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An Overview of American Corporate  
Investments in Namibia

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AN OVERVIEW OF  
AMERICAN CORPORATE INVESTMENTS  
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A Paper Presented to the United Nations Seminar on the Role  
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### THE ROLE OF UNITED STATES TRANSNATIONAL CORPORATIONS IN NAMIBIA

American commercial interests are by no means newcomers to Namibia. In fact, Americans have been exploiting Namibia's resources from a time predating the American Revolution in the 1770s. By the 1820s United States commercial involvement had become significant enough to warrant proposals for American colonization of Namibia. While these schemes failed to attract a consensus among government policymakers, U.S. private interests continued to invest in the southwest African territory. Today, American transnational corporations play an influential economic role in South Africa's persistent illegal occupation of Namibia.

This paper reviews the history of American commercial interests in Namibia, and analyzes the types of U.S.-based transnational corporations that have come to invest and trade with Namibia. In brief, we will explore what role American transnational corporations have played in the maintenance of South African rule over Namibia, and assess the impact U.S. transnationals have in the current state of the Namibian economy. Furthermore, we will discuss the political implications represented by these investments regarding the U.S. Government's leadership in the negotiations aimed at resolving the Namibia dispute.

#### Historical Overview

America's initial commercial interest in Namibia centered on the territory's prolific whale stocks. From the 1760s through the 1780s

New England whalers were competing with Great Britain for control over Namibia's whale stocks from which oil was derived for use in street lighting, paints, lubricants, and tanning hides. By the 1820s American whalers came to dominate the whale resources off the coast of Namibia and were establishing significant inroads into the mineral and cattle markets on the mainland.

In the 1820s proposals were offered in the U.S. to colonize Namibia. Benjamin Morrell appealed to the U.S. Government to support his colonial scheme for Namibia, arguing

There can be no doubt that a vast field for commercial enterprise remains to be developed in this part of Africa ...I ardently hope and trust that my country will be the first to engage in exploring this interesting region of the World and open its boundless riches to her adventurous sons. I for one, should glory in leading the way, being perfectly willing to encounter all personal hazard which might attend a solitary pilgrimage across the Continent, for the purpose of opening a permanent and lucrative trade with different tribes and nations.<sup>1</sup>

The U.S. Government refused to directly encourage the colonization of Namibia yet they offered no interference to Americans wishing to exploit Namibian resources. By the 1840s Americans had rendered extinct Namibia's whaling stocks and, largely because of the trade in hides, American trade with Namibia and South Africa became second only to Great Britains.<sup>2</sup> Even after Germany formally colonized Namibia in the 1880s U.S. commercial interests continued to be active in Namibia, especially in the copper industry. By the end of German colonization the United States accounted for 7% of all exports from Namibia, second only to Germany's 82%.<sup>3</sup>

### U.S. Transnationals in Namibia

The transfer of political control over Namibia to South Africa during World War One heralded a new age for American commercial interests in the southwest African territory. In particular, it was during this period that U.S. transnational corporations first began trading in Namibia. The initial penetration of the Namibian economy was by U.S. transportation corporations - automobile firms such as General Motors, Ford, and Chrysler, and shipping companies such as Farrell Lines and Robin Lines (see Appendix One). These transportation enterprises operationalized a means of trade with which to facilitate further economic expansion into Namibia by other U.S. transnationals.

The next American industry entering Namibia was the fashion fur trade. Karakul, or "persian lamb" as they are marketed in the U.S., has been produced in Namibia since the early 1900s when German colonialists began importing karakul sheep from Russia. But after South Africa took control of Namibia, Americans assumed an instrumental role in the development of this industry. During this time the American fur trade was dominated by individual fur traders or partnerships. Foremost of the American fur traders in Namibia was Georg Geronimus who first introduced direct marketing of karakul from Namibia to the United States in the 1920s. Geronimus also pioneered the production of grey karakul in Namibia whose export market the U.S. continues to dominate.<sup>4</sup>

Immediately after World War Two U.S. transnational corporations began to directly invest in the mineral resources of mainland Namibia. The first American company to establish production facilities in Namibia was the Tsumeb Corporation, a business syndicate controlled by two U.S. transnationals, Newmont Mining Company and American Metal Climax. Control over

the Tsumeb Corporation's four million shares have changed only slightly since the company's establishment in 1947, primarily due to the fact that Tsumeb is a private company whose shares are not publicly traded. Current shareholder ownership is illustrated below.

