per cent of South Africa's total annual net gold sales abroad.
2. Until 1954 these figures simply represent gold deliveries to the British government since the London Gold Market was not re-opened until this year.

A P P E N D I X C

Edited Text of Reply submitted by the Labour Government to the Questionnaire sent out by the U.N. Committee on Sanctions (1964-65).

## QUESTIONNAIRE

1. What were the most important commodities of South African origin by volume and by value which you imported in 1963 and in the first half of 1964 ?
2. What percentage by volume and value did these imports represent of your total imports of those commodities and of your total imports of all commodities in 1963 and in the first half of 1964 ?
3. What were the most important commodities, including all forms of armaments, which you exported to South Africa by volume and by value in 1963 and in the first half of 1964 ?
4. What percentage by volume and value did these exports represent of your total exports of those commodities and of your total exports of all commodities in 1963 and in the first half of 1964 ?
5. If you prohibited all imports of South African origin and all exports to South Africa could you find alternative sources for these imports and alternative markets for the exports ?
6. If not, what would be the effects on your economy of the absence of imports from and exports to South Africa ?
7. What would be the effects of the prohibitions in question 5 above on your balance of payments ?
8. What political actions have you taken with respect to South Africa and how have they been put into effect ?
9. What economic actions have you taken with respect to South Africa and how have they been put into effect ?
10. What effect have they had on your country's internal economy and on its foreign trade and payments ?
11. What military or economic assistance, if any, is being given by you to the Republic of South Africa ?
12. What capital investment, if any, is being made from your country, privately or from Government sources, in the Republic of South Africa ?



13. What other observations would you wish to make at this stage relating to external or internal implications affecting your country, resulting from measures which could, as appropriate, be taken by the Security Council under the United Nations Charter ?

The Labour Government answered the first four questions by means of detailed statistical tables; that answering questions 3 and 4 is reproduced as Appendix B, Table 17(b) above.

5, 6, 7. It is convenient to answer these three questions together.

(a) British exports to South Africa are now running at over £200 million per year and Britain could not expect to find alternative markets for anything like this amount of trade. There would be particular difficulties for goods made especially to meet South African requirements. Engineering products accounted for nearly £66 million of British exports to South Africa in 1963, and many of these are individual rather than mass produced goods which it would be difficult to divert to other markets. The highly competitive world market for motor vehicles (British exports to South Africa of £36 million in 1963) would make difficult any significant or quick diversion. South Africa is the largest market for British woven cotton fabrics, switchgear, telecommunications equipment, railway vehicles and commercial vehicles; and one of the three largest markets for British cotton yarn, tractors, motor cars, ships, electrical machinery as a whole and transport equipment as a whole. It would be impossible to find alternative customers for all of these exports. The difficulty of finding new markets would be increased because exporters in other countries would also be looking for alternatives to the South African market. There might be some compensation in markets hitherto supplied by South Africa and as a result of higher demand from countries whose own exports benefited from the stoppage of competing South African exports; but there could be no guarantee that this compensation would take the form of additional demand for the type of goods which Britain currently exports to South Africa; and the net loss of British exports would be very great.

(b) To replace British imports from South Africa by supplies from other sources would involve extra cost, inconvenience and dislocation, especially where South Africa is the main supplier. The loss of South African supplies to the world market would, moreover, be likely to have a substantial effect on world prices in a number of cases (especially wool, and also sugar, some fruit, wattle tanning extract, and the ores of certain non-

ferrous metals). The result would be a big increase in the British import bill for supplies of these commodities from all sources.

(c) To the effect on the British balance of payments of export losses and increased import costs would be added the loss of substantial invisible earnings as a result of stopping South African trade. For example, there would be direct losses on freight ( a large part of South Africa's import and export trade is carried in specialized British ships) and insurance; and it could also be expected that foreign exchange earnings from British investments in South Africa (these earnings are running at over £60 million per year) will be cut off.

