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# THE ACTIVITIES OF TRANSNATIONAL CORPORATIONS IN THE INDUSTRIAL, MINING AND MILITARY SECTORS OF SOUTHERN AFRICA

## Report of the Secretariat

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ANNEX



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## INTRODUCTION

1. At its fourth session, the Commission on Transnational Corporations took note of the report prepared by the Centre on Transnational Corporations on the impact on financial and social structures of the activities of transnational corporations in southern Africa. 1/ In a resolution that it adopted at that session, the Commission, inter alia, instructed the Secretariat to continue research on the activities of transnational corporations in South Africa, Namibia and Southern Rhodesia/Zimbabwe. The Commission also requested the Centre to prepare an in-depth study on the extent of collaboration of transnational corporations in the industrial, mining and military sectors. In addition, the Commission requested a list of transnational corporations which recognize and negotiate with non-white and multiracial trade unions as well as those which do not recognize such trade unions. 2/ The present report is in response to the above request.

2. The report contains three chapters and an annex, which are preceded by a brief review of United Nations activities relevant to issues raised in this report. The first chapter describes recent patterns and trends of direct foreign investment in South Africa, Namibia and Southern Rhodesia/Zimbabwe. Included in this chapter are summaries of economic, political and statutory developments relevant to transnational corporations with subsidiaries in these countries. This chapter also describes the activities of transnational corporations in strategic industries in South Africa. The second chapter describes the involvement of transnational corporations in the mining industry and assesses the importance of these industries to the host countries and the rest of the world. In the third chapter, the role of transnational corporations in the military sector of South Africa is considered. The annex is preceded by an essay on trade union recognition which clarifies the discussion of individual transnational corporations' policies.

### Recent United Nations actions

3. The year beginning 21 March 1978 was proclaimed International Anti-Apartheid Year by the General Assembly. 3/ During this year, the specialized agencies and other organizations of the United Nations have continued to seek solutions to the problems arising from white minority rule in southern Africa. 4/ The activities of

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1/ United Nations document E/C.10/39.

2/ Commission on Transnational Corporations, Report of the fourth session, Official Records of the Economic and Social Council, 1978, Supplement No. 12, (E/C.10/43).

3/ A/Res/32/105B.

4/ See document A/33/109 for the report on actions taken in this regard by specialized agencies and international institutions associated with the United Nations.

transnational corporations operating in South Africa, Namibia and Southern Rhodesia/Zimbabwe have been a particular concern. 5/

4. During its thirty-third session, the United Nations General Assembly adopted a number of resolutions which identify some activities of transnational corporations in southern Africa as a form of collaboration with the régimes of that area, pointing up, in particular, the nuclear and military assistance provided by corporations and some States. 6/ Resolutions concerning southern Africa, in general, condemned foreign economic interests which provide support, particularly in the nuclear and military field, to the authorities of South Africa, Namibia and Southern Rhodesia/Zimbabwe. Resolutions pertinent to the topics in this report, concerning South Africa specifically, requested mandatory economic sanctions and a mandatory oil embargo, called for an end to military and nuclear collaboration with the South African Government, and requested a Security Council resolution to prevent South Africa from developing nuclear weapons. Resolutions concerning Namibia called for comprehensive economic sanctions and an end to all co-operation with and assistance to the South African Government. Resolutions concerning Southern Rhodesia/Zimbabwe condemned the violations of United Nations mandatory sanctions, called for effective measures against those Governments and international companies responsible for supplying Southern Rhodesia/Zimbabwe with petroleum and petroleum products, and requested a mandatory oil embargo against South Africa, which has acted as a conduit for illegal shipments of oil. 7/

5. In addition, the Economic and Social Council adopted a resolution urging all transnational corporations and investment institutions not to recognize, co-operate with, or assist any measures undertaken by apartheid régimes to exploit human, natural or other resources, or the wealth and economic activities of the people of these countries. 8/ The Commission on the Status of Women adopted

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5/ For summaries of the role of foreign economic interests in South Africa, Namibia and Southern Rhodesia/Zimbabwe, see: Report of the Special Committee against Apartheid, General Assembly, Official Records, Thirty-third Session, Supplement No. 22 (A/33/22); Report of the United Nations Council for Namibia, Official Records of the General Assembly, Thirty-third Session, Supplement No. 24 (A/33/24), Vol. I; Committee on the Situation with Regard to the Implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples, Document A/33/23 (Part III); Martin Bailey and Bernard Rivers, "Oil Sanctions against South Africa", Notes and Documents, U.N. Centre against Apartheid, June 1978; Centre on Transnational Corporations, "Activities of Transnational Corporations in Southern Africa: Impact on Financial and Social Structures", March 1978 (E/C.10/39); Commission on Human Rights, United Nations document E/CN.4/Sub.2/415.

6/ In particular, see: A/Res/33/23, A/Res/33/40, A/Res/33/44 (Southern Africa); A/Res/33/183 A-O (South Africa); A/Res/33/182 A, B and C (Namibia); and A/Res/33/38 A and B (Southern Rhodesia).

7/ See paras. 91-96 of the present report.

8/ E/Res/1978/72.

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a resolution condemning the activities and practices of transnational corporations in South Africa which contravene pertinent United Nations resolutions. 9/

6. During 1978, the Security Council took action on all three countries considered in this report. The issue of realizing independence for Namibia was, however, the major concern. A resolution calling for free elections in Namibia which would be supervised by the United Nations, was adopted. 10/ The United Nations Transition Assistance Group is currently preparing to implement this resolution.

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9/ E/CN.6/L.744/Rev.2.

10/ United Nations Security Council resolution 435 (1978).

# Chapter I

## RECENT DEVELOPMENTS IN THE ACTIVITIES OF TRANSNATIONAL CORPORATIONS

### A. Introduction

7. The control of three countries in southern Africa - South Africa, Namibia and Southern Rhodesia/Zimbabwe - by minority white régimes continued to be a central issue in international politics during 1978. Foreign economic ties, including investment, trade and loans between these and other countries, are under increasing scrutiny and, often, strong criticism by Governments, international agencies and non-governmental organizations. Several transnational corporations have responded by re-evaluating their interests at home and abroad in light of current political and economic developments in southern Africa.

### B. Republic of South Africa

#### 1. Overview

8. The role of TNCs in South Africa is closely related to South Africa's international position and domestic economic structure. The international position of South Africa has been defined largely by its reliance on major developed market economies and its dominance in the southern African region. The pattern of dependency and regional strength can be seen in the structure of South Africa's foreign trade. Approximately 60 per cent of South African trade is with the developed market economies, from which manufactured goods are imported and to which raw materials are exported. South Africa's exports to developing countries consist mainly of manufactured goods and processed raw materials. This pattern has started to change with the industrialization of the country, but is still prevalent.

9. Industrialization in South Africa has advanced to the stage where many capital goods are produced locally by South African firms and by subsidiaries of TNCs. An important feature of the process of economic development in South Africa has been the import of foreign capital and technology, in many cases through the subsidiaries of TNCs.

10. Because South Africa is in conflict with the great majority of members of the international community, the Government has attempted to strengthen its economy and reduce its dependency on foreign inputs. The attempt to enhance independence and minimize the potential for external influence through various legislative and administrative measures is a recurrent theme in this report.

11. There is little sign that TNCs are decreasing their investment in South Africa. A few firms have sold or reduced their holdings, but others have expanded or newly entered the market. In general, the trends of direct foreign investment in

South Africa during the 1970s do not differ significantly from world-wide patterns: the levelling off of new investment in South Africa in the last few years parallels a general decline in the growth of direct foreign investment.

12. The South African economy has experienced a moderate recovery in 1978 from the three previous years of recession. Real gross domestic product (GDP) in the first three quarters of 1978 was approximately 2 1/2 per cent higher than during the corresponding period in 1977. In each of the three previous years the annual growth rate in real GDP had declined. Official figures show that unemployment in the non-agricultural sectors declined for all racial groups during the first half of 1978. 11/ Other sources dispute the decline in unemployment for Africans. 12/

13. A chronic deficit in the balance of payments was turned into a surplus in 1977. Further improvement on the current account in the first three quarters of 1978, in large part due to the high price of gold, has increased the surplus in the basic balance. The net outflow of capital in the first three quarters of 1978, however, was much higher than for the corresponding period in 1977. The increase in net outflow of long-term capital was particularly sharp. 13/

14. In addition to the net outflow of capital, the South African economy faces the prospect of severe strain should its supply of oil be restricted. 14/ Another factor which may limit recovery is the emigration of skilled workers. In 1977, for the first time in 18 years, more whites left South Africa than immigrated. In the first seven months of 1978, net emigration exceeded that of the entire year in 1977. 15/

15. The political scene within South Africa has been marked by divisiveness within the ruling party and by a regrouping of black opponents of *apartheid*. Since John Vorster resigned as Prime Minister in September 1978, the Nationalist Party has been in turmoil caused by allegations of the misuse of public funds and power struggles within the Nationalist Party. Challenges to *apartheid* by blacks

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11/ South African Reserve Bank, *Quarterly Bulletin*, December 1978, pp. 5-11.

12/ See *Financial Mail*, 11 August 1978, pp. 489-490; United States Department of Commerce, *Foreign Economic Trends and Their Implications for the United States: South Africa*, document No. 78-138, December 1978, p. 6.

13/ South African Reserve Bank, *op. cit.*, pp. 12-14.

14/ For a discussion of the implications of oil sanctions for the South African economy, see, Martin Bailey and Bernard Rivers, *op. cit.* and David M. Liff, "The Oil Industry in South Africa", *South African Review Service*, Investor Responsibility Research Center Inc., January 1979. The role of transnational corporations in South Africa's oil industry is discussed in paras. 50-58.

15/ See *Financial Mail*, 20 October 1978, pp. 201-202; and Economist Intelligence Unit, *Quarterly Economic Review of Southern Africa*, Second Quarter, 1978, p. 11.

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were quelled by the banning of all black consciousness organizations and the arrest and detention of their leaders in the fall of 1977. During 1978, however, new centres for political activity have formed, notably the Azanian People's Organization and the South African Black Alliance. 16/ Recent years have also seen a resurgence in the activities of the African National Congress and the Pan Africanist Congress, two black opposition groups banned in 1960. Guerrilla activity on the borders has escalated to clashes between the police and guerrillas inside South Africa. 17/

## 2. South African law and policy

16. Various policy measures recently adopted or considered by the South African Government to stimulate the economy and increase self-sufficiency in strategic sectors have direct consequence for TNCs. 18/ In the face of the continued net outflow of capital, the Government is examining existing obstacles to foreign investment. An easing of foreign exchange controls - especially regarding dividend repayments - and a widening of the type of transactions that could be carried out through the securities rand market are under consideration. 19/ Although these changes would facilitate the transfer of funds out of South Africa, they are meant to reassure investors that foreign capital will not be locked in the country.

17. In view of possible trade and/or investment sanctions against South Africa, authorities are encouraging the development of local industry in high technology and capital goods sectors. Local control of the electronics industry has a particularly high priority. One alternative for transnational corporations in such circumstances is to take on local partners. Such a move not only allows a transnational corporation to enjoy the advantages given to local firms 20/ but it also reduces its visibility, which is politically desirable for most parent companies, given the mounting criticism of economic ties with South Africa. Some TNCs have merged with local firms (see para. 37). Others argue, however, that selling more than 50 per cent of a subsidiary cuts the firm off from valuable know-how. 21/ Such access to advanced technology is deemed critical for South Africa to maintain its position in world trade for manufactured items.

18. The drive for import substitution was speeded up in 1978, with increased attention to local content. 22/ Local content regulations are not a new development

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16/ Economist Intelligence Unit Ltd., op. cit., p. 5.

17/ Financial Mail, 16 June 1978, pp. 886-887; 11 August 1978, pp. 485-486.

18/ See paras. 39-73 for a discussion of the role of transnational corporations in strategic sectors.

19/ Ibid., 21 July 1978, p. 191.

20/ See United Nations document E/C.10/39, paras. 15-20 for a discussion of the advantages of local ownership.

21/ Financial Mail, 14 July 1978, pp. 147-149.

22/ Minister of Finance, Budget Speech, March 1978.

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in South Africa; in 1960, a five-step local content programme in the motor industry was instituted, requiring local manufacturing of 90 per cent of the weight of each vehicle by 1980. 23/ In the pharmaceutical industry, where two thirds of the leading companies are foreign-owned, recommendations have recently been made for import replacement of active ingredients and for the development of local manufacture. 24/ Local content programmes do not in themselves discriminate against the transnational corporations operating in South Africa, but they do require transnational corporations to replace their traditional sources of supply, which diminishes one element of their competitive strength.

19. Three pieces of legislation recently adopted in South Africa may affect a subsidiary's relationship to its parent company and home Government. The Protection of Business Act. No. 99 of 1978 25/ considerably widens existing restrictions on the release of information by subsidiaries of TNCs in South Africa to persons outside the country. The legislation prohibits such subsidiaries from complying, without prior approval from the South African Government, with any orders from a source outside the Republic, including orders of parent companies, home Governments and foreign courts. Only requests for information that concern normal business may be answered without official approval. Official policy until now has been to grant permission for release of information to foreign affiliates only when the parent company controls more than 50 per cent of the subsidiary. It is not clear at the moment how the new legislation will be enforced. This law could possibly be applied to prevent all subsidiaries of TNCs from reporting on employment practices to their home Government. The Atomic Energy Act of 1978 and the Petroleum Products Act No. 120 of 1977 place similar restrictions on the release of information concerning nuclear and energy questions. 26/ They could also be used to prevent companies doing business in South Africa from complying with orders from their home Governments not to supply strategic matériel to official agencies in South Africa.

20. In summary, the South African Government is trying to steer a middle course between encouraging local industry while not discouraging transnational corporate investment. This strategy of promoting local industry, attracting foreign capital and technology and, at the same time, maintaining autonomy over economic decision making is similar to that followed by many developing countries. In the South African case, however, the issue is not so much to strike a balance between obtaining the advantages TNCs can offer and maintaining control over economic decision making: rather, South African policy must anticipate international isolation as the world community exerts pressure for abolition of *apartheid*.

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23/ See paras. 40-46 for a discussion of the local content requirements in the automotive industry.

24/ Report of the Steenkamp Commission prepared for the South African Government, 1978. In a speech by Economic Affairs Minister to the Cape Town Chamber of Commerce in June 1978, TNCs in the pharmaceutical, farm chemicals and lubricant additives industries were criticized for inhibiting the import substitution drive.

25/ *Statutes of the Union of South Africa* (Government Printer), 1978.

26/ *Ibid.*, 1977, 1978.

### 3. Actions by Governments

21. The increasing criticism of foreign economic interests in South Africa has prompted an official re-examination of policy by several industrial countries which have supplied capital and technology to South Africa. The position of most of these countries continues to be based on the premise that economic ties should be maintained as a means of promoting change in the *apartheid* system. None of South Africa's major economic partners has advocated withdrawal of foreign investment, although other Governments have recommended cessation or limitation of future investment by TNCs under their jurisdiction. Among the developed market economies, only the Swedish Government has announced plans to prohibit new investments in South Africa. 27/

#### a. Codes of conduct

22. The assumption that the presence of TNCs in South Africa can help to create a more just society underlies the enactment and implementation of codes of conduct for companies operating in South Africa. During the past year, previously adopted codes have been implemented, others have been expanded, and new codes have been created. None of the existing codes are mandatory, nor do they include penalties for non-compliance.

23. Some member Governments of the European Communities (EC) have specified guidelines for companies to report on their compliance with the code adopted by the EC Ministers in September 1977. 28/ EC member Governments are currently preparing reports based on the replies of their companies. In April 1978, the Canadian Government announced a code of conduct for employment practices of Canadian firms operating in South Africa which is similar to the code adopted by the EC Ministers. 29/ Companies based in Canada have been asked to make annual public reports, the first of which should be available by 31 March 1979. In Switzerland, a joint government-business committee has urged Swiss-based transnational corporations to adhere to the South African Employers' Code of Practice, 30/ described below, which is the least comprehensive of all the codes.

24. In related developments, the Sullivan Principles, a non-governmental code for United States-based investors, were expanded to include "support for the

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27/ Information provided by the Swedish Mission to the United Nations.

28/ The United Kingdom Government, for example, issued a White Paper (London, H.M. Stationery Office, 1978, Cmnd 7233) which interprets the general principles of the EC Code and provides a standardized format for reporting by TNCs.

29/ "Code of Conduct Concerning the Employment Practices of Canadian Companies Operating in South Africa", released by Canadian Embassy, Washington, D.C., 28 April 1978.

30/ *Financial Mail*, 7 April 1978, p. 35.

elimination of discrimination against the rights of blacks to form or belong to government-registered unions, and acknowledge generally the right of black workers to form their own union or be represented by trade unions where unions already exist". 31/ This addition brings these guidelines closer in content to the EC Code. As of February 1979, 107 United States-based firms had agreed to these principles. At present, adherence to them is monitored by a system of committees established by the signators and by a private consulting firm. As the result of recent United States legislation, the Sullivan Principles may also be applied to firms applying for support from the Export-Import Bank for trade with South Africa (see para. 27).

25. The South African Employers' Code of Practice, drawn up by the Urban Foundation and the South African Employers Consultative Committee, has been endorsed by 90 per cent of South African employers. This code does not require paying a wage above the Poverty Datum Line, nor does it deal with recognition of non-registered African unions. Companies are not required to report on their compliance to the South African Government, which is not monitoring adherence to the principles. 32/ The Trade Union Confederation of South Africa (TUCSA), a national organization of trade unions, has undertaken the task of monitoring this code and the others by requesting information from its affiliated unions. Inkatha, the National Cultural Liberation Movement headed by Chief Buthelezi, had previously announced plans to supervise the South African code, as well as the EC and Canadian codes and the Sullivan Principles. 33/

### b. Re-examination of policy by home Governments

#### Developments in the United States

26. United States government officials report that the full range of relations with South Africa is under review. At the moment, the official policy of neither encouraging nor discouraging foreign investment remains unchanged. 34/ During 1978, a number of measures directed at restricting foreign investment in South Africa were introduced in the United States Congress. 35/ One of these measures would have prohibited new investment and would have regulated existing

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31/ As reported in David M. Liff, U.S. Business in South Africa: Pressure From the Home Front, (Washington, D.C.: Investor Responsibility Research Center, Inc., 1978), p. 71.

32/ Financial Mail, 25 November 1977, p. 677.

33/ Ibid., 8 September 1978, pp. 880-881.

34/ See United States Department of Commerce, op. cit., p. 11.

35/ For a discussion of legislation related to South Africa introduced in the United States Congress during 1978 see Chamber of Commerce of the United States, National Chamber Information Service on South Africa, Bulletin No. 1, 18 May 1978; No. 2, 23 June 1978; No. 3, 2 August 1978; and, No. 4, 24 September 1978.

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investment by establishing a fair employment code. Another would have amended the United States Internal Revenue Code to reduce the foreign tax credits for firms found to be in violation of fair employment principles in South Africa. A third would have allowed the President to prohibit investment in South Africa except in qualified circumstances. None of these bills has been approved by the Congress. Representatives of the Departments of State, Treasury and Commerce have argued against these legislative restrictions on investment on the grounds that they would limit the administration's flexibility to respond to the situation in South Africa. 36/

27. Export-Import Bank support for companies transacting business with South Africa, however, was limited by passage of legislation which specifies that guarantees can be extended only where the recipient embraces a code of ethics. 37/ The Sullivan Principles will undoubtedly be an important element in the implementation of this legislation, but it is not yet known what machinery has been set up to effect this.

Developments in the United Kingdom

28. While there has been no formal announcement of a change in policy toward South Africa, statements by United Kingdom officials indicate that a comprehensive review is under way. Late in 1977, the Chancellor of the Exchequer said, "I give the assurance that the Government intend to discourage investment by British industry in South Africa." 38/ In January 1979, the Foreign Secretary said "Now, this Government has recognized the dangers of our current economic dependence and it has shown a determination to start on the difficult path of reducing our economic profile and our economic commitment in South Africa." 39/ Measures reported to be considered include: limiting export credit guarantees; reducing or withdrawing official support for trade measures; ending tax advantages for firms investing in South Africa; and stopping new investments in South Africa by State-owned firms. 40/ In April 1978, however, the United Kingdom Secretary

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36/ David Liff, U.S. Business in South Africa: Pressure From the Home Front, op. cit., pp. 25-26.

37/ Export-Import Bank Reauthorization Bill, 1978. The Export-Import Bank does not make direct loans to either the South African Government or South African companies. Discount loans - available to provide standby assurance to United States banks making loans for exports to South Africa - are limited to $2 million each. The Export-Import Bank provides financial guarantees and credit insurance to banks financing American sales to South Africa, and it authorizes and guarantees direct loans by the Private Export Funding Corp., a private corporation established in 1971 by United States business interests. Guarantees worth approximately $170 million are now in force with South Africa.

38/ Parliamentary Debate, House of Commons, Fifth Series, vol. 938, col. 830, 10 November 1977, (oral answers).

39/ Speech by United Kingdom Foreign Secretary at meeting called to mark International Anti-Apartheid Year, London, 23 January 1979.

40/ Financial Mail, 24 March 1978, pp. 916-917.

of Trade gave assurances that South Africa would continue to benefit from normal United Kingdom export credits. 41/

29. There are other signs that the United Kingdom Government is concerned about its extensive economic ties with South Africa. In May 1978, for instance, the Department of Industry asked many of the largest United Kingdom companies to describe the effects on their business of a cessation or interruption of trade with South Africa. 42/

The Nordic countries

30. In March 1978, the Nordic Foreign Ministers agreed on a joint programme of action against South Africa. The elements relevant to TNCs are: prohibition or discouragement of new investments in South Africa and negotiations with Nordic enterprises with a view to restricting their production in South Africa. 43/ It is not known what practical repercussions this declaration has had on the operations of Nordic-based TNCs in South Africa.

31. In addition to the joint Nordic programme, the Swedish Government will present a law in 1979, to prohibit new investment in South Africa by TNCs based in Sweden. 44/ The Government of Norway has for two years refused to grant permits for currency transfers for investments in South Africa and has excluded South Africa from State guarantees for export. 45/

## c. Policies of other Governments

32. During the past year, two African Governments took action against specific TNCs because of their activities in southern Africa. In March 1978, the Government of Nigeria ordered all public sector agencies to close their accounts with Barclays Bank of Nigeria Ltd. 46/ These accounts amounted to approximately 25 per cent of the bank's deposits. The Government also demanded a reduction in the bank's expatriate staff. The move against Barclays follows the Nigerian

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41/ Parliamentary Debate, House of Commons, Weekly Hansard, issue No. 1105, cols. 991-992, 24 April 1978, (oral answers).

42/ Financial Times, 20 May 1978, p. 1.

43/ United Nations document A/AC.115/L.500/Add.1. As far as is known, Sweden, Denmark and Norway are the Nordic countries which have foreign investment in South Africa.

44/ Information provided by the Swedish Mission to the United Nations.

45/ United Nations document No. A/32/PV.71, p. 16.

