E/C.10/39

TRANSNATIONAL CORPORATIONS:

ACTIVITIES OF TRANSNATIONAL CORPORATIONS IN SOUTHERN AFRICA: IMPACT ON FINANCIAL AND SOCIAL STRUCTURES

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ACTIVITIES OF TRANSNATIONAL CORPORATIONS IN SOUTHERN AFRICA: IMPACT ON FINANCIAL AND SOCIAL STRUCTURES

Report of the Secretariat

78-05257

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INTRODUCTION

1. The Commission on Transnational Corporations, having considered at its third session the report E/C.10/26 prepared by the Centre on Transnational Corporations on the activities of transnational corporations in southern Africa and the extent of their collaboration with the illegal régimes in that area, 1/ requested the Centre to conduct further in-depth studies. In a resolution, the Commission requested the Centre to study *inter alia* the activities of transnational corporations in the banking and financial sectors and their social and cultural impact as well as their employment practices in southern Africa. 2/

2. This report is in response to the above request. In addition to the items requested by the Commission, it discusses new developments in the activities of transnational corporations in southern Africa from recently published information.

Recent United Nations actions

3. There was a great deal of activity during 1977 within the United Nations related to the operations of transnational corporations in southern Africa. Various United Nations agencies have reported on the involvement of foreign economic interests in southern Africa and many have criticized the support which these interests provide for the existing régimes. 3/ The findings of these agencies have been taken into account in resolutions adopted by the General Assembly and the Security Council.

4. The thirty-second session of the General Assembly adopted a number of resolutions condemning the operations of transnational corporations in South Africa, Namibia and Southern Rhodesia/Zimbabwe. 4/ In November 1977, the Security Council determined that the acquisition of arms and related materiel by South Africa constituted a threat to international peace and security. The Security Council further decided that States should cease to provide South Africa with arms

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1/ Commission on Transnational Corporations, Report of the third session, *Official Records of the Economic and Social Council, Sixty-third Session, Supplement No. 5* (E/5986).

2/ *Ibid*.

3/ A review of recent developments in the United Nations with regard to investments in South Africa can be found in *Official Records of the General Assembly, Thirty-second Session, Supplement No. 22* (A/32/22), vol. I; and *ibid*., *Supplement No. 24* (A/32/24), vol. I reviews the work of the Council and other United Nations bodies concerning Namibia. The Special Committee of 24 and the Security Council's Sanctions Committee have continued to release information regarding the violation of United Nations sanctions against Southern Rhodesia.

4/ See General Assembly resolutions 32/105 A-N and 32/35. General Assembly resolution 32/35 condemns the intensified activities of foreign economic and financial interests in Southern Rhodesia/Zimbabwe and Namibia.

and related materiel, including equipment and supplies used in the manufacture and maintenance of such materiel. In addition, all States were called upon to refrain from co-operation in the manufacture and development of nuclear weapons. 5/ With respect to Southern Rhodesia/Zimbabwe, the Security Council also expanded existing mandatory sanctions against Southern Rhodesia/Zimbabwe by barring the flow of funds from Rhodesia to any foreign agency or office, except for those set up exclusively for persion purposes. 6/

5. Conferences sponsored by the United Nations have focused world-wide attention on the involvement of transnational corporations in southern Africa. In May 1977, the International Conference in Support of the People of Zimbabwe and Namibia was held in Maputo, Mozambique. In a Declaration this Conference denounced foreign economic interests in Southern Rhodesia/Zimbabwe and condemned as illegal the exploitation of natural resources of Namibia. The Declaration called on all Governments to ensure that corporations under their jurisdiction did not violate United Nations sanctions and to enact legislation consistent with the Decree No. 1 of the Council on Namibia, which declares the natural resources of that country to be the birthright of the Namibian people. 7/ The World Conference for Action Against Apartheid, held in Lagos, Nigeria in August 1977, also addressed the issue of foreign economic support for the apartheid régimes in southern Africa. The Declaration of this Conference called upon Governments to increase the isolation of these régimes by avoiding any nuclear collaboration with South Africa and urged them to reconsider all loans to and investments in South Africa. 8/

6. Critical examination of the role of transnational corporations in southern Africa is not new to the United Nations. The reports, recommendations and resolutions on the matter have become, however, increasingly comprehensive and specific. The potential consequences of the new Security Council resolution for transnational corporations with interests in South Africa are taken up at various points in this report.

Sources of information

7. The information in this report is gathered from a wide variety of sources. To the extent possible, it is based on data from official government publications, corporate reports and pertinent United Nations documents. These materials have been supplemented with information from other international organizations, in particular the International Labour Organisation, national trade union organizations, private research institutes and individuals, and business and financial journals.

8. The difficulties in obtaining appropriate information were discussed in the last report. 9/ Although a great deal of material has been published on the

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5/ Security Council resolution 418 (1977); this resolution fell short of the wider economic sanctions, including oil shipments, proposed by representatives of African nations.

6/ Security Council resolution 409 (1977).

7/ See document A/32/109/Rev.1-S/12344/Rev.1, paras. 167-174.

8/ See document A/AC.115/L.477.

9/ Document E/C.10/26.

activities of transnational corporations in southern Africa, the analysis requested by the Commission requires information which is very broad yet also systematic and detailed. The specific problems which are encountered in studying the activities of transnational corporations in banking and finance, their employment practices and social and cultural impact are raised in the appropriate chapters.

9. The report contains three chapters. The first chapter summarizes recent developments in southern Africa which are relevant to transnational corporate activities. This includes patterns of transnational investment during the last year, a brief assessment of internal political and economic events and relevant policies of home countries. The second chapter focuses on the activities of transnational corporations in the banking and financial sectors. The third chapter describes the employment practices of transnational investors and their impact on social patterns within the context of local laws and customs.

Chapter I

RECENT DEVELOPMENTS IN THE ACTIVITIES OF TRANSNATIONAL CORPORATIONS IN SOUTHERN AFRICA

A. Republic of South Africa

1. Overview

10. The present climate for foreign investment in South Africa is quite different from that which has for a long time appealed to transnational corporate investors. South Africa's traditional attractions to foreign investors - mineral wealth, a prosperous free market economy, low labour costs and political stability - cannot be assumed in 1978. Over the last few years, the economic and political environment for foreign investment has deteriorated. The South African authorities continue to seek new foreign capital. Over the same period, the authorities have introduced a series of fiscal and administrative controls designed to increase South Africa's self-reliance.

11. The home Governments of the major investors are currently reviewing their policies towards investment in South Africa. There are indications that, at very least, the South African operations of transnational corporations will be subject to more scrutiny by home Governments. All of this occurs within the context of increasing international criticism of foreign economic ties with South Africa.

12. The available evidence indicates that transnational corporations are accepting the new terms set by the South African authorities and their home Governments without substantially limiting their future growth opportunities within the economy. Although there are some signs of a slackening on the rate at which new direct foreign capital is entering South Africa, only a handful of firms appear to be withdrawing entirely. Furthermore, South African companies and government agencies are increasing their borrowings from the international capital market. South Africa's ability to attract foreign resources other than direct equity investment seems to have increased.

13. During the last year, the Republic of South Africa has faced a series of severe economic and political crises. Recent economic indicators show that the slow-down in the rate of growth first recorded in mid-1974 has continued into 1977. Unemployment has increased dramatically as has the rate at which businesses fail. Preliminary indications suggest that growth in real gross domestic product, which increased by 7.1 per cent in 1974, 2.1 per cent in 1975 and 1.4 per cent in 1976, slowed down further in the first three quarters of 1977. Manufacturing production reached its lowest level in three and a half years in the first quarter of 1977, and there was a marked decline in real domestic fixed investments by the private sector. The balance-of-payments deficit on current account, which had increased 41 per cent from mid-1975 to mid-1976, improved in 1977. However, the capital account deteriorated following a substantial net outflow of capital and as a result, gold and other foreign exchange reserves declined. 10/

10/ South African Reserve Bank, Quarterly Bulletin, December 1977, pp. 5-24.

14. Demands for change in the system of apartheid have intensified and broadened during the last year. The authorities have responded to domestic protests with intolerance, as manifested by the dramatic events in Soweto in 1976 and the repressive actions taken against leading organizations and individuals in the autumn of 1977. These developments have brought widespread criticism both within and outside of South Africa. The Security Council recently held a series of sessions in which criticisms were made by several members of the Security Council. During these debates testimony also was heard from individuals who in their comments criticized the involvement of transnational corporations in southern Africa. 11/

2. Recent developments in South African policy

15. Successive Governments in South Africa have placed a high priority on attracting foreign investment. To this end, the Republic of South Africa offers a variety of incentives and attempts to cultivate a business climate which is conducive to corporate expansion. Faced with a deteriorating economic situation, however, the Government has recently issued regulations which affect the assessment of risk by current and potential investors. For example, South African policy on repatriation of dividends or current profits has historically been quite liberal provided that such transfers were financed with available cash funds, not requiring excessive local borrowing. 12/ In 1977, the Government defined current profits as profits earned within the last two calendar years, where previously the cut-off date had been January 1960. These regulations were subsequently eased somewhat to allow earnings reported after January 1975 to be remitted.

16. During the 1970s, the South African authorities have also moved to enhance South Africa's independence in international trade and capital markets. While many countries have undertaken similar measures, the South African authorities may have been influenced by anticipation of some form of international economic sanctions. To this end, local participation in ownership has been promoted. Joint ventures between transnational corporations and local capital have been encouraged through various incentives.

17. For instance, since 1960 wholly-owned affiliates of transnational corporations have been limited in their local borrowings to 25 per cent of the effective foreign capital invested. 13/ In July 1976, a Reserve Bank directive further curbed local borrowings by transnational corporations. 14/ Financial

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11/ See documents S/PV.2056-2059, especially remarks on apartheid in South Africa by Donald Woods (26 January 1978), and David Sibeko and Johnnie Makatini (31 January 1978).

12/ For a detailed description of these regulations see Doing Business in South Africa (New York, Price Waterhouse and Co., 1977), p. 26.

13/ Ibid., pp. 22-23.

14/ Republic of South Africa, Exchange Control Regulation 3 (1)(f). The new directive provides that all forms of leasing or rental of fixed property will be considered as local borrowing in an amount equal to ten times the annual rental.

analysts see transnational corporations as having one of three responses to this new regulation: taking on local partners, which increases the amount of local borrowing permissible, limiting expansion or bringing in foreign funds. 15/

18. In another move which confers some advantage to minority participation, the South African authorities, in 1974, limited the unauthorized release of information to foreign Governments by transnational corporations concerning their activities in South Africa. Only enterprises having at least a 50 per cent foreign equity interest may provide such information without first receiving permission. 16/ This restriction has important implications for home Governments seeking to monitor and influence the practices of investors in South Africa. The British Government has already been thwarted to a certain extent in its efforts to obtain data on employment practices of United Kingdom-based firms, as described below in paragraphs 25-26, 143-145.