Shareholder Control of Tsumeb Corporation

Shareholder	Nationality	% Control
Newmont Mining Corporation	U.S.	29.6
American Metal Climax (AMAX)	U.S.	29.6
Selection Trust Ltd.	U.K.	14.2
O'Okiep Copper Co.	U.S.	9.5
Union Corporation	S.A.	9.4
South West Africa Co. Ltd.	U.K.	2.4
De Beers	S.A.	2.4
Others shareholders		2.9

Sources: Barbara Rogers, Foreign Investment in Namibia (New York: U.N. Council for Namibia, 1975), p. 18; Financial Mail, April 9, 1965, p. 102.

The Tsumeb mine has been Newmont Mining's most profitable operation, and according to one source, "No mine...ever returned so large a cash flow for such a relatively small investment."<sup>5</sup> The annual average rate of return on the original investment has been estimated at 347.79% for every year during 1954-1974.<sup>6</sup>

Other U.S. transnational corporations joined Tsumeb in directly investing in Namibia's mining sector after World War Two. Bethlehem Steel Corporation was the most active U.S. steel company to invest overseas, and their involvement in Namibia formally was initiated in 1952 when the Administration of South West Africa granted Bethlehem Steel a Deed of Grant to prospect in six areas of Namibia. In one of these areas near Kaokoveld some 500 million tons of medium to high grade iron ore was located, but

production was not carried out since it would have required the building of a mining community, a railway, and an Atlantic harbor at Mowe Bay.<sup>7</sup> The resource is now held as a minerals claim by Desert Finds (Pty) Ltd.

The early 1950s also saw the introduction of U.S. fishing companies to Namibia. These companies, such as Del Monte and Star Kist, were less inclined to directly establish manufacturing facilities at Walvis Bay. Rather, these California fishing interests sold their processing equipment to local manufacturers and then purchased the finished product on a consignment basis. This system functioned well through the 1960s and 1970s with nearly a dozen different brands of Namibian sardines being distributed in the U.S. in the mid-1970s.

The last major economic sector to enter Namibia was the offshore mining industry. In the early 1960s there was a concerted effort by U.S. transnationals engaged in petroleum and diamond mining to prospect for these desopits on Namibia's coast. Those U.S. transnationals exploring for diamonds, namely Getty Oil Company and Marine Diamond Corporation, were much more successful than their petroleum-seeking counterparts, although transnationals such as Mobil Oil and Caltex have done quite well in the marketing and distribution of petroleum and petroleum products in Namibia.

#### Contributions to the Illegal Occupation

In 1966 the U.N. General Assembly revoked South Africa's mandate over Namibia, and the U.N. Council for Namibia assumed responsibility over the territory. One might have expected that this diplomatic milestone would have resulted in fewer transnational corporations becoming interested in trading with Namibia but just the opposite occurred. Beginning in 1967

the number of U.S. transnational corporations engaged in Namibian trade began to proliferate, and this corporate interest in Namibia was sustained even after the 1971 International Court of Justice decision ruling all commercial contracts with the South African-administration in Namibia to be null and void. The most recent phase of corporate involvement consists of U.S. transnational subsidiaries based in South Africa establishing retail or marketing outlets in Namibia during the 1970s. This trend would suggest a relative overdevelopment of the South African consumer market by these U.S. transnational corporations.

Altogether, about 150 U.S. transnational corporations have been involved in some manner of trade in or with Namibia in the past sixty years; approximately 130 of these transnationals trade in Namibia today. Of these, however, only about 35 have a direct presence in Namibia.<sup>8</sup> Most of the other corporations offer their products in Namibia from their sales outlets in South Africa. Still others, such as Engelhard, Buell Engineering, International Minerals and Chemicals Corporation, Tri-State Nuclear Inc., and Danson Oil have indirect or minority investments in Namibia which are controlled by other transnational corporations.

Of the 150 U.S. transnational corporations trading with Namibia over the past decades, over 70% entered Namibia after the 1966 termination of the South African mandate. Less than 10% of these U.S. transnational corporations have withdrawn since the 1971 World Court decision and most of these were petroleum companies which were unsuccessful in discovering significant oil resources. Only two American companies ceased operations in Namibia as a result of direct intervention by the U.S. Government.



Weatherby Inc. of California terminated rifle sales to Namibia in 1974 following a ban on these sales by the U.S. Department of State. This ban followed reports that white farmers in Namibia had been using the rifles as part of their semi-official militia organized against SWAPO. The other U.S. company forced to cease its trade with Namibia was the Fouke Company of South Carolina which was denied a license by the U.S. Department of Commerce in the mid-1970s to import Namibian seal skins since the slaughter of these seal skins violated the U.S. Marine Mammals Protection Act of 1972. It should be noted, however, that the Commerce Department acted on this application only after legal motions were filed by the Congressional Black Caucus and the Lawyers Committee for Civil Rights Under Law.