46/ Until September 1976, Barclays International Ltd. held 51 per cent of the shares in Barclays Bank of Nigeria. At that time, the Government increased its share to 51.67 per cent (8.33 per cent are held by Nigerians and with Barclays International retaining 48 per cent of the shares).

policy statement last year that it would penalize companies which continue to maintain strong links with South Africa. The Nigerian Foreign Affairs Commissioner stated that five companies which have not complied with a contract stipulation requiring a reduction of their business in South Africa have already been blacklisted by the Nigerian Government. 47/

33. The Government of Tanzania expelled Lonrho Ltd., a United Kingdom-based conglomerate in June 1978. Citing "activities in Rhodesia inconsistent with the letter and spirit of United Nations mandatory sanctions", the Government required the firm to sell its local business operations to the State within three months. 48/ In September 1978, the Tanzanian Government took over the local operations of Lonrho because no agreement on compensation had been reached. 49/

### 4. Patterns of foreign investment

34. Foreign capital has continued to flow into South Africa since 1970, however, direct foreign investment has comprised a decreasing proportion of South Africa's total foreign liabilities. The growth in the relative share of total foreign liabilities made up by non-direct investment reflects the growing importance of foreign loans and minority equity investments. See table 1 for definitions of total foreign liabilities, direct and non-direct foreign investment.

35. The rate of increase in the stock of direct foreign investment declined in 1977 for the third consecutive year. There was also a sharp drop during 1977 in the increase of non-direct investment, particularly for public and banking sectors. 50/ The most recent World Bank data indicates, however, that during the first half of 1978, borrowings in the international bond markets by South Africa were $206 million compared to $23.9 million for the whole of 1977, $84.5 million for 1976 and $371.6 million for 1975. 51/ The increase of non-direct investment in the private sector remained relatively stable. The source countries which have traditionally supplied direct foreign capital have continued to do so in fairly stable proportions during the 1970s. From 1973 to 1977 the percentage of foreign investment originating in the EC countries decreased from 67.6 per cent to 63 per cent; that from the rest of Europe increased from 6.5 per cent to 8.2 per cent; and that from North and South America increased from 22.1 per cent to 24.1 per cent. 52/

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47/ Financial Mail, 31 March 1978, p. 998, and 7 July 1978, pp. 44-45.

48/ New York Times, 3 June 1978, p. 26.

49/ Financial Mail, 22 September 1978, p. 1035.

50/ In 1977 the increase in indirect foreign investment was limited to 8.4 per cent compared with an average rate of increase of 34.6 per cent from 1973-1976. Calculated from the South African Reserve Bank, op. cit., pp. 64-65.

51/ World Bank, Annual Report, 1978, p. 132.

52/ Calculated from South Africa Reserve Bank, op. cit., September 1976, December 1977, December 1978.

Table 1. Foreign liabilities of South Africa at year end, 1970-1977 a/

(Rand millions) b/

| | 1970 | 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 |
|---|---|---|---|---|---|---|---|---|
| Total foreign liabilities c/ | 5 818 | 7 033 | 7 786 | 10 426 | 12 775 | 16 463 | 19 830 | 21 332 |
| Percentage out of which: | | | | | | | | |
| Total direct foreign investment d/ | 67.8 | 64.3 | 62.9 | 53.8 | 52.5 | 45.2 | 41.3 | 40.8 |
| Total non-direct foreign investment e/ | 32.2 | 35.7 | 37.1 | 46.2 | 47.5 | 54.8 | 58.7 | 59.2 |
| TOTAL | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

Source: South African Statistics, 1972 and South Africa Reserve Bank Quarterly Bulletin, December 1977 and 1978.

a/ South Africa incorporates Namibia into these figures.

b/ R 1.00 was equivalent to $US 1.15.

c/ Foreign liabilities are the various capital assets in and claims against South Africa owned by foreign residents. Assets in and claims against the central Government and banking sector, as well as the private sector, are included in the figures given for foreign liabilities. For additional information see South African Reserve Bank, Quarterly Bulletin, December 1978.

d/ Direct foreign investment is defined as investment by foreigners who have a controlling interest in organizations in South Africa and the investment, in these organizations, of their affiliates or allied organizations or persons in foreign countries. A controlling interest is recognized when one foreign resident or several affiliated foreign residents own at least 25 per cent of the voting or ownership rights in an organization, or when various residents of one foreign country own at least 50 per cent of the voting rights; or when foreigners participate in a partnership.

e/ Non-direct foreign investment is the difference between total foreign liabilities and direct foreign investment.

36. Data on direct foreign investment originating in the United Kingdom, the United States and the Federal Republic of Germany show that the decline in the rate at which new equity capital is entering South Africa is not a unique situation. For all three home countries, the pattern of growth in direct investment in South Africa is similar to world-wide foreign direct investment patterns and to those of the developed market economies (see figure 1). The annual percentage of increase in direct investment from these three countries is shown in table 2. This table indicates a levelling off of direct investment from the United States since 1974 and the Federal Republic of Germany since 1975. The growth of direct foreign investment in South Africa in the last few years from both countries has fallen below the six-year average annual increase. It should be noted, however, that this is also true of foreign direct investment from the United States and the Federal Republic of Germany. United Kingdom investment in South Africa grew faster in 1976 than it did the previous year, as did the United Kingdom direct foreign investment world-wide. Data on direct foreign investment from the United Kingdom for 1977 are not yet available.

37. Some sources indicate that there are now more foreign-controlled and affiliated firms in South Africa than there were a few years ago. A list of companies with investment and interests in South Africa, compiled by the International Confederation of Free Trade Unions, shows 1,883 companies in 1978 compared to 1,623 reported in 1974. 53/ The United States Consulate in Johannesburg, which is updating a list of United States-based firms operating in South Africa, has found that since 1976 the number of transnational corporations with subsidiaries in South Africa has remained relatively stable; approximately 40 firms have left, and the same number have entered, with no discernible trend in sector or size. 54/ Another survey reports that in 1977-1978, there was a net increase of 10 United States-based firms operating in South Africa. 55/ The United States Department of Commerce reports no significant withdrawal of United States investment in South Africa, although a few United States-based firms have reduced their investments in South Africa largely in response to the recessionary situation. 56/ One source reported that some 35 French transnational corporations are currently discussing joint ventures with South African firms. 57/ The South African-German Chamber of Commerce and Industry stated that Federal Republic of Germany firms of all sizes are increasing their stake in South Africa. 58/

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53/ International Confederation of Free Trade Unions, Investment in Apartheid (Geneva: ICFTU), March 1978.

54/ Information provided by the United States Mission to the United Nations.

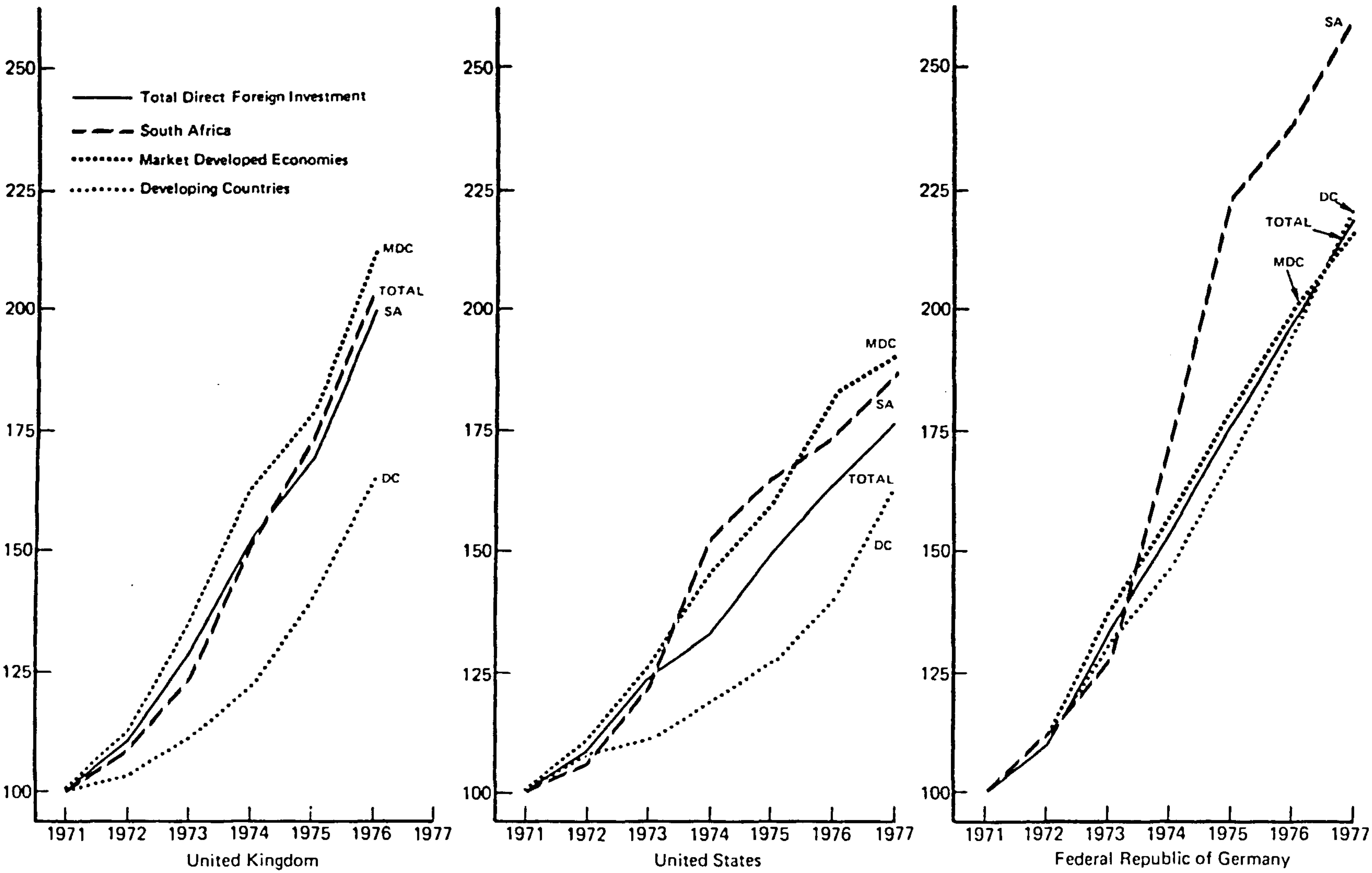
55/ Financial Mail, 22 September 1978, p. 1059.

56/ United States Department of Commerce, op. cit., document No. 78-078, July 1978, p. 13.

57/ Financial Mail, 18 September 1978, pp. 875-876.

58/ See letter to the editor from the Executive Director of South African-German Chamber of Commerce and Industry in Financial Mail, 20 October 1978.

Figure 1: Indices of Stock of Direct Foreign Investment 1971-1977 for selected Home Countries, 1971=100




Source: United Kingdom Board of Trade, Trade and Industry, 25 February 1977, Department of Industry, Business Monitor - Overseas Transactions, August 1978; United States Department of Commerce, Survey of Current Business: Federal Republic of Germany, Runderlass Aussenwirtschaft. The U.K. figures for 1975 and1976 are estimates based on net capital flows. The United Kingdom figures exclude investments in oil, banking and insurance.

Table 2. Annual percentage increase in stock of direct foreign investment 1971-1977 for selected home countries

| | United Kingdom a/ | | | | United States | | | | Federal Republic of Germany | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total world | South Africa | Developed market economies | Developing countries | Total world | South Africa | Developed market economies | Developing countries | Total world | South Africa | Developed market economies | Developing countries |
| 1972 | 9.0 | 7.5 | 11.2 | 3.1 | 8.6 | 6.4 | 8.9 | 7.5 | 11.8 | 11.9 | 11.6 | 12.8 |
| 1973 | 19.5 | 15.0 | 23.2 | 8.4 | 12.7 | 13.6 | 16.4 | 2.8 | 21.2 | 13.8 | 22.7 | 15.9 |
| 1974 | 16.5 | 21.4 | 18.6 | 9.3 | 8.7 | 25.4 | 14.8 | -13.4 | 14.0 | 36.1 | 14.7 | 11.7 |
| 1975 | 10.8 | 15.3 | 10.0 | 13.8 | 12.7 | 8.3 | 9.4 | 32.4 | 14.2 | 28.4 | 13.9 | 15.5 |
| 1976 | 18.8 | 17.4 | 18.9 | 18.4 | 10.0 | 5.2 | 10.7 | 9.9 | 12.0 | 7.1 | 10.0 | 16.2 |
| 1977 | na | na | na | na | 9.1 | 7.4 | 7.6 | 16.7 | 10.8 | 8.9 | 10.1 | 13.4 |
| Average | 14.9 | 15.3 | 16.4 | 10.6 | 10.3 | 11.05 | 11.3 | 9.3 | 14.0 | 17.7 | 14.0 | 14.2 |

Source: United Kingdom Board of Trade, Trade and Industry, 25 February 1977, Department of Industry, Business Monitor - Overseas Transactions, August 1978; United States Department of Commerce, Survey of Current Business; Federal Republic of Germany, Runderlass Aussenwirtschaft. In the base year, the stock of direct investments amounted to £664 million from the United Kingdom, $965 from the United States and DM 242 million from the Federal Republic of Germany.

a/ The United Kingdom figures exclude investments in oil, banking and insurance. The U.K. figures for 1975 and 1976 are estimates based on net capital flows.

38. During 1978, a number of United Kingdom-based transnational corporations either merged with or were taken over by South African companies, Racal Electronics Ltd., a firm which produces defence-related electronic equipment, was taken over by Grinaker Holdings Ltd. The General Electric Company (GEC) ceded board control to South Africa's largest industrial group, Barlow Rand Ltd. GEC retained 50 per cent control of the equity, however. British Leyland Ltd. went into partnership with Sigma (owned 75 per cent by the Anglo American Corporation, 25 per cent by Chrysler Corporation). Sigma Leyland (49 per cent owned by British Leyland, 51 per cent by Sigma) will produce commercial vehicles, while Sigma has taken over the production of passenger cars. United Dominions Trust Ltd. sold its banking company to Standard Bank Investment Corporation Ltd., the local banking arm of Standard and Chartered Banking Group Ltd. Guardian Royal Exchange Assurance Ltd. sold controlling interest in Guardian Assurance Co. South Africa Ltd., which controls Liberty Life Association of Africa Ltd., the third largest insurance group in South Africa, to a South African firm, Donald and Gordon. Reed International Ltd. sold its 63 per cent share in Nampak, the largest packing company in South Africa, to Barlow Rand. 59/

## 5. Activities of transnational corporations in strategic industries

39. The South African Government is making a concerted effort to reduce its vulnerability to foreign influence, in order to prepare for possible future isolation from international markets. This effort, which has been intensified during the last decade, has stressed self-reliance in strategic sectors. Industries which are critical to South Africa's industrial and military capacity include mining, motor vehicle, electronics, oil and nuclear. The following outline of foreign involvement in these industries 60/ shows that the nature and extent of transnational corporate activities, and the degree of South Africa's dependence on foreign capital and technology, varies widely among these industries.

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59/ Accounts of these events can be found in the following sources: Financial Mail, 11 August 1978, p. 483; Economist, 5 August 1978, p. 80; Anti-Apartheid Movement, Annual Report of Activities and Developments, October 1977-September 1978, pp. 11-13. These changes have various explanations. In the case of Racal Electronics and British Leyland, political considerations appear to be important. In the case of Guardian Royal Exchange Assurance and Reed International, the motivations appear to be strictly commercial. For General Electric, United Dominions Trust, recent government moves to increase local ownership in the banking and electronics sectors partially explain the moves. In all cases, however, the sales benefited from a rise in South African share prices; South African Reserve Bank, op. cit., December 1978, pp. 21-22.

60/ The mining industry is dealt with separately in chap. II.

### a. Motor vehicles

40. This industry has played an important role in the development of South Africa's manufacturing sector, and some firms in the industry supply transport and armoured vehicles for the armed forces. 61/ Transnational corporations have made a major contribution to the establishment and growth of the motor vehicles industry.

41. The motor vehicles industry is somewhat exceptional among heavy manufacturing, as production is to a large extent carried out locally. This has been the result of official insistence on local production as a way of increasing the industrial capacity of the manufacturing sector as a whole. In the early 1960s, the Government instituted a local content programme which would require local manufacture of 90 per cent of each vehicle (by weight) by 1980. At that time, South Africa was importing 87.5 per cent of each vehicle. The first and second phases of the programme required 42 per cent local manufacture by 1964 and 62 per cent by the end of 1969. These requirements resulted in an acceleration of investment by transnational corporations in their local manufacturing plants and a great deal of technical assistance to a wide range of local suppliers to ensure that the quality and dependability of local inputs would meet their needs. To meet the local content requirements, transnational corporations have transferred technology to their local manufacturing subsidiaries and to local suppliers. For local suppliers, this technical assistance includes plant construction, manufacturing processes, scheduling, quality control and management advice on organizational structure, purchasing analysis and industrial relations. 62/

42. The conversion to local supplies has been expensive for transnational corporations because in South Africa there is little competition among suppliers, so that the cost of production has increased. The economic recession of the mid-1970s, which had a serious effect on the motor industry, forced the South African Government to delay the requirements of the third phase. According to the revised requirements, local content must reach 66 per cent by 1980, whereas the original target of that year was 90 per cent.

43. Although local subsidiaries and suppliers have built up substantial technical capabilities, assistance is still provided by the transnational corporations. The South African Government has not been concerned with local design and testing, therefore new models and major technical innovations come from outside the country. 63/

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61/ See paras. 193 for a discussion of the role of transnational corporations in the supply of vehicles to the South African military and police forces.

62/ Jack N. Behrman and Harvey W. Wallender, Transfers of Technology Within Multinational Enterprises (Cambridge, Mass.: Ballinger Publishing Company, 1976), pp. 49-62, 69-88.

63/ Ibid., pp. 50, 77-80.

44. The local content requirements and constraints due to the size of the market have contributed to a reduction in the number of firms producing motor vehicles. In 1974, there were 17 motor companies producing passenger cars and 19 producing commercial vehicles. In 1978, there were 10 manufacturers of passenger cars and 16 manufacturers of commercial vehicles. The last phase of the local content programme, 64/ requiring 90 per cent local components in the mid-1980s, is expected to require further technical assistance to local firms and result in a further reduction in the number of firms producing vehicles.

45. The programme to increase local content has not displaced transnational corporations from their dominant position in the South African market for motor vehicles, nor have transnational corporations sold their operations to local interests. The important exception is the Sigma Motor Company which was formed in 1976 with the merger of Illings (Pty) Ltd. and Chrysler Corporation. Sigma is now held 75 per cent by the Anglo American Corporation and 25 per cent by Chrysler Corporation. In 1978, Sigma took over Peugeot/Citroen and the Leyland passenger car operations. The original Sigma share-holding has not changed with these takeovers. A new company, Sigma-Leyland (51 per cent Sigma, 49 per cent Leyland) has been formed to produce commercial vehicles.

46. As a result of its 1978 acquisitions, Sigma has become the largest supplier of motor vehicles in South Africa; its sales represent approximately 25 per cent of the passenger car market and 29 per cent of light commercial vehicles. 65/ The remainder of the sales of passenger vehicles is distributed among Volkswagen of South Africa Ltd., Ford Motor Company of South Africa (Pty) Ltd., Datsun-Nissan South Africa, Toyota/Renault, General Motors Corporation, United Car and Diesel, BMW (South Africa) (Pty) Ltd., FIAT South Africa (Pty) Ltd. and Alfa Romeo South Africa (Pty) Ltd. The production and sale of commercial vehicles is also dominated by transnational corporations. Those mentioned above, with the exception of BMW and Alfa Romeo, are leaders in the commercial vehicle market. Others, including the International Harvester Co., Maschinenfabrik Augsburg Nurenberg AG, Oshkosh Truck Corp., Magirus Deutz Trucks, ERF Holdings South Africa (Pty) Ltd., Malcomess Scania Ltd., Fodens and Lawsons have a share in the commercial vehicles market. 66/

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64/ The fourth phase is a two-year preparation for phase five.

65/ Financial Mail, 14 July 1978, pp. 126-127.

66/ Ibid., 18 August 1978. A number of transnational corporations are reported to have provided equipment to the South African Government, including the Ford Motor Co., General Motors Corp., British Leyland, Magirus Deutz, Klöckner-Humboldt-Deutz, and Maschinenfabrik Augsburg Nurenberg AG. Armoured cars made by Daimler-Benz are used by the South African army, although these are not produced locally. See Ann W. Seidman and Neva Makgetta, "Activities of Transnational Corporations in South Africa", United Nations Centre against Apartheid Notes and Documents, 9/78, May 1978, pp. 32-35; Ruth First, Jonathan Steele and Christable Gurney, The South African Connection: Western Investments in Apartheid (Harmondsworth: Pengiun) 1972, pp. 167-172, 189-191; United Nations document A/AC.115/L.491, pp. 11-12.

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## b. Electronics

47. The electronics industry is central in establishing a modern industrial capacity. It also plays a major role in the development of technically advanced weapons systems. 67/ Highly developed electronics, both civilian and military, are largely produced by transnational corporations from the developed countries. South Africa has made some progress in developing its own electronics industry, but it still relies heavily on foreign technology and transnational corporations. In fact, although the South African armament industry has become considerably more self-reliant during recent years, 68/ the electronics industry has remained a bottle-neck which has compelled the country to opt for foreign technology. The situation is changing, however, and the local production of electronics has increased. Foreign firms have facilitated local production capacity of advanced electronic equipment. For instance, the Ministry of Defence and the Council for Scientific and Industrial Research financed a factory for manufacturing integrated circuits which opened in 1976. Licences for the production of the circuits were provided by the United Kingdom-based Plessey Co. Ltd.

48. The present situation is characterized by a tendency toward increased local ownership in the electronics industry. The Government is following the policy of increasing self-sufficiency in this industry to make it less vulnerable to pressures from abroad. It is reported that government agencies are favouring South African firms in their purchasing, although a full-fledged "buy local" programme has not been instituted. 69/ Some United Kingdom-based transnational corporations, such as Racal Electronics Ltd., Standard Telephones and Cables SA Ltd., and General Electric Company have either sold their local subsidiaries or taken local partners (see para. 38). Other transnational corporations, including Siemens AG, the Plessey Co. Ltd., Phillips Electrical Ltd. and Fulmen have argued that, at least in some fields of electronics, the local industry simply cannot satisfy the needs and hence foreign capital and technology may be indispensable. 70/

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67/ Electronics can be used for military purposes in several ways: for navigation and guidance to increase the accuracy of missiles; for communications, command and control to enhance the combat ability of troops, for electronic warfare, which ranges from the automated battlefield to particle beam counterweapons used, for instance, to destroy incoming missiles; for intelligence purposes to keep track of opponents; and in laboratories for research and testing purposes in the development of new weaponry. The military applications of electronics vary from laser and other guidance aids, through radar and other detection systems, to the management of the military establishment by telecommunication equipment and computers.

68/ See chap. III.

69/ Financial Mail, 14 July 1978, pp. 147-149.

70/ See "South African Electronics: If You Want to Get On, Get Local", The Economist, 15 July 1978, p. 82.

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49. Computers are an especially important element in an advanced industrial infrastructure as well as in a sophisticated police and military establishment. Transnational corporations control almost all aspects of the computer industry in South Africa. 71/ In 1977, IBM South Africa (Pty) Ltd. (United States) and International Computers Ltd. (United Kingdom) each controlled approximately 30 per cent of the South African computer market. Other United States-based firms held another 37 per cent. 72/ Some Federal Republic of Germany-based computer firms also have a small share of the market. These are Siemens AG, Kienzle and Nixdorf Computer AG.