19. During the 1970s the South African Government has encouraged, and in some cases, required an increase in the local ownership of financial institutions. The banking sector in South Africa, as elsewhere, has always been closely regulated. Moreover, in order to discourage further foreign control in the banking sector, in the mid-1970s the authorities directed that majority local ownership in banking institutions should be achieved. In the insurance industry, the Financial Institutions Act of 1976 mandated majority domestic ownership within a three-year period. 17/

20. The recent reactivation of legislation to reduce South Africa's strategic dependence on foreign centres could have far-reaching implications for transnational corporations. In November 1977, the Economic Affairs Minister announced that certain sections of the National Supplies Procurement Act of 1970 based on War Measure No. 146 of 1942 would be brought into operation. This legislation enables the Government to: manufacture or produce any goods for the State deemed necessary for security; instruct owners or suppliers of goods and services to supply, deliver or sell them to the authorities; and direct any manufacturer to produce or process a specified quantity of goods and to supply them to the authorities. This legislation could affect subsidiaries of transnational corporations involved in manufacturing or processing not only arms and ammunition, but also motors, electronics, telecommunications, chemicals and petroleum items of strategic importance. If the implementation of Security Council resolution 418 (1977) by individual home Governments includes directives from foreign Governments ordering companies to forbid South African subsidiaries to supply services or materials for military purposes, the companies will be in direct conflict with South African law. 18/

15/ See Richard E. Leger, "U.S. firms' operations in South Africa cope with varied pressures", Wall Street Journal, 16 March 1977, pp. 1, 30.

16/ South African Second General Law Amendment Act, 1974.

17/ See paras. 94-95 below.

18/ For accounts of this recent action see Financial Mail (South Africa), 11 November 1977, p. 485 and 18 November 1977, p. 577.

3. Home Government policies

21. In addition to resolutions adopted by the various organs of the United Nations, which are mentioned above, some home Governments have taken actions which may affect the subsidiaries of transnational corporations in South Africa. On 20 September 1977, the Council of Ministers of the European Community made public a voluntary Code of Conduct for enterprises based in EEC countries with subsidiaries, affiliates or representative offices in South Africa. 19/ The Code deals with industrial relations, migrant labour, terms of employment and living conditions of employees. Follow-up action, which is the responsibility of individual Governments, is under consideration.

22. With respect to employment practices, the Code provides that the enterprises should ensure that all employees be allowed to choose freely a form of workers' representation. In particular, employers should ensure that their black employees are free to form or to join a trade union and should inform their employees that collective bargaining with freely elected employee organizations is company policy. The Code specifically recommends that corporations should ensure equal pay and working conditions for employees and should offer all jobs to any worker who possesses suitable qualifications. The Code also recognizes that salary levels must go beyond the absolute minimum necessary for a family to maintain its well-being. It further suggests that enterprises should concern themselves with the living conditions of their employees and families by allocating funds to housing, health service facilities, retirement plans, transportation to work, education, industrial insurance and unemployment programmes for black employees.

23. The Code reaffirms that the system of migrant labour in South Africa is an instrument of the policy of apartheid, and that employers have the social responsibility to help ensure freedom of movement for black workers and their families. The Code further provides that employers should do everything possible to abolish any practice of segregation at work places, in canteens, in education and training, and in sports activities. Finally, the Code provides that the Governments of the nine member States of the European Community will review annually the progress made in implementing the Code. To facilitate this objective, the enterprises should publish a yearly report on the progress made in the application of the Code and submit it to their national Governments.

24. In its present form, the EEC Code has drawn criticism from various quarters. The European Federation of Trade Union and some other national and international trade unions have criticized the Code because it does not include sanctions. On the other hand, the Federation of German Industry has criticized the move as political interference in economic relations and potentially harmful to trade between South Africa and the Federal Republic of Germany. 20/

19/ The text of the Code of Conduct was transmitted to the Secretary-General of the United Nations in document A/32/267.

20/ Siefried Buschschluter, "Critical", The Guardian, 17 October 1977; International Confederation of Free Trade Unions, International Trade Union News, 1 October 1977.

25. Experience has shown that the potential effectiveness of a voluntary code is open to question. In 1974, the British Government established a Code of Practice which embodied a set of guidelines on employment practices for United Kingdom-based companies with more than 10 per cent equity in a South African company. The companies were asked to report progress toward achievement of the fair employment goals set down by the Code of Practice. In 1975, the British Government changed its guidelines so that only those companies with equity holdings of at least 50 per cent would be asked to provide such data. This was because South Africa enacted legislation, mentioned above, prohibiting unauthorized release of information to foreign Governments by affiliates with less than 50 per cent foreign ownership. The change has meant that the wages and working conditions of over half of all black employees of British-based firms in South Africa are not subject to public scrutiny. 21/

26. While most United Kingdom-based firms replied to Her Majesty's Government's request for information, in February 1977 the Secretary of State for Trade stated, in response to a Parliamentary Question: "The responses show considerable variation in the amount of information published. The report gives reasonable coverage to African wages but less to conditions of employment generally." 22/ Although the responses are publicly available, the United Kingdom Government, at this stage, has not issued publications summarizing or analysing these data. 23/

27. Other Governments have reacted to the recent manifestations of repression in South Africa. The Canadian Government has announced that it is phasing out all its government-sponsored commercial support activities in South Africa, which includes withdrawing its commercial counsellors from Johannesburg and Cape Town. Canada is also withdrawing all government support for export credit insurance, loan insurance and foreign investment insurance for any transaction relating to South Africa. The Canadian Government stated that it will also be publishing a code of conduct and ethics for Canadian companies operating in South Africa. 24/

28. The Government of the Federal Republic of Germany decided to limit government guarantees for exports to South Africa to individual transactions under DM 50 million, and to consider only short- and medium-term guarantees. 25/ Exceptions may be made for orders which could have significant impacts on employment in certain sectors. Furthermore, companies receiving guarantees must

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21/ Rodney Stares, Poverty Wages in South Africa: A Review of the Effectiveness of Self Regulation and Voluntary Disclosure (London, Christian Concern for Southern Africa, 1976), p. 7.

22/ Parliamentary Debates, Commons, Weekly Hansard, issue No. 1063, cols. 112-122, 15 February 1977 (written answers).

23/ An analysis of data collected by a private research group suggests serious short-comings in the voluntary procedure. See Stares, op. cit. These problems will be discussed in more detail in paras. 143-146 below.

24/ Statement by External Affairs Minister to House of Commons, 19 December 1977.

25/ The guarantee programme of the Federal Republic of Germany is discussed again in para. 108 below.

observe the EEC Code of Conduct and pledge that there will be no re-export of German goods from the Federal Republic of Germany to Southern Rhodesia/Zimbabwe. 26/ The possibility of a foreign Government's monitoring the final destination of goods entering South Africa are related in paragraphs 57-58 of this chapter.

29. Sweden and Norway have established official committees to investigate the conditions for and consequences of prohibiting transnational companies from future export of capital to South Africa and Namibia. The Swedish Government has requested a parliamentary committee "to draft legislation prohibiting the export of capital to South Africa and Namibia in conjunction with company investments in these countries". 27/ The Nordic countries have also called upon the Security Council to consider measures against new foreign investments in South Africa. It has also recnetly been reported that an official working group is currently framing a Code of Conduct for firms based in Switzerland. At this stage, it appears that the Swiss code will be modelled after the EEC Code of Conduct. 28/

30. In addition, some States which host transnational corporate investment have taken steps which may change the assessment of the costs and benefits of investing in South Africa. For example, the Nigerian Government has announced that transnational corporations must make a choice between transacting business with Nigeria or South Africa. To this end, contracts for doing business in Nigeria will forbid dealing with South Africa. 29/

4. Stocks of direct foreign investment

31. In spite of the economic, political and statutory developments described above, the stock of direct foreign investment in South Africa continues to expand. (See table 1.) The increase in the stock of direct foreign investment declined somewhat in 1975 and 1976. It would be premature, however, to describe this as a trend. The data in table 1 could be interpreted to show a levelling off in the increase of stock, year by year, with 1974 being an exceptionally high year. Alternatively, the declines in 1975 and 1976 could be attributed to world recession. It is also possible that these decreases reflect merely a temporary crisis of confidence comparable to the brief decline in investment and the increase in capital outflow which followed the Sharpeville massacre in 1960. 30/

26/ Financial Mail, 2 December 1977, p. 770.

27/ Mr. Burenstam Linder, Minister of Commerce, described the background and particulars of the Swedish policy at a Cabinet meeting, 7 July 1977.

28/ Financial Mail, 2 December 1977, pp. 768, 770.

29/ See speech by His Excellency Lieutenant-General Olusegun Obasanjo, Head of State, delivered 22 August 1977 at the World Conference for Action Against Apartheid (Lagos, Nigeria), Centre Against Apartheid, Notes and Documents, Conf.1/part II.

30/ Stock of direct foreign investment dropped from R 1,819 million in 1960 to R 1,796 million in 1961 and rose again to R 1,875 million in 1962 (South African Statistics, 1972).

Table 1. Foreign liabilities of South Africa at year end, 1970-1976 a/

(Rand millions)

	1970	1971	1972	1973	1974	1975	1976
1. Total foreign liabilities b/	5 818	7 033	7 786	10 380	12 757	16 450	19 929
2. Change over previous year of total foreign liabilities	828	1 215	753	2 594	2 399	3 693	3 479
3. Stock of direct foreign investment (DFI)	3 943	4 525	4 895	5 616	6 694	7 428	8 143
4. Change over previous year of DFI	441	582	370	721	1 078	734	715
5. Total DFI/total foreign liabilities (percentage)	67.8	64.3	62.9	54.1	52.4	45.1	40.9

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

a/ South Africa incorporates Namibia into these figures.

b/ Total foreign investment refers to all foreign liabilities which are the various capital assets in and claims against South Africa owned by foreign residents. Foreign direct 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.

An additional possible factor is the South African Government's encouragement for local entrepreneurs to take majority investments in projects of the sort that were previously wholly foreign owned. 31/

32. Table 1 also shows that a decreasing proportion of foreign liabilities is made up of direct investment. Thus, South Africa's foreign capital needs are being supplied by means other than direct investment by transnational corporations. Calculations made by the Nedbank Group, using Reserve Bank figures, show that the major portion of new liabilities has been incurred by the central government and banking sector. 32/ Chapter II discusses the provision of capital through foreign loans as an increasingly important form of non-direct investment.

33. Investment from the United Kingdom, the United States and the Federal Republic of Germany account for over three quarters of the total direct investment in South Africa. Equity capital from these countries account for approximately 50, 20 and 7 per cent respectively of direct investment in South Africa. 33/

34. The growth of investments from the three major source countries is shown in table 2. Using 1971 as the base year, the indices show substantial rises in the total stock of direct investments. The general levelling off in the rate of increase alluded to earlier is apparent in all three cases, most especially for the United States in 1976. As before, these figures cannot be used to signal a downturn in investment.

5. Corporate responses

35. The methods used by transnational corporations to finance their investments and their policies on remittances to the home country of locally earned profits provide some clues as to corporate responses to prevailing conditions. Some aggregate data are available up to end-1976 for United States-based firms. Table 3 shows a mixed pattern for all United States investments taken together. In 1976, however, the proportion of new investments financed by retained earnings rose sharply to nearly 90 per cent, as compared to 50-60 per cent rates prevailing in earlier years. In the same year the proportion of local earnings remitted to the United States also rose sharply to over 60 per cent. The same picture emerges in more exaggerated form for the data on manufacturing.

36. The 1976 data imply an increasing degree of caution among United States investors. This sense is reinforced by the findings of some recent surveys of

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31/ For details of this policy see earlier description in paras. 15-19.