(d) All in all the effect of stopping British trade with South Africa might be to worsen the British balance-of-payments position by something of the order of £300 million in the first year. This would require corrective measures which would inevitably have substantial effects on world trade - effects which would be heightened if the stoppage occurred at a time when the British reserves were under pressure from other causes - as well as affecting British ability to maintain aid and investment for developing countries.

(e) The net loss of export trade would have important direct effects on the level of British economic activity, especially in those industries for which South Africa represents a significant proportion of total exports. These include ships, railway and motor vehicles, electrical machinery, telecommunications equipment, glass and textiles. Redundancies could be expected in these trades. In the case of ships, for example, the combined loss of South African orders and orders from British owners engaged in the South African trade would put 15,000 jobs at risk in the shipyards and ancillary industries. The loss of imports from South Africa would also affect employment in firms that handle or process them.

(f) There would, in addition, be widespread and substantial effects on the economy and on employment from internal measures which had to be taken to redress the balance of payments. The impact of such measures, and of the direct loss of trade with South Africa, would be likely to bear more than proportionately on areas of the country which have a higher than average level of unemployment.

#### 8. (a) Change from Commonwealth to foreign status

Following the meeting of Commonwealth Prime Ministers in March, 1961, when South Africa withdrew from membership of the Commonwealth, the

United Kingdom Parliament passed legislation to formalize South Africa's change of relationship from that of a member of the Commonwealth to that of a foreign country. This legislation had wide ranging effects on matters such as nationality and citizenship, telecommunications, extradition and a number of legal matters. Certain forms of co-operation with South Africa in various important fields were also curtailed.

(b) South African racial policy

Her Majesty's Government has left the South African Government in no doubt as to their abhorrence of apartheid and about the strong feelings in the United Kingdom on trials based on arbitrary laws. It has made its position clear both in the United Nations and in Parliament as well as in private confidential diplomatic representations. Political asylum has been granted to a large number of refugees from South Africa to Bechuanaland, Swaziland and Basutoland. Her Majesty's Government has publicly deplored the absence in South Africa of any political means of expression for African political leaders in South Africa. H.M. Ambassador in South Africa has been instructed from time to time to make representations on these lines to the South Africans. Although Her Majesty's Government abstained on the Security Council resolution of 9 June 1964, which condemned the Rivonia trial, the United Kingdom Permanent Representative stated his Government's abhorrence of the provisions of the Sabotage Act under which the defendants were tried. He explained his Government's abstention on the grounds that it might not be in the interests of the defendants on trial to vote in favour of the resolution.

Her Majesty's Ambassador in Pretoria asked for an abatement of the sentences but without success. Protests have also been lodged against detention of any British nationals under the ninety-day clause of the General Law Amendment Act. The British Ambassador has set an example in South Africa by holding non-racial national day parties.

(c) Arms Supply

Following the Security Council resolution of 7 August 1963, Her Majesty's Government refused all applications for licences to supply South Africa with arms which could be used to maintain the policy of apartheid. On 17 November 1964, Her Majesty's Government announced that it has decided to impose an embargo on the export of arms to South Africa.

9. Her Majesty's Government has not taken any specific economic action with respect to South Africa except with regard to the supply of arms mentioned in the reply to question 8.

10. It is not possible to quantify the effects upon the internal economy of the United Kingdom of the measures described in the answer to question 8.

11. From time to time individual members of the South African forces attend specialist training courses, for which the South African Government pay, arranged by the United Kingdom. No economic assistance is provided to South Africa by the United Kingdom.

12. Taking direct and portfolio investment together, there has been a sizable net withdrawal of private British investment funds from South Africa in recent years.

Average net direct investment in the last five years has been about £14 million per annum, nearly all from ploughed-back profits on operations in South Africa. Average portfolio disinvestment has been about £22 million per annum. No capital investment from Government sources is being made in South Africa.

14. At this stage, none.

Source: Security Council Official Records, 20th Year. Special Supplement No.2 (Doc. S/6210 and ADD.1), Mar.2nd., 1965: The Report of the Expert Committee established in 1964 to study the feasibility of applying economic sanctions against South Africa.