### c. Oil 73/

50. South Africa's oil industry is more vulnerable to external influence than any other sector: with no known indigenous crude oil reserves, virtually all the country's petroleum must be imported from abroad. Furthermore, transnational corporations control practically the entire petroleum industry in South Africa. Although oil provides only 20 to 25 per cent of the country's energy (while substantial reserves of coal provide 75 to 80 per cent), refined oil is indispensable to South African transportation and industry. Those sectors are not only crucial to the economic well-being of the country; they are key components of its military strength.

51. Efforts by the South African Government, through its Southern Oil Exploration Corporation (SOEKOR), to find oil on land have proved unsuccessful. The search is now concentrated off shore. The country's abundant coal deposits, on the other hand, are estimated to be capable of yielding at least 25 billion tons over some 300 years. Because the coal is low quality, with a high ash content, however, the South African Department of Planning has expressed concern that the supply of high-grade coal may run short within 15 years. 74/ Aside from coal, the country's internal energy sources are negligible. Hydroelectric power contributes less than 1 per cent of the sector's needs.

52. Oil is most critical to South Africa's transport sector, where it supplies 79 per cent of the sector's needs. Included in this sector are military vehicles

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71/ See David M. Liff, "The Computer and Electronics Industry in South Africa", South African Review Service, Investor Responsibility Research Center, Inc., March 1979.

72/ These include Burroughs Corporation (17 per cent), National Cash Register Inc. (14 per cent), Control Data Corporation (4 per cent), and Sperry Univac Corporation (2 per cent). Ibid.

73/ This section draws heavily from information published by the United Nations Centre against *Apartheid* and The Investor Responsibility Research Center in Washington, D.C. See Bailey and Rivers, *op. cit.*; David Liff, "The Oil Industry in South Africa", *op. cit.* Information on the supply of oil to Southern Rhodesia/Zimbabwe through South Africa can be found in the Bingham Report referred to in chap. I.

74/ David M. Liff, "The Oil Industry in South Africa", *op. cit.*, p. 4.

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and aviation equipment. The importance of oil to the armed forces can hardly be overemphasized: South African law considers it a "munition of war", 75/ as no other energy source is available in sufficient quality and quantity to substitute for oil-based fuels used for motor vehicles and aviation. The air force is entirely dependent on imported oil, since aviation gas is not produced in South Africa. To ensure an oil supply in time of war, South African legislation prohibits any oil company operating within its borders to refuse to supply the armed forces.

53. South Africa's industries rely chiefly on coal for their energy supply, however, several industrial activities require oil for at least a quarter of their energy needs. These include glass-making, motor vehicle manufacture, rubber production, food processing, metal products fabricating, and the manufacture of chemicals. The chemical industry is more dependent on oil than any other, however, it is expected to move more toward the use of coal and coal products as a continual supply of oil becomes less and less certain. The mining sector is presently not highly dependent on petroleum products but demand is expected to increase in the next 20 years.

54. An oil embargo is considered by some to be the most effective means of applying pressure on South Africa, short of full economic sanctions. Although there is some debate about the extent of the impact an oil embargo would have on South Africa, 76/ it is certain there would be a marked dislocation in the economy. Further, there is no doubt that, with an oil embargo against South Africa, the Southern Rhodesia/Zimbabwe economy would suffer considerably because South Africa has been its major supplier of oil.

55. Transnational corporations play a larger role in South Africa's oil industry than they do in any other sector except the computer industry. The five major oil transnationals - Shell, British Petroleum, Caltex, Mobil, and Total - control 85 per cent of South Africa's oil industry, including import, refining, marketing and distribution; they also own 91 per cent of the service stations. 77/

56. South Africa's crude oil came originally from a number of Middle East producers. 78/ After 1973, when OPEC members embargoed oil sales to South Africa, Iran became South Africa's chief supplier, providing 90 per cent of South Africa's oil in 1977. In February 1979, the Government of Iran ceased shipments of oil to South Africa. Until recently Iranian crude was marketed through the National Iranian Oil Company (NIOC) and Iranian Oil Participants. NIOC is a State-owned corporation which had a long-term supply agreement with National Petroleum

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75/ Bailey and Rivers, *op. cit.*, p. 19.

76/ David Liff, "The Oil Industry in South Africa", *op. cit.*

77/ *Ibid.*, p. 12.

78/ They include Saudi Arabia, the United Arab Emirates, Iran, Iraq and Qatar.

Refiners of South Africa (NATREF). Iranian Oil Participants is a consortium of seven transnational oil companies which have controlled the foreign marketing of most of Iran's oil. 79/

57. Ninety-five per cent of South Africa's refined oil products, and all of the oil used in Namibia, Lesotho, Botswana and Swaziland, is produced at four major refineries. Three are owned by the oil TNCs and the fourth by NATREF. 80/ There are also two lubricant refineries and two lubricant re-refining plants for waste oil processing, which are owned by the oil transnational corporations. Because of distribution agreements between the corporations, oil is sold to the various service stations by whichever refinery is nearest, and most of the stations are grouped near the refineries.

58. In light of South Africa's heavy dependence on transnational corporations for its small but critical supply of refined oil, and the threat of an oil embargo, the South African Government has instituted a programme to minimize the impact of a potential embargo. The programme includes five elements: (a) to convert coal to oil with the Sasol I and II plants; (b) to enact conservation measures and encourage industries to transfer their dependence from petroleum to other fuels; (c) to build reserves of crude and refined oil; (d) to develop nuclear energy and (e) to legislate forced compliance by foreign oil companies with the interests of South Africa in the event of a war or a national emergency. The latter strategy enables the Government, through South African law, to control the purchase, sale and use of all petroleum products. The oil companies are not only obliged to sell to the Government if so requested; they may also be required to maintain stocks of refined oil specifically for Government use. 81/

### d. Nuclear industry

59. The development of nuclear capacity enhances South Africa's strategic position in two ways. Nuclear power offers an alternative source of energy to the vulnerable oil industry, and nuclear technology can also be used for the development of nuclear weapons. The development of nuclear power to fill civilian energy needs gives South Africa the potential to develop nuclear weapons, because the uncontrolled diffusion of civilian nuclear technology facilitates the spread of the knowledge and material required for the production of nuclear weapons. 82/

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79/ The seven are: Shell (14 per cent), British Petroleum (40 per cent), Texaco, Mobil, Gulf and Standard Oil of California (7 per cent), and Total (6 per cent). The recent political changes in Iran may, of course, have repercussions for the marketing arrangement described above.

80/ A Mobil refinery and a jointly owned Shell and BP refinery are near Durban, where 85 per cent of South Africa's crude oil imports enter the country. A Caltex refinery is in Cape Town, where the other 15 per cent of oil is imported. NATREF owns the fourth refinery, near Johannesburg.

81/ David Liff, "The Oil Industry in South Africa", op. cit., pp. 20-21.

82/ Harold A. Fieveson, et al., "Fission Power: An Evolutionary Strategy", Science, 26 January 1979, vol. 203, No. 4378, p. 330.

Both civilian nuclear power and nuclear weapons require uranium in an enriched or reprocessed state. Of particular concern in the civilian-military link is the plutonium produced as a by-product of the operation of a nuclear power plant: when reprocessed, it can be used to manufacture an explosive device. Because of this, safeguards administered by the International Atomic Energy Agency (IAEA) are required by all suppliers on international transfers of enriched uranium, reprocessing plants, nuclear reactors and other nuclear facilities, material and equipment, to prevent diversion for military or explosive purposes. Nuclear facilities and material developed indigenously are not automatically subject to safeguards unless the State is party to the Nuclear Non-Proliferation Treaty or has otherwise undertaken a commitment to place all its peaceful nuclear activities under safeguards. South Africa is not party to the Non-Proliferation Treaty. An indigenous uranium enrichment or reprocessing capacity is therefore a critical step in South Africa's achieving autonomy in the nuclear field.

60. The development of uranium enrichment technology was started in South Africa in 1960 under the aegis of the Atomic Energy Board (AEB). 83/ In 1968, an experimental plant was established at Pelindaba. One source estimated that by 1973, this plant had produced several tons of enriched uranium, 84/ but this report has not been confirmed. Foreign technology, expertise and equipment have played a major role in South Africa's indigenous research efforts to develop an enrichment method. Contacts between scientists from South Africa and the Federal Republic of Germany, which began in the 1960s, resulted in a significant transfer of technical expertise: the technology of South Africa's only enrichment plant is highly similar to the jet nozzle method originally developed by the Gesellschaft für Kernforschung (Federal Republic of Germany) in 1959.

61. In 1970, Gesellschaft für Kernforschung concluded an agreement with Steinhohlen-Elektrizitäts AG (STEAG) by which STEAG received exclusive rights for the industrial utilization of the jet nozzle technology. An agreement was concluded between STEAG and the South African Uranium Enrichment Corporation (UCOR) in 1973 to compare the technical feasibility and economic efficiency of the uranium enrichment process developed in the Federal Republic of Germany with the South African method. This agreement was reportedly terminated in 1976. 85/ During this time, a pilot enrichment plant, which uses jet nozzle method was established at Valindaba. Its capacity is not known. UCOR never acquired a licence from STEAG, although at one time it did request approval from the Government of the Federal Republic of Germany for such a licence, but it subsequently withdrew this application.

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83/ The AEB was established in 1948 to oversee the extraction and sale of uranium. Its orientation changed in 1959 when the AEB initiated a research and development programme.

84/ The Times, 20 August 1973.

85/ Fact v. Fiction (Bonn: Press and Information Office of the Federal Government, 1978), pp. 16-17.

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62. There was also a plan to construct a commercial enrichment plant, which would have gone into operation in 1981-1982, but this has been temporarily abandoned. The present aim is to upgrade the capacity of the pilot plant into a facility with an annual capacity of approximately 250 tons, which represents a considerable reduction from the planned 5,000 annual ton capacity of the commercial plant. The original plan for the commercial plant was abandoned primarily because financing was not available. It has also been reported that the Federal Republic of Germany Government has pressured STEAG to loosen its ties with the Valindaba project, 86/ although there was never an agreement between the two which required approval by the Government of the Federal Republic of Germany.

63. It is reported that the following Federal Republic of Germany-based firms have supplied equipment to the Valindaba project: 87/ Siemens AG and Messerschmidt-Bölkow-Blohm (MBB) (separating elements); Siemens AG (engines); Gute-Hoffnungs-Hütte-Sterkrade of MAN AG (compressors); Leybold Heräus (slide valves); Varian MAT (measuring devices for the concentration of isotopes); Linde AG (cooling aggregates); International Nickel Deutschland (coating of jet nozzles); Leybold-Heräus (containers); Lurgi (pipes and pipe coils); Siemens AG, and Steigerwald (electronic components); Kessler and Luch, owned by STEAG (ventilation devices and cooling systems). The Government of the Federal Republic of Germany, however, has denied the allegations that separating elements, engines, compressors, slide valves, and measuring devices for the concentration of isotopes were supplied by the above-named firms. 88/

64. In addition to these firms, a number of others reportedly supplied equipment for the construction of the plant. Compressors were reportedly delivered by Hispano-Suiza, Lallemont SA, (France), and Sulzer South Africa Ltd., a subsidiary of Swiss-based Sulzer AG. Some electronic components were reportedly supplied by the United States-based corporation Foxboro Company and Honeywell Inc., which has a subsidiary in South Africa. Several French-based corporations, among them L'Air Liquide, Jeumont-Schneider and Spie Batignolles, also reportedly supplied equipment to the enrichment plant at Valindaba. 89/ It is not known how much the contraction of the original plan for a commercial enrichment plant has affected the delivery of equipment by the various companies. Although most of the equipment was imported, South African firms actually constructed the facility. 90/

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86/ "South African Uranium: Unenriched but Rich", The Economist, 25 February 1978, pp. 79-80, 830.

87/ United Nations document A/AC.115/L.491, pp. 5-7; Wolf Geisler, The Military Co-operation Between the Federal Republic of Germany and South Africa in the Military and Conventional Field (Unpublished paper:, West Berlin, 1978), pp. 11-12.

88/ Fact v. Fiction, op. cit., pp. 19-27.

89/ "Die Bundesrepublik Deutschland verhilft Pretoria zur Atombombe", Informationsdienst Südliches Afrika, October-November 1978, pp. 6-7. Westlicher Atomschild für die Apartheid, Pressemitteilung, Anti-Apartheid Bewegung in der BRD, Bonn, 1977, pp. I-II.

90/ Financial Mail, 13 January 1978; Financial Times, 29 May 1975; Financial Times, 29 December 1977.

65. South Africa's first nuclear research reactor was acquired by the AEB in the early 1960s from the United States company Allis-Chalmers Corp. This reactor, Safari I, was built under the United States Atoms for Peace Program. Federal Republic of Germany companies Krupp Friedrich and Brown, Boveri and Cie - whose parent company, BBC, Aktiengesellschaft, Brown, Boveri and Cie, is based in Switzerland - participated in the reactor's construction. Safari I, which is located at Pelindaba, operates on 90 per cent enriched uranium and does not produce large quantities of plutonium. 91/ This reactor is subject to IAEA safeguards. Two years after this reactor began to operate in 1965, a second research reactor, Safari II, was opened.

66. The United States delivered enriched uranium for the Safari I until 1976. From 1961 to 1976, 228 pounds of enriched uranium were shipped from the United States to South Africa. In 1974 alone, the United States Nuclear Corporation delivered 97 pounds of highly enriched uranium. The South African Government had agreed to safeguards that would prohibit the diversion of this uranium out of the research reactor. 92/ In 1976, the Chairman of the South African AEB described the United States contribution to South Africa's nuclear industry:

> "We can ascribe our degree of advancement today in large measure to the training and assistance so willingly provided by the United States during the early years of our nuclear programme when several of the Western world's nuclear nations co-operated in initiating our scientists and engineers into nuclear science." 93/

All supplies of enriched uranium to South Africa from the United States were stopped in 1976, pending the results of negotiations regarding South Africa's accession to the Non-Proliferation Treaty.

67. A $1 billion contract to supply two reactors for nuclear power plants under construction at Koeburg drew international competition. 94/ These plants, under the control of the State-owned Electricity Supply Commission (ESCOM), should be operational in the early 1980s. Four international consortia competed for the contract, although the Japanese-based Mitsubishi withdrew in 1975.

68. One consortium was composed of General Electric Company (United States), Brown, Boveri and Cie, and a team of three Dutch companies led by Rijn-Schelde-Verolme. Another group, Kraftwerk-Union, which originally was a joint venture of Siemens AG and AEG-Telefunken, but since 1978 has been controlled by Siemens, participated in the competition. The Kraftwerk-Union was allied in this

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91/ Landgren-Bäckström, Southern Africa: The Escalation of a Conflict (Uppsala: SIPRI, 1976), pp. 147-148; Coen Groenewald, "Nuclear Spotlight on South Africa", South African Panorama, February 1978, pp. 8-11.

92/ International Herald Tribune, 16 April 1975, 29-30 May 1976.

93/ The Guardian, 27 February 1977.

94/ Paul Joskow, "The International Nuclear Industry Today: The End of American Monopoly", Foreign Affairs, vol. 54, No. 4 (1976), pp. 788-803.

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competition with a South African group, Murray and Roberts, which constructed the nuclear enrichment plant at Valindaba. The third group was a French consortium consisting of Framatome, Alsthom and Spie Batignolles.

69. Several factors determined the choice of the French consortium to supply nuclear reactors to the Koeberg plant. One factor was the reliability of the supplier: the South African Government was wary of interference by home Governments. In addition, ESCOM needed financial support to be arranged by the supplier because domestic capital was not available. Finally, the South African Government needed enriched uranium for the pressurized water reactors at Koeberg, because production capacity of the domestic uranium enrichment plant was estimated to fall short of Koeberg's needs at the time it would become operational.

70. The General Electric Company applied for a licence from the Nuclear Regulatory Commission to sell two nuclear reactors and 600 kilograms of enriched uranium. The United States State Department supported this application. 95/ The Parliament of the Netherlands, however, rejected the plan with a one-vote majority in November 1975. Although this decision did not bind the Government of the Netherlands, it did affect the credibility of the United States/Swiss/Dutch group, particularly because the three Dutch firms had a larger share of the arrangement than General Electric. This group was also unable to finance the project because the Government of the Netherlands would not provide the necessary credit guarantees. The Federal Republic of Germany consortium's bid was rejected by South African authorities for similar reasons. 96/

71. The French bid met most of the South African Government's requirements: it was considered reliable; enriched uranium was forthcoming; and financial support was guaranteed. One should note, however, that the French Government insisted on the application of IAEA safeguards, which was accepted by the South African authorities. (South Africa had no other option in this respect, however, because the two other consortia applied the same constraint.)

72. When the French consortium was awarded the contract, Framatome, which is associated with the Creusot-Loire group, delivered the reactors, which were manufactured under a Westinghouse Electric Corporation licence; Alsthom constructed the turbine generators; and Spie Batignolles was responsible for construction of the power plants and the site management. A syndicate of banks, led by the French Credit Lyonnais, provided financing. 97/ No precise information has been released on the fuel arrangements.

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95/ International Herald Tribune, 29-30 May 1976; Washington Post, 16 May 1976.

96/ "The West and Apartheid, Nuclear Conspiracy", Africa, No. 59 (July 1976), pp. 23-24; Raimo Vayrynen, "South Africa: A Coming Nuclear Weapon Power?", Instant Research on Peace and Violence, vol. 8, No. 1 (1977), pp. 41-43.

97/ For further details, see Special Committee against Apartheid, Summary Records of the 33rd Meeting, United Nations, General Assembly, A/AC.115/SR.383, 5 June 1978.

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73. The Koeberg project is not an isolated endeavour in the South African industrial and energy infrastructure. Some evidence suggests that the construction of the Koeberg plant is co-ordinated with the development of the oil-from-coal project, SASOL II, and with the establishment of the commercial nuclear enrichment plant. Many transnational companies are involved in supplying technology and equipment to two or three of these projects. There is little doubt that the Koeberg project will greatly strengthen the nuclear capability of the *apartheid* régime.

## C. Namibia

### 1. Overview

74. A plan for the independence of Namibia, which includes national elections under the supervision of the United Nations, has been accepted by the South West Africa People's Organization (SWAPO) and the Government of South Africa. The United Nations Transition Assistance Group (UNTAG) is planning to operate in Namibia on the basis of Security Council resolution 435 (1978). 98/

75. The Namibian economy has attracted very little new foreign investment recently. Although mineral prospecting has continued, the only new private sector investment reported in 1978 was a $4.3 million retreading plant built by Barlow Rand Ltd., a South African-based conglomerate. The depressed state of the Namibian economy is illustrated by depressed real estate values, a decline in new construction and a serious drop in prices for agricultural products. The fishing industry, which has been in gradual decline since 1975, shows no signs of immediate recovery. 99/ In contrast to the low levels of activity in other sectors, Namibia's mining industry continues to show strength. Minerals exports for 1977 were valued at $400 million representing 70 per cent of total exports and contributing to a balance of trade surplus of $220 million. Gem diamonds provided

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98/ The negotiations between the two parties, assisted by five Western States (Canada, France, Federal Republic of Germany, United Kingdom and United States), were punctuated by a series of setbacks during 1978. Having initially agreed to the plan as set forth by the United Nations Security Council, in September 1978, the South African Government rejected the proposals necessary to implement the resolution. In the meantime, South Africa proceeded with an election for a Constituent Assembly which was won by the Democratic Turnhalle Alliance. The results of this election were not recognized by the United Nations. Shortly after the elections, South African authorities notified the Secretary-General that they were willing to abide by the United Nations-sponsored agreement. See United Nations document A/33/23/Part III/Add.2 for an account of the recent political history of Namibia.

99/ *Financial Mail*, 11 August 1978, pp. 483-484; and, Economist Intelligence Unit, *Quarterly Economic Review of Southern Africa*, Third Quarter, 1978, p. 26.

$174 million of the total mineral exports and uranium, $130 million, compensating for a lean year in base metals markets. 100/

## 2. The mining sector

76. In the diamond sector, De Beers' wholly owned Namibian subsidiary, Consolidated Diamond Mines of South West Africa Ltd. (CDM), Namibia's only producer of gemstones diamonds, produced a record number of carats in 1977. The value of this production was estimated to be $600 million, contributing to a record 1977 profit level for De Beers Consolidated Mines Ltd. Four of CDM's plants for extracting diamonds from conglomerate rock were improved in 1977. 101/ Harry Oppenheimer, Chairman of both De Beers and its parent company, Anglo American Corporation of South Africa Ltd., announced that De Beers would establish a subsidiary in Namibia. According to Oppenheimer, this subsidiary, for which mining will be a priority, will be available to local residents for shareholding. 102/

77. The latest and most significant activity in the Namibian economy is related to uranium. The size of the Territory's reserve has not been released by the South African Government, but it is estimated by some to be the third largest among the non-socialist countries. Major mining companies from South Africa, Canada, France, the United States and the Federal Republic of Germany are prospecting for uranium in Namibia. Exploration has been accelerated by a fivefold increase in its price in the last few years. 103/

78. Only the Rössing mine, whose reserves are estimated at 100,000 metric tons of low-grade uranium ore, has reached the production stage. 104/ Because of technical problems, Rössing Uranium Ltd. extracted only 3,000 tons of uranium oxide in 1977 rather than the planned 5,000 tons which represents full capacity operation. Plant modification financed by the Rio Tinto-Zinc Corporation Ltd. (RTZ), the Industrial Development Corporation of South Africa Ltd., and General Mining and Finance Corporation Ltd., were undertaken to remedy the technical difficulties. Although the Rössing mine was approaching full capacity in early

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100/ Economist Intelligence Unit, Quarterly Economic Review of Southern Africa, Annual Report, 1978, pp. 37, 39.

101/ Economist Intelligence Unit, Quarterly Economic Review of Southern Africa, Second Quarter 1978, p. 20.

102/ United Nations document A/33/23/Part III, p. 27.

103/ Ibid., p. 33.

104/ Rössing Uranium Ltd. which is developing the open-pit at Swakopmund is controlled primarily by the Rio Tinto-Zinc Corporation. With a newly opened Australian mine and its majority share of Rössing, RTZ could become the largest single source of uranium in the western world, producing 30 million tons a year by the 1980s.

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1978, a fire in the plant caused output to fall short of capacity by 20 per cent. Plans to extract a higher grade of ore from an underground mine have been postponed. 105/

79. South African companies reported to be prospecting for uranium in Namibia include the Anglo American Corporation of South Africa Ltd., General Mining and Finance Corporation Ltd., Gold Fields of South Africa Ltd., Johannesburg Consolidated Investment Company Ltd., Westwind Ventures Ltd., Randfontein and Western Areas GM Co. Ltd. 106/ General Mining has located a deposit in the Namib Desert for which it has a pilot plant whose initial yearly output is planned to be 1,000 tons a year. The shallow deposit is said to be smaller than the extensive Rössing deposit, but with an ore grade estimated to be twice that of Rössing. Reports state that production capacity of the site could eventually equal or exceed Rössing's 5,000 short tons a year. 107/ Anglo American Corporation and Gold Fields of South Africa are also reported to be prospecting near Rössing. 108/

80. Low world market prices for some base minerals during the mid-1970s, especially copper, have had noticeable repercussions for the mining companies involved. By January 1978, Johannesburg Consolidated Investment Co. Ltd. had closed the Otjihase copper mine, the largest in the Territory, which had only gone into production in mid-1976. Although the mine had technical problems in 1977, the firm's management reported that profits declined from 1976-1977, largely as a result of low world copper prices. The mine has been put on a care and maintenance basis until conditions improve. 109/ The Falconbridge Nickel Mines Ltd. (Canada) Oamites copper mine also reported economic difficulties.