32/ The Nedbank Group, South Africa: An Appraisal (Johannesburg, Nedbank Group Economic Unit, 1977) pp. 225-229.

33/ South African figures show that the source countries which have traditionally supplied direct foreign capital have continued to do so in fairly stable proportions over the last few years. From 1973 to 1976, the percentages of foreign investment originating in EEC countries declined from 67.6 to 63.9, that from the rest of Europe increased slightly from 6.5 to 7.7, that from North and South America increased also, from 22.1 to 24.6. (Calculated from the South African Reserve Bank, Quarterly Bulletin, September 1976 and December 1977.)

Table 2. Direct foreign investment by selected home countries, 1971-1976: indices of stock and annual increase of stock

(1971 = 100)

Year	United Kingdom		United States		Federal Republic of Germany	
	Index of stock a/	Annual change in index	Index of stock b/	Annual change in index	Index of stock	Annual change in index
1971	100	-	100	-	100	-
1972	108	8	106	6	112	12
1973	124	16	121	15	127	15
1974	150	27	152	31	173	46
1975	173	23	164	12	223	49
1976	n.a.	n.a.	173	9	238	16

Source: United Kingdom Board of Trade, *Trade and Industry*; United States Department of Commerce, *Survey of Current Business*; and Federal Republic of Germany, *Runderlass Aussenwirtschaft*. In the base year, the stock of direct investments amounted to £664 million from the United Kingdom, $965 million 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.

b/ The 1971 figure for United States direct investment has not been adjusted in light of later revisions in the data because the adjusted data for investment in South Africa have not been released. The effect of the adjustments is to reduce the 1971 figure as originally published. Therefore the indices given above for the United States understate the growth.

Table 3. Financial flows associated with United States direct foreign investment in South Africa, 1971-1976

Year	(1) Net capital outflows ($ million)	(2) Adjusted earnings ($ million)	(3) Receipts of income ($ million)	(4) Reinvested earnings ($ million)	(5) Total of (3)+(4) ($ million)	(6) Additions to stock of DFI (1)+(4) ($ million)	(7) Reinvested earnings (as % of addition to stock)	(8) Remittance rate (3) as of % (5)
				All industries				
1971	47	n.a.	59 a/	46	105	93	50	56
1972	21	n.a.	61 a/	40	101	61	66	60
1973	82	215	70 a/	145	215	227	64	33
1974	153	253	117 a/	135	252	288	47	46
1975	52	140	71	69	140	121	57	51
1976	9	198	125	73	198	82	89	63
				Manufacturing b/				
1971	n.a. c/	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
1972	-21	n.a.	23 a/	14	37	-7	n.a.	62
1973	28	86	26 a/	60	86	88	68	30
1974	55	96	29 a/	67	96	122	55	30
1975	28	58	23	36	59	64	56	39
1976	-12	90	73	17	90	5	340	81

Source: United States Department of Commerce, Survey of Current Business, September 1973, August 1974, October 1975, August 1977.

(foot-notes on following page)

(Foot-notes to table 3)

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a/ This figure is the "balance of payments income" measure used by the Department of Commerce until 1975 when it was replaced by the current measure.

b/ Data on all other sectors is plagued by suppression of information to avoid disclosure of data of individual companies.

c/ n.a. = not known.

Adjusted earnings:	United States parents' shares in the earnings (net of foreign income taxes) of their foreign affiliates, plus net interest on intercompany accounts, less foreign withholding taxes.
Receipts of income:	Net dividends of incorporated affiliates and net interest on intercompany debt, both after foreign withholding taxes, and earnings of unincorporated affiliates.
Reinvested earnings:	Adjusted earnings less receipts of income.

individual companies. One survey of 52 United States-based transnational corporations reported that 30 of them had no plans to increase investments for the next five years and seven were actively contemplating withdrawal. 34/ According to another survey, South African subsidiaries of United States-based transnational corporations in South Africa traditionally reinvested over 60 per cent of their earnings in South Africa. In 1976, however, only one third of their earnings were reinvested. 35/ A financial analyst in South Africa has stated that the profits remitted by South African subsidiaries to parent companies increased 20 to 30 per cent during 1976 and early 1977. 36/ Quite possibly, this behaviour was caused by firms anticipating the new, more restrictive remittance regulations (described in para. 15).

37. For individual companies, it is difficult to determine whether the reasons for increased caution are political or financial. Some transnational corporations have cited South Africa's economic problems as a reason for their apprehension in making new investment. The Managing Director of General Motors South Africa Ltd., for instance, was quoted as saying that new investment by GM was not advisable since its sales had declined significantly in the last two years. 37/ On the other hand, General Motors reached an agreement with its church shareholders to preclude expansion until a "just and equitable" solution had been found to racial problems. 38/ One United States-based transnational corporation, Data Control Corporations, has publicly linked its decision to curtail future investment to the repressive measures imposed by the Government in October 1977. 39/ Polaroid Corporation terminated its business relationship with its South African distributor because it sold Polaroid products to the South African Government. 40/

38. Under increasing pressure to justify their investments in South Africa, 56 United States-based corporations have endorsed "six principles" which seek to improve the conditions of black workers in South Africa. 41/ It would be premature to judge the long-term effect of this corporate statement of social

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34/ See document A/32/22, vol. I, p. 139.

35/ Desaix Meyers, Robert Hecht, David Lift, U.S. Business Involvement and South Africa: The Withdrawal Issue (Washington, D.C., The Investor Responsibility Research Corp., 1977), p. 7.

36/ See Financial Times, 1 July 1977; Leger, op. cit., p. 33.

37/ Leger, op. cit.

38/ The text of the General Motors statement was published by the National Council of Churches, 25 March 1977.

39/ New York Times, 26 October 1977.

40/ Wall Street Journal, 23 November 1977.

41/ The six principles are: (1) non-segregation of the races in all eating, comfort and work facilities, (2) equal and fair employment policies for all employees, (3) equal pay for equal or comparable work, (4) training programmes to prepare blacks for supervisory and management positions, (5) increasing the number of blacks in management and supervisory positions, and (6) improving the quality of employees' lives outside the work environment.

responsibility, especially since there are no specific criteria to make these principles operational. It should be noted that this set of guidelines does not contain a commitment to negotiating with black trade unions which critics feel is crucial if genuine equality for black workers is to be achieved. 42/

39. Some transnational corporations have announced their intention to expand their South African operations. The large oil companies are notable for their commitment to further investment. British Petroleum, Royal Dutch/Shell, and Caltex (jointly owned by Texaco Inc., and Standard Oil of California) have indicated that they will proceed with plans for major investment programmes in a variety of different projects. In the automotive industry, British Leyland, Volkswagen, BMW and Fiat have announced plans for expansion. These plans may not be completed, however, in view of the depressed market for automobiles. Other major mining, engineering and chemical firms are adhering to previously announced plans to advance investment in South Africa. These include United States-based Quebec Iron and Titanium Corporations (jointly owned by Kennecott Copper Corporation and Gulf + Western Industries Inc.), African Explosives and Chemical Industries (40 per cent owned by Impoerial Chemical Industries), and BASF, Siemens and Klöckner, which are based in the Federal Republic of Germany. 43/

B. Namibia

40. A 1971 opinion by the International Court of Justice upheld the United Nations right to revoke South Africa's mandate over Namibia and declared South Africa's presence there illegal. 44/ Decree No. 1 for the Protection of the Natural Resources of Namibia, issued by the United Nations Council for Namibia in 1974, reaffirmed the illegality of South Africa's possession of the territory and decreed that all activities relating to natural resources in Namibia - prospecting, exploration, extraction, mining, processing, refining, sale, export or distribution - may be carried out only with the approval of the Council on Namibia. 45/

41. The realization of independence for Namibia has remained illusive. Since April 1977 the five Western members of the Security Council - Canada, France, the Federal Republic of Germany, United States and United Kingdom - have joined in a diplomatic effort to achieve a peaceful settlement based on Security Council resolution 385 (1976). 46/ South Africa agreed in June 1977 to abondon its plans

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42/ The Africa Fund, "Too little, too late: the U.S. corporation manifesto for South Africa", Southern Africa Perspectives, No. 3/77, April 1977.

43/ Document A/32/22, vol. I, pp. 139-141.

44/ Legal Consequences for States of the Continued Presence of South Africa in Namibia (South West Africa) notwithstanding Security Council resolution 276 (1970), Advisory Opinion, I.C.J. Reports 1971, p. 16.

45/ United Nations, Namibia Gazette No. 1, Decree 1.

46/ Security Council resolution 385 (1976) demanded that South Africa release all Namibian political prisoners, abolish all racially discriminatory legislation and practice, permit unconditional return of Namibian exiles, withdraw its administration and accept free elections under United Nations supervision. For a detailed discussion of the current situation, see document A/AC.109/L.1209.

to implement the Turnhalle proposals 47/ and to appoint an administrator general to govern Namibia until elections for a constituent assembly were held. The terms imposed by South Africa, which fell far short of Security Council resolution 385 (1976), were rejected by SWAPO. Wide areas of disagreement separate SWAPO and the South African authorities, including: the removal of South African troops, release of political prisoners and the South African claim to the Walvis Bay area.

42. South African enterprise, both private and public, dominate the Namibian economy, and virtually all of the activities in industry, construction, commerce and finance are undertaken by branches or subsidiaries of South African-owned or controlled enterprises. Mining and fishing are predominantly in the hands of South African interests. A substantial portion of the agricultural land in white areas is owned either by South African individuals or corporations. The transportation and communication facilities are integrated into South African public corporations. Between 1964 and 1976, public sector finance has also become increasingly integrated with South Africa.

43. While the majority of transnational corporations operating in Namibia are based in South Africa, substantial capital from the United Kingdom, United States, Federal Republic of Germany, Canada and France has been invested in mining operations. A stagnant economy, political uncertainty and difficulties in the mining and fishing industries recently have diminished incentives for new investment. There have been no reports of new investments by transnational corporations in Namibia during the last year.

44. The Rössing uranium project has stimulated a great deal of activity in the immediate vicinity of Swakopmund. However, technical difficulties and labour disputes have delayed the realization of profits from the operation. In September 1977, ground operations were temporarily halted and the mine was reported working at 75 per cent of capacity. The Rio Tinto Corporation recently made a major investment in the mine, but only to cover current costs. 48/

45. Other transnational corporations active in the mining of base minerals have limited production in the face of low market prices. For instance, Johannesburg Consolidated Investment Co. Ltd., (South Africa), confronted with costly technical difficulties and low copper prices, has reportedly suspended operations in Namibia. 49/ Only diamond mining is showing strength. An increase in sales and higher prices contributed to a 38 per cent increase in profits for the De Beers Consolidated Mines Ltd. during the first half of 1977 as compared to the first six months of the previous year. 50/

47/ The Turnhalle Conference was a series of constitutional talks which were initiated by the all-white National Party in 1975. The major decisions taken by the conference were rejected by SWAPO and interpreted by many within Namibia and the international community as perpetuating South African rule. See document A/AC.109/L.1209, p. 9.

48/ The Times (London), 22 September 1977; Economist, 8 October 1977.

49/ See Financial Times, 1 August 1977; and Johannesburg Consolidated Investment Company, Ltd., Chairman's review, Financial Mail, 11 November 1977, pp. 462-463.

50/ Financial Times, 24 August 1977.