## A P P E N D I X    D

In 1961 Sir Hugh Foot was sent by Macmillan to join the UK Delegation to the UN in New York. He was to serve under the Head of the British Mission, Sir Patrick Dean, but was given the personal rank of Ambassador and was to be the principal adviser to the UK Mission on problems affecting the "emergent and newly emerged countries". Accordingly, he was also to be the UK Representative in the Trusteeship Council and in the Fourth Committee of the General Assembly. The following consists of the opening paragraphs of a memorandum which he submitted to the Macmillan government shortly before his resignation in October 1962.

### "Colonial Questions at the United Nations

It is the future that matters, particularly the future in Africa. It will be useless to continue patting ourselves on the back for past achievement and winning debating points against the Communists if we are on the wrong side in the struggle between African nationalism and white domination in Africa. We would then throw away all the good-will and influence which we now enjoy in Africa and Asia.

In this all-important question of the future in Africa we are already dangerously vulnerable. More and more we are coming to be regarded as the champions of the status quo. We speak of peaceful change, but we can point to no effective action to bring it about in the southern part of Africa. We show no concern for the subject African peoples, and no indignation at their continued suppression. We are looked upon as the supporters, if not the friends, of Tshombe, Welensky, Salazar and Verwoerd. We may soon be regarded as accomplices in a policy of repression in Southern Rhodesia. We have made no positive proposal about the Portuguese territories or about South-West Africa.

We may soon find ourselves on the wrong side in a losing battle. All that we have done in preparing colonial territories for independence will then count for little or nothing in our favour. Our many African friends will turn against us. Instead of dis-crediting the Soviet Union we shall play into its hands. We shall be divided from the Commonwealth. The Americans will not stay with us. We shall be isolated with Portugal and South Africa".

Repr. from Sir Hugh Foot, A Start in Freedom, (1964), pp.219-220.

## B I B L I O G R A P H I E S

The conventional distinction between 'primary' and 'secondary' sources has been employed in the compilation of the following bibliographical materials, though I have chosen to include within the former category works which are sometimes placed in the latter. In particular, I have included under primary sources not only memoirs and autobiography but also books and articles by persons who, at the time of publication, had earlier held, were currently in the enjoyment of, or were to assume, some sort of official position (i.e. in government or in a government agency, such as the NCB or the SAAEB) during the 1951-1964 period. I have done this because there would seem to be no justification for including, for example, Anthony Eden's memoirs under 'primary' sources and his article 'Britain in World Strategy', Foreign Affairs, Vol. 29, Apr. 1951, under 'secondary' sources when, since he was so shortly to become Foreign Secretary once more and, subsequently, Prime Minister, the article is as clearly the product of the thought of an 'insider' as the memoirs. In fact, since memoirs are usually written at some distance from the events which they concern (Eden's actually, are a bad example in this respect, Macmillan's a better one), and usually with a view to self-justification (Eden's here are the more illustrative), more contemporaneous and topic-specific works by 'insiders' are clearly no less reliable and often more informative in the primary sense.

Given the existence of the thirty years rule on the release of official records in Britain, the contemporary historian has, in any case, no alternative but to place heavy reliance on accounts such as these. In the light of Richard Crossman's revelations about the writing-up of Cabinet minutes, however, this reliance is perhaps not, after all, such a weakness (see R.H.S. Crossman, The Diaries of a Cabinet Minister, Vol. One/ London: Hamish Hamilton and Jonathan Cape, 1975, pp.103-104 and pp.198-199).

Official histories are recorded under 'Secondary Sources' but are marked by an asterisk against the author's name.