81. The Tsumeb Corporation Ltd. (of which two United States-based firms, Newmont Mining Corporation and AMAX Inc. each own 29 per cent) with 90 per cent of Namibia's base metal production and the Territory's only copper smelter, also reported a "lean" year in 1977. The company's income did, however, increase as a result of higher lead prices and higher smelter production. AMAX is reportedly seeking a buyer for its share of Tsumeb because of its increasing interest in a mine in Botswana. 110/

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105/ Economist Intelligence Unit, Quarterly Economic Review, Southern Africa, Second Quarter, 1978, pp. 18-19. The production shortfall has caused problems for RTZ's customers, who include British Nuclear Fuels Ltd., which had agreed to purchase 7,500 short tons of uranium over a five-year period. Other customers are utilities and atomic power agencies in France, Italy, Japan and Federal Republic of Germany.

106/ Financial Mail, 7 April 1978, p. 23.

107/ Economist Intelligence Unit, Quarterly Economic Review, Third Quarter 1978, p. 24.

108/ United Nations document A/AC.131/L.73, p. 5.

109/ Economist Intelligence Unit, Quarterly Economic Review of Southern Africa, First Quarter 1978, p. 22; United Nations document A/33/23/Part III, p. 27.

110/ Ibid.

82. In general, prospecting for base metals continues at a high level: but it is reported that many mining companies are delaying decisions to begin mining activities until Namibia's political situation stabilizes. Current caution on the part of potential investors is based to some extent on uncertainty about how an independent Government will deal with foreign investors, and on potential economic dislocations as existing ties with South Africa are altered. One source reports, however, that a large number of companies are anxious to move into Namibia, should a compatible political environment develop. 111/

## D. Southern Rhodesia/Zimbabwe

### 1. Overview

83. During 1978, the political and economic situation in Southern Rhodesia/Zimbabwe continued to deteriorate. 112/ The war between the Rhodesian army and the forces of the Popular Front has widened and the rate of white emigration has soared to a record level. An internal agreement, reached among Mr. Smith and three black nationalist leaders in March 1978, has failed to transfer power to the black majority. Elections for a new parliament have been postponed until April 1979.

84. The internal agreement has been rejected by the Popular Front, the States bordering Southern Rhodesia/Zimbabwe and the United Nations Security Council. 113/ Proposals for the transfer of power to the black majority put forth by the United Kingdom and the United States in September 1977 have likewise not been effected; the convening of an all party conference to negotiate the implementation of the Anglo-American proposals has proved impossible. The United Kingdom Government decided in January 1979 not to convene such a conference at the present time.

85. Political instability, continued international isolation, and escalation of the war, coupled with low world market prices for some exports, have worsened the already faltering economy. Gross demostic product declined, in real terms, in 1978 for the fourth consecutive year, while inflation continued to rise. Output of both the manufacturing and construction sectors continued to fall in 1978. Despite lower production volumes, mining output increased marginally during the first two quarters of 1978. Higher prices for some minerals in world markets, the devaluation of the Rhodesian dollar, and an increased domestic product price account for the rising value of mineral output. Similarly, the volume of agricultural output did not change much from the previous year, but higher prices

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111/ Business Week, 4 December 1978, p. 43.

112/ An account of the recent political history of Southern Rhodesia can be found in Official Records of the General Assembly, Thirty-third Session, Supplement No. 23 (A/33/23/Rev.1), chap. VII.

113/ Security Council resolution 423 (1978).

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for some products have contributed to an increase in the value of agricultural output during the first two quarters of 1978. 114/

86. In 1977, the balance of payments showed a record deficit and exports are expected to drop further during 1978. An acute shortage of foreign exchange has forced the authorities to cut foreign currency import allocations - first by 20 per cent and later still more. The Rhodesian dollar ($R) was devalued in April 1978 by 8 per cent against world currencies and 5 per cent against the South African rand. The combination of cuts in import allocations and the increased cost of imports due to devaluation will further curtail the supply of items necessary for economic growth. 115/

87. Many foreign interests are reportedly prepared to expand their operations once the political situation stabilizes. 116/ For the moment, however, very little investment activity, foreign or local, is taking place. During the past year, almost no new foreign capital has been invested in the once dependable mining sector and the search for new minerals has practically stopped. With the exception of the gold industry, every sphere of mining activity incurred cutbacks in production during 1977. The mining sector is also experiencing labour problems: there is an acute shortage of skilled (white) labour and industrial unrest among black workers. 117/

88. During 1977 and 1978, several transnational mining corporations announced cutbacks in their production volume. Johannesburg Consolidated Investment Co. Ltd. (South Africa) reduced output at its Shangani nickel mine by 50 per cent in 1977. Rio Tinto (Rhodesia) closed a ferrochrome smelter and placed its North Dyke chrome mines on a care and maintenance basis. 118/ Lonrho Ltd. (U.K.) closed a copper mine in north-east Rhodesia in May 1978. 119/ The same year, Lomagundi Smelting and Refining, a subsidiary of the Anglo American Corporation (South Africa) also announced the closure of one copper mine. 120/

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114/ Standard Bank, Review, October 1978, p. 5; The Economist Intelligence Unit, Quarterly Economic Review of Rhodesia, Malawi, Third Quarter, 1978, pp. 3, 9, 11.

115/ Economist Intelligence Unit, Quarterly Economic Review of Rhodesia, Malawi, Second Quarter, pp. 9-11.

116/ United Nations document No. A/33/23/Part III, p. 14.

117/ Economist Intelligence Unit, Quarterly Economic Review of Rhodesia, Malawi, Second Quarter, 1978, p. 12; Mining Annual Review, 1978, p. 472.

118/ Mining Annual Review, 1978, p. 478.

119/ Economist Intelligence Unit, Quarterly Economic Review of Rhodesia, Malawi, Second Quarter, 1978, p. 11.

120/ Mining Annual Review, 1978, p. 478.

89. One Rhodesian mining company, however, has been able to accumulate enough profit to expand while others are stagnating or cutting back. The Industrial Development Corporation, whose holdings include Kamativi Tin Mines Ltd,, DSO Asbestos (Pty.) Ltd. and Empress Nickle Mining Company Ltd., plans to construct a $R 100 million petrochemical plant to convert coal and shale to fuel oils and chemical by-products. The company says that no foreign capital was used to undertake the expansion. 121/

90. Southern Rhodesia's manufacturing sector is likewise suffering declining profits and cutbacks in production. Mashonaland Holdings, a manufacturer of electrical equipment and motors, for example, reported satisfactory profit levels in 1976/1977, but has been operating at reduced levels in 1977/78. The company reportedly sees little hope for improvement in the near future. Two other large firms, CAPS (Rhodesian) and Plate Glass Industries Rhodesia Ltd. reported general economic difficulties and declining profits. 122/

## 2. The supply of oil

91. In September 1978, the United Kingdom Government released a report 123/ which describes violations of sanctions by the Shell Petroleum Company Ltd. and the British Petroleum Company Ltd. (BP). The document describes the successive arrangements whereby subsidiaries of the two firms supplied oil to Southern Rhodesia/Zimbabwe from 1965 until 1976.

92. From the making of the 1965 Sanctions Order until January of 1968, oil from the marketing companies of Consolidated Petroleum Company Ltd. 124/ in South Africa and Mozambique was sold through various intermediaries to customers in Southern Rhodesia/Zimbabwe. The Shell and BP Groups in London are reported to have received assurances from their local operations that no sales were being made to customers known or thought to be selling their product to Southern Rhodesia/Zimbabwe. Although the United Kingdom Embassy in South Africa had been informed that products of the two companies were reaching Southern Rhodesia/Zimbabwe, until the end of 1967 the United Kingdom Government accepted assurances from Shell and BP that the companies were in compliance with the sanctions orders.

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121/ United Nations document No. A/33/23/Part III, p. 20.

122/ *Ibid.*, pp. 16-17.

123/ The following paragraphs are based on The Supply of Petroleum and Petroleum Products to Rhodesia, report written by T. H. Bingham and S. M. Gray for the Secretary of State for Foreign and Commonwealth Affairs of the United Kingdom (London, H.M. Stationery Office, 1978). This document is widely known as the Bingham Report. See Andrew Phillips, A review of the Bingham Report (London: Social Audit Ltd., 1978) for a critique of this report.

124/ Under a long standing agreement, Shell and BP products in southern Africa were marketed by the Consolidated Petroleum Company Ltd. Shell managed this company although there was extensive consultation between the two groups. In June 1975, these arrangements ended in South Africa with the two groups splitting apart.

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93. In 1968, pressure from the United Kingdom Government to stop the involvement of British companies in such supplies resulted in a new arrangement: from February 1968 until late 1971, Total South Africa, a subsidiary of Compagnie Française des Petroles, 125/ supplied oil to Shell and BP customers in South Africa who were suspected of reselling to Southern Rhodesia/Zimbabwe. In exchange, Consolidated in South Africa supplied Total South Africa with an equivalent quantity of oil products. In the second stage of this arrangement, products supplied by the Consolidated marketing companies in South Africa were handled through the Total installation in Mozambique for a fee and then delivered to suppliers who sent them to Southern Rhodesia/Zimbabwe. While this arrangement removed the British firms from the direct line of supply to customers known to divert supplies to Southern Rhodesia/Zimbabwe, it violated the 1965 Sanctions Order (1) (c) which forbids "any act calculated to promote the supply or delivery of petroleum ..." (to Rhodesia). According to the Bingham Report, United Kingdom officials were informed of the arrangement with Total.

94. When the arrangement with Total ended in 1971, orders placed by companies known to be selling to Rhodesian customers were met by the Consolidated South African marketing companies and delivered to Rhodesian customers by Shell Mozambique. Although the details of this arrangement were known to top management of the Consolidated Company in South Africa, it was not until 1974 that representatives from the headquarters of Shell and BP recognized that the agreement with Total had ended. The United Kingdom Government was not informed that the agreement between Total and Consolidated Petroleum in South Africa had ended. Shell Mozambique stopped the sale of oil to Southern Rhodesia/Zimbabwe in 1976 when the border between Mozambique and Southern Rhodesia/Zimbabwe was closed.

95. The United Kingdom Government is now investigating allegations that Shell and British Petroleum subsidiaries in South Africa continued to supply oil to Southern Rhodesia/Zimbabwe after 1976. In October 1978, officials of British Petroleum acknowledged that until September 1978, there was a marketing agreement between Shell/BP and the State-owned South African Coal, Gas and Oil Corporation (SASOL) to assist SASOL in providing refined oil products to Southern Rhodesia/Zimbabwe. Reportedly, the joint Shell/BP refinery near Durban supplied oil to SASOL customers inside South Africa while SASOL sent oil to Shell and BP petrol stations in Southern Rhodesia/Zimbabwe. 126/

96. The report on Shell and BP contained very limited information on the operations of the United States-based oil companies, Mobil Oil Corporation and Caltex Petroleum Corporation. In November 1978, the United States Treasury Department reopened its investigation of allegations that these firms are also breaking sanctions. 127/

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125/ The French Government had and has a substantial interest in Compagnie Française des Petroles.

126/ Financial Mail, 15 September 1978, pp. 958-959; David M. Liff, "The Oil Industry in South Africa", op. cit., pp. 28-31.

127/ David M. Liff, Ibid., pp. 27-28.

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# Chapter II

## TRANSNATIONAL CORPORATIONS IN THE MINING INDUSTRY

### A. Republic of South Africa

#### 1. Historical background

97. The South African mining industry has long been established as a major contributor to the world's supply of diamonds, gold and coal. Now, it is also the world's largest producer of platinum; its industry has diversified into base metals, enhancing their value through the production of alloying agents; and it recovers large quantities of uranium from its gold production. In addition, it is a major exporter of iron ore.

98. The mining industry has been the foundation of South Africa's economic development. It has enabled large undeveloped areas of the country to be linked with a good transport network; it provided the first markets for the agricultural sector, stimulated technical education, and provided the Government with substantial revenues. It has earned huge amounts of foreign exchange, has attracted a great deal of foreign capital and has been a major stimulus to industrial development in the country.

99. The manner of the industry's beginning has influenced South Africa's economy and society to this day. The first diamond discoveries in 1867-70 were so rich that the funds they provided enabled transport, particularly railways, to develop, and the coal mines to open. 128/ The Kimberley deposits required for their development the organization on a considerable scale of technological expertise and financial resources. This was ideal training for the larger and enormously rapid development of the Witwatersrand gold deposits which started in 1886. 129/ The gold content of the ore was then, and still is, extremely low by comparison with other gold-mining areas in the world, and therefore, the highest technical and administrative skills and large numbers of disciplined workers were needed to make it profitable.

100. Skilled workers were scarce, and high wages had to be offered to attract immigrants from abroad (mainly from Britain, Germany, the United States and Australia). Unskilled labour was plentiful, 130/ working at rates of pay set by the

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128/ Knowles, Economic Development of the British Overseas Empire (London: G. Routledge and Sons, Ltd., 1936).

129/ By 1888, 44 mines were in operation with a nominal capital outlay of £6.8 million (most of it from Britain) and gold output of £1.3 million per annum, M. H. DeKock, Selected Subjects in the Economic History of South Africa (Fairfield, New Jersey: Augustus M. Kelley, 1924).

130/ Ninety per cent of the labour force were Africans who came from all over southern Africa; some as far north as the Rhodesias and Nyasaland.

opportunity cost of unskilled labourers' earnings in agriculture. This was only a small fraction of the rate necessary to secure skilled workers. Thus, a wide disparity between the earnings of skilled and unskilled workers arose initially in response to the economic forces of supply and demand, the wages of the unskilled being somewhere between 10 per cent and 20 per cent of those of the skilled. 131/ This disparity should have disappeared in the course of time as unskilled workers acquired new skills.

101. Mine owners made an effort to replace white miners by low paid Africans. 132/ The Transvaal Republic, however, had no sympathy for the mine owners (who were mainly foreigners) and imposed a statutory colour bar in the mining industry. Laws were passed in 1893, 1896 and 1897 imposing job reservations in the industry. After the British annexed the Transvaal in 1902, these laws were retained, and after 1910, the statutory colour bar was embodied in the Mines and Works Act of 1911. The regulations reserving skilled jobs for whites have remained despite various attempts by mine owners to have them struck down. The powerful white mine workers' unions have jealously guarded their privileges; and the wide disparity between wages of whites and blacks has become no less over the subsequent 50 years. 133/

102. The economics of the mining industry in South Africa required (a) high technical skills, and (b) large numbers of workers prepared to work in hot, humid, hazardous conditions for long hours. The first requirement was met by providing good wages, benefits and living conditions to the managerial, technical and skilled personnel and by providing a high level of technical and administrative support to individual mines through the economical centralized group system. The second was assured by keeping a constant stream of "novice" recruits flowing to the mines for short-term (9-24 months) contracts during which they lived apart from their families in mine housing compounds.

103. As the South African economy developed over the years, many South African black workers had other employment possibilities in manufacturing and retail business which had a higher opportunity cost than either agriculture or mining, so the Chamber of Mines developed extensive networks of recruiting agencies all over southern Africa to ensure a supply of recruits willing to do dangerous work for low wages. This led to an employment situation in the South African mining industry in which 90 per cent of the workers were black, and of these, as recently as 1974, three quarters came from outside South Africa.

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131/ D. Hobart Houghton, The Oxford History of South Africa, vol. II (Oxford University Press), p. 22.

132/ Alex Hepple, South Africa: Workers Under Apartheid, Second Edition (London: Christian Action Publications, 1971), p. 36.

133/ In 1977, average black workers' wages were 13 per cent of average white workers' wages, South African Bulletin of Statistics, 1977.

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104. Since then the dramatic increase in the price of gold (which for nearly 30 years had been fixed at about $35 per fine ounce) to the present level of $230 per ounce, and a willingness on the part of black workers in South Africa to strike, has led to increases in mine workers' wages. 134/ This has made the jobs more attractive to black South Africans. For various reasons, some of the foreign Governments have discouraged their nationals from taking contracts in South Africa, and in 1978, 53 per cent of the total black labour force in the mines came from South Africa. 135/

105. Thus, historical development of the diamond, coal and gold mines in South Africa has enabled the country to exploit low grade deposits at low cost because of the availability of enormous reserves of labour willing to work in extremely harsh conditions at very low rates of pay. The higher profits from these operations attracted large amounts of foreign capital, initially from the United Kingdom, but subsequently from the United States and other parts of Europe. Subsequently, direct investment by foreign mining companies has taken place in developing copper, lead, zinc, platinum and uranium deposits. United States mining companies have been largely instrumental in the development of ferro alloy plants; Swiss-based firms have built an aluminium smelter; and Japanese companies have supported large iron ore and coal projects with long-term sales contracts.

## 2. The contribution of mining to South Africa's economy

106. The mining industry is of great importance to South Africa's balance of payments. It is less significant in other respects, such as employment or capital employed, though it does contribute significantly to the country's gross domestic product (GDP). The contribution to GDP has been fairly constant over the past 30 years, at about 10 to 12 per cent. In fact, the sectoral composition of South Africa's GDP, as a whole, has been very stable during that period, and the only noticeable change in the share has been a decline from about 12 per cent to 8 per cent in the contribution of agriculture, forestry and fishing and an increase from about 17 per cent to 22 per cent in the contribution from manufacturing. 136/

107. The proportion of government revenue which comes from mining varies mainly with the price of gold, the greatest contributor, but also depends heavily on diamond sales. In 1975, the mining industry, as a whole, produced 17 per cent of the total revenue collected by the South African Government. The importance of mining to South Africa's balance of payments is marked, especially because of the significance of gold exports. In 1974, for example, minerals in total accounted

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134/ International Labour Organisation, Fourteenth Special Report of the Director-General of the Application of the Declaration Concerning the Policy of "Apartheid" of the Republic of South Africa (Geneva, International Labour Office), p. 12.

135/ See foot-note 139.

136/ Nedbank Group, South Africa: An Appraisal (Johannesburg, Nedbank Group Economic Unit, 1977), pp. 47-48.

for 57 per cent of South Africa's exports and gold exports alone were worth $US 3.8 billion, which was 44 per cent of total export value. In 1976 mineral exports were 53 per cent of total exports, and in 1977 they were 51 per cent. 137/

108. The latest figures show that in 1977, 712,000 people were employed in the South African mining industry, out of an economically active population estimated at 9.8 million. 138/ This is not a strictly accurate indicator however, since less than 60 per cent of the black workers in the industry are South Africans. 139/

109. Investment in the mining industry in South Africa since 1946 has gone through three stages. In the period from 1946 to 1960, there was a substantial increase in investment in the mining industry; during that 14 year period there was an annual increase of 6.6 per cent in the real fixed capital stock in mining, which was above average for the South African economy as a whole. In the period from 1960 to 1970 however, the average annual percentage increase in the real capital stock in the mining industry was only 1.9 per cent, compared to an average for the economy as a whole of 5.5 per cent. The low price of gold during this period had a marked effect on investment in the industry. Since 1973, the real fixed capital stock of the mining industry rose sharply, and, again, the reason for this was the high price of gold and other minerals on international markets. The average annual increase in the real fixed capital stock in the mining industry between 1973 and 1976 was 9.3 per cent. By 1977, the outlays had levelled out at a high level and it is to be expected that the higher investment in uranium plants has contributed to a further increase in the real fixed capital stock of mining. 140/

110. The figures of the annual increase in capital employed in the mining industry since 1973, in fact, understate the important increase in the resources of the mining industry. There have been huge sums invested by parastatal bodies, such as the Iron and Steel Corporation (ISCOR) and South African Railways and Harbours (SARH), in the transport, communication and storage facilities connected with the export of coal and iron ore. 141/

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137/ Department of Statistics, South African Statistics, Johannesburg, 1978.

138/ Ibid.

139/ The other 40 per cent comes from other countries in the southern Africa region, notably Lesotho, Mozambique, Botswana and Malawi. Thus, the industry, which is so significant to the South African economy, is heavily dependent on labour from outside the country, which can be cut off without warning, as happened in 1974 when Malawi prohibited the movement of Malawi nationals to the South African mines. Similarly, the number of migrant workers dropped from 100,000 in 1975 to 34,000 in 1978. Ibid.

140/ South African Reserve Bank, Quarterly Bulletin, September 1978.

141/ For example, 800 kilometres of electrified, computer-controlled special purpose line were recently built to connect the iron ore mines at Sishen with the new harbour at Saldanha Bay on the Atlantic Coast in Cape Province. A special rail line from the Transvaal coalfields to the harbour of Richards Bay on the Indian Ocean coast was built for the export of coal.

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111. The large investment in transport, port facilities and bulk handling equipment to make possible the bulk export of coal and iron ore has helped to bring about a change in the character of the South African mining industry. It is changing from one in which the main feature was the production and export of minerals with a high unit value, such as gold and diamonds, to a more diversified production in which minerals with a low unit value such as iron ore, coal, manganese ore, chromite and phosphates are equally important.

### 3. The importance of South African mining to the world

112. South Africa produces a significant proportion of the world's output of several important minerals. (See Table 3.) Another measure of the importance of South Africa's mining industry to the rest of the world is the proportion of reserves or resources which South Africa holds, relative to the total world reserves or resources. The concepts of reserves and resources are imprecise and vary from one authority to another. A distinction is commonly made between "reserves", which have a basis in the current technological and economic conditions of the industry and have been proved to exist, and "resources", which are not proven to be economically recoverable, but which are reasonably certain to exist.

Table 3: Percentage of world output produced by South Africa

(by volume)

| | 1976 | 1977 |
|---|---|---|
| Gold | 58 | 47 |
| Platinum group metals | 45 | 35 |
| Vanadium | 35 | 29 |
| Chrome ore | 28 | 29 |
| Manganese ore | 22 | 23 |
| Antimony | 16 | 16 |
| Industrial diamonds | 13 | 12 |
| Uranium oxide a/ | 12 | 12 |

Source: United States Bureau of Mines, Mineral Commodities Summaries, 1978.

a/ Excludes Central Market Economies.

113. Despite difficulty in measurement, orders of magnitude can be given which demonstrate that in some minerals, South Africa has a substantial proportion of the total world reserves. The United States Bureau of Mines publishes figures relating to "reserves held by mines", which is an indicator of reserves which could reasonably quickly be brought into production. Using this definition, the reserves of chrome ore in South Africa are estimated at 74 per cent of the total world reserves. Other minerals of which South Africa has a large proportion of the world's reserves are platinum (71 per cent), gold (49 per cent), manganese (37 per cent), vanadium (19 per cent), fluorspar (17 per cent) and uranium (10 per cent). 142/

114. The demand for gold, long valued for beauty and permanence, has increased in recent decades as it has become an essential industrial metal. It is used in the circuits of electronic computers, in space technology and in jet aircraft engines. Jewellery and dentistry are two other major uses. Recently, the International Monetary Fund and the United States Treasury have sold gold from their monetary stocks, but, at the same time demand for gold by private investors has taken up the slack in demand from official sources. 143/

115. Platinum is used as a catalyst in petroleum refining and in the chemical industry. Its main use at present is in catalytic converters used to control emissions from the engines of automobiles. This use could possibly be eliminated by improvements in the design of engines and the chemical composition of fuels. These are currently the subject of considerable research and development, but both involve large capital costs. Platinum can be substituted for gold in the electronics industry, and is also used in the jewellery trade, a use which the South African producers are stimulating at present through considerable advertising.