46. The uncertain environment for investment at the moment has not dampened interest in the mineral wealth of Namibia. There have been reports that a number of transnational corporations are exploring additional sites for uranium deposits. Anglo American Corporation (South Africa), General Mining and Finance (South Africa), Société Nationale de Pétroles d'Aquitaine (France) and Falconbridge Mining Company (Canada) are reportedly investigating the possibility of establishing uranium production facilities in Namibia. In addition, Consolidated Diamond Mines announced that it is undertaking a $6 million mineral survey of an area covering 80,000 square miles. 51/

C. Southern Rhodesia/Zimbabwe

1. Overview

47. The history of Southern Rhodesia/Zimbabwe since its Unilateral Declaration of Independence (UDI) has been marked by political turmoil and increasing guerrilla warfare. Black nationalists have been engaged in a struggle for black majority rule which has until recently been denied by the white régime. In late 1977, the régime proposed a formula for black majority rule which has been accepted by three black nationalist leaders but not by representatives of the Popular Front. The outlook for an enduring settlement is highly uncertain at this stage.

48. The exact role of transnational corporations in Southern Rhodesia/Zimbabwe is almost impossible to determine. Following UDI and the resulting imposition of sanctions by the Security Council, most subsidiaries of transnational corporations either registered as local companies in the territory or were sold to local interests. Ford of Rhodesia, for instance, which was established in 1960 as a wholly-owned subsidiary of Ford of Canada, was sold in 1967 to the Industrial Development Corporation of Southern Rhodesia. 52/

49. Although many transnational corporations retain the assets of these subsidiaries on their books, no profits may be remitted while sanctions are in effect. At the same time, parent companies have no control over the management of these assets. Shareholders' dividends are presently held in blocked accounts. The distribution of these funds is likely to be raised in the event of a political settlement in Southern Rhodesia/Zimbabwe. In contrast to the situation in Namibia, the home Governments of the major investors have adopted enforcement legislation to prevent transfer of capital and goods. 53/

50. The severing of formal connexions between transnational corporations and their affiliates in Southern Rhodesia/Zimbabwe has not effectively isolated the régime

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51/ Financial Times, 12 May 1977; The Times (London), 14 May 1977.

52/ It was erroneously reported in document E/C.10/26, p. 52, table 8, that the Ford Motor Company was currently operating a subsidiary in Southern Rhodesia/Zimbabwe.

53/ The United Kingdom, for instance, passed in 1968 the Southern Rhodesia (United Nations Sanctions) (No. 2), Statutory Instruments, 1968, No. 1020 which implements United Nations sanctions. The Bank of England Notice, E.C. 79 (sixth issue) of 15 May 1970 sets out special rules specifying the Exchange Controls which apply to Rhodesia.

from access to international capital. South Africa, which follows a policy of non-discriminatory commercial relations with the régime, provides the most important conduit for finance, trade and investment. Transnational corporations with subsidiaries in South Africa are placed in an ambiguous situation with respect to Security Council sanctions against Southern Rhodesia/Zimbabwe. The case of international oil companies, discussed below, exemplifies the possibility of links between the South African and Rhodesian subsidiaries of transnational corporations.

51. The illegal régime of Southern Rhodesia/Zimbabwe is facing its most severe economic crisis since UDI. From 1955-1975, the real annual growth of the economy averaged nearly 5 per cent. However, the cost of the war effort 54/ and the impact of international pressures and the world-wide recession have caused gross domestic product to decline for the third consecutive year. Manufacturing production fell nearly 6 per cent in volume in the first three quarters of 1977, when it stood 15 per cent below the record levels of 1974. Mining output, which was projected to grow by 8 per cent in 1977, in fact declined by 4 per cent as inflation reached its highest level in 25 years. 55/

52. The performance of individual companies is similarly negative. There has been no expansion in mining operations, and four transnational mining companies are reported to be cutting production. 56/ A subsidiary of the Rio Tinto Zinc Corporation closed its chrome operation in Rhodesia in July 1977 and Anglo American is seeking to suspend operations in locations most vulnerable to guerrilla warfare. 57/

2. The supply of oil

53. A major controversy over the activities of transnational corporations in Southern Rhodesia/Zimbabwe has focused on the issue of possible violation of sanctions by international oil companies. During the last year, charges proliferated against major oil corporations on the grounds that they were conspiring to supply the petroleum needs of Southern Rhodesia/Zimbabwe. The publication in 1976 of documents accusing the South African subsidiary of Mobil Oil Corporation of participating in a complex scheme to evade United Nations sanctions marked the beginning of a series of claims, counterclaims and official investigations into this issue. 58/

54. In September 1976, Mobil Oil Corporation responded publicly to the charges in testimony before the Sub-Committee on African Affairs of the Foreign Relations Committee of the United States Senate. 59/ Mobil's arguments clearly point out

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54/ The Government is spending approximately 10 per cent of gross domestic product on the war, which represents 27 per cent of the budget.

55/ Standard Bank, Economic Bulletin, October 1977.

56/ Christian Science Monitor, 12 October 1977.

57/ The Chronicle, 21 July 1977.

58/ The Oil Conspiracy (New York, United Church of Christ, 1976).

59/ Testimony of George A. Birrell, Vice President and General Counsel of Mobil Oil Corporation, before the Sub-Committee on African Affairs of the Foreign Relations Committee of the United States Senate, 17 September 1976.

that the United States Rhodesian Sanctions Regulations do not apply to affiliates of transnational corporations in foreign countries. Thus, subsidiaries of United States-based transnational corporations, according to the argument, may legally carry on trade with Southern Rhodesia/Zimbabwe so long as United States citizens and goods of United States origin are not involved in the transaction. Furthermore, affiliates of United States-based transnational corporations which are located in Southern Rhodesia/Zimbabwe may conduct domestic business which is not related to export and import. As this latter point has been officially interpreted, import and export restrictions do not apply to affiliates which are "under duress" by the authorities of Southern Rhodesia/Zimbabwe to engage in such activities.

55. Within the context of this legal structure, the management of Mobil Oil Corporation stated that it adopted a policy in 1965 of including its subsidiaries in the adherence to sanctions. Direct investigation into the specific charges, however, was severely limited by South African and Rhodesian laws. Mobil subsidiaries in both countries were advised that they could not supply relevant information to the parent company and an investigative team from headquarters was also denied access to documents. In addition, it became clear that the South African Government would not permit sales contracts concluded in South Africa to specify or propose limitations to the end users.

56. Analysis of correspondence between Mobil headquarters and the South African and Rhodesian affiliates convinced the company that no United States law had been broken. And, further, that its policy of forbidding sales to Southern Rhodesia/Zimbabwe was sufficiently publicized, monitored and implemented. 60/ In June 1977, the Office of Foreign Assets Control of the United States Department of Treasury released the findings of its investigation of the involvement of United States personnel and goods of United States origin. It was reported that the Department of Treasury considered its review inconclusive, even on these narrow points, because of restricted access to information. 61/

57. One of the major issues to emerge from this case is the legal basis for home government control over the actions of companies' foreign subsidiaries. As currently written, legislation in the home countries of the major transnational corporations implementing the United Nations sanctions does not affect these subsidiaries. An extension of home country jurisdiction in this area, at least in the case of the United States, appears however to be possible. For instance, under the United States Trading with the Enemy Act, United States-based corporations are responsible for the sales and transfers of their subsidiaries.

58. It has also become apparent that South African law, as currently applied, makes it difficult for transnational corporations to supervise the activities of their subsidiaries. The Official Secret Act forbids transmittal out of the country of information which would prejudice the security or interests of South Africa. Against this background, it is not clear how the policies of foreign Governments which forbid resale of goods to Rhodesia as a condition of Government guarantee programmes can be enforced (see para. 28). Presumably, this legislation can also be used to thwart implementation of United Nations sanctions against the supply of strategic material to the South African authorities.

60/ Ibid.

61/ Wall Street Journal, 18 May 1977.

59. There have been lawsuits charging other oil companies with helping to supply petroleum products to Southern Rhodesia/Zimbabwe. The United Kingdom-based London Rhodesian Company (Lonrho), which itself was under investigation by the United Kingdom Government for the violation of sanctions, filed suit in London against the Mobil Oil Corporation, Standard Oil Company of California, Texaco Inc., Royal Dutch Shell, British Petroleum Company and their subsidiaries in southern Africa. The companies named in the suit have denied the allegations. 62/ As yet details of the case have not been made public.

60. In August 1977, the Zambian Government instituted a lawsuit against the same five oil companies for allegedly violating sanctions. The suit also charges the companies with damaging the Zambian economy just prior to UDI, by diverting oil supplies from Zambia in order to build reserves in Rhodesia. These additional reserves allowed the Rhodesian Government to make alternative arrangements for oil supplies in the face of anticipated sanctions. 63/

61. Attempts to stiffen the oil embargo against Southern Rhodesia have moved forward in a number of different areas. Activity has centered on extending sanctions to South Africa and to subsidiaries of transnational corporations. A recent report by the Commonwealth Sanctions Committee recommended the extension of oil sanctions to South Africa, if that Government would not give assurance that oil would not be resold to Rhodesia. In a vote in the Fourth Committee of the United Nations on 28 October 1977, all OPEC members present supported such sanctions. A ministerial mission from OAU is currently visiting all members of OPEC to request that they stop oil supplies to South Africa.

62/ New York Times, 2 June 1977.

63/ Permanent Mission of the Republic of Zambia to the United Nations, "Background to Zambia's case against the oil companies", ZM/NY/A/131, 10 November 1977.

Chapter II

THE ACTIVITIES OF TRANSNATIONAL CORPORATIONS IN THE BANKING AND FINANCIAL SECTORS

A. Background

62. Transnational financial institutions do not disclose precise data on the full nature and extent of their activities in southern Africa. The usual confidentiality of relations between banks and their clients may have been extended in this case on grounds related to the scrutiny such operations have attracted in recent years. 64/ Information about participation by transnational banks in Southern Rhodesia/Zimbabwe is particularly scarce because of United Nations sanctions. Furthermore, the banking and financial business in South Africa cannot be neatly disentangled from that in Namibia and Southern Rhodesia. Under South African law, the extensive network of transnational banks in South Africa extends directly into Namibia. The operations of transnational banks in South Africa also permit access to Southern Rhodesia.

63. This chapter summarizes what is presently known about the role of banks and financial institutions in southern Africa. The analysis is divided into two parts. Part B discusses the contribution of international financial institutions to the economy of South Africa and the extension of their activities into Namibia. Part C examines the data currently available on the operations of transnational banks in Southern Rhodesia/Zimbabwe.

B. South Africa and Namibia

1. Overview

64. There has been a close connexion between South Africa and foreign capital markets for over 75 years. At the turn of the century, large amounts of capital

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64/ Anti-apartheid groups in the United States have campaigned against bank loans and other dealings with South Africa. The Interfaith Center on Corporate Responsibility, a group related to the National Council of Churches, the New York Conference of the United Methodist Church, and the Seventh General Synod of the United Church of Christ in Washington, D.C. are notable for their criticism of United States-based banks. A Committee to Oppose Bank Loans has been formed to continue and expand these efforts. See Prexy Nesbitt, "Anti-Apartheid activities in the United States of America", Notes and Documents, No. 32/77.