PRIMARY SOURCES

## 1. Newspapers:

The Chatham House Press Library was used extensively for the excellent access which it provides to the contemporary press. Amongst the British newspapers used were The Times, The Sunday Times, The Daily Telegraph, The Sunday Telegraph, The Guardian, The Observer, The Financial Times, The Scotsman, The Morning Star, The News Chronicle and The Daily Express; amongst American ones, The New York Times and the Christian Science Monitor; and amongst South African ones, The Johannesburg Star, The Cape Times and the South African Press Digest.

The Times Weekly Review, including a selection of the more significant reports, features and leaders of the previous weeks' Times, was also employed.

## 2. Periodicals:

The most frequently drawn upon under this heading were The Economist, The Banker, The Board of Trade Journal, The Times Review of Industry, Samuel Montagu & Co.'s Annual Bullion Review, Atom, Barclays Bank Review and The Midland Bank Review.

## 3. House of Commons Debates ('Hansard'), passim; in endnotes referred to as 'HCDeb'.

4. South African Parliament, House of Assembly, Debates, passim; in endnotes referred to as 'SA House of Assembly Deb.'5. I.M.F. Board of Governors, Summary Proceedings, passim.

## 6. United Nations documents:

Official records of the General Assembly's Plenary Sessions, A/PV, passim; the General Assembly's Fourth Committee (Trusteeship), A/C, passim; the General Assembly's Special Political Committee, A/SPC, passim; and of the Security Council's proceedings, S/PV, passim.

## 7. Published official papers and reports:

UK Treasury, Economic Survey, passim.

South Africa Yearbook, passim.

N. Mansergh (ed.) Documents and Speeches on Commonwealth Affairs, 1952-1962, (London: OUP for R.I.I.A., 1963).

UK Atomic Energy Authority, Annual Report, passim.

Cmnd. 9391, Feb. 1955, Statement on Defence.

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Cmnd. 9520, July 1955, Exchange of Letters on Defence Matters between the Governments of the United Kingdom and the Union of South Africa, June 1955.

Cmnd. 124, Apr. 1957, 1957 Defence White Paper.

Cmnd. 827, Aug. 1959, Committee on the Working of the Monetary System: Report (Radcliffe Report).

Cmnd. 2798, 1965, Fuel Policy.

Cmnd. 4107, July 1969, Report of the Review Committee on Overseas Representation, 1968-1969 (Duncan Report).

## 8. Statistical Material:

General: Annual Abstract of Statistics; IMF, Balance of Payments Yearbook; IMF, International Financial Statistics and esp. 1972 Supplement; Mineral Resources Division/Overseas Geological Surveys, Statistical Summary of the Mineral Industry; Annual Bullion Review; SA Reserve Bank, Quarterly Bulletin of Statistics (until 1963), thereafter simply Quarterly Bulletin; SA Reserve Bank, 'A Statistical Presentation of South Africa's Balance of Payments for the period 1946 to 1970', supplement to QB, Mar. 1971; SA Reserve Bank, 'A Statistical Presentation of South Africa's National Accounts for the period 1946 to 1970', supplement to QB, June 1971; United Kingdom Balance of Payments Accounts; UN, Statistical Yearbook.

Trade: Annual Statement of the Trade of the United Kingdom, Vols. II, III and IV (this is by far the most detailed source available on Britain's bilateral trading relationships during this period); Commonwealth Economic Committee, Commonwealth Trade; Report on Overseas Trade; Monthly Overseas Trade Accounts of the United Kingdom; GATT Secretariat, International Trade (Geneva); UN, Yearbook of International Trade Statistics; FAO, Commodity Review.

Overseas Investment: There are three primary sources of statistics on overseas investment as far as Anglo-South African relations during the 1951-1964 period are concerned: those published by the Bank of England, the British Board of Trade, and the SA Reserve Bank. The strengths and weaknesses of each of these sources is demonstrated in Tables 18 and 21(a) in Appendix B. What follows, therefore, is simply a record of the most relevant publications.