116. Vanadium is chiefly used as an alloying agent in the manufacture of iron and steel, usually added in the form of ferrovanadium. Other metals, such as columbium, molybdenum, manganese, titanium and tungsten, can be substituted for vanadium to some extent.

117. Manganese is essential to the production of virtually all types of steel and is important in the production of cast iron. It is also used in the production of dry cell batteries and in the chemical industry. In steel making it is used chiefly in the form of ferromanganese or silicomanganese. There is no substitute for manganese in most of its applications. The United States has no manganese production (though it does have some resources); the major reserves in the world are in the USSR and South Africa. 144/ South Africa classifies as confidential

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142/ United States Bureau of Mines, Mineral Commodity Summaries, 1978.

143/ Some European central banks have shown interest in building up stocks of gold as part of their official reserves, where it is in most cases no longer valued at the old "official" price.

144/ International legal problems and technical problems must be solved before exploitation of manganese resources in the sea-bed will be significant commercially.

all information on ferromanganese (and ferro alloys). Estimates are, however, that in 1977, 780,000 tons of ferromanganese were produced, some of which is used in South Africa's own steel production. Much is exported, however; between 1973 and 1976, 32 per cent of United States imports of ferromanganese were from South Africa. 145/

118. South Africa at present produces 99 per cent of its uranium as a by-product from its gold mines; the balance is produced by the Palabora copper mine. Substantial deposits of uranium in South Africa are not associated with gold; they will not become economically viable unless uranium prices on a long-term contract basis rise considerably. These deposits include Anglo American Corporation's Afrikander Lease prospect, near Klerksdorp in the Transvaal, where gold and by-product uranium were formerly mined. Deposits in the Karoo, in sandstone beds, are also being prospected extensively.

119. The increasing world-wide demand for uranium has led to a considerable increase in price. This has stimulated production in South Africa, which has in any case been increased because the rise in gold prices has encouraged greater production of both gold and the uranium by-product. Moreover, the demand for uranium, on a long-term contract basis, from large corporations which are constructors of nuclear power stations and from the major utility companies has made financing for uranium mining available. This financing is not available, to the same extent, for other forms of mining. In South Africa there are several large projects planned or in operation to extract uranium as well as gold and arsenic from the residues of earlier gold production, when recovery processes were less efficient than they are today.

120. Chrome ore is found mainly in the USSR, Southern Rhodesia/Zimbabwe and South Africa. Southern Rhodesia/Zimbabwe's chrome is of very high quality, but the development of a process for the use of "charge chrome" - the alloying agent ferrochrome - in stainless steel manufacture, has enabled the use of lower grade chromite such as South Africa produces, to be used in applications which formerly required the higher grade metal.

121. Thus, the most important non-fuel minerals which South Africa exports, and for which there are few alternative resources at the present time, are chromium, gold, manganese, platinum metals, vanadium and certain types of asbestos. There are substitutes for many of these (except manganese), and it is unlikely that at any given time, there would not be some combination of measures of conservation, recycling, substitution and diversification of supply which could cope with interruptions in their availability. Nevertheless, together they comprise a range of essential commodities without which the steel, automobile and chemical industries of the world would suffer severe difficulties.

122. The biggest importer of South African mineral products is Japan. In 1977, Japan imported minerals from South Africa valued at $255 million, which was 25 per cent of the total value of South African mineral exports. France imported

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145/ Information provided by United States Government.

14 per cent of South Africa's mineral exports; the Federal Republic of Germany, 12 per cent; the United States, 8 per cent; and the United Kingdom, 8 per cent. 146/

123. The importance of South Africa's mining industry to the rest of the world is measured not only by the amount of trade in those minerals of which she produces a large share of world output, or by the proportion of the world's reserves and resources which exist in the country: the mining industry in South Africa has also developed highly advanced techniques for mining in the conditions which exist there. The relatively low grade ores which the gold mines have been recovering and processing for years have given the industry a capability that is used with considerable effect at Phalaborwa. The Palabora Mining Company (managed by Rio Tinto-Zinc) reportedly has the lowest cost production of copper per ton in the world (though this may be partly due to the accounting practice of crediting the value of the by-products against the cost of copper production).

### 4. Transnational corporations in the mining industry

124. South Africa's mining operations originally developed to mine diamonds, coal and gold, with foreign capital and foreign miners; but they were organized as South African companies, and the early immigrant owners and workers became South African. Thenceforth, the continued financing of the industry was from retained profits and portfolio investment by many investors, small and large, mainly in the United Kingdom, but also in the United States and the Federal Republic of Germany. Control of the companies remained in South Africa.

125. Since the end of the Second World War, however, South Africa's mining sector has drawn direct investment from transnational corporations because of its mineral wealth, the favourable governmental policies toward mining companies, and the existence of a large non-unionized and disciplined labour force.

126. Most transnational corporations which have invested in South Africa's mining industry have come from the United States and the United Kingdom, and some have come from Canada. French companies have recently been active, especially in oil and gas exploration in Namibia, and Federal Republic of Germany-based companies are active in prospecting for uranium in both Namibia and South Africa. 147/

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146/ Information provided by South African Government.

147/ A Japanese company, Showa Denko KK, planned to build a ferrochrome plant, in conjunction with Johannesburg Consolidated Investment Co. Ltd. But because of the Japanese Government's sensitivity to criticism of investment in South Africa, the company did not participate in the ownership. Instead it agreed to buy the products and to help facilitate the finance.

127. There are seven major South African 148/ mining houses, 149/ most having shareholdings in at least one of the other six. Some of these mining houses are themselves transnational corporations, in particular the Anglc American-De Beers group, which has interests in many countries (e.g. Zambia, Southern Rhodesia/ Zimbabwe, Namibia, Botswana, Lesotho, Swaziland, Zaire, Tanzania, Canada, the United States, Brazil, the United Kingdom, Australia, Angola and Ireland).

128. Foreign mining companies which operate in South Africa often have done so in conjunction with a South African mining house. While this was not done originally when direct foreign investment in the industry began, in recent years virtually every transnational mining investment in South Africa has been a joint venture with a South African mining house. 150/ In some cases, the investment has been in partnership with a South African government agency. 151/ The South African Government no longer publishes statistics of direct and indirect private foreign investment by sector. It is not possible, therefore, to establish accurately the extent of the participation by transnational corporations in South Africa's mining sector. In a few cases, the transnational corporations accounts show separate figures for South African investments, but these are historical data which do not reflect the actual value of the investment, nor do they reflect the extent of the control which the firm exercises over the operation in South Africa.

129. United States direct investment in mining and smelting industries in South Africa is estimated to have totalled $190-195 million at the end of 1976 and $210 million at the end of 1977 (an increase of about 9 per cent). The rate of

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148/ Gold Fields of South Africa Ltd. has since 1964 been controlled by a parent company registered in the United Kingdom.

149/ A "mining house" in South Africa is a group of companies loosely organized, in which certain centralized services (finance, secretarial and administrative, purchasing, some research, perhaps some marketing) are usually provided by the holding company. The seven are the Anglo American Corporation of South Africa Ltd., Anglo Transvaal Consolidated Investment Ltd., the General Mining and Finance Corp. Ltd., Gold Fields of South Africa Ltd., Johannesburg Consolidated Investment Company Ltd., Rand Mines Ltd. and Union Corporation Ltd.

150/ E.g., Phelps Dodge Corporation has a 49:51 joint venture with Gold Fields in developing at a cost of $US 200 million the copper-lead-zinc deposit at Aggereys in Cape Province. The 51 per cent was transferred to Gold Fields in exchange for their raising the $200 million needed to develop the property.

151/ E.g., Palabora Mining Company is owned by the Rio Tinto-Zinc Corporation Ltd. (39 per cent), Newmont Mining Corp. (31 per cent), the Industrial Development Corp. of S.A. Ltd. (10 per cent), Union Corporation Ltd., Sanlam, Old Mutual and the public (22 per cent).

return on these investments is estimated to be 12.1 per cent in 1976 and 7.1 per cent in 1977. 152/

130. A 1977 United States government survey of capital investment plans by majority-owned affiliates of United States-based transnational corporations in the South African mining industry shows that capital expenditures are expected to be $57 million in 1979 153/ - mainly for uranium and copper projects - which would be nearly three times the 1978 total of $20 million. This would be an understatement of the total investment of United States companies in the South African mining sector, since many United States investments are in minority-owned affiliates.

131. The following transnational companies have investments in the South African mining industry. 154/ Per cent ownership is indicated for the various investments of the transnational corporations.

NEWMONT MINING CORPORATION (U.S.)

Copper: O'Okiep Copper Company Ltd.

66.27 per cent and management responsibility. AMAX Inc. has 21 per cent.

Tsumeb Corporation Ltd. (Namibia)

35.52 per cent and management responsibility. AMAX Inc. has 31 per cent; Selection Trust (U.K.) has 14.25 per cent; and Union Corporation Ltd. and others have 15.51 per cent.

Palabora Mining Company Ltd.

28.6 per cent. Rio Tinto-Zinc Corp. Ltd. has 39 per cent, and Industrial Development Corp. of S.A. Ltd. has 10 per cent.

Silicon: Silicon Smelters (Pty) Ltd.

28 per cent (through Foote Mineral Company). Aluminium Company of Canada Ltd. has 33 per cent and African Oxygen Ltd. has 33 per cent.

Steel, Vanadium: Highveld Steel and Vanadium Corporation Ltd.

10.49 per cent. Anglo American Corporation of S.A. Ltd. has a large shareholding.

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152/ These figures are calculated from United States Department of Commerce, Survey of Current Business, August 1978.

153/ Ibid., October 1978, pp. 45, 49.

154/ Financial Times, Mining International Yearbook; various company annual reports.

AMAX INCORPORATED (U.S.)

Copper: O'Okiep Copper Company Ltd.

21 per cent. Newmont Mining Corp. has 67 per cent.

Tsumeb Corporation Ltd. (Namibia)

31 per cent. Newmont Mining Corp. has 36 per cent; Selection Trust (U.K.) has 14.25 per cent; Union Corporation and others have 15.51 per cent.

UNION CARBIDE CORPORATION (U.S.)

Copper: Ucar Chrome Company (S.A.) (Pty) Ltd.

100 per cent.

Ferrochrome: Tubatse Ferrochrome (Pty) Ltd.

49 per cent and management responsibility. General Mining and Finance Corp. Ltd. has 51 per cent.

Vanadium: Ucar Minerals Corporation

100 per cent.

PHELPS DODGE CORPORATION (U.S.)

Copper, Lead, Zinc, Silver: Black Mountain Mineral Development Company Ltd.

49 per cent. Gold Fields of South Africa Ltd. has 51 per cent.

Fluorspar: Chemspar Limited

100 per cent.

UNITED STATES STEEL CORPORATION (U.S.)

Manganese: Associated Manganese Mines of South Africa Ltd.

20 per cent.

Chrome: Associated Ore and Metal Corporation Ltd.

27 per cent.

Copper: Prieska Copper Mines (Pty) Ltd.

46 per cent. Anglo Transvaal Consolidated Investments Ltd. has 50 per cent.

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| | |
|---|---|
| Fluorspar: | Marico Fluorspar (Pty) Ltd.<br><br>100 per cent. |
| Ferro alloys: | Feralloys Ltd.<br><br>45 per cent. Associated Manganese Mines of South Africa has 55 per cent. |
| Titanium: | Zululand Titanium<br><br>(With General Mining and Finance Corp. Ltd.) |

RIO TINTO-ZINC CORPORATION LTD. (U.K.)

| | |
|---|---|
| Copper, Uranium, Nickel, Silver, Vermiculite, Magnetite, Zirconia, Phosphates, Gold: | Palabora Mining Company Ltd.<br><br>39 per cent and management responsibility. Newmont Mining Corp. has 31 per cent; Industrial Development Corp. of S.A. Ltd. has 10 per cent; and Union Corp. Ltd. has a share. |
| Uranium: | Rössing Uranium Ltd. (Namibia)<br><br>45.5 per cent and management responsibility. Industrial Development Corp. of S.A. Ltd. and Total S.A. (France) have shares. |

LONRHO LTD. (U.K.)

| | |
|---|---|
| Coal: | Tweefontein United Collieries Ltd.<br><br>53 per cent. |
| Coal, Gold, Asbestos: | Duiker Exploration Ltd.<br><br>15 per cent. |
| Platinum: | Western Platinum Mine<br><br>15 per cent. Falconbridge Nickel Mines Ltd. (Canada) has 25 per cent. |

CHEMETRON CORPORATION (U.S.)

| | |
|---|---|
| Antimony: | Antimony Products Ltd.<br><br>50 per cent. Consolidated Murchison Ltd. has 50 per cent. |

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TURNER AND NEWELL (U.K.)

Asbestos: Dublin Consolidated Asbestos Mines (Pty) Ltd.

100 per cent.

ONIVAL CORPORATION (U.S.)

Chrome, Manganese: South African Manganese Amcor Ltd.

10 per cent. South African Government-owned Iron and Steel Corporation has 45 per cent.

KENNECOTT COPPER CORPORATION (U.S.)

Titanium, Iron: Richards Bay Iron and Titanium (Pty) Ltd., Tisand (Pty) Ltd.

21.2 per cent (through Quebec Iron and Titanium Corp.). Union Corporation Ltd. has 30.45 per cent; Industrial Development Corp. of S.A. Ltd. has 20.35 per cent; South African Mutual Life Assurance Society has 10 per cent; and Southern Life Association has 7.5 per cent.

GULF AND WESTERN INDUSTRIES INC. (U.S.)

Titanium, Iron: Richards Bay Iron and Titanium (Pty) Ltd., Tisand (Pty) Ltd.

10.6 per cent (through New Jersey Zinc and Quebec Iron and Titanium Corporation). Union Corp. Ltd. has 30.45 per cent; Industrial Development Corp. of S.A. Ltd. has 20.35 per cent; South African Mutual Life Assurance Society has 10 per cent; and Southern Life Association has 7.5 per cent.

FALCONBRIDGE NICKEL MINES LTD. (CANADA)

Platinum: Western Platinum Mine

25 per cent. Lonrho Ltd. has 51 per cent.

Copper, Silver: Oamites Mining Company (Pty) Ltd. (Namibia)

75 per cent. Industrial Development Corp. of S.A. Ltd. has 25 per cent.

JOHNSON MATTHEY AND COMPANY LTD. (U.K.)

Platinum: Matthey Rustenburg Refiners (Pty) Ltd.

50 per cent. Rustenburg Platinum Mines Ltd. (owned 28 per cent by Johannesburg Consolidated Co. Ltd. and 13 per cent by Anglo American Corp.) has 50 per cent.

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ALUSUISSE (SOUTH AFRICA) (PTY) LTD.

Aluminium: Alusaf

22 per cent.

132. It can be seen from these details of transnational corporation investment in South Africa's mining industry that 100 per cent ownership and control is relatively uncommon: co-operation with other mining companies, particularly the South African mining houses, is frequent. This provides the transnational corporations with some security vis-à-vis the South African Government, and it facilitates relations with local industry, the Chamber of Mines, white mine workers' unions and local and provincial governments. Being a partner in an enterprise, rather than having full ownership, also presumably helps a transnational corporation to defend itself against home country criticism of supporting South Africa's internal policies.

133. Foreign transnational corporations have been heavily involved in developing projects to process minerals produced in South Africa. Union Carbide Corporation and United States Steel Corporation have built the most modern ferro alloy plants in South Africa. 155/ Johnson Matthey and Company Ltd. and Lonrho Ltd. have built the platinum refineries; Rio Tinto-Zinc Corp. Ltd. has the most modern and efficient capital-intensive mining and recovery processes at Palabora and at Rössing in Namibia. The recovery of every possible by-product from Palabora's ore has helped make it one of the most efficient copper mines in the world. Newmont Mining Corporation has plans (at present in abeyance) to construct a copper refinery near Cape Town.

134. While for most of the time that transnational corporations have been operating in South Africa there has been no evidence that their employment practices have differed from those of South African mining companies, recent years have shown cases in which foreign transnationals with management responsibility for mining projects have tried to make conditions as good as the best in the industry. For example, Rio Tinto-Zinc, both in Phalaborwa and Rössing, has also built family housing for some of its black employees and provided medical care. The Union Carbide Corporation has built a township for its employees near its steelport ferrochrome plant.

135. Nevertheless, it cannot be said that foreign transnational corporations have persuaded - nor is there evidence that they have tried to persuade - their South African partners in joint mining ventures to provide higher pay, or to redress or reduce racial discrimination in the industry.

155/ Ferrosilicon, ferromanganese, ferrochrome, charge chrome, ferrovanadium and ferro-silico-chrome are produced in South Africa.

### 5. Prospects and plans of transnational corporations in the South African mining industry

136. Transnational mining companies, like other transnational corporations already operating in South Africa or contemplating investment there, must consider the economic and political environment within and outside South Africa. The recent developments which might affect the commercial benefits of such activities were described in chapter I. These developments may be significant enough to deter corporations engaged in exploration in South Africa, even though they may have discovered deposits which appear commercially viable, from undertaking exploitation: some corporations have adopted a "wait and see" attitude. For example, several companies have found uranium in South Africa. Although this is a high-demand mineral whose supply is being impeded in many other countries by governmental restrictions and environmental and safety concerns, some corporations are waiting to see whether the new Namibian Government will allow the exploitation of uranium deposits other than Rössing - even before investing in South Africa.

137. Transnational corporations which have already invested in the South African mining industry do not seem to be disinvesting. A mining investment may be more difficult to sell than an industrial investment, but, as the figures for planned United States investment show, United States transnational mining companies still regard South Africa as a good place in which to invest. This attitude is economically rational since the low labour costs and developed infrastructure in South Africa, plus price-controlled coal (and therefore cheap electric power), all combine to give high profits on investment in South Africa. Palabora Mining Company Ltd. (PMC), for example, in 1973 and 1974, before the copper prices fell, was realizing returns of 82 per cent and 77 per cent, respectively, on shareholders' average funds. Even in the years 1975 through 1977, when copper prices were still low and many copper companies were taking losses, PMC made profits which gave returns of 28 per cent, 34 per cent, 24 per cent, respectively, on average shareholders' funds employed. 156/

138. There is evidence, however, that some transnational mining companies are showing caution in new investment by considering - as alternatives to investment in South Africa - exploiting deposits in neighbouring countries, such as Botswana. Shell Coal S.A. (Pty) Ltd., for example, has had an exploration programme for the past four years which has established that the Moropule coalfield in Botswana, which is mined at present by a small underground operation of Anglo American Corporation and produces 230,000 tons a year, is a large deposit, probably with 40 billion tons of steam coal resources. Shell Coal is seriously considering undertaking a large-scale export-project, despite South Africa's large coal resources and excellent transport facilities which have just been developed at Richards Bay precisely to permit large coal exports.

156/ Palabora Mining Company Ltd., Annual Report, 1977.

## B. Namibia

### 1. Foreign mining interests

139. Accurate data on the economy of Namibia in general, and the mining industry in particular, are not available. 157/ The South African administration since 1970 has incorporated Namibia's economic statistics into those of the Republic of South Africa. In addition, it has classified as secret certain data pertaining to such minerals as uranium.

140. Mining production in Namibia is controlled by companies from South Africa, the United Kingdom and the United States. They have developed their projects under South African administration, which has aimed less to develop the Namibian economy than to develop its own economy. Thus, the mining operations have not been designed to maximize benefits for Namibia, but to fit into the over-all policy of the South African Government.

141. Nevertheless, the mining industry is of great importance to the Namibian economy because of the high value of the Territory's mineral deposits. Mining products comprise more than 60 per cent of total exports, and about 10 per cent of the wage earners in Namibia work in the industry. The present contribution of the mining industry to total public revenues in the country is probably of the order of 50 per cent. The foreign exchange earned from mineral production, the employment generated and the taxes paid by the mining industry all combine to provide the country with enough revenue and economic activity to allow Namibia to face its future as an independent country with confidence. The suggestions from South Africa that Namibia's economic base does not warrant its independence are a special pleading by those whose judgement is coloured by economic and political interests.

142. Mining output in Namibia is impossible to quantify precisely, but it is clearly substantial. Diamonds have for years been the most important product: in 1977, over 2 million carats were produced by Consolidated Diamond Mines (CDM), which is a subsidiary of De Beers Consolidated Mines of South Africa. The diamonds produced by CDM are recovered by a highly mechanized process of removing millions of tons of beach sand and overburden, followed by hand work and mechanical recovery treatment. The company employs about 6,000 people. The product consists of 95 per cent fine quality gems which are sorted by De Beers at Kimberly in South Africa and then sold to the De Beers-owned Central Selling

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157/ Paras. 139 to 155 are based on material published in a forthcoming report by the United States Agency for International Development, Southern Africa Development Analysis Project (SADAP), The Southern Africa Development Analysis, "The mining sector analysis of SADAP", prepared as a special report to the United States Congress. Two recent publications provide a great deal of information on the mining industry in Namibia. See Commonwealth Fund for Technical Co-operation, The Mineral Industry of Namibia: Perspectives for Independence, prepared by Roger Murray (London, Commonwealth Secretariat) 1978; Wolfgang H. Thomas, Economic Development in Namibia (Munich: Kaiser, Grunewald, 1978).

Organization in London. De Beers does not disclose the value of the CDM production. However, it has been estimated that the average price per carat for CDM diamonds is $300, which would put the value of the 1977 production at about $600 million.

143. Copper is produced at several mines, some of which were closed during the period of depressed copper prices. The Tsumeb Corporation, Namibia's largest copper producer, is owned by the Newmont Mining Corporation of the United States, AMAX Inc. of the United States, and Selection Trust of the United Kingdom. Tsumeb owns four mines in north-east Namibia, which produce blister copper, zinc concentrate, smelter silver, refined lead and cadmium, with arsenic and germanium as by-products. The mines have been managed by the Newmont Mining Corporation since 1947. Tsumeb is famous in mineral history for having paid Newmont, AMAX and Selection Trust on their initial investment one of the highest returns in the industry. 158/ Its copper smelter and lead refinery and smelter also process metals from other producers on a toll basis (even from as far afield as the United States and Canada). Zinc concentrates are sent to South Africa for refining, and blister copper is refined in Belgium and the Federal Republic of Germany. Plans were announced in 1974 by the O'Okeip Copper Company (largely owned by Newmont) to construct a copper refinery in South Africa's Cape Province to process output from its copper mine in South Africa and from Tsumeb's smelter in Namibia. These plans were recently set aside.

144. The Tsumeb mining operation is run on a "company-town" basis, with almost all the 5,000 African workers recruited on the migrant workers contract system living in compounds, while white workers and their families are provided with rent-free houses. Some progress has been made since 1976 in the construction of some family housing for African workers. The rates of pay at Tsumeb are as discriminatory between black and white workers as they are in South Africa's mining industry.

145. The operation of the Kombat and Asis Ost mines has been suspended due to the low copper prices of the past two years, though during the shut-down the main shaft at Kombat is being extended to allow access to the Asis West deposits, which grades 7.78 per cent copper and 4.33 per cent lead, and where production is scheduled to begin in late 1978. Increased copper smelter capacity was installed by Tsumeb in 1976 to treat concentrates from the Otjihase mine, owned by Johannesburg Consolidated Investment Company Ltd. (JCI) of South Africa. The Tsumeb mines are now producing lower grade ores than in the past, though they are still rich. 159/ Zinc reserves are thought to last 10-15 years at current rates of output.