Anti-apartheid activities are likewise being directed against banks in the United Kingdom, through the Anti-Apartheid Movement, ELTSA (End Loans to South Africa), among others. In the Federal Republic of Germany, and in the Netherlands, the Anti-Apartheid Movement has encouraged or carried on similar activities. The World Council of Churches has played an important international role in organizing campaigns against banks with links to southern Africa.

were required for the development of South Africa's gold mines. Over the years, the role of foreign capital has evolved and expanded as transnational banks began to provide a diverse range of banking and financial services. The rapid growth of the economy after World War II was facilitated by these institutions, which mobilized domestic capital, provided contacts and advice to transnational corporate clients, and channelled international capital into the economy. 65/

65. The South African economy became more reliant on foreign capital during the 1970s. In 1968 and 1969, total foreign liabilities were the equivalent of 44 per cent of gross domestic product, as compared to 60 per cent in 1974 and 1975. 66/ These foreign liabilities have been made up increasingly of foreign borrowings, as opposed to equity investment, a trend described later in this chapter. At the same time, South African authorities have attempted to increase local participation in and control over the financial sector, as evidenced by the Financial Institutions Act of 1976 discussed in the previous chapter. Such control over the banking and financial sectors will obviously be crucial in the event of economic sanctions.

66. In contrast to its rapid economic growth in the 1950s, 1960s and early 1970s, the South African economy has experienced serious problems during the last four years. South Africa's economic difficulties, described in chapter I, are partly a result of the world-wide inflation of the 1970s. However, South Africa's need for foreign capital has been accelerated by other factors.

67. First, the South African Government embarked upon a $20 billion investment programme in the 1970s. 67/ Much of this was used to finance capital equipment and machinery imports and permit government participation in joint ventures with transnational corporations in basic industry and energy sectors. 68/ High gold prices in the early 1970s made the financing of such ambitious projects seem feasible. When the price of gold fell dramatically, the Government had to look for other financial sources.

68. South Africa's need for foreign capital is also due to its sharp increase in military expenditures, made up largely of the purchases of sophisticated

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65/ For historical review, see D. Hobart Houghton, The South African Economy (Cape Town, Oxford University Press, 1976), 4th ed. For an overview of the role of transnational banks, see "South Africa - a survey", The Banker, September 1975, No. 595.

66/ The Nedbank Group, op. cit., p. 221.

67/ Projects listed in the Africa Research Bulletin, 15 August-14 September 1976, p. 998, to be completed by the South African Government in the next 5 to 10 years total $19.8 billion.

68/ See "Involvement of foreign economic interests in South Africa's industrial development projects", Notes and Documents No. 35/75. The importance of capital good imports to the economy is indicated by the fact that during the 1970s, such imports averaged nearly 40 per cent of gross domestic investment and over 55 per cent of the total import bill. Calculated from Republic of South Africa, Monthly Abstract of Trade Statistics, January-December 1970-1975.

armaments from abroad. 69/ South Africa's defence budget was $688 million in 1973, $1.0 billion in 1974, $1.2 billion in 1975 and $1.6 billion in 1976. This represents more than a 120 per cent increase from 1973 levels. 70/ In 1977, a $1.9 billion defence budget was announced, a 21.3 per cent increase over 1976. 71/ These factors, coupled with the fall in revenue associated with the domestic recession, meant that much of the proposed increase in public authority and government consumption expenditures for 1977 had to be financed through borrowing. 72/

69. The recent upswing in the price of gold should ease the financial difficulties of the régime somewhat. From early September 1977 to the end of February 1978, the price of gold rose from $145 to $160 to $185 per ounce. Both industrial and investment demand for gold remained strong at the higher prices and it is expected that in 1978 the price will go higher, perhaps over $200 per ounce. 73/

2. The major transnational financial institutions

70. Transnational banks are the most important transnational financial institutions operating in South Africa. They participate in a full range of financial services including commercial and merchant banking, discounting and leasing, insurance, pension funds, and mutual funds. These banks hold approximately 60 per cent of the assets of the 20 largest banks in South Africa. 74/

(a) The major transnational banks

71. Barclays National Bank Ltd. and Standard Bank of South Africa, two British banks which have pre-Boer War roots in the Transvaal, are by far the largest transnational banks operating in South Africa and Namibia. Their South African affiliates control approximately 57 per cent of the total assets of the

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69/ For a discussion of South African military capacity and dependence on imports, see Armed Forces Journal International (Washington, D.C.), June 1973; and United States Senate, Committee on Foreign Relations, Subcommittee on African Affairs, U.S. Corporate Interest in Africa (Washington, U.S. Government Printing Office, 1978) pp. 55-57. For an analysis of defense equipment and oil imports, see Bureau for Economic Research, A Survey of Contemporary Economic Conditions and Prospects for 1977 (Cape Town, University of Stellenbosch, 1976).

70/ See budget speeches delivered by Minister of Finance, 1973, 1974, 1975 and 1976, Johannesburg. In rand terms, the defence budget almost tripled, but given the devaluation of the rand, the relative expenditures doubled in dollar terms.

71/ Budget speech delivered by Minister of Finance, March 1976.

72/ South Africa Reserve Bank, Quarterly Bulletin, December 1976, p. 8.

73/ Financial Mail, 11 November 1977, p. 527, 18 November 1977, p. 582.

74/ Calculated from Financial Mail, Supplement, 23 April 1976. "Assets" include notes and coin, balances with central bank, balances with commercial banks in South Africa and abroad, money at call, government securities, other investments (at book value), treasury bills, bills of exchange, loans and advances to government and statutory bodies and bank promises.

20 largest banking institutions in South Africa. 75/ The shares of both banks are quoted on the Johannesburg Stock Exchange, but the British parent firms retain a majority of shares. 76/ The affiliates of three additional transnational financial institutions, Hilsam, Citibank and French Bank, are among the top 20 South African banks. Their assets in South Africa, however, constitute only approximately 3 per cent of the assets of the top 20 financial institutions.

(i) The Barclays Group

72. Barclays Bank Ltd. is the twelfth largest banking institution in the world. Barclays Bank International manages the Group's international business. More than one fourth (26.71 per cent) of Barclays Bank International's total current, deposit and other accounts, are held in southern Africa. 77/ In comparison to southern Africa, current, deposit and other accounts of the Group in Continental Europe, Mediterranean and Middle East, United States, Canada, Pacific, Far East and Australia amount altogether to 23 per cent. 78/ Barclays South African subsidiary - Barclays National Bank Ltd. - in which the Group holds a majority interest of 63.8 per cent is the largest and most rapidly growing of all the transnational parent's business outside of the United Kingdom itself. 79/ The assets of Barclays National Bank Ltd. have risen from R 1.6 billion in October 1971 to R 4.2 billion in October 1976, making it not only the largest commercial bank in South Africa, but also the largest organization in asset terms in that country. 80/ The number of the Bank's offices in South Africa and Namibia grew to more than 900 in 1976. 81/ In Namibia alone, the Barclays National Bank Ltd. and its subsidiaries maintain presently over 45 offices. 82/

73. Despite the general depression which affected the South African economy in 1974-1975, Barclays National Bank Ltd. showed "very satisfactory" results. 83/ In the period 1971-1976 profits of the Bank have risen more than twofold from R 12.5 million to R 27.6 million. 84/ In 1977 the Chairman of the Barclays Group reiterated the parent organization's determination not to dispose of its South African investments. 85/ At the same time the Barclays National Bank Ltd. forecast

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75/ Ibid.

76/ Barclays Bank, Ltd., Report and Accounts, 1976; and Standard and Chartered Banking Group, Ltd., Annual Report, 1976.

77/ Southern Africa, as defined in Barclays Bank International Ltd., 1976 Report and Accounts, includes Botswana, Lesotho, Republic of South Africa, Rhodesia, South West Africa (Namibia) and Swaziland.

78/ Barclays Bank International Ltd., 1976 Report and Accounts.

79/ Barclays Bank Ltd., Report and Accounts, 1976.

80/ Barclays National Bank Ltd., 1976 Financial Statements.

81/ Ibid.

82/ Barclays Bank International Ltd., A World of Banking: List of Offices, May 1977.

83/ Barclays Bank Ltd., Reports and Accounts, 1976.

84/ Barclays National Bank Ltd., 1976 Financial Statements.

85/ Barclays Bank Ltd., Report and Accounts, 1976.

a continuation in the growth of profitability, although it had assured that "the present recessionary trend may well continue until confidence in South Africa is restored". 86/

74. Barclays Bank Group both internationally and in South Africa, is closely tied to the Anglo American Corporation, the South African based transnational corporation. 87/ Anglo American is one of the biggest customers of Barclays in South Africa and the biggest South African shareholder of the bank. The historical ties between the two institutions are ongoing. In 1976, Barclays National Bank Ltd. acquired majority interest (63.8 per cent) in Western Bank Ltd., the seventh largest South African bank, in which Anglo American held 70 per cent of the shares. This transaction gave Anglo American 17.5 per cent share in Barclays National Bank Ltd., thus increasing South African ownership in the latter from 15 to 32 per cent.

(ii) Standard and Chartered Banking Group

75. The number of branches of Standard Bank of South Africa grew from 350 in 1961 to 822 in 1975, in addition to a full branch in Namibia at Windhoek. The subsidiaries of Standard, in which the parent company owns 67.4 per cent of the equity, are engaged in commercial, merchant, leasing, insurance and mutual fund activities. Its South African affiliates account for 60 per cent of Standard's total office network and half its employees. Twenty per cent of Standard's world-wide profit derives from its South African operations. 88/ Standard is also closely tied to the South African financial community. With Nedbank, the third largest South African bank, Standard shares ownership of Stannic, a hire purchase bank. 89/ In addition to its operations within South Africa, the Standard and Chartered Bank is one of the agents for the sale of South African gold.

(iii) Hilsam

76. The third largest transnational bank in South Africa in terms of assets is Hilsam, a member of the United Kingdom-based Hill Samuel Group. Hilsam, established in 1960 by the Hill Samuel Group to conduct merchant banking business in South Africa, is the largest subsidiary of the parent corporation. Merchant banking is still the most important activity of Hilsam, along with insurance and pension funds. 90/ Another Hill Samuel operation is the wholly owned African Pension Trustees. 91/

(iv) Citibank

77. Citibank is the fourth largest transnational bank in terms of assets in South Africa but it ranks only nineteenth in South Africa. Citibank (then the

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86/ Barclays National Bank Ltd., 1976 Financial Statements.

87/ Financial Mail, Barclays Bank Supplement, 30 January 1976. For significance of the role of the Anglo American Corporation in South African economy, see document E/C.10/26.

88/ The Banker, September 1975.

89/ Standard and Chartered Banking Group Ltd., Annual Report, 1975.

90/ Hill Samuel Group (South Africa) Ltd., Annual Financial Statement, 1976.

91/ Ibid. APT is a limited form of pension programme for domestic servants.

