EDITORIAL

Crisis management

In February 1983, a major change in exchange control was introduced in South Africa with the abolition of the financial rand and with non-residents being allowed to freely repatriate invested funds.
In September 1983, a second change was introduced when gold mines were paid for their gold by the South African Reserve Bank in US dollars deposited in a foreign account, rather than in rands paid in South Africa.
In this editorial we look at the background to these moves and how they have affected South Africa's role in the global economy.

After the Second World War a major aim of economic and political decision-makers in the Western world has been to secure economic growth without the kind of *rivalry* among nations that ultimately led to global war in 1914, and again in 1939.

American capital and political leaders, having established a formidable position of strength after their victory in the latest war, have been the main proponents of global economic *integration.*

However, the emergence of the TNC as a major actor in the international economy has gradually weakened the nation-state (cf RMR Vol 1 no 3). To secure the politics of integration within the framework of a transnationalized world economy, political leaders in the West are increasingly relying on consensus-making in TNC-dominated, supra-national, organizations such as the Bilderberg Group and the Trilateral Commission.

The role of gold

Although it is no longer a reserve currency, regulating exchange relations on a world scale, gold still plays a very important role in the world economy, particularly in the economies of some of the major US allies. Most prominent of these is of course the Republic of South Africa (RSA). But the US also has close ties with the other major producers: Canada, Brazil, the Philippines and Australia (see table 1 p 6 in this issue of RMR).

Although gold prices have fallen from their all-time high of more than 800 USD/oz in 1980, gold production is still a very profitable activity:

> "A proportion of the more recent price weakness of gold in US dollars can be attributed directly to the strength of that currency against other major currencies. However, this depreciation against the dollar has resulted in a higher price for gold in these currencies. This is particularly true in the case of South Africa where the average price received by the gold mines during the third quarter of 1984 was a record R 536/oz."
> *(Mining Journal* 1985-01-11)

With the RSA receiving 98.6 per cent of all export revenues in USD, and with gold accounting for 74.22 per cent of total export revenues for minerals, the linkage between the US and RSA economies becomes obvious.

Gold and dollars – winners and losers

The main loser of the strong dollar is the North American gold mining industry. Most mines in the US need a gold price of 400–450 USD/oz to break even.

The winners are, as we have seen, the gold mining TNCs in South Africa. Tables 2–4 on pages 7–9 in this issue of RMR give a clear picture of this development. The Anglo American Corporation of South Africa (AAC) is not only the undisputed leader of the South African gold mining industry, it is also a strong force in the political economy of Southern Africa and an important partner in the long term strategies of the Western Alliance. To the policy makers in Washington the key role played by the AAC in the global politics of integration most certainly outweighs the negative effects of a close cooperation with a TNC, which is both profitably working within the apartheid system and expanding globally, thus developing into a major threat to the US gold mining industry. Talking to the Chicago Council of Foreign Affairs (1983- 03-30) Harry Oppenheimer, then chairman of the AAC, gave his view of this relationship:

> "A significant and positive part has to my mind been played by the Reagan administration's policy of constructive engagement. It has given South Africa a new chance and some breathing space."

Thus two seemingly contradictory effects of the strong dollar have been subordinated, at least temporarily, to the politics of global integration. ■