146. Other copper producers are Oamites Mining Company (Pty) Ltd., a joint venture of Falconbridge Nickel Mines Ltd. of Canada (74.9 per cent) and the Industrial

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158/ Information supplied by industry officials. See also, Robert Ramsey, Men and Mines of Newmont (New York: Octagon, 1973), p. 126.

159/ The copper grade is 4.25 per cent, lead, 9.04 per cent and zinc, 2.39 per cent.

Development Corporation of SA Ltd. (25.2 per cent). Oamites produces 6,000-7,000 tons of copper from 1.2 per cent ore, with 0.54 ounces of silver per ton. Klein Auber Koper Maatskappy, a subsidiary of the General Mining and Finance Corporation Ltd., produced in 1976 about 9,000 tons of concentrate from its copper-silver ore, which grades about 2.5 per cent copper.

147. The $48 million Otjihase copper mine, owned by JCI (52.5 per cent), Continental Ore Corp. of the United States (15.8 per cent) and other South African companies, produced 30,000 tons of concentrated copper in 1976 and also recovered important quantities of precious metals at the refining stage: its pyrite concentrates were sold to the Rössing uranium mine. The Rosh-Pinah mine, owned by the South African State-owned Iron and Steel Corporation (ISCOR), produces lead and zinc concentrates, which are processed at the electrolytic refinery of ISCOR's subsidiary, Zinc Corporation of South Africa. In 1976, ore production was transferred from the exhausted underground mine to a new open-pit mine.

148. The Rössing uranium mine, a $300 million open-pit mine which yields a low grade ore (0.03-0.04 per cent), will be one of the world's largest producers at full capacity, which is 120,000 tons per day of ore, equivalent to 5,000 tons per year. The operation employs 2,400 Namibians and 700 foreign whites.

149. Rössing Uranium Limited is owned by the Rio Tinto-Zinc Corporation Ltd. of the United Kingdom (46.5 per cent), IDC of South Africa and Total of France. The mine came into production in 1976 and, due to prolonged technical difficulties which have necessitated large additional capital expenditures and caused cash flow problems, full output is not expected to be reached before 1980. Full capacity operation would produce an annual income of about $330 million, assuming an average price of $30 per pound. It is probable that some of Rössing's long-term contracts, notably the one for 7,500 tons over five years with British Nuclear Fuels Ltd., are priced below the current "spot" price of $40 per pound, but it is presumed that they are above the estimated average cost of production of $20 per pound. Other contracts have been concluded with Japanese and French companies.

## 2. Mineral prospects

150. Namibia has promising mineral prospects. In recent years, South African, United States, Canadian, French, United Kingdom, Federal Republic of Germany, Japanese and Spanish based companies have explored for uranium, oil, gas and base metals. Oil and gas exploration have been carried out by Chevron Oil Company, Texaco Inc., Getty Oil Company, Continental Oil Company, Phillips Petroleum Company, Societe Nationale des Petroles d'Aquitaine SA, and smaller Canadian and United States groups, in conjunction with the South African government agency, SOEKOR, and its Namibian subsidiary, SWAKOR. All have recently relinquished their concessions, possibly as much for political reasons as because of unsatisfactory results, since the discovery of wet gas in 1972.

151. Uranium exploration has been more successful. General Mining and Finance Corp. Ltd. has established with pilot plant work a commercially viable discovery at Langer Heinrich, Tinkes, east of Swakopmund. The firm is reportedly discussing

financial and marketing arrangements with United States and other non-South African companies, possibly in anticipation of anti-South African attitudes of the future Namibian government.

152. The Anglo American Corporation, in conjunction with Union Carbide Corporation, Aquitaine and Compagnie Francaise des Petroles, has also reportedly discovered deposits of uranium west of Swakopmund. Goldfields of South Africa also has located a deposit in its concession area at Trekkopje, adjacent to the Rössing mine.

153. The low prices for base metals in recent years have combined with political caution to reduce the level of exploration activity for base metals by foreign mining companies in Namibia recently, but the country has attractive deposits of copper, lead and nickel. The South West African Geological Survey Department (incorporated into the South African Development of Mines) has reportedly done high quality survey work, and its maps and reports are widely available and used by foreign companies.

154. The major constraint to mineral development in independent Namibia will be availability of water. Rainfall is sparse, erratic and unevenly distributed, and groundwater is hard and expensive to find. Power needs should be less of a problem. The Cunene hydroelectric scheme in southern Angola was built mainly with South African funds on the basis of supply being made available to Namibia.

155. The planned power capacity for Namibia of 240 MW would be added to the 158 MW from the coal-fired thermal stations at Windhoek and Walvis Bay, which are linked to a grid that supplies 11 towns and 9 mining operations. In addition, although the transport system of Namibia is well developed compared to that of some of its neighbouring countries, the roads and railways have not always been built solely with the economic development of the country in mind.

## C. Southern Rhodesia/Zimbabwe

156. Mineral deposits were one of the Territory's original attractions for white settlers in the nineteenth century, and until the Second World War mining remained the greatest contributor to the country's gross domestic product. Although mining no longer dominates the economy, it continues to provide a substantial portion of the country's foreign exchange earnings.

157. Many of Southern Rhodesia/Zimbabwe's key minerals are found close to the Great Dyke, which runs nearly due north-south through the country. The main revenue-producing minerals are chromium, asbestos, coal, copper, gold and nickel. Table 4 shows the production breakdown.

Table 4: Mineral production in Rhodesia

| | 1974 | | | 1977 | |
|---|---|---|---|---|---|
| | Production (000 tons) | Production share exported (per cent) | Share of world output (per cent) | Production (000 tons) | Share of total world output (per cent) |
| Chromite | 650 | 95 | 9 | 670 | 7.2 |
| Asbestos | 150 | 90 | 4 | 80 | n.a. |
| Coal | 3,100 | 45 | n.a. | 3,481 a/ | n.a. |
| Copper | 41 | 90 | 1 | 28 | n.a. |
| Gold (000 troy oz) | 800 | 95 | 2 | 550 | 1.7 |
| Nickel | 18 | 95 | 2 | 14 | 2.5 |

Source: Mining Annual Review, 1978; and U.S. Agency for International Development, "Transition in Southern Africa - Zimbabwe". Southern African Task Force, 1977.

a/ Estimated figure.

158. Southern Rhodesia/Zimbabwe has an estimated 90 per cent of the world's high-grade chrome ore reserves. 160/ Prior to its Unilateral Declaration of Independence (UDI) in 1965, Southern Rhodesia/Zimbabwe was the world's third largest chromite producer. In 1977, the Territory's output accounted for approximately 7.2 per cent of world chromite production. Southern Rhodesia/Zimbabwe and South Africa together produced roughly 54 per cent of all chromite in the world, excluding socialist countries, during 1977. 161/ The Territory's chrome ore is particularly well-suited for use in the production of high carbon ferrochrome, a critical element in stainless steel production. 162/

159. The 1977 repeal of United States legislation which had allowed the import of chrome from Southern Rhodesia/Zimbabwe into the United States has contributed to a fall in the production and export of chrome. In 1975, the United States imported approximately 320,000 tons of chrome and ferrochrome alloys. While the legislation was in effect, 50 new mining and quarrying enterprises opened in

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160/ United Nations document A/AC.109/L.1158, p. 9.

161/ United States Bureau of Mines.

162/ South Africa is estimated to contain three quarters of the world chromite supply, but its ores are of lower quality than Rhodesia's. Business Week, 31 May 1976, p. 37.

Southern Rhodesia/Zimbabwe. The chromium industry was also strengthened at that time by high war material prices. The reinstatement of the United States ban, combined with an international slump in steel and metal industries, has made it increasingly difficult for Southern Rhodesia/Zimbabwe to find markets for its chrome. Foreign investment has likewise dropped off. 163/

160. The most important producer of chrome in Southern Rhodesia/Zimbabwe up until UDI was the Union Carbide Corporation. 164/ In 1965, this corporation accounted for nearly 70 per cent of all the Territory's chrome production. Other foreign firms in this field are the Territory's subsidiary of Foote Mineral Company (United States), Vanadium Corporation of America (United States) and Rio Tinto-Zinc (RTZ) (United Kingdom).

161. The most notable development in the chrome industry, beginning before UDI but enhanced by circumstances since 1965, has been the domestic manufacture of ferrochrome containing some 67 to 72 per cent chromium. This development was facilitated by improved power supplies from the Kariba Dam project. The Union Carbide Corporation (Rhodesia) is instrumental in this aspect of chrome processing through its subsidiary, Union Carbide-Rhomet. This firm, together with Rhodesian Alloys, is responsible for all Rhodesian ferrochrome production.

162. The Rio Tinto (Rhodesia) ferrochrome smelter in the Territory's midlands was recently closed. Rio Tinto has also placed its North Dyke chrome mines on a care and maintenance basis. A company spokesman said that about 500 men would lose their jobs, and that other major producers are reported to be laying off employees and cutting production. 165/

163. Southern Rhodesia/Zimbabwe was the third largest producer of asbestos in the world, excluding the socialist countries, before UDI-chrysotile asbestos being its most valuable mineral product. Current production of asbestos is estimated to be 80,000 tons a year, and output has remained fairly constant for the last decade.

164. The Territory's largest producer of asbestos is the Rhodesia and General Asbestos Corporation, a subsidiary of the British company, Turner and Newall Ltd., which manufactures and sells asbestos, plastics and insulation products. Other large producers are DSO Asbestos (Pvt.) Ltd., 166/ subsidiary of the Industrial Development Corporation, and Asbestos Investments (Pty) Ltd. of South Africa, which has operated four mines since the beginning of 1976. 167/

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163/ United States Agency for International Development, op. cit., chap. IV, pp. 19-21; Economist Intelligence Unit, Quarterly Economic Review of Rhodesia, Malawi, Third Quarter, 1977.

164/ Union Carbide's operations were taken over by the Rhodesian authorities in 1967.

165/ Economist Intelligence Unit, Quarterly Economic Review of Rhodesia, Malawi, Third Quarter, 1977.

166/ United Nations document No. A/33/23 Part III, p. 19.

167/ Mining Annual Review, 1978, p. 477.

165. The mining companies which account for most of the Territory's copper production are the Messina (Transvaal) Development Company Ltd. (MTD) and Lonrho Ltd. MTD is managed by the Anglo American Corporation. During 1978, MTD announced the closure of one of its copper mines. 168/ It is not clear whether the reasons are solely economic or partially due to the guerrilla war. Anglo American Corporation has also terminated its prospecting for copper in Southern Rhodesia/Zimbabwe. Lonrho's Coronation Syndicate Ltd. (South Africa) operates copper and gold-copper mines in the Territory. 169/ Lonrho has interests in over 40 countries, primarily in southern and eastern Africa. Lonrho is represented in the Territory by its holdings in Ashanti Goldfields Corporation (Ghana) Ltd. (45 per cent), Coronation Syndicate Ltd. (South Africa) (66 per cent), Duiker Exploration Ltd. (South Africa) (76 per cent), Tweefontein United Collieries Ltd. (South Africa) (59 per cent), Witbank Consolidated Coal Mines Ltd. (South Africa) (65 per cent), Nyaschere Copper (Private) Ltd., (Rhodesia) (50 per cent), and Western Platinum Ltd. (South Africa) (50 per cent). 170/

166. During the 1940s gold was the principal mineral product of Southern Rhodesia/ Zimbabwe; in the 1950s it was overtaken by asbestos and rivalled by chromium. Government support has increased the number of small gold mines from 256 in 1958 to 530 in 1973. 171/ No official figures are published, but according to an estimate by Gold Fields of South Africa Ltd., production of gold in 1977 was 15.6 metric tons, as compared to 697 metric tons for South Africa. Much of the Territory's gold is produced in small mines, but these have been especially vulnerable to the guerrilla war, and have suffered production cutbacks.

167. The major transnational corporations involved in the Territory's gold mining are Lonrho Ltd., Rio Tinto-Zinc Corporation Ltd. (RTZ) and Falcon Mines. Lonrho produces about 2.2 metric tons a year. 172/ Rio Tinto (Rhodesia), a subsidiary of the RTZ Corporation, is engaged in gold, nickel, copper, chrome and emerald mining in Southern Rhodesia/Zimbabwe. One of its three gold mines was recently closed, but there are efforts to open it again. 173/ Falcon Mines produces approximately 1.6 metric tons of gold annually from two mines. It is also redeveloping three sites through its associate Olympus Consolidated Mines. 174/

168. The production of the Territory's nickel is largely controlled by Rio Tinto (Rhodesia), Rhodesian Nickel Corporation Ltd. and Johannesburg Consolidated

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168/ Mining Annual Review, 1978, p. 478, and Mining International Yearbook, 1978.

169/ Ibid.

170/ Mining Journal, 22 February 1977.

171/ Mining Annual Review, 1978, p. 478.

172/ Ibid.

173/ Ibid.

174/ Ibid.

Investment Company Ltd. (JCI). RTZ, which operates two mines, and the Rhodesian Nickel Corporation, which operates three, are merging. JCI's only mine reduced output by 50 per cent in 1977.

169. The mining industry employs approximately 7 per cent of the Territory's labour force, including 3,900 whites and 61,200 blacks. 175/ Many of these are migrant labourers. Wage differentials between African and white workers in the Territory's mining industry are particularly marked, and are greater than in all other economic sectors with the exception of agriculture. 176/

175/ Central Statistical Office, *Monthly Digest of Statistics*, April 1978, Supplement.

176/ *Ibid*.

# Chapter III

## THE ROLE OF TRANSNATIONAL CORPORATIONS IN THE MILITARY SECTOR OF SOUTH AFRICA

### A. United Nations sanctions

170. Government policy plays a key role in determining the nature and extent of foreign participation in a country's military sector. However, in the case of South Africa, such foreign participation has been affected by action of the United Nations Security Council. On 4 November 1977, the United Nations Security Council adopted a resolution establishing a mandatory embargo on arms to South Africa. 177/ Operative paragraph 2 of this resolution, which is binding on all States, states that the Security Council:

> "*Decides* that all States shall cease forthwith any provision to South Africa of arms and related material of all types, including the sale or transfer of weapons and ammunition, military vehicles and equipment, para-military police equipment, and spare parts for the aforementioned, and shall cease as well the provision of all types of equipment and supplies, and grants of licensing arrangements, for the manufacture or maintenance of the aforementioned".

Operative paragraph 3 deals with contractual and licensing agreements for arms, and reads:

> "*Calls* on all States to review, having regard to the objectives of this resolution, all existing contractual arrangements with and licenses granted to South Africa relating to the manufacture and maintenance of arms, ammunition of all types and military equipment and vehicles, with a view to terminating them".

Operative paragraph 4 reads:

> "*Further decides* that all States shall refrain from any co-operation with South Africa in the manufacture and development of nuclear weapons".

171. In response to resolution 418, most Member States have formally notified the Secretary-General of their intention to comply with its terms. It should be noted that much of the material included in this chapter predates the passage of resolution 418. In some cases, the trade or licence agreements which are cited have expired or been cancelled.

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177/ Security Council resolution 418 (1977). A special committee of the Security Council was established to oversee compliance of Member States with resolution 418.

## B. The structure of the military market

172. The South African Government, which faces challenge from most members of the international community and from the majority of its own population, has built up an efficient military and police apparatus. The emphasis placed on this build-up of defence forces can be gauged by military expenditure, which is the best, although not the only, measure of a country's degree of militarization. As shown in table 5, military spending by the South African Government has increased considerably during the last 20 years, even if the impact of inflation is removed from the figures. As a percentage of gross domestic product, military expenditure has increased almost five-fold in the past two decades. The increase in the early 1960s was largely a response to internal political unrest. The second major increase in defence spending, which started in 1975, is related to the Government's decision to adopt a "total strategy" for military build-up. This strategy, calling for the mustering of all available resources for defence of the régime, was first proposed in the 1973 Defence White Paper. The proposal was followed by a five-year defence expansion programme which was approved in 1974. Implementation of this strategy has resulted in rapid development of full military capacity as well as new division of land forces into counter-insurgency and conventional forces. The counter-insurgency force has been stepped up to fight against liberation movements. This programme of expansion doubled military spending in constant prices and trebled it in current prices from 1974 to 1977.

173. In addition to strengthening their military power, South African authorities have attempted to reduce the military sector's dependence on foreign goods and technology. This effort has been implemented by state participation in strategically important sectors, and by increasing the extent of local production of high technology goods, as described earlier.

174. Armaments and military equipment are acquired through the Armaments Board, which is composed of nine members appointed by the Minister of Defence. This Board controls military research projects as well as development, test maintenance and inspection of armaments. Production of weapons systems has been the responsibility of the Armaments Development Production Corporation (ARMSCOR) and private industry. 178/ In 1969, the South African Government took over the Atlas Aircraft Corporation and increased its production facilities.

175. Military research and development (R and D) is performed mainly by the National Defence Research Institute of the Council for Scientific and Industrial Research (CSIR) and by the research departments of various subsidiaries of ARMSCOR. The Defence Research Council was established in 1966 to combine the functions of previous planning organs - the Co-ordinating Committee of Defence, the Defence Resources Board and the Council for Defence Research. The military R and D establishment of South Africa also includes the National Institute for Rocket Research and Development and the Naval Research Institute, which were

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178/ In August 1976, the Armaments Board and ARMSCOR merged to form a single organization.

Table 5: Military Expenditure of South Africa, 1957-1977

| Year | Constant prices at 1973 rates, $US mn | As a percentage of gross domestic product |
|---|---|---|
| 1957 | 130 | 1.1 |
| 1958 | 96 | 0.8 |
| 1959 | 91 | 0.8 |
| 1960 | 103 | 0.8 |
| 1961 | 163 | 1.3 |
| 1962 | 263 | 2.0 |
| 1963 | 267 | 1.8 |
| 1964 | 374 | 2.4 |
| 1965 | 384 | 2.3 |
| 1966 | 416 | 2.4 |
| 1967 | 469 | 2.5 |
| 1968 | 467 | 2.4 |
| 1969 | 481 | 2.2 |
| 1970 | 460 | 2.0 |
| 1971 | 511 | 2.2 |
| 1972 | 518 | 2.1 |
| 1973 | 633 | 2.3 |
| 1974 | 830 | 2.8 |
| 1975 | 1 020 | 3.5 |
| 1976 | 1 298 | 4.4 |
| 1977 | 1 625 | n.a. |

Source: SIPRI Yearbook of World Armaments 1978 (Uppsala: Stockholm International Peace Research Institute, 1978) pp. 156-161.

both set up in 1963. 179/ Some military research projects are also carried out in universities, but these projects do not appear to have major significance in South Africa.

176. The private sector is still dominant in the production of military equipment. More than 80 per cent of funds allotted for the acquisition of armaments in South Africa goes for private contracts. ARMSCOR develops and produces only those weapons systems or their components ordered by the Armaments Board which for economic or strategic reasons cannot be entrusted to the private sector. 180/

177. Detailed information on the production of military equipment by the private sector is difficult to obtain because strictly enforced laws prevent the release of strategic information. A precise assessment of the degree of participation of transnational corporations in the military sector is also complicated by laws

179/ Signe Landgren-Bäckström, Southern Africa: The Escalation of a Conflict (Stockholm International Peace Research Institute: Uppsala, 1976) pp. 117-119.

180/ South Africa 1977, Official Yearbook of the Republic of South Africa, 1977, pp. 327-328, and p. 946.

which restrict the information that subsidiaries may provide to foreign governments. 181/ This chapter deals with activities of foreign corporations, some of which are transnational corporations and others of which are domestic corporations that conduct business abroad. Before considering the contribution of specific foreign corporations to the military sector, the general pattern of foreign participation during the last 20 years is outlined below.

178. The pattern of foreign involvement in South Africa's military sector has changed over the past 20 years, in response to internal and external pressures. Initially, foreign weapons systems were imported. As the international community moved to limit, and later, to prevent, the sale of military equipment to South Africa, the South African Government has attempted to become militarily more self-reliant. Thus, in the late 1960s, the state assumed more control over arms development and encouraged local production of military hardware. Dependence on foreign military technology, particularly licence agreements, remained considerable, however. Although many of the original licences to produce military equipment have expired, much of the technology has been internalized by South African producers. Foreign technology is still needed by the South African military, however, because local industry cannot produce all of the components of weapons systems. The involvement of foreign firms in licence agreements for more sophisticated equipment continued at least into 1977. 182/ Furthermore, subsidiaries of some transnational corporations within South Africa produce equipment which has military application, under contract to the Government. Such arrangements have not been affected by the mandatory arms embargo: issues of jurisdiction over the activities of subsidiaries of transnational corporations in South Africa have not been clarified. Facing the threat and subsequently the implementation of the mandatory arms embargo, the South African Government has recently taken measures which will compel the subsidiaries of transnational corporations to produce, even against their will, armaments and their components in the event of a crisis. 183/ This general pattern of involvement by foreign companies in the military sector in South Africa can be substantiated by examining individual subsectors of the armaments industry.

## C. Foreign interests by weapons systems

### 1. Aircraft

179. The South African Air Force (SAAF) was established in 1921 when the British Government donated 100 World War One aircraft and the equipment to maintain them. An indigenous aircraft industry was started during the interwar years, but fell dormant after the Second World War. In 1964, the South African Government announced that a new aircraft industry would be established, and soon after, the Atlas Aircraft Corporation began operating on the basis of technical support from

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181/ See Chap. I, para. 19.

182/ *South Africa 1977*, *op. cit.*, pp. 327 and 946.

183/ See United Nations document E/C.10/39.

France. The manpower requirements were met by extensive overseas recruitment of engineers. 184/

180. Italian aircraft producers have provided technology for the local production of military aircraft in South Africa. Their involvement began in 1964 when the production licence of MB 326 M, which is known in South Africa as Impala I, was sold to the Atlas Aircraft Corporation by Aermacchi, an Italian firm. Under the terms of the licence, Aermacchi continued to provide the South African firm with some more advanced components of the aircraft until 1972. 185/ Initially, 16 Impala I were delivered from Italy in complete form, 10 in major components and 40 in subassemblies. The intention was to increase the share of subassemblies produced in South Africa to 70 per cent, which was achieved early in the 1970s. British and Italian engineers were recruited to establish and run the production lines. 186/

181. A later version of this plane, called Impala II, was developed by the Atlas Aircraft Corporation with some design input from the Aermacchi MB 362 K aircraft. Four airframes of the MB 362 K were delivered from Italy in 1974. Both Impala I and II are powered by the Rolls-Royce Bristol Viper II turbo engine which has been produced under British licence in Italy by Piaggio S.p.A. The engines for the South African planes are now produced in South Africa by Atlas Aircraft Corporation under licence from Piaggio. 187/

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184/ South Africa 1977, op. cit., pp. 429-430.

185/ Letter dated 26 September 1978 addressed to the Chairman of the Special Committee Against Apartheid from the Permanent Representative of Italy, United Nations document A/AC.115/L.506.

186/ Landgren-Bäckström, op. cit., 1976, pp. 129-138; Colin Legum, "South Africa to Acquire New Jets", Ottawa Citizen, 27 September 1973, Moshe Decter, "The Arms Traffic with South Africa", Midstream, February 1977, p. 21; Decter, "Afrique du Sud: Des armes italiennes", Afrique-Asie, 5 September 1977; David Fairhall, "South African Arms Strength", The Guardian, 30 March 1973.