First National City Bank of New York) set up its first South African branch in 1958. It now has eight branches located in the major industrial centres. In 1963, the First National City Bank of New York acquired 16 2/3 per cent of the shares of the United Kingdom based firm, M. Samuels, which provided an additional channel for its South African business through the Hill Samuel Group's South African subsidiary. 92/

(v) The French Bank

78. The French Bank ranks fifth among the affiliates of transnational banks in South Africa in terms of assets, but it is only twentieth among all banks, holding approximately 1 per cent of the assets held by the top 20. It has seven offices in South Africa's main towns, as well as one in Windhoek in Namibia. It is owned by the Banque de l'Indochine, Paris, together with the following South African partners: Union Corporations, Ltd., Federated Stores, Ltd., and the Old Mutual and the Messina Development Co., Ltd., an Anglo American Company affiliate. The French Bank experienced steady growth in volume of deposits and in profit until the mid-1970s, when there was some slowdown. 93/

(b) Other transnational banks

79. In the last two decades, other transnational banks have expanded their South African connexions. For the most part, however, they prefer to operate on a wholesale basis, carrying on their South African business through existing British and South African banks rather than establishing a network of local branches. It appears that Barclays may also be moving in this direction. 94/ This practice is partly as a result of pressure by the South African Government for 50 per cent local participation in banking operations. It may also be motivated by the desire to avoid home country criticism by anti-*apartheid* groups.

80. The three "Grossbanken" based in the Federal Republic of Germany - Deutsche Bank, Dresdner Bank and Commerzbank - have become increasingly involved in South Africa in the last decade, as their country's transnational corporations have expanded South African operations. In 1958, the Federal Republic of Germany-based banks had few commitments in South Africa, only a single credit for the Anglo American Corporation. Since 1969, however, almost every year a stock offering from one of the South African State-owned corporations appears on the Federal Republic of Germany market. The large transnational banks based in the Federal Republic of Germany have uniquely close ties to transnational corporations from their home country which have invested in South Africa, because of the paramount role these banks play in the ownership of corporate stocks. 95/

81. The banks based in the Federal Republic of Germany have not opened branches in South Africa, but operate through affiliates or representative offices. In recent years, they have shared ownership of their representative offices with other

92/ First National Bank of New York, *Annual Report*, 1963.

93/ *Financial Mail*, 15 April 1977.

94/ *Financial Mail*, Barclays Bank Supplement, 30 January 1977.

95/ See Immenga, Ulrich, *Participation by Banks in Other Branches of the Economy* (Brussels, Commission of the EEC, 1976).

European banks. 96/ This apparently reflects the European trend towards the participation in consortia in an attempt to compete more effectively with United States-based banks.

82. The United States-based Chase Manhattan Bank initially established a branch in South Africa in 1959. By 1965, it had three branches. In that year, it purchased a 15 per cent stake in the Standard and Chartered Bank, gaining access to the latter's extensive South African network. Chase executives joined the Standard Board of Directors and a Chase officer in London served with Standard's central management group. Chase merged its South African branches with those of Standard Bank, South Africa, which then handled its South African business. 97/

83. In 1975, the United States Federal Trade Commission required Chase to divest itself of its Standard holdings. 98/ Chase then exchanged its shares of Standard Bank for a 7 per cent share equity in Midland Bank, a large commercial bank based in the United Kingdom, which operates in South Africa through the European Banking Consortium (EBIC). Chase sold its Midland shares and re-established its own representative office in South Africa in 1975.

84. The United States-based Bank of America has a number of indirect but important ties to South Africa. Bank of America is linked to Kleinwort Benson Lonsdale (London) and its subsidiary, Kleinwort Benson, Ltd., which is also based in London. Kleinwort Benson, Ltd. helped the South African Government establish the Accepting Bank for Industry, a merchant bank, in South Africa, and holds shares in it. 99/ While the list of principal investments in Kleinwort Benson's 1976 accounts does not mention this transaction, it does refer to an investment in a South African industrial holding company.

85. Three Swiss banks, the Swiss Bank Corporation, the Union Bank of Switzerland and the Swiss Credit Bank, play an important role in arranging finance for the South African economy through the Zurich Gold Pool. The Swiss Credit Bank and the Swiss Bank Corporation have representative offices in South Africa. 100/

86. The Japanese Government prohibits direct investment in, as well as loans to, South Africa, a policy in sharp contrast to that of other countries which have significant economic relationships with South Africa. The Japanese Government halted efforts by Japanese banks and business houses to lend Japanese funds to South Africa through the London-based Japanese International Bank. However, Japanese firms are permitted to borrow from their domestic banks to finance exports to South Africa. Loans for the establishment of assembly plants in South Africa

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96/ H. Koch, "Banken in Sudafrika - kredite fur apartheid", in Informationdienst: Südliches Afrika (Bonn, ISSA, No. 3, March 1977).

97/ Chase Manhattan Bank, Annual Report, 1959 and ibid., 1965.

98/ The New York Times, February 1975. This action was taken because Standard sought to enter the United States banking field where the connexion would violate United States anti-trust laws.

99/ Karl Lanz, ed., Banks of the World (Fritz Knapp Verlag, 1963).

100/ Credit Suisse Bank, Annual Report, 1976; and Swiss Bank Corporation, Annual Report, 1976.

in return for South African goods have been considered trade and hence not contrary to the Government's policy of non-investment. Among Japanese commercial banks, only the Bank of Tokyo maintains a representative office in Johannesburg which serves Japanese commercial interests. 101/

87. International consortia have come to play an increasingly important role in the banking sector of the South African economy. Two of the largest of these consortia are Associated Bank of Europe Corporation (ABECOR) and European Banks International Company (EBIC). Each in turn has affiliated subgroups.

88. In 1974 the newly formed ABECOR took over the Johannesburg office of the Dresdner Bank. 102/ The member banks of ABECOR are: Algemene Bank Nederland, Netherlands; Banca Nazionale del Lavoro, Italy; Banque Bruxelles Lambert, Belgium; Banque Nationale de Paris, France; Barclays Bank, United Kingdom; Bayerische Hypothekan-und Wechsel-Bank, Federal Republic of Germany; and Dresdner Bank, Federal Republic of Germany. Associated members are Banque Internationale Luxembourg, Luxembourg; Osterreichische Länderbank, Austria; and Banque de la Société Financière Européenne, France (Special Associate).

89. European Banks International Company opened its Johannesburg representative office in 1969, thus establishing a South African connexion for its member banks, Amsterdam Rotterdam Bank, Netherlands; Creditanstalt Bankverein, Austria; Deutsche Bank, Federal Republic of Germany; Midland Bank, United Kingdom; Société Générale, France; and Société Générale de Banque, Belgium. 103/

3. Types of services provided by transnational banks in South Africa

90. The South African affiliates of transnational banks and financial institutions provide a full range of financial services to whites. Commercial bank affiliates of transnational banks advanced almost R 3.8 billion in various forms of domestic credit to the public and private sectors in 1975, the last year for which data are available. Most of these (77.6 per cent) were general loans. The rest were in the form of hire-purchase loans, leases and acceptances. 104/

91. The affiliates of transnational banks accept deposits from Africans, but invest their funds primarily in white-owned businesses. 105/ The banks have

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101/ Bank of Tokyo, Semiannual Report, December 1976.

102/ Barclays' annual report emphasized the unique contribution of the consortium: "The strength of ABECOR is unique, not only in its resources, which in combination total more than $US 172 billion but in the depth of international financial knowledge and speed of action which it provides through the 11,000 offices of its member banks in some 129 countries," (Barclays Bank, Ltd., Reports and Accounts, 1976).

103/ Deutsche Bank, Annual Report, 1976.

104/ Calculated from "The biggest banks", Financial Mail, 23 April 1976.

105/ In 1973, Barclays, for example, held R 88 million in deposits from the black community (The Banker, September 1973, p. 117).

generally been reluctant to lend funds to blacks who cannot own property in white areas and whose tribal land rights in the "homelands" are not acceptable for security. 106/

92. At the end of 1975, the first predominantly African-owned bank, the African Bank of South Africa, opened a branch in one of the "homelands". Blacks own 75 per cent of the African Bank, while the rest is held by Barclays, Standard, Nedbank, Trust and Volkskas. 107/ The African Bank's Board of Directors is made up of seven blacks and three whites, who represent the five major banks. 108/

93. The merchant banking affiliates of transnational banks came into prominence between 1963 and 1969, as the South African Government began encouraging their growth as part of an effort to attract foreign capital. These banks are more directly involved in the ownership and management of corporate enterprises than commercial banks. Much of their wealth and prospective profitability is held in the form of direct investments, both in equity and tangible assets such as property. The merchant banking affiliates of transnational banks in South Africa not only provide long-term loans for the public and private sectors but also contribute to the equity capital of transnational and domestic firms operating in South Africa. 109/

94. Transnational financial institutions in South Africa also play a role in mobilizing the smaller savings of individuals through insurance and pension programmes. Foreign participation in the insurance industry has gradually diminished during the last decade. 110/ Since 1976, when the South African Government ordered a majority domestic ownership of all insurance companies within three years, the industry has become almost entirely South African in a legal sense. However, most firms which were previously owned by transnational financial institutions remain under the effective control of the parent company. 111/ The official move to domesticate the industry marks official recognition that insurance companies control a significant share of the national wealth. At the end of 1975, life insurers controlled R 4.8 billion worth of invested funds, slightly more than one half the amount controlled by commercial banks. 112/ Domestic control over the

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106/ The Chief Executive of Barclays in South Africa explained in 1976 that while it is a bank's obligation to lend in the community where it raises its deposits "one has to accept that the black businessman is largely unsophisticated ... There is a lot of danger here." (Financial Mail, Barclays Bank Supplement, 30 January 1976.)

107/ "South Africa - a survey", The Banker, September 1975.

108/ South African Digest, 18 February 1977.

109/ For a discussion of the role of merchant banks, see Business as Usual: International Banking in South Africa (World Council of Churches, 1974) and Financial Mail, 23 April 1976, 30 January 1976 and 29 October 1976.

110/ In 1966, some 88 of the 180 insurers were foreign, as compared with 12 out of 108 in 1975. (Financial Mail, Insurance Survey Supplement, 2 December 1977, p. 6.)

111/ Ibid.

112/ Ibid., p. 21.

institutions in this industry lessens their vulnerability to international economic pressures against the régime.

95. The South African Government prescribes a certain percentage of insurance and pension funds be held in the form of government stocks, thus guaranteeing itself a source of long-term capital. Seeking new sources of funds to cover mounting expenditures, the South African authorities in 1975 required insurance companies to buy an additional 2 per cent in government stock. In 1976 this was again increased by 2.5 per cent, bringing the investment in government stocks to 17.5 per cent for insurance companies and 22.5 per cent for pension funds. The resulting new investment by insurance and pension funds in government and parastatals in 1977 totalled approximately R 760 million. 113/ Thus, part of the investment by transnational financial institutions in insurance and pension funds have to be available to the authorities. While similar arrangements are common in many countries, the point here is that affiliates of transnational corporations with capital invested in these sectors cannot avoid collaboration with the régime.

4. The provision of credit

96. Foreign borrowings constitute the most rapidly growing segment of South Africa's total foreign liabilities. 114/ Table 4 shows the changes in the foreign borrowing position during the middle 1970s. According to these figures, at the end of 1976 South Africa's foreign borrowings stood at approximately R 9.9 billion. The borrowed portion of foreign liabilities increased by 111 per cent between 1973 and 1975, as compared with an increase of 19 per cent in the equity portion.

97. Transnational banks and financial institutions are the dominant source of credit for the South African economy, as indicated in table 4. At the end of 1976, borrowings from international financial markets stood at R 7,504 million. This trend probably reflects in part the growing importance of the Eurodollar market as source of funds in the mid-1970s.