Bank of England:- In 1950 the Bank published a supplement to its Annual Report entitled 'United Kingdom Overseas investments, 1938-48', which brought up to date a series begun in the inter-war years by Lord Kindersley and which had hitherto been published in the Economic Journal. Thereafter, subsequent years were dealt with in further supplements to the Bank's Annual Report until 1960, which brought the series complete up to 1957. In 1960 itself, however, the Bank drastically curtailed the scope and the nature of its published results (though it continued its survey of portfolio investment flows), cutting out, in particular, the publication of country detail. Fortunately, the June issues of its Quarterly Bulletin continued to provide some random country detail and this gave figures on Britain's earnings from portfolio investments in South Africa up to and including 1963. After this year, however, the Bank ceased publication of the results of its survey altogether on the grounds that the official UK Balance of Payments Accounts were by then publishing more accurate global totals. They clearly were but not with country detail! Since the Board of Trade's survey only covered direct investments overseas, this meant that published information giving country detail of Britain's overseas portfolio investments was no longer available after 1963. The Bank's partly inaccurate and less plausible account of this discontinuation is given in its Quarterly Bulletin, June, 1965, p.156. The Bank refused a personal request for more country detail on portfolio flows and assets for the early and mid-1960s (though it admitted possessing it); shortly thereafter I was declared persona non grata in the Bank's Library and thus prevented, also, from looking at its extremely comprehensive collection of South African economic and financial periodicals and journals.



Board of Trade:- The Board of Trade began its progressively more detailed survey of British direct investment overseas in 1958, conducted by periodic inquiries to British companies and supplemented by estimates based on sampling techniques in the intervening periods. The results were published in The Board of Trade Journal at irregular intervals. For assets, see: BTJ, Jan. 26, 1968, 'Book values of overseas investments' and BTJ, Sept. 23, 1970, 'Book values of overseas direct investment'. For flows, see: BTJ, Apr. 19, 1963 and June 30, 1967. These were the principal sources employed; for other references, see footnotes to Tables in Appendix B.

SA Reserve Bank:- In 1956 the Reserve Bank conducted its first 'Census of Foreign Assets and Liabilities in the Union of South Africa', repeated the process in 1959 and, with the exception of 1961, annually thereafter. The results were published in its Quarterly Bulletin of Statistics (QB after 1963) as follows:

End-Yr.	Source	Detail
1956	<u>QBS</u> , Dec. 1958	Country data; direct and portfolio and by industry.
1959	<u>QBS</u> , Sept. 1960	Country data; direct and portfolio.
1960	<u>QBS</u> , Dec. 1961	- - - - - and by industry.
1962	<u>QBS</u> , Dec. 1963	Country data; direct and portfolio.
1963	<u>QBS</u> , Dec. 1964	- - - - -
1964	<u>QB</u> , Sept. 1966	- - - - -
1965	<u>QB</u> , Sept. 1967	- - - - -
1966	<u>QB</u> , June 1968	- - - - -
1967	<u>QB</u> , Sept. 1969	Regional data only (e.g. no 'UK', only 'Sterling Area'); direct and portfolio.
1968	<u>QB</u> , June 1970	- - - - -
1969	<u>QB</u> , Sept. 1971	- - - - -
1970	<u>QB</u> , Sept. 1972	- - - - -
1971	<u>QB</u> , Mar. 1973	- - - - -

The decision of the SA Reserve Bank in 1969 to stop publishing country detail on overseas investments in the Republic (wherein lie echoes of the Bank of England's similar decision seven years earlier) is probably not unconnected with the establishment of the UN's Unit on Apartheid in 1966 and, more especially, with the passage of the General Assembly resolution of Dec. 13, 1967, which requested the Secretary-General "to publish periodically information on economic and financial relations between South Africa and other States" (see UN Dec. ST/PSCA/SER.A/11, 'Foreign Investment in the Republic of South Africa'). In fact, of course, the Unit on Apartheid has subsequently marshalled much of the data produced from the above three primary sources in more summary form. See the various editions of 'Foreign Investment in the Republic of South Africa': ST/PSCA/SER.A/1 (New York, 1967).  
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