Most of the attention devoted to U.S. transnational corporate involvement in Namibia has centered on the larger mining concerns, such as the Tsumeb Corporation, which employ thousands of Namibians and provide millions of dollars in taxes to the South African administration occupying Namibia. The U.S. transnationals engaged in the wholesale and retail trades, although more numerous and possessing more widespread name recognition, have not received the same notoriety in the broader literature. Yet, in the face of a worsening depression in the Namibian economy U.S. transnational corporations involved in the wholesale and retail trade are playing a more important role in the overall economy of Namibia. As the following chart indicates, the contribution of mining to the Namibian GDP has dropped considerably since 1980 while the wholesale and retail trades increased their share of the GDP during the same period.

NAMIBIA GDP

At Constant 1975 Prices (Rm)

Economic Sector	1980	1981
Agriculture & Fishing	78.6	74.1
Mining & Quarrying	241.9	212.1
Manufacturing	32.4	33.2
Electricity & Water	10.0	13.6
Construction	22.9	26.4
Wholesale & Retail Trade	97.3	102.3
Transport & Communication	48.4	55.3
Finance, Insurance, etc.	49.8	46.3
Community, Social Services	10.5	11.2
General Government	79.6	103.8
Other producers	27.8	28.5
GDP AT FACTOR COST	699.2	706.8

SOURCE: Department of Finance, Namibia/SWA

The contribution of the mining sector to the Namibian GDP is expected to decrease even further during the next year. Tsumeb has acquired the Johannesburg Consolidated Investment's mine at Otjihase and has inherited, consequently, JCI's losses at this mine. It is not clear whether Tsumeb contributed any taxes to the South African administration in Namibia for 1981. In July 1982 Tsumeb announced production cuts and a freeze on hiring at its Tsumeb mine. These conditions are likely to persist considering copper prices are now depressed to the levels of thirty years ago.

Other sectors of the Namibian economy also are severely depressed. Consolidated Diamond Mine's anticipated tax bill for 1983 is only R30 million, compared to R124 million in 1982. Karakul prices and production levels have fallen, and the July 1982 auction of SWAKARA karakul was cancelled due to an insufficient number of pelts. The giant Rossing uranium mine begins paying tax this financial year but most of its sales are on long-term contracts which will delay state revenues. Agriculture

is suffering from a continuing drought, and the fishing industry is showing only a slight recovery from the pilchard depletion of the late 1970s. Manufacturing has been adversely affected by these economic downturns and is threatened further by the South African Government's policy of encouraging the development of Walvis Bay; current programs offer enterprises that invest in Walvis Bay a 40% rail rebate, employment incentives up to 80% of their wage bill, and relocation allowance. Tourism in Namibia is down 50% from 1981 levels. Some of this drop-off is due to inflation which, although running at 16.2% over the past two years, actually represents a compounded rate of 100% over the past six years.

The only sector of the Namibian economy recording great increases is in general government expenditures which currently stands at 37% of GDP. Much of this spending, however, goes to the military. South Africa contributes R450 million to government spending in Namibia (or nearly half of Namibia's budget) but with South Africa spending R1 million a day on the war against SWAPO it is estimated that the R450 million subsidy only balances the capital drain back to South Africa. The 1982-83 budget for Namibia is R839,591,000 which is equal to 3% of South Africa's own budget, and is a smaller budget than that of South Africa's larger cities. This budget represents an increase of 2.7% over last year but in real terms, given the rate of inflation, this represents a drop of 13%. Domestic revenues in Namibia are expected to be R50 million less than last year, despite a 10% surcharge on individual income tax and a 5% impost on companies.

The consumer market in Namibia also faces increasing hardship due to massive emigration of whites from the territory. The white population in Namibia has dropped 26% from 90,658 in 1970 to 71,530 in 1981. With taxes increasing, it is expected that the consumer market will experience further deterioration.

It is in this context that we can appreciate the contribution of U.S. transnational corporations to South Africa's ability to finance its occupation of Namibia. On the one hand, transnational corporations provide much-needed taxes to the South African administration in Namibia, the absence of which would force the South African Government to increase its subsidies to its regime in Windhoek. On the other hand, a complete withdrawal of transnational corporations from the territory might leave an independent Namibia without substantial financial resources that now constitute an important part of its economy. This would force an independent Namibia to seek alternative capital markets with which to finance their own civil administration and could increase Namibia's dependency on these sources of aid.