98. Another measure of the role of transnational banks in providing credit is a report from the Bank for International Settlements (BIS), which shows that South Africa's debt to transnational banks at year end 1976 stood at \$7.0-\$7.6 billion. 115/ At year end 1976, South Africa's outstanding international credits included an additional \$1.0 billion in the form of bond issues, bringing the total to \$8.6 billion. 116/ The R 7.5 billion reported in table 3 as borrowings from the market converted into dollars at the rate 1 R = \$1.15, amounts to the same figure of \$8.6 billion.

113/ Calculated in Financial Mail, 15 April 1976, pp. 21-22.

114/ A detailed analysis of international borrowings by South Africa can be found in U.S. Corporate Interests in Africa.

115/ Bank for International Settlements, Forty-seventh Annual Report - 1 April 1976 to 31 March 1977 (Basel, Boehm AG Buchdruck, July 1977) puts the figure at \$7 billion. Later reports indicate that this figure is more accurately put at \$7.6 billion. See U.S. Corporate Interests in Africa, pp. 21-22.

116/ U.S. Corporate Interests in Africa, p. 44.

Table 4. Foreign liabilities end of year 1973-1976

(in million rand)

	1973	1974	1975	1976 a/
Gross foreign liabilities	10,380	12,757	16,540	na
1. Equity investment b/	5,973	6,646	7,153	-
2. Borrowings	4,407	6,111	9,297	9,911
- from controlling interest c/	1,261	1,793	2,132	1,815
- from the markets	2,938	4,113	6,889	7,504
- from "official agencies"	208	205	276	592

Source: Nedbank Group, South Africa: An Appraisal (Johannesburg, Nedbank Group Economic Unit, 1977), pp. 230, 231, 233.

a/ The 1976 figures are estimates made by the Nedbank Group on the basis of published information.

b/ Equity investment includes: private sector direct long-term investment of an equity or shareholders' loan nature; private sector indirect long-term investment of an equity nature; and, direct long-term investment in the banking sector.

c/ Borrowings from "controlling interests" includes borrowings by subsidiaries of transnational corporations from parents and by foreign controlled banks from their parents.

(a) Public sector credit

99. The categories used by the South African Government to report foreign liabilities make it difficult to isolate public sector borrowings. 117/ Table 5 deals with the South African Government's debt.

100. Using other published sources, the Nedbank Group has estimated that at the end of 1976 the foreign debt of South Africa's public sector, including public corporations, was approximately R 3.3 billion ($3.8 billion). 118/ While the amount

117/ Foreign borrowing by the Central Government and the banking sector include the major private banks as well as the Reserve Bank while public corporations and local authorities are categorized as private sector borrowers.

118/ The Nedbank Group, op. cit., p. 235.

Table 5. Foreign debt of South African Government at year end 1973-1976

	Foreign debt (R million)	Percentage of change over previous year	Foreign proportion of total government debt (%)
1973	361	-28	4.8
1974	509	+41	6.3
1975	886	+74	8.8
1976	1,325	+50	10.9

Source: Nedbank Group, op. cit., p. 234, from South African Reserve Bank, Quarterly Bulletin.

of credit provided to public borrowers by transnational financial institutions is not precisely known, the pattern and distribution of these credits from 1974 to the end of 1976 are known and are presented in table 6 and annex I. Banks from six countries - United Kingdom, Federal Republic of Germany, France, United States, Switzerland and Luxembourg - are the most active bond sale managers or lenders, and they have frequently organized consortia for particular loans. While there is usually a lead bank from one country, banks from several countries often participate.

Table 6. Identified credits by TNBs to public borrowers 1974-1976 ($US million)

Borrower	Amount
Republic of South Africa	615
Electricity Supply Commission	691
Iron and Steel Corporation	731
South African Railway and Harbours	625
Other	416
Total	3,078

Source: U.S. Corporate Interests in Africa, p. 53.

101. There is a pronounced trend toward shorter-term lending to South African public borrowers. In the 1972 to 1973 period, $650 million out of $754 million in term lending was for 10 to 15 years. From 1974 to 1977, almost all term lending ranged from 3 to 10 years. Furthermore, South African borrowers are increasingly being asked to pay higher interest rates as compared to others.

102. Chase Manhattan Bank announced in April 1977 that in the future it would "exclude loans that, in our judgement, tend to support the apartheid policies of the South African Government". But it would continue "to consider loan proposals for projects of a productive nature which we believe will result in social and economic benefits for all South Africans". 119/ Criteria for determining what official projects or public agencies would qualify under the existing régime have not been specified. In March 1978, Citicorp announced that it would cease granting loans to the South African authorities and to companies owned or operated by the Government. Citicorp will continue to lend to private sector borrowers "that create jobs and benefit all South Africans". 120/

(b) Private sector finance

103. The importance of foreign capital for private borrowers cannot be identified easily. For instance, the Industrial Development Corporation, a State-owned corporation, has obtained transnational bank assistance to float foreign loans for private industries in South Africa. 121/ The loans to private borrowers by transnational banks for which details have been published represent only a small fraction of those made.

104. The Standard Bank of South Africa reported that loans from foreign consortia had been or were being obtained in 1977 for the following projects: construction of an off-shore berth at St. Croix to handle 15 million tons of iron and manganese ore per year ($70 million); establishment of $175 million ship repair yard at Algoa Bay; construction of a coal-based chemical complex by AECI and Sentrachem for $230 million, of which $60 million is to be covered by a syndicated five-year loan; and the mining and processing of ilmenite by Quebec Iron and Titanium Corporation, Union Corporation, the South African Industrial Development Corporation, and Old Mutual ($105 million). 122/

5. Insurance and guarantee programmes

105. In recent years, export credit by transnational banks has been of importance to South Africa. Some of this credit is guaranteed, insured or discounted by foreign Governments through a variety of export promotion programmes. 123/

119/ Financial Mail, 29 April 1977, p. 365.

120/ Wall Street Journal, 13 March 1978, p. 6.

121/ Financial Mail, 27 August 1976.

122/ Standard Bank of South Africa, Review, May 1977.

123/ Business International, Financing Foreign Operations (New York, 1976) reports on the kinds of instruments available in each country for government support of exports, but does not give data on the actual amounts of credits provided, guaranteed, or insured.

106. The Export Import Bank (Eximbank) of the United States provides such a service. In 1964, a ban was placed on Eximbank loans to the Republic of South Africa itself and to South African companies. But discount loans, limited to $2 million each, are available to banks which make loans to United States companies exporting to South Africa. In this manner, Eximbank has insured or guaranteed some $691 million worth of trade with South Africa from 1972 to 1976. In the first quarter of 1977, Eximbank guaranteed three new loans and insured a fourth. Commodity Credit Corporation financed $46.2 million of United States agricultural exports to South Africa during the 1972 to 1976 period. 124/

107. The Export Credit Guarantees Department (ECGD) of the United Kingdom extends an unconditional guarantee covering all risks for bank loans related to British export. Although ECGD does not finance exports directly, it may back bank loans. Data on the amount of ECGD-guaranteed loans to South Africa are not available. 125/

108. The Federal Republic of Germany provides extensive export credit facilities. The Federal Government's export insurance system is administered by two private companies, Kreditversicherungs-AG (Hermes) and Deutsch Revisions and Treuhand-AG (Treuarbeit). The guarantees primarily involve financing for the export of capital equipment to South African Government-owned utilities by major FRG companies already operating in South Africa. Between 1970 and 1977, the value of these guarantees grew from DM 407.8 million to DM 2.8 billion. 126/ Loans exceeding DM 6 million must be approved by an interministerial committee. Thus, although the FRG guarantee programme is managed privately, many of the loan arrangements receive official scrutiny. Newly announced policies with respect to this programme were mentioned in paragraph 28.

109. France encourages exports by providing low-cost medium and long-term export credits with a special discount rate of 4.5 per cent for exports to countries outside the EEC. 127/ All the major French banks provide credits for French exporters. A specialized bank, Banque Française du Commerce Exterieur (BFCE), facilitates exports through acceptances, discounts and guarantees. About 30 per cent of all French exports are insured by Compagnie Française d'Assurance pour le Commerce Exterieur (COFACE). COFACE gives commercial, political and currency fluctuation insurance.

124/ U.S. Congress, House Committee on International Relations, Resource Development in South Africa and United States Policy, Hearings, 94th Congress, Second Session (Washington, U.S. Government Printing Office, 1976), pp. 383-384.

125/ According to some information provided by ECGD, this agency guaranteed credit for loans made by Hill Samuel to Sasol (Transvaal)/Beperk, the Electricity Supply Commission, and the South African Railway and Harbours Board of a total loan value of £49 million; and for loans made by the Standard Chartered Merchant Bank to the Standard Merchant Bank of South Africa and United Transport Holdings Ltd. of a total loan value of £6.6 million.

126/ Bundesminister für Wirtschaft LP, "Ausfuhrgarantien und Ausführbürgschaften der BRD," 1976, BMWI Dokumentation (Bonn, 1977) and other BMWI unpublished documents.

127/ Business International, op. cit., French exports to South Africa doubled from 1971 to 1975 (International Monetary Fund, Direction of Trade).

110. The Japanese Government permits its banking community to finance the growing trade with South Africa. The Ministry of International Trade and Industry (MITI) funds a variety of export insurance programmes. In 1976, MITI spent Y 13,610 billion on these programmes world wide. 128/

6. Participation in gold transactions

(a) Gold sales

111. The sale of gold in 1976 contributed 27 per cent of South Africa's foreign exchange earnings. 129/ South African gold sales are made entirely on the London and Zurich markets. About 80 per cent of South Africa's gold is sold on the Zurich Gold Pool which was established by three Swiss-based banks - the Swiss Bank Corporation, the Union Bank of Switzerland, and the Swiss Credit Bank. The Swiss banks purchase on their own account all the gold the South African Reserve Bank offers them, adding some of the gold to their stocks for their own investment requirements and selling the rest. The South African Government obtains payment in the currency of its choice. The five brokers who handle buying and selling gold in London are Mocatta and Goldsmith (purchased by Standard and Chartered Group in 1973), Samuel Montagu (wholly owned by Midlands Bank), N. M. Rothschild and Sons, Johnson Matthey (Bankers) Ltd., and Sharps Pixley.

(b) "Gold swaps"

112. Transnational banks have made loans to the South African Government, accepting gold reserves as security. In the spring of 1976 the South African Reserve Bank reached a "gold swap" agreement, reportedly with the assistance of three members of the Zurich Gold Pool. 130/ It was estimated that about 5 million ounces of gold were sold at $111 per ounce, for a three-month term, after which the South African Reserve Bank agreed to repurchase them for $112 per ounce. The free market price at the time was just over $130 per ounce. This was the equivalent of a three-month loan of just over $500 million at an interest rate of less than 4 per cent. A year later, in May 1977, the South African Reserve Bank arranged another gold swap for almost 3 million ounces, nearly a quarter of its remaining gold holdings. It was estimated that this swap involved about $390 million. 131/ Transnational banks have also assisted South Africa in selling Krugerrands, one-ounce gold coins.

128/ Business International, op. cit.

129/ The Nedbank Group, op. cit., pp. 205-206.

130/ Financial Mail, 26 March 1976.

131/ Financial Mail, 19, 26 March 1976. See also The Banker, London: Financial Times, April 1976; South Africa Reserve Bank, Quarterly Bulletin, June 1977, p. 22.