187/ SIPRI Yearbook on World Armaments and Disarmament 1976, (Uppsala: Stockholm International Peace Research Institute, 1976) pp. 246-247. There is some dispute about the number of Impala I and II aircraft which have been produced in South Africa. According to one source, the licence agreement for Impala I provided for the production of 200 aircraft, but the programme was later expanded to 300 aircraft; as of 1975 all 300 had been produced; see Landgren-Bäckström, op. cit., pp. 129 and 136-138; Moshe Decter, "The Arms Traffic with South Africa", Midstream, February 1977, p. 21; "Afrique du Sud: Des armes italiennes", Afrique-Asie, 5 September 1977. The International Institute for Strategic Studies reports that by 1978, a total of 120 planes of these two versions were operational in the South African Air Force (SAAF). See The Military Balance (London: International Institute for Strategic Studies, 1978), p. 50. The Stockholm International Peace Research Institute, however, calculates that 151 Impala I were produced in South Africa and that 50 Impala II have been ordered by the SAAF. See SIPRI Yearbook, op. cit., p. 221.

182. In 1965, AFIC (Pty) Ltd. in Johannesburg obtained a licence from the Italian firm, Partenevia Costruzioni Aeronautiche, to produce a version of P-64-BO, a light aircraft which may have both civilian and military uses. Two years later, the South African Company began production of RSA-200, as it was renamed, except for the engine which was imported from Italy. As of 1974, 40 planes had been produced, but since then production has been halted. 188/

183. The involvement of the Italian aircraft industry has continued with the licenced production of C4M Kudu and Bosbok in South Africa. The C4M Kudu is a derivative of the Lockheed AL-60, a single-engine cabin monoplane which is produced under licence by Aermacchi in Italy. 189/ Originally imported from Italy, the C4M Kudu has been produced under licence in South Africa since 1976 by the Atlas Aircraft Corporation. 190/ This aircraft does contain some indigenous design. It may, in fact, contain some technology from the Aermacchi AM.3C, which is produced in South Africa as Bosbok. Bosbok is a three-seat cabin monoplane which can be armed with rockets, bombs, machine guns and napalm tanks. Like the C4M Kudu, Bosbok is based on technology from Lockheed and produced in South Africa by Atlas Aircraft Corporation under a licence agreement with Aermacchi. In 1974 Atlas Aircraft received 40 of these planes in component parts, including the engines, for assembly. In 1975 the Bosbok went into full local production at a rate of 40 planes per year. 191/ At present 36 Bosboks are incorporated into the South African Air Force. 192/

184. French-based firms have also played an important role in supplying South Africa with military aircraft. In June 1971, a licence agreement was concluded between ARMSCOR and Marcel Dassault/Breguet Aviation for production in South Africa of Mirage F-1 by Atlas Aircraft Corporation. The Mirage F-1 is one of the most advanced aircraft fighters. The agreement covered the provision of 48 planes of which 16 were delivered by 1975 before licence production began. The other 32 Mirage F-1s were produced at the Atlas factory using South African components,

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188/ Landgren-Bäckström, op. cit., p. 139; SIPRI Yearbook, op. cit., 1976, p. 245, 1978, p. 221; Michael T. Klare and Eric Prokosch, "Getting Arms to South Africa", The Nation, 8-15 July 1978, pp. 49-52.

189/ It is not known whether this licence or that for Bosbok have been terminated since the adoption of United Nations Security Council resolution 418 (1977).

190/ According to one source, there are 160 of these aircraft in South Africa; see Sean Gervasi, "U.S. Arms Transfers to South Africa in Violation of United Nations Voluntary Arms Embargo, 1963-77", United Nations Centre Against Apartheid, Notes and Documents 27/28, September 1978, p. 14.

191/ See, e.g., Landgren-Bäckström, op. cit. 1976, p. 139; Gervasi, op. cit., p. 14; Michael T. Klare, "U.S. Arms Deliveries to South Africa: The Italian Connection", TNI Special Report, Washington, D.C., 1977, pp. 2-3; Decter, op. cit. 1977, p. 21; SIPRI Yearbook, op. cit. 1976, p. 246; and Peter Lock and Herbert Wulf, Register of Arms Production in Developing Countries (Arbeitsgruppe Rüstung und Unterentwicklung, Hamburg 1977) p. 64.

192/ See Military Balance, op. cit., p. 50.

except the engine which was imported from France. This undertaking required the training of the South African staff of Atlas Aircraft Corporation by Dassault in France. 193/

185. United States aircraft manufacturers have not had noticeable involvement in the South African military aircraft industry. They have exported either military or dual military/civilian aircraft to South Africa, but an extensive transfer of aircraft technology or licence production has not taken place. Technology from the United States-based Lockheed Corporation has been incorporated into aircraft produced through Italian licences, as described above.

186. The cases above illustrate that the acquisition of military aircraft in South Africa has progressed through a number of stages. During the early 1960s most aircraft were imported. In the later 1960s and early 1970s, with the early phases of the licensed production in South Africa, components imported either from Italy or France were assembled locally. In the mid-1970s, the situation changed so that most components, with the exception of engines, are now produced locally.

## 2. Missiles

187. The development of South African missile capacity has taken place largely through support from Federal Republic of Germany and French-based institutions. The first short-range missiles were successfully tested in 1968 from a new missile range on Fanies Island, and a year later a locally developed air-to-air missile was launched at the St. Lucia range. It has been reported that Federal Republic of Germany-based Bölkow AG has been involved in missile research and testing and in 1968 constructed a rocket test station in north-eastern Natal, at St. Lucia, north of Durban. 194/ In 1971 the South African Defence Department announced that the indigenous missile was fired from a Mirage fighter. 195/ This air-to-air missile had been developed by the National Institute for Defence Research, the South African Air Force and ARMSCOR. In 1973 the South African Government and Deutsche Forschungs-und Versuchanstalt für Luft-und Raumfahrt concluded a 10-year agreement called project "Blue Grotto" to develop missiles at a site near

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193/ Landgren-Bäckström, op. cit., 1976, pp. 139-141, Decter, op. cit., 1977, p. 16; "France and South Africa", United Nations Centre Against Apartheid, Notes and Documents, December 1977, pp. 12-14. In addition to Marcel Dassault, other French-based military manufacturers are involved in this arrangement in that the Mirage F-1A is equipped by missiles produced by the French firm Matra. See Landgren-Bäckström, op. cit., 1976, p. 140; Military Balance, op. cit., 1978, p. 49; SIPRI Yearbook, op. cit., 1978, p. 220.

194/ Landgren-Bäckström, op. cit., p. 143; Wolff Geisler, "Die militärische Zusammenarbeit zwischen BRD und RSA in atomaren und koventionellen Bereich", Blätter für deutsche und internationale Politik 2, 1978 (a), p. 175; Wolff Geisler, The Military Cooperation between the Federal Republic of Germany and South Africa in the Nuclear and Conventional Field. Unpublished paper, West Berlin 1978 (b), pp. 11-12.

195/ Landgren-Bäckström, op. cit., p. 134; "Arsenals Grow in South Africa", New York Times, 3 October 1971.

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Kimberley. 196/ Subsidiaries of some transnational corporations based in the Federal Republic of Germany are reported to have produced components in South Africa for South African rockets. These firms include: BMW South Africa (Pty) Ltd., Diesel Electric Holding (Pty) Ltd. (a subsidiary of Robert Bosch GMBH), Liebherr-Africa (Pty) Ltd. and Siemens Ltd. 197/

188. A ground-to-air missile, the Cactus, was reportedly constructed in France according to South African specifications and with the participation of South African scientists. The French provided the technology and the South African Government the finance. The French firm, Engins Matra, was responsible for the development and manufacture of the missile, while another French firm, Thomson-CSF, built the ground equipment, which was designed to be fitted into C-130 Hercules of Transall C-160 transport planes. These planes have also been delivered to South Africa. 198/

189. Initial deliveries of the operational missile systems to South Africa began in 1971, and by 1973 three systems were deployed in the vicinity of the Mozambique border. 199/ Cactus is designed to intercept supersonic aircraft flying below the scope of radar screens. According to one source the Cactus system is directly connected with the early warning radar network. 200/

### 3. Warships

190. South Africa has been a latecomer in the establishment of a shipbuilding industry, and hence it has imported most of its naval equipment. One reason is that under the term of the Simonstown Agreement of 1955, which was cancelled in 1975, the United Kingdom provided South Africa with equipment needed for the defence of the sea routes. One of the few locally produced boats is the Reshef patrol boat, six of which are being built under Israeli licence from Ramta, an affiliate of the state-owned Israeli Aircraft Industries. The construction of these boats took place in Durban and at Haifa. Reshef missile patrol boats use EL/M-2207 search radar to detect both surface and aircraft targets. This radar equipment is produced by Elta, a subsidiary of Israeli Aircraft Industries. 201/

191. The South African Government has recently encouraged the local shipbuilding industry. An official source reports that "progress has been made with the

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196/ Geisler, *op. cit.*, 1978 (a), p. 176.

197/ *Ibid.*, pp. 176 and 181 and information provided by *Anti-Apartheid Bewagung* from Bonn, the Federal Republic of Germany.

198/ Landgren-Bäckström, *op. cit.*, pp. 131-132.

199/ *Ibid.*, p. 131; "Arsenals Grow ...", *op. cit.*, 1971.

200/ Peter Lock and Herbert Wulf, *op. cit.*, p. 65.

201/ Philip J. Klass, "Israeli Avionics - Three Firms Dominate Output", *Aviation Week and Space Technology*, 17 April 1978, p. 40.

establishment of shipbuilding facilities and the building of lights and medium maritime assault vessels". 202/

192. The British Yarrow and Company Ltd. (Shipbuilders) which has an affiliated company, Yarrow Africa Maritime Consultance (Pty), in South Africa, was requested to investigate the South African potential for the construction of surface ships in 1972. It was reported that a preliminary agreement on the exchange of technological know-how was made and that co-operation could be expanded to include the building of warships. 203/

### 4. Vehicles

193. The licence production of Panhard armoured cars in South Africa follows a pattern similar to that of the aircraft industry. In 1965 an agreement was concluded between South Africa and the French company Panhard for local licensed production of Panhard armoured cars. South African production of Panhard AML 60/90 Elan started in the mid-to-late 1960s. Early production was largely dependent on foreign inputs: the engine was imported from France. Since then the vehicle has become almost wholly locally produced. A second generation of the vehicle - Panhard AML 245 Eland has been entirely locally developed. 204/

### 5. Small weapons

194. South Africa is reported to be independent in the production of small weapons. Recurring reports that various foreign companies have been selling small weapons and ammunition to South Africa via the Canary Islands, Antigua, Austria and Mozambique tend, however, to suggest that there is still some need for foreign weapons. 205/ It is certain that South Africa's production of small weapons and ammunition has considerably increased since the 1960s. At that time even small weapons technology had to be imported through licensed production. Licences became unnecessary when South Africa developed its own capacity to produce small weapons, especially those which are used for the country's internal protection. 206/

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202/ South Africa, op. cit., 1977, p. 946.

203/ Landgren-Bäckström, op. cit., 1976, pp. 143-144; Gail-Maryse Cockram, Vorster's Foreign Policy, Pretoria, Academia, 1970, p. 111.

204/ See, e.g., Landgren-Bäckström, op. cit., pp. 135 and 141-142; Decter, op. cit., 1977, p. 15; Lock and Wulf, op. cit., 1977, p. 63. Imperialist Military Collaboration with South Africa (Helsinki: World Peace Council, 1975) p. 10. According to the most recent information there are 1400 operational Eland armoured cars in the South African army; see Military Balance, op. cit., 1978, p. 49.

205/ See Helsingin Sanomat, 7 November 1978 and Robert Tomasson, "Olin to Pay 'Repatriations' in Arms Case", International Herald Tribune, 1-2 April 1978.

206/ South Africa, op. cit., 1977, p. 946.

195. Uzi submachine gun is an example of this pattern. The gun was licensed in 1955 by Israel to a Belgian company which then sublicensed its production to South Africa. In 1962 Israel withdrew the licence, but South Africa continued production of the Uzi. In the early 1970s the Belgian Government stated that although the licence had expired South Africa continued to produce the gun. 207/

196. Another example of South Africa's assimilation of technology is seen in the production of the R-1 rifle. This basic rifle of the South African army is an exact copy of the FN 7.62 mm automatic assault rifle produced by Fabrique Nationale Herstal in Belgium. Initially its manufacture took place under a Belgian licence which, according to the Belgian Government, was revoked after 1963. 208/

197. In this connexion it is appropriate to mention the African Explosives and Chemical Industries Ltd. (AECI), of which ICI South Africa, a subsidiary of the British Imperial Chemical Industries owns 40 per cent and Anglo American Corporation, 60 per cent. AECI operates the two largest commercial explosives factories in the world and runs two munitions factories in the Transvaal for the South African Government. ICI has denied that its 1977 investment of £26 million in AECI was for military purposes. According to the company, the investment was made in a project called Coalpe to produce PVC plastics from coal. 209/

## 6. Nuclear capability

198. The status of South Africa's nuclear weapon capability is unknown. Some reports claim that the country possesses a small number of nuclear devices, which are as yet untested. Others believe South Africa does not yet have a nuclear bomb but that it could construct one within a few months upon a decision to do so. It is generally agreed, however, that South Africa has the capability to become a nuclear power. See paragraphs 59-73 for a discussion of the involvement of foreign companies in the development of South Africa's nuclear power industry.

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207/ Landgren-Bäckström, *op. cit.*, 1976, p. 144, *Dagens Nyheter* (Stockholm), 20 August 1974 and *The Star Weekly*, 11 July 1971.

208/ Landgren-Bäckström, *op. cit.*, p. 144; Decter, *op. cit.*, 1977, p. 22.

209/ Landgren-Bäckström, *op. cit.*, pp. 145-46; *SIPRI Yearbook*, *op. cit.*, 1978, p. 210; Andrew Wilson, "South African Arms: ICI Accused", *The Observer*, 16 January 1977.

# Annex I

## LIST OF TRANSNATIONAL CORPORATIONS THAT RECOGNIZE AND NEGOTIATE WITH NON-WHITE AND MULTIRACIAL TRADE UNIONS AS WELL AS THOSE WHICH DO NOT

### A. Introduction

1. The issue of non-white and multiracial trade union recognition in southern Africa is mainly the issue of trade union recognition for black African workers in South Africa. In Southern Rhodesia/Zimbabwe, vast inequalities in political power and financial resources exist between white and non-white unions: however, corporations recognize and negotiate with the non-white and multiracial unions. a/ In Namibia, where trade union membership is almost exclusively white, Africans were not allowed to join unions until July 1978. b/ It is not yet clear whether Africans will now form their own unions or join existing ones. It has been reported that the four major trade unions in the country have indicated that they will admit Africans. c/ The South West Africa People's Organization has begun to organize a general union for African workers, called the Namibian Workers Union, but its present status is also unclear. Given the uncertain political situations in Namibia and Southern Rhodesia/Zimbabwe, it is possible that conditions regarding unions will change.

2. No South African law prevents employers from recognizing and negotiating with non-white and multiracial unions. However, South African authorities, employers and white unions have consistently opposed the development of African trade union organizations. In practice, almost all employers refuse to recognize African unions. d/

3. Opponents of *apartheid*, within and outside of South Africa, have called for the recognition of independent African trade unions. The potential consequences of participation by African unions in the determination of wages and working

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a/ International Labour Organisation, *Labour and Discrimination in Southern Rhodesia (Zimbabwe)*, Geneva, 1978, pp. 125-132.

b/ International Labour Organisation, *Labour and Discrimination in Namibia*, Geneva, 1977, pp. 89-90.

c/ *Financial Mail*, 1 September 1978, pp. 787-788; Economic Intelligence Unit, *Quarterly Economic Review of Southern Africa*, Third Quarter, 1978, p. 25.

d/ International Labour Organisation, *Sixth Special Report of the Director-General on the Application of the Declaration concerning the Policy of "Apartheid" of the Republic of South Africa* (Geneva, International Labour Office) pp. 9-14; Ninth Special Report, pp. 13-17; Tenth Special Report, pp. 12-14; Thirteenth Special Report, pp. 8-10.

conditions would extend beyond improvement in the material well-being of African workers: organized participation in the collective bargaining process is an important step toward influence on corporate and national economic decision making. It is for this reason that recognition of African unions by transnational corporations operating in South Africa is important. This is an area where employers have a choice; they can recognize and negotiate with African unions without violating local law. Firms which want to use their presence in South Africa to promote political, economic and social advancement for Africans have a clear cut opportunity to demonstrate their commitment to such progress.

4. The TNCs listed in the annex include 30 of the largest foreign firms from the United Kingdom and the United States. e/ It would be impossible because of a lack of data to provide a list of all TNCs in South Africa with their corresponding union policies. This sample of firms, however, does include those which employ the largest number of blacks. The list gives an indication of the general pattern of TNC policy in this matter. More information should become available

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e/ Information was requested from a sample of firms based in the United Kingdom, the United States and the Federal Republic of Germany about their union recognition policies in South Africa. The United Kingdom-based firms are Associated British Foods Ltd., Babcock and Wilcox Ltd., Barclays Bank International Ltd., BAT Industries Ltd., British Steel Corporation International Ltd., Cape Industries Ltd., Consolidated Goldfields Ltd., Dunlop Holdings Ltd., The General Electric Company Ltd., Imperial Chemical Industries Ltd., Lonrho Ltd., Metal Box Overseas Ltd., Standard Chartered Bank, Unilever Ltd., United Transport Overseas Ltd. The United States-based firms are AMAX Inc., Caltex Petroleum Corporation, Carnation Corporation, Coca Cola International Corporation, Del Monte Corporation, Firestone Tire and Rubber Company, Ford Motor Company, General Electric Company, General Motors Corporation, Masonite Corporation, Mobil Oil Corporation, Newmont Mining Corporation, Otis Elevator Company, Union Carbide Corporation. The Federal Republic of Germany-based firms are Allgemeine Elektrizitaetsgesellschaft AEG Telefunken, Bayerische Motorenwerke AG, BASF AG, Daimler-Benz AG, Hoechst AG, Kloeckner and Co. K.G., Mannesmann AG, Mettallgesellschaft AG, Robert Bosch GMBH, Salzgitter AG, Siemens AG, Volkswagenwerk AG.

The information provided by the following firms has been appreciated: Babcock and Wilcox Ltd., Barclays Bank International Ltd., Caltex Petroleum Corporation, Dunlop Holdings Ltd., Firestone Tire and Rubber Company, Ford Motor Company, General Electric Company, General Motors Corporation, Imperial Chemical Industries Ltd., Metal Box Overseas Ltd., Mobil Oil Corporation, Standard Chartered Bank Ltd., Unilever Ltd., Union Carbide Corporation, United Transport Overseas Ltd.

Because of insufficient evidence on individual firms based in the Federal Republic of Germany, they do not as of now appear in the listing. A summary of the policies of 10 Federal Republic of Germany-based firms is presented in paras. 29-36.

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as the various home Governments collect data pursuant to their respective codes of conduct, provided such information is made public by those Governments. f/

5. An important consideration in recording the union recognition policies of transnational corporations in South Africa at the present time is that changes in South African labour legislation are anticipated. In June 1977, the South African Government appointed a Commission of Inquiry to examine and make recommendations about existing labour legislation. This group, known as the Wiehahn Commission, was expected to produce a report by the end of February 1979. Although the report is still unavailable, it must be understood that the legal status of African unions and the practices of transnational corporations regarding their recognition, as described below, may soon be out of date.

6. Before presenting the list, the following definitions and historical background are provided as a context in which to evaluate the practices of individual firms. The legal status of "non-white and multiracial" trade unions is discussed first. This is followed by a clarification of the meaning of the term "recognition". Finally, the system of worker representation which exists in South Africa is described. The practices of some TNCs are used throughout to illustrate the various patterns of corporate relationships with such unions.

## B. The legal status of unions

7. It is first necessary to specify the relevance of the terms non-white and multiracial unions in South Africa. A non-white union is one with either African, Asian or Coloured membership. A multiracial union has members from at least two races, including the above-named races and the white race. However, the distinction in South African law and practice is not between white and non-white or multiracial unions, but between registered and non-registered unions. Unions allowed to be registered under the Industrial Conciliation Act No. 28 of 1956 (ICA) include those that are exclusively white and those that are exclusively Coloured or Asian. Until this act was passed, multiracial unions of whites, Coloureds and Asians could also legally be registered; but since ICA has been in force, no new multiracial unions which include whites can be registered, and existing ones are subject to legal discrimination. g/

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f/ The first analysis of the performance of United Kingdom-based companies under the EC Code of Conduct was made available to the Parliament by the Department of Trade in a written answer on 15 February 1979.

g/ Since 1956, multiracial unions have to be headed by an all-white executive unless exempted; they have to divide into white and non-white branches; the only permissible cross-over between the branches is to be visits by white officers to the meetings of the non-white group; and no mixed annual conventions are permitted. Many of the multiracial unions registered before 1956 subsequently broke into two groups along racial lines. See Muriel Horrell, South Africa's Workers: Their Organization and the Patterns of Employment (Johannesburg: South African Institute of Race Relations, 1969), pp. 16, 48-51.

8. The ICA established procedures for consultation and negotiation, allows for the collection of union dues through check-off facilities and establishes the right to strike. If the employers and the registered unions in any economic sector can demonstrate that they are sufficiently represented through their respective employers' associations and trade unions (which usually means having 50 per cent of the potential membership), a bipartite Joint Industrial Council (JIC) is set up to determine wages and working conditions. When the employer and unions are not sufficiently represented, wages are determined by a tripartite Wage Board, on which a third party, the Labour Department, has the deciding vote. Once wage rates are fixed by either the JIC or the Wage Board they apply, at the various wage levels, to all workers in the sector regardless of race.

9. In summary, the ICA treats unions with Coloured and/or Asian members in the same way as those with white members. They may be registered and their rights are specified by this piece of legislation. Corporations, both local and foreign, routinely recognize and negotiate with non-white and multiracial unions with Asian and/or Coloured members.

10. African unions cannot be registered, because the ICA excludes African workers by its definition of the term "employee". Likewise, multiracial unions which have African members may not be registered. This group of unions will hereafter be referred to as non-registered unions. These unions are not illegal: employers may conclude an agreement with non-registered unions, but these are private contracts governed by common law. ICA agreements (i.e. those between employers and registered unions) are covered by domestic legislation, and infringement is a criminal offence.

## C. The history of non-registered unions

11. A short history of non-registered unions and the laws and practices governing them further illuminates the categories of debate over recognition and negotiation with such unions. h/ As was mentioned above, the Industrial Conciliation Act of 1956 excludes Africans from its definition of "employee". i/ The Industrial Conciliation Amendment Act of 1959 placed a further barrier in the path of non-registered unions by making it illegal for employers to collect union dues

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h/ Although only the legislation which directly deals with industrial relations is discussed in this section of the report, the entire system of land, labour and security legislation and a wide range of political, social and economic policies affect the evolution and present status of African unions.

i/ The first statute regulating collective bargaining, the Industrial Conciliation Act of 1924, defined "employee" broadly enough to permit a number of Africans to be members of registered unions. In 1937, this Act was amended to disqualify most previously eligible Africans. Later, the Bantu Labour (Settlement of Disputes) Act of 1953 again redefined the term "employee" as used in ICA to exclude all Africans.

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or contributions to benefit funds from African workers by means of a check-off system. The recent repeal of section 16 of the Bantu Labour Act, which made it an offence for an employer to deduct part of an African worker's wage without permission of the Director of Bantu Labour, removes an important obstacle to the granting of such check-off facilities for non-registered unions. j/ The parties to a Joint Industrial Council (from which non-registered unions are excluded) can, however, still forbid these deductions in their industry, as can a wage determination board.