We have reached a point in the struggle for Namibian independence where transnational corporations are feeling the economic pinch of South Africa's costly occupation of Namibia. Just last month the new executive director of the Rossing uranium complex proclaimed that his company would welcome a quick settlement to the Namibian conflict.

Presently, U.S. transnationals in Namibia are not as affected by increasing taxation by South African authorities. Taxes paid to South Africa can be deducted from U.S. corporate income tax. Consequently the American public is indirectly bearing the cost of South Africa's

illegal occupation of Namibia. In addition to these indirect expenditures the U.S. Government continues to subsidize those U.S. transnational corporations which extend shipping services to Namibia. Since the 1971 World Court ruling barring such government assistance, the U.S. Government has provided approximately one billion dollars in operating-differential subsidies to Farrell Lines, Moore McCormack, and the Lykes Corporation. Moreover, it is important to note that South African expenditures to occupy Namibia are derived from sources internal to South Africa, including taxes from U.S. transnational corporations based in the Republic. In short, the financial contribution alone of U.S. transnational corporations in Namibia and South Africa, as well as the U.S. Government itself, play a significant and strategic role in South Africa's ability to illegally occupy Namibia.

#### The Political Implications

Clearly the United States is not a neutral observer in the process leading towards Namibian independence. The U.S. Government and its transnational corporations continue to violate international law in order to provide the financial and technological support South Africa needs to maintain its occupation of Namibia. At the same time the U.S. Government has taken upon itself the task of orchestrating a negotiated settlement to the Namibian conflict. The outcome of these negotiations has been, thus far, an extended postponement of Namibian independence, an accumulated exploitation of Namibia's economic resources, and prolonged suffering of the Namibian people. If the United States was serious about mediating the Namibia dispute it could threaten to use its economic

resources in white-controlled southern Africa to effectuate political change in Namibia. An American threat to comply with international law would, in itself, constitute substantial pressure on the South African Government to end its control of Namibia.

A failure by the United States to force South Africa to end its occupation of Namibia only invites the most undesirable of alternative resolutions to the conflict. Either SWAPO will win a guerrilla war of attrition against South Africa, or the United Nations may be forced to implement the collective security provisions of its Charter to directly challenge South Africa's authority over Namibia. Both of these alternatives increase the human costs of Namibian independence and increase the opportunities for superpower involvement in southern Africa.

Now is the time for the United States to show faith in the negotiations to terminate South Africa's rule over Namibia. The United States must prove that a resolution to the Namibia conflict does not require an end to the reliance on U.S. leadership in the negotiation process.

FOOTNOTES

1. Eric Rosenthal, "Early Americans in South West Africa," South West Africa Annual, 1972, pp. 25-27.
2. Alan R. Booth, The U.S. Experience in South Africa 1784-1870 (Cape Town: A.A. Balkena, 1976), p. 89.
3. Peace Handbook: German African Possessions (Wilmington: Scholarly Resources, 1973), p. 92.
4. "Romance Brought and Perseverance Develops a Distinctive Breed: The Grey Karakul," South West Africa Annual, 1948, p. 109.
5. See Barbara Rogers, Foreign Investment in Namibia (New York: U.N. Council for Namibia, 1975), p. 18.
6. Ibid.
7. Ibid, p. 26.
8. These companies include Tsumeb, Bethlehem Steel, Nord Resources, Phelps Dodge, Zapata Norness, Hanna Mining, Marcona, O'Okiep, Superior Oil, Getty Oil, Brilund Mines, Mobil Oil, Caltex, Union Carbide, Delaware Nuclear, Midwest Uranium, Southern Uranium, Tristate Uranium, Gulf Oil, U.S. Steel, Utah Mining, Hertz, Avis, Budget, Coca Cola, Pepsico, Goodyear, Singer, Caterpillar, Kodak, and International Harvester.

APPENDIX

U.S. COMPANIES IN NAMIBIA: DATE OF ARRIVAL & DEPARTURE

Company	Arrival	Departure
Farrell Lines	1925	---
Ford Motor Company	1928	--
General Motors	1920s	--
Chrysler	1930s	--
Moore McCormack	1933	--
Caltex	1937	--
Eastwood & Holt	1940	--
Hudson Bay	1940*	--
Fouke Co.	1940s	1975
Lykes Corporation	1941	--
Caterpillar	1941	--
Eastman Kodak	1942	--
General Electric	1945	--
Tsumeb Corporation	1947	--
American Motors	1947	--
Pan Am	1947*	n/a
Goodyear	1947	--
Johnson & Johnson	1947*	--
Wilbur Ellis	1947	--
Richardson-Merrell	1950*	--
Allis Chalmers	1950*	--
Colgate Palmolive	1950*	--
J. Walter Thompson	1950*	--
Del Monte	1950*	--
Bethlehem Steel	1951*	--
IBM	1952	--
Uniroyal	1953*	--
Star Kist Foods	1954	--
Parker Pen	1954*	--
Quaker Oats	1956*	--
Coca Cola Company	1956*	--
Chase Manhattan	1958	--
Brilund Mines	1959*	--
Gaynor & Ducas	1960	--
Artnell	1960*	--
Texas Eastern	1961*	1964
Marine Diamond	1962*	--
Getty Oil	1963	--
Standard Oil of California	1963	--
Texaco	1963	--
Ocean Science & Engineering	1964	n/a
Gulf Oil	1965	--
Hertz	1966	--
Kennecott	1967	1969
Pepsico	1967	--



APPENDIX

(continued)

Company	Arrival	Departure
U.S. Steel	1969	--
Teledyne	1969	--
Avis	1970*	--
Nord Resources	1970	--
Ingersoll Rand	1971	--
Phelps Dodge	1971	--
Conoco	1972*	1974
Phillips Petroleum	1972*	1974
Aracca	1972*	1974
Budget Rent-A-Car	1973	--
Danson Oil	1973	--
Texasgulf	1973	--
Milford Argosy	1973	--
Bandag	1974	--
Mobil Oil	1976**	--
Holiday Inns	1976	n/a
Psycom	1976	n/a
Vinnell Corporation	n/a	1961
H. Merensky	n/a	1971
Woodford Oil	n/a	1971
Exxon	n/a	1971
Weatherby	n/a	1974
Gemstone	n/a	1976
Namib Safaris	n/a	1979
Lindblad Travel	n/a	--
Percival Tours	n/a	--
Trans-American Mining	n/a	--
Waterford Oil	n/a	--
Dodgen Oil	n/a	--
Zapata	n/a	--
Continental Ore	n/a	--
Engelhard	n/a	--
Hanna Mining	n/a	--
Marcona	n/a	--
O'Okiep	n/a	--
Superior Oil	n/a	--
Buell Engineering	n/a	--
Tri-State Zinc	n/a	--
Bien Trading	n/a	--
SCM	n/a	--
A & P	n/a	--
Atalanta	n/a	--
Vincente Puig & Coik	n/a	--
Vitarroz	n/a	--
Norwegian Fish	n/a	--
Consolidated Food Corporation	n/a	--
Transamerica	n/a	--
Boeing	n/a	--

APPENDIX

(continued)

Company	Arrival	Departure
Douglas Aircraft	n/a	--
Citibank	n/a	--
EABC	n/a	--
Royal Crown	n/a	--
Canada Dry	n/a	--
Firestone	n/a	--
General Tire	n/a	--
Singer	n/a	--
Black & Decker	n/a	--
3M	n/a	--
Westinghouse	n/a	--
Arthur G. McKee Inc.	n/a	--
Interspace	n/a	--
Burroughs	n/a	--
Galion Iron	n/a	--
National Cash Register	n/a	--
Valvoline	n/a	--
Oshkosh Trucking	n/a	--
Otis Elevators	n/a	--
Automated Building	n/a	--
Hoover	n/a	--
Burns & Jacoby	n/a	--
Bic Pen	n/a	--
International Harvester	n/a	--
Revlon	n/a	--
Cessna Aircraft	n/a	--
Gillette	n/a	--
Merriman & Finnerty	n/a	--
Continental Can	n/a	--
Schering-Plough	n/a	--
Textron	n/a	--
Union Carbide	n/a	--
Delaware Nuclear	n/a	--
Midwest Uranium	n/a	--
Southern Uranium	n/a	--
Tristate Nuclear	n/a	--
Utah Mining	n/a	--
Beechcraft	n/a	--
Bristol Myers	n/a	--
Borden	n/a	--
Chesebrough-Ponds	n/a	--
Olivetti	n/a	--
Hewlett Packard	n/a	--
Apple Computers	n/a	--
Computer Sciences	n/a	--
Sunbeam	n/a	--
American Express	n/a	--
Cummins Engine	n/a	--

APPENDIX

(continued)

Company	Arrival	Departure
Pioneer Western	n/a	--
Borg-Warner	n/a	--
Heublein Inc.	n/a	--
Sharp Electronics	n/a	--

Source: Allan D. Cooper, U.S. Economic Power and Political Influence in Namibia, 1700-1982 (Boulder: Westview Press, 1982)

- \* estimate
- \*\* date of incorporation in SWA/Namibia
- continues
- n/a not available