12. In addition to such statutory discrimination, the formation of non-registered unions has been inhibited by a network of legislation regulating the movement, residence and work of their potential members. The continual use of various internal security measures to prevent the emergence of an experienced African union leadership has been particularly effective. Consistent opposition of most white employers and trade unions has accompanied and reinforced repressive government policies. k/

13. In spite of such adverse conditions, non-registered unions have been able to establish themselves as an important element in the landscape of industrial relations for varying periods of time during the twentieth century. l/ The non-registered unions of today, however were, for the most part, formed during the 1970s.

14. In terms of origin, working relationships or affiliation, present non-registered unions may be divided into parallel unions and non-parallel unions. The term parallel is used to describe a union which has been established with the assistance of a registered union covering the same industrial sector. Some of these parallel unions are affiliated with the Trade Union Council of South Africa (TUCSA), a national trade union organization, which has recently been encouraging their formation. m/ Others are affiliated with registered unions

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j/ See Financial Mail, 16 June 1978, p. 901.

k/ See ILO, Special Reports of the Director General 1-14, which have monitored the use of repressive measures against African trade union leaders. The experience of the South African Congress of Trade Unions (SACTU) provides one example of general security measures being employed to prevent the growth of a viable African trade union organization. SACTU, which was established in 1955 as a co-ordinating body for African unions, operated at the workplace and promoted national campaigns against various aspects of apartheid. The leaders of SACTU were subsequently banned, detained, imprisoned or expelled from the country under various security measures. See Muriel Horrell, op. cit., pp. 13-15, 26-27.

l/ Muriel Horrell, op. cit.

m/ The relationship between TUCSA and African unions has fluctuated dramatically during the last 25 years. At its founding in 1954, TUCSA confined its membership to registered unions. In 1962, the organization decided to permit the affiliation of "properly constituted" African unions. This policy was reversed in 1969 when the constitution of TUCSA was revised to exclude African unions; and, again in 1974, when African unions were readmitted. The South African Confederation of Labour (SACOL), composed exclusively of whites, is a national centre which supports government policy on this matter. In 1976, some affiliates of SACOL and a former affiliate of TUCSA formed a third national centre, the South African Central Labour Organization which endeavours to steer a middle course between TUCSA and SACOL.

which are not members of any national federation. Parallel unions are regarded with scepticism by many Africans because, often, little if any independence of action exists for parallel unions. n/ The relationship of some non-registered unions to registered unions has produced some debate over which non-registered unions should be recognized by employers as legitimate representatives of African workers. o/ It must be noted, however, that for individual transnational corporations, this debate may be more theoretical than practical: in some sectors, only parallel unions have been formed.

## D. The definition of recognition

15. The issue of recognition of and negotiation with non-registered unions goes beyond the question of whom to recognize. The question of what constitutes recognition is critical to an assessment of corporate policy. The Universal Declaration of Human Rights states that "... Everyone has the right to form and to join trade unions for the protection of his interests." p/ This right is elaborated by various ILO Conventions, in particular, the Convention on the Freedom of Association and Protection of the Right to Organize established for workers the right to organizations of their own choosing without previous authorization. q/ The Convention of the Right to Organize and Collective Bargaining established for unions the right to negotiate with employers and conclude collective agreements which cover terms and conditions of employment. r/ There are no legal impediments to such recognition of non-registered unions in South Africa.

16. Only one TNC, the United Kingdom-based firm Smith and Nephew Associated Companies Ltd., has recognized a non-registered union in the above terms. In 1974, this firm signed a binding agreement with the National Union of Textile

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n/ ILO, Thirteenth Special Report, p. 9; Financial Mail, 19 November 1976; David Davis, "African Workers and Apartheid", Fact Paper on Southern Africa, No. 5, London, International Defence and Aid Fund, 1978, pp. 35-37.

o/ See International Federation of Commercial, Clerical and Technical Employees, The Workers in Southern Africa (Geneva, 1977) pp. 19-21.

p/ Art. 23, Universal Declaration of Human Rights.

q/ International Labour Conference, Convention 87.

r/ International Labour Conference, Convention 98.

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Workers. When the agreement expired in 1977, the company refused to renegotiate. Revising this decision in 1978, the company signed a new collective agreement, which includes a system of dues collection. s/

17. A variety of other relationships exist between TNCs and non-registered unions, but all of these fall short of the standards for trade union recognition set by the ILO Conventions. For example, two United Kingdom-based banks, Barclays and Standard Chartered, extend, in principle, the same facilities to the non-registered South African Union of Bank Employees, which is a parallel union, as to the two registered unions in the banking sector. There are no binding agreements which formalize this relationship. Another United Kingdom-based firm, Courtaulds Ltd., is reported to have exchanged draft agreements with the National Union of Textile Workers. t/

## E. The present system for representation of African workers

18. To understand the policies of some other transnational corporations, the legislation which governs African industrial relations must be briefly described. u/ The Bantu Labour Regulations Act (1973) was introduced in response to the wave of strikes by African workers in the early 1970s. This Act permits a limited degree of representation for African workers at the factory level through a system of works and liaison committees. The committee system has been rejected by African trade unionists as an inadequate and discriminatory form of representation for black workers. v/ The representative nature of the committee system has also been strongly challenged by the international trade union movement. In this connexion, the question of access by trade union organizers to company plants has arisen at the Unilever plants in South Africa where the question of access by organizers from the Sweet Food and Allied Workers Union has been referred to the local liaison committees by local Unilever management. The ICFTU has raised the issue of the representativeness of the liaison committees at Unilever plants at Boksburg and Maydon Wharf in South Africa, and claims that these committees are not sufficiently independent of management to decide on the unionization of black workers. w/

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s/ Rodney Stares, Black Trade Unions in South Africa: The Responsibilities of British Companies (London: Christian Concern for Southern Africa, 1977) pp. 74-76; Financial Mail, 29 September 1978, pp. 1154-1155.

t/ Rodney Stares, op. cit., pp. 29-30.

u/ ILO, Tenth Special Report, pp. 5-9; Fourteenth Special Report, pp. 14-18.

v/ ILO, Eleventh Special Report, p. 23.

w/ This information is based on the material issued by the International Confederation of Free Trade Unions and the International Union of Food and Allied Worker's Associations (IUF) during the Unilever South Africa Action Week (23-28 October 1978) in support of the demand for recognition of the Sweet Food and Allied Workers' Union of South Africa. See press releases of IUF, 12 October 1978, 23 October 1978, 16 November 1978.

19. Works committees are made up of representatives elected by the workers, who can represent the workers in negotiations with employers. A co-ordinating works committee may be established where more than one works committee exists in an establishment. A liaison committee, normally made up half of workers and half of management, can consider matters of mutual interest but, until recently, could only make recommendations to employers. The establishment of a liaison committee, which is preferred by employers, precludes the establishment of a works committee.

20. The committee system was extended by the Bantu Labour Relations Regulation Amendment Act, 1977. Under the 1973 statute, only one liaison committee could be set up in a single establishment. The new legislation permits liaison committees for any section of an establishment and for more than one establishment of an employer in the same trade. Provision is also made for co-ordinating committees.

21. The revised Act also confers on all the various committees (works committees, co-ordinating works committees, liaison committees and co-ordinating liaison committees) the power to negotiate wages and other conditions of employment. Agreements reached in this manner are not binding under criminal law; only a civil suit may be instituted against the offending party.

22. A Supreme Court decision in August 1978 places serious limitations on the enforcement in civil courts of agreements negotiated by these committees. The court found that neither African trade unions nor works committees have the right to sue an employer for violating such an agreement. The court held that works committees have no rights outside those explicitly conferred on them by the Bantu Labour Relations Act, which does not empower committees to go to court. The immediate implication of this judgement is that no organization can take legal action to enforce agreements in civil court. It is therefore left up to an individual worker to attempt to enforce in court the agreements between committees and employers. It was further decided that a judgement taken in favour of an individual worker is not binding on an employer in respect of other workers. Where an entire workforce is aggrieved, it appears that each must sue individually. x/

23. Some TNCs have dealings with non-registered unions through the committee system. The Ford Motor Company and the Swedish-based SKF have agreed to arrangements whereby members of non-registered unions participate in negotiations, not as union representatives but as members of a works or liaison committee. In other words, African workers are represented in the Joint Industrial Council by members of non-registered unions in their role as members of the liaison committee. y/ Both Ford and SKF have indirect schemes for the collection of union dues through their insurance schemes. Volkswagen also has such an arrangement for collection of dues.

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x/ Financial Mail, 25 August 1978, p. 691.

y/ Rodney Stares, op. cit., pp. 29-30.

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## F. TNCs and non-registered unions

24. Some transnational corporations have stated that they are prepared to negotiate with non-registered unions. These expressions of willingness are generally qualified by certain conditions, such as that a certain percentage of the workforce belongs to the union. General Motors, Ford and Volkswagen for instance, require that a non-registered union represent more than 50 per cent of the African workers in the plant concerned. z/ TRW Incorporated, a United States firm, requires 100 per cent worker representation, while another United States firm, Otis Elevator, requires 30 per cent. aa/ African Bus Services, a subsidiary of United Holdings Co. Ltd. (United Kingdom) has reportedly refused to recognize the non-registered Transport and Allied Workers Union which had organized a majority of its African employees. bb/

25. Other TNCs have set conditions beyond a percentage requirement for representation of African workers. It is reported that the United Kingdom-based firm, Metal Box Company, Ltd., for example, requires that a non-registered union organize all 12 of its plants in South Africa in order to be recognized. A claim for recognition in the firm's Durban plant was refused on the grounds that other plants had not been organized. cc/ Honeywell Incorporated (United States) has qualified its acceptance of recognition by stating that a union must represent 75 per cent of the workers "in a specific discipline". Goodyear Tire and Rubber (United States) stated that a union must represent 50 per cent of the workers in the industry. dd/ These last two qualifying statements imply that the companies want to deal with a single union, an almost impossible obstacle to African unionists in the present circumstances. An analysis of reports by 109 United Kingdom-based transnational corporations holding 50 per cent or more of the equity of a South African company employing 20 or more black Africans concluded:

> "In their statements of policy many companies showed a willingness to recognise a trade union which is representative of black African employees, if black African employees so decide. However, in a majority of these cases, this was conditional on requirements such as the registration of black trade unions, the existence of multiracial unions inclusive of black Africans, participation of such unions in the Industrial Council system or

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z/ ILO, Fourteenth Special Report, p. 18.

aa/ United States Senate, Committee on Foreign Relations, Subcommittee on African Affairs, United States Corporate Interests in Africa (Washington, United States Government Printing Office, 1978) p. 115.

bb/ International Confederation of Free Trade Unions, African Workers Under Apartheid, Brussels, 1978, p. 32.

cc/ Rodney Stares, op. cit., pp. 68-70.

dd/ United States Senate, op. cit., p. 115.

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majority representation by the trade union concerned in a 'common interest group'. Many of these requirements are either not possible under present South African legislation or are unlikely to be achieved in present circumstances." ee/

26. A number of firms have indicated that they are unwilling to negotiate with non-registered unions. United States-based firms which have taken this position include: Dun and Bradstreet Inc., F and M Systems Company, Gillette Company, Grolier Inc., and Richardson Merrill Inc. ff/ The Swedish-based Delfos and Atlas Copco Pty. Ltd. has stated that it will only recognize African unions when they are allowed to register. gg/

27. The response of an employer during the initial stages of an organizing attempt has important consequences for the union's ability to attract a viable membership. Meeting with union officials, informing workers that membership in a union is acceptable to management, and providing access and facilities to union members for organizing purposes will enhance a union's effort to meet preconditions for recognition. A corporation's expression of willingness to enter in negotiations with a non-registered union must be tested on these points.

28. A number of TNCs have placed obstacles to organizing attempts. Metro-Makro, based in the Federal Republic of Germany, for example, has reportedly refused organizing facilities to non-registered unions. hh/ In recent grievance procedures at Forbo-Krommenie (Pty) Ltd., a Swiss-based firm, management is reported to have claimed that the Transport and General Workers Union's assistance to the workers constitutes interference by an outside party. ii/ Henkel SA (Pty) Ltd., a privately owned subsidiary of a firm based in the Federal Republic of Germany reportedly has not, as of September 1978, informed employees of the EC Code and was reported to discourage union membership by African employees. jj/ Victimization of organizers and members of non-registered unions, of course, defines the opposite end of the continuum of willingness to recognize. kk/

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ee/ Written Parliamentary reply by the United Kingdom Department of Trade concerning the performance of companies under the Code of Conduct, 15 February 1979.

ff/ United States Senate, op. cit., p. 115.

gg/ Report by the LO/TCO Study Delegation to South Africa, South Africa: Black Labour - Swedish Capital (Stockholm, 1975) p. 147.

hh/ Unpublished information provided by ICFTU.

ii/ Ibid.

jj/ Ibid.

kk/ For reports of various incidents of victimization see ILO, Thirteenth Special Report, pp. 6-8; Fourteenth Special Report, p. 22; ICFTU, op. cit., pp. 28-30; Rodney Stares, op. cit., pp. 59-73.

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| Name of company a/ | Total African employees | Recognition/negotiation | Additional remarks by the company |
|---|---|---|---|
| AMAX Inc. (US) | 2,825 b/ (includes all non-white employees) | No recognition and negotiation with a non-registered union. c/ | |
| Associated British Foods Ltd. (UK) | 15,500 d/ | No recognition and negotiation with a non-registered union. c/ | |
| *Babcock and Wilcox Ltd. (UK) | 1,418 | No recognition and negotiation with a non-registered union. | The company does not negotiate directly with any unions in South Africa. All union negotiations are conducted with Steel and Engineering Industries Federation of South Africa (SEIFSA) as a body representing all the employers in the industry. |
| *Barclays Bank International Ltd. (UK) | 2,417 | Black employees are organized by non-registered South African Bank Employees Union. There is machinery for negotiating on wages and working conditions and collection of dues. | |
| BAT Industries Ltd. (UK) | 2,596 e/ | No recognition and negotiation with a non-registered union. c/ | |
| British Steel Corporation International Ltd. (UK) | 15,180 f/ | No recognition and negotiation with a non-registered union. c/ | |
| *Caltex Petroleum Corporation (US) | 476 | No recognition and negotiation with a non-registered union. | The company reports that it has not been approached by a non-registered union requesting recognition and that there are no unions in the petroleum industry. |
| Cape Industries Ltd. (UK) | 9,881 g/ | No recognition and negotiation with a non-registered union. c/ | |
| Carnation Corporation (US) | 1,587 h/ | No recognition and negotiation with a non-registered union. c/ | |
| Coca Cola International Corporation (US) | 3,000 h/ | No recognition and negotiation with a non-registered union. c/ | |

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| Name of company a/ | Total African employees | Recognition/negotiation | Additional remarks by the company |
|---|---|---|---|
| Consolidated Goldfields Ltd. (UK) | 51,700 g/ (estimate) | No recognition and negotiation with a non-registered union. c/ | |
| Del Monte Corporation Ltd. (US) | 1,200 b/ (includes all non-white employees) | No recognition and negotiation with a non-registered union. c/ | |
| *Dunlop Holdings Ltd. (UK) | 2,880 | No recognition and negotiation with a non-registered union. | Company states that there has been no attempt by non-registered unions to organize its plants and that if a substantial majority of its employees elected to join an appropriate trade union on a free and democratic basis, the company would be willing to negotiate with such a union provided negotiations allowed for the use of industrial conciliation within the law. The company has further stated that "We are not convinced that the present encouragement of black trade unions is in the best interests of Africans or anyone else. We see it as divisive and an extension of *apartheid*. It is a development which could well be regretted and not easily reversed. We believe that the interests of all could be better served by well organized and responsible non-racial trade unions". |
| *Firestone Tire and Rubber Company (US) | 1,286 | No recognition and negotiation with a non-registered union. | The company states that it will recognize any union, whether registered or non-registered, providing it represents more than 50 per cent of the employees. The company states that a non-registered union has not attempted to organize its plant. |
| *Ford Motor Company (US) | 1,327 | Some provisions exist for negotiating with the non-registered United Automobile Rubber and Allied Workers of South Africa. | Members of the non-registered union participate in Joint Industrial Council negotiations as members of the company's liaison committee. The company has an indirect system for collection of union dues, and provides access to union organizers. |
| The General Electric Company Ltd. (UK) | 3,200 (includes all non-white employees) | No recognition and negotiation with a non-registered union. c/ | |

/...

| Name of company a/ | Total African employees | Recognition/negotiation | Additional remarks by the company |
|---|---|---|---|
| *General Electric Company (US) | 287 | No recognition and negotiation with a non-registered union. | The company states that it will work and negotiate with any trade union having the authority to represent employees collectively. |
| *General Motors Corporation (US) | 571 | No recognition of a non-registered union. There is some indirect participation of non-registered union members in negotiations. | Members of the non-registered United Automobile Rubber and Allied Workers of South Africa have participated in Joint Industrial Council negotiations as members of the company's liaison committee. The company provides access to union organizers. The company requires that a union enroll a majority membership from among the appropriate employee groups. |
| *Imperial Chemical Industries Ltd. (UK): | | | |
| ICI South Africa Ltd. | 197 | No recognition and negotiation with a non-registered union. | No unions are recognized by the firm, which has a multiracial consultative committee. |
| AECI (40% owned by ICI) | 9,600 | No recognition and negotiation with a non-registered union. | AECI states that it is prepared to recognize a responsible black trade union that can show it has substantial support among AECI's black employees. |
| International Business Machines Corporation (US) | 157 b/ | No recognition and negotiation with a non-registered union. c/ | |
| Lonhro Ltd. (UK) | 7,176 e/ | No recognition and negotiation with a non-registered union. c/ | |
| Masonite Corporation (US) | 600 b/ | No recognition and negotiation with a non-registered union. c/ | |
| *Metal Box Overseas Ltd. (UK) | 4,754 | No recognition and negotiation with a non-registered union. | The company states that organizations which are, in terms of their registered scope and area of interests, representative of the majority of eligible employees will be recognized by the company for consultation and collective bargaining at the appropriate level. |
| *Mobil Oil Corporation (US) | 918 | No recognition and negotiation with a non-registered union. | The company states that in the petroleum industry in South Africa neither white nor non-white employees have elected to establish unions. |

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| Name of company a/ | Total African employees | Recognition/negotiation | Additional remarks by the company |
|---|---|---|---|
| Newmont Mining Corporation (US) | 10,882 b/ | No recognition and negotiation with a non-registered union. c/ | |
| Otis Elevator Company (US) | 1,500 b/ (includes all employees) | No recognition and negotiation with a non-registered union. c/ | |
| *Standard Chartered Bank (UK) | 1,797 | Black employees are organized by non-registered South African Bank Employees Union. There is machinery for negotiating on wages and working conditions and collection of dues. | |
| *Unilever Ltd. (UK) | 3,601 | No recognition and negotiation with a non-registered union. | Recognition has been requested by the non-registered Sweet Food and Allied Workers Union. The company's stated policy is that recognition of a trade union is dependent upon: (i) its registration in terms of the law or for a union which cannot be registered acceptance of its bona fides (e.g. constitution, financial standing, size, etc.); (ii) its appropriateness, i.e. relevance to a common interest group; (iii) the extent of membership amongst the company's employees. The company would not extend recognition for negotiation purposes until a union or a group of unions, each with significant membership, has achieved a substantial membership in a common interest group. The union has not requested negotiation. |
| *Union Carbide Corporation (US) | 1,487 | No recognition and negotiation with a non-registered union. | The company reports that it has not been requested to recognize a non-registered union and that none of its employees are unionized. |
| *United Transport Overseas Ltd. (UK) | 3,288 | No recognition and negotiation with a non-registered union. | The company states that a non-registered union has attempted to organize the plant but that the company is not at present willing to recognize and negotiate with a non-registered union until such a union is representative of a majority of employees and in accordance with South African government policy. |

(Foot-notes on following page)

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a/ The asterisk indicates that the company provided the information which describes its policies.

b/ Desaix Myers III, Robert Hecht and David Liff, U.S. Business and South Africa: The Withdrawal Issue (Washington: Investor Responsibility Research Center, Inc., 1977) pp. 36-48.

c/ Information supplied by the International Confederation of Free Trade Unions.

d/ Rodney Stares, Poverty Wages in South Africa (London: Christian Concern for Southern Africa) 1976.

e/ Written Parliamentary reply of the United Kingdom Department of Trade concerning the performance of companies under the Code of Conduct.

f/ British Companies in South Africa (London: Christian Concern for Southern Africa, 1974) p. 19.

g/ Information supplied by Christian Concern for Southern Africa, 1978.

h/ United States Senate Committee on Foreign Relations, Subcommittee on African Affairs, U.S. Corporate Interests in Africa (Washington: U.S. Government Printing Office, 1978) pp. 133-164.

29. Companies based in the Federal Republic of Germany did not individually provide information in response to a questionnaire prepared by the Centre about their policies regarding the recognition of non-registered trade unions in South Africa. The Federation of German Industries has, however, prepared a summary of the responses of the following firms: Allgemeine Elektrizitäts-Gesellschaft AEG-Telefunken, BASF AG, Bayerische Motoren Werke AG, Robert Bosch GmbH, Daimler-Benz AG, Henkel KgaA, Hoechst AG, Mannesmann AG, Siemens AG, Volkswagenwerk AG. The following information was contained in this summary.

30. In the subsidiaries covered by the survey a total of 20,114 persons are employed. Of these, 8,955 are black. The proportion of blacks in the total number of employees varies between individual subsidiaries, from 30 to approximately 60 per cent.

31. Only one case is known in which a non-registered union has tried to organize the black employees of a plant. The approach of black unions to firms varies widely by region and branch of industry; on the whole such approaches have been rare.

32. All firms stated that they are prepared to negotiate with non-registered unions. In one case negotiations are at present in progress. However, the non-registered union should actually represent a sufficiently large section of the personnel. In this regard firms concerned take the view that every employee is free to choose the union he wants to. It was emphasized by the firms covered by the survey that they would welcome a multiracial trade union. Industry or branch-based unions (instead of professional unions) are considered an appropriate system for the future.

33. Negotiations between the management and non-registered unions have reportedly taken place in a number of cases. Firms state that they are prepared to provide the same facilities to members of non-registered unions as to representatives of registered unions. No collective agreement has been concluded with a non-registered union.

34. All firms have Liaison Committees. The firms have a positive view of these Committees and their work. There are black as well as white Liaison Committees which co-operate within the firms. The trend is towards multiracial Liaison Committees such as exist already. One case is known in which the majority of Liaison Committee members belong to a non-registered union. It is pointed out, however, that firms have usually no information about the political and union allegiance of the Liaison Committee members who are elected by a secret ballot. It is emphasized that employees with union membership are allowed at any time to work on a Liaison Committee.

35. Firms have adopted differing practices with regard to signing agreements with their different committees. There are firms which recognize agreements by contract, especially those on working conditions prepared by the Liaison Committees. In other firms, all agreements on working conditions including those concerning wage developments are discussed with the Liaison Committees. Again

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in some cases basic agreements on wages and working conditions have been concluded above company level between trade union and employers' associations.

36. It was further stated that the Federal Republic of Germany-based corporations operating in South Africa are subject to differing legal, economic and social policy conditions, according to branch of industry. In addition, there are considerable differences in applying these conditions in the various regions. For this reason, but also for reasons of corporate size and equity patterns, the individual firms' possibilities to take action in order to eliminate racial discrimination vary to a large extent.

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