C. Southern Rhodesia/Zimbabwe

1. Overview

113. Prior to its Unilateral Declaration of Independence (UDI), Southern Rhodesia/ Zimbabwe had a fairly sophisticated financial structure, modelled on the British system. The severance of formal economic and political ties between this country and the international banking centres in 1965 had important consequences for the financial sector. Southern Rhodesia/Zimbabwe was expelled from the sterling area, formal links with transnational financial corporations were ruptured and all Rhodesian foreign assets denominated in sterling and held in London were frozen.

114. The banking and financial community has devised ways of maintaining contact with international capital markets. Transnational banks which had links to Southern Rhodesian banks and financial institutions before UDI, with the exception of those based in South Africa, state that they no longer control institutions operating under the same name in Southern Rhodesia/Zimbabwe. Nevertheless, some of the subsidiaries themselves advertise their international links. 132/

2. Major transnational banks

115. The major transnational banks with historic ties to Southern Rhodesia/Zimbabwe were discussed in the previous report of the United Nations Centre on Trananational Corporations. 133/ These include Barclays Bank International (UK), Standard and Charter (UK). The National and Grindlays Bank (UK), and Nedbank (South Africa). Connexions between the financial institutions to be discussed below and these transnational banks cannot be documented, with the exception of Rhobank. The United Kingdom-based institutions do not control the operation of these entities although they continue to hold the assets. Table 7 indicates some of the linkages which exist between the local financial entities which operate under the name of these transnational banks.

3. Types of services

116. The four commercial banks operating in Southern Rhodesia/Zimbabwe were all originally established by transnational banks. Of the 120 commercial bank branches

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132/ See e.g. Standard Bank advertisement in Industry and Commerce of Rhodesia (Salisbury, Thom's Commercial Publications, 1974): "With 1,400 offices throughout the world, the Standard Bank is well placed to assist you with international business matters."; or Barclays advertisements in Property and Finance (Salisbury) in 1974, which read: "As a Rhodesian manufacturer ... it pays me to study Barclays Bank market reports because it makes sense that a Bank that operates in over 40 countries must have their finger on the pulse of the international trade. What is more important, they have direct contacts too." Grindlays' advertisement in Development Magazine (Salisbury), February 1977, refers to the bank's "over 300 offices in 41 countries".

133/ Document E/C.10/26, p. 49.

Table 7. Financial groups in Southern Rhodesia/Zimbabwe, 1977

Original parent corporation (nationality)	Commercial banks	Merchant banks	Financial houses
Standard and Charter (UK)	Standard Bank Ltd.	Standard Merchant Bank Rhodesia Ltd.	Standard Finance Ltd.
Barclays Bank International (UK)	Barclays Bank Ltd.	--	--
National and Grindlays Bank (UK) a/	National and Grindlays Bank Ltd.	--	Grindlays International Finance
Rhobank (South Africa)	Rhodesian Banking Corp. Ltd.	Syfrets Merchant Bank Ltd. b/	Scottish Rhodesian Finance Ltd.
United Dominions Trust (UK)	--	--	UDC Rhodesia Ltd.
C. T. Bowring and Co. Ltd., (UK), Tozer Kemsley and Milbourn (Holdings) Ltd. (UK)	--	--	Bowmaker (C.A.) (Pvt.) Ltd.

Sources: Who Owns Whom, UK ed. (London, 1977); Industry and Commerce of Rhodesia, (Salisbury, Thom's Commercial Publications, 1974); advertisements by Grindlays and Rhobank in Development Magazine (Salisbury), May and June 1976 and February 1977; Report of the Registrar of Banks and Financial Institutions, 1975 (Salisbury, Government Printing Office, 1976); The Banker (London), August 1977.

a/ Grindlays is 49 per cent owned by Citicorp (US) and 41 per cent by Lloyds (UK).

b/ Also independently affiliated with Nedsual (South Africa), Rhobank's parent bank.

in Southern Rhodesia/Zimbabwe, Standard Bank, Ltd. operates 44 and 37 are operated by Barclays Bank, Ltd. 134/ In addition to providing short-term finance designed to cover working capital requirements, these banks have diversified into merchant banks, finance houses and insurance companies. 135/

117. The first two merchant banks in Southern Rhodesia/Zimbabwe, the Merchant Bank of Central Africa Ltd. and Rhodesian Acceptance Ltd., were founded in 1956. 136/ In 1971, merchant banking operations were begun by two other institutions which today are known as Standard Merchant Bank Rhodesia, Ltd., part of the Standard Bank, Ltd., and Syfrets Merchant Bank, Ltd., part of the Rhobank Group. The merchant banking facilities are directed toward the corporate sector, and are generally used to negotiate foreign loans for their clients to finance capital imports. 137/

118. At the end of August 1976, the assets and acceptances of the merchant banks were distributed as follows:

Table 8. Assets of Rhodesian merchant banks

($R million)

	Total assets	Acceptances
Merchant Bank Central Africa	138.4	57.6
Rhodesian Acceptances Limited	108.5	47.4
Syfrets Merchant Bank Ltd.	58.0	23.0
Standard Merchant	50.8	20.8

Source: Rhodesian Science News, vol. 11, No. 3, March 1977.

134/ Industry and Commerce of Rhodesia (Salisbury, Thom's Commercial Publications, 1974).

135/ Commercial Banking in Rhodesia (Salisbury, Thom's Commercial Publications, 1977) vol. 11, No. 3, p. 57.

136/ J. F. J. Seket, "Merchant banking in Rhodesia", The Rhodesian Science News, vol. 11, No. 3, March 1977, p. 58. The establishment of these banks was sponsored by transnational financial institutions. Lazard Brothers of London had a direct shareholding in Rhodesian Acceptances Limited. Philip Hill Heggenson, Erlangers of London (now Hill Samuel and Co.), N. M. Rothschild and Sons of London and Rhodesian Selection Trust Ltd. were among the sponsors of the Merchant Bank of Central Africa. Union Acceptances, a merchant bank established in South Africa in 1955 through the sponsorship of Anglo American Corporation. Legislation in South Africa subsequently caused Union Acceptances to relinquish that interest.

137/ Ibid., pp. 59-60.

119. Of the seven registered finance houses, five have links to transnational financial institutions. Three of the commercial banks named above have subsidiaries which operate as financial houses, as shown in table 7. In addition, the South African affiliates of three UK-based firms, United Dominions Trust, C. T. Bowing and Co. Ltd., and Jozer Kemsley and Milbourn (Holdings) Ltd., are owners of two finance houses in Southern Rhodesia/Zimbabwe. 138/

120. As of August 1976, the assets of the registered finance houses were distributed as follows:

Table 9. Assets of the registered finance houses at 31 August 1976

($R million)

Bowmaker (C. A.) (Pvt.), Limited	7,956,077
Fincnec Corporation of Rhodesia	7,468,359
Grindlays International Finance (Rhodesia) Limited	18,021,074
Scottish Rhodesian Finance Limited	25,315,196
Standard Finance Limited	24,284,021
UDC Rhodesia Limited	35,246,108
Viking Finance Corporation (Pvt.) Ltd.	10,166,886

Source: The Rhodesian Science News, vol. II, No. 3, March 1977.

138/ L. J. Buckle, "The finance houses in Rhodesia", The Rhodesian Science News, vol. 11, No. 3, March 1977, p. 62. Barclays Bank formerly held substantial shares in United Dominions Trust, the sale of these shares severed the links between their Rhodesian affiliates.

Chapter III

EMPLOYMENT PRACTICES OF TRANSNATIONAL CORPORATIONS AND SOCIO-CULTURAL IMPLICATIONS

A. Background

121. For many years, the racial labour policies of the régimes in southern Africa have been the target of international investigation and criticism. Within these countries themselves, opponents of government policy can be found in white business and trade union circles as well as in opposition political parties. More recently, the employment practices of transnational corporations have generated considerable controversy as international organizations, national and international trade unions, church groups and government agencies in some home countries began to collect and publish information on them. Legal actions by shareholders have brought discussion of wage and labour policies into the boardrooms of many transnational corporations. 139/

122. Debate centres around the issue of whether foreign investment can act or in fact does act as a progressive force or whether it merely takes advantage of the low-cost, unorganized black labour available due to the *apartheid* system. Many corporations argue that foreign investment provides employment opportunities and advancement for blacks despite the admitted obstacles within the existing system to the full participation of the blacks in the economy. It is also argued that transnational corporations can be an agent for reform within the system, either by adopting labour policies which amount to better wages and working conditions for black workers and in fact extend beyond the limits of law or practice, or by actively voicing criticism of the existing structure. Critics of this argument for constructive involvement maintain that, in the final analysis, the economic benefits from foreign investment have not been shared in any significant way by the black workers. Further, it is maintained that the opportunity for transnational corporations to bring about change in the system is rarely exercised and that foreign investment on the whole supports the existing structures of discrimination and control. The main argument of the opponents of foreign investment in southern Africa is that extensive profits accrue to transnational corporations because of the depressed level of wages for the masses of unorganized black workers, and consequently, by their mere presence, the corporations both morally and economically support the régime.

139/ Extensive documentation of labour conditions in southern Africa has been published by the Commission on Human Rights, the Centre Against *Apartheid*, the International Labour Organisation, the Council on Namibia, and the Special Committee of 24. International and national trade union organizations have also been in the vanguard of investigation into these matters. Within South Africa, the South African Institute of Race Relations has monitored, analysed and published numerous studies on the topic. Various agencies in the home countries of TNCs have attempted to survey the record of corporate behaviour in southern Africa.

123. This chapter examines the operations of transnational corporations in South Africa, Namibia and Southern Rhodesia/Zimbabwe in terms of job creation, hiring policies, wage levels and trade union recognition. Because few firms, transnational or local, have made available current and detailed information about their employment practices, this chapter cannot directly measure the performance of transnational corporations with regard to these issues. It is possible, however, to infer from the general pattern of the occupational structures, wage levels, employment patterns and trade union organizations, the impact of transnational corporations on labour in southern Africa. An assessment of these issues must take into account the complex systems of legislation and customary practice which are designed to separate the races and deprive blacks of an equitable share of wealth and power. The employment policies of transnational corporations are subordinated to the laws and customs which enforce official policies of _apartheid_ and paternalism. Unless otherwise stated, however, transnational corporations conform to the local standards.

B. South Africa

1. Overview

124. The flow of foreign investment into South Africa's economy since the Second World War has been paralleled by the strengthening of the legal structure which attempts to reduce and control the black population in white urban centres. It should be noted that the laws affecting employment practices are not limited to those that expressly refer to employment and labour matters. Almost the entire _apartheid_ system must be understood in order to comprehend the impact of the specific laws on employment and labour. The first way in which African labour is regulated under the _apartheid_ system is through the "homelands" policy, which created special "homelands", comprising 13.7 per cent of the land for blacks. With few exceptions, these are the only legal areas of residence for nearly 70 per cent of the population. Blacks are considered citizens of the tribal "homelands" and not of South Africa.

125. Initially, the Government declared that whites would not be allowed to invest in these areas; all finance for development was to be provided by the Government. In 1968, this policy was changed, and white investment was permitted through the South African Bantu Trust or through public corporations set up for different "homelands". While some transnationals have made commitments in the "homelands", the amount of investment, both public and private, is quite limited. Data are not available on the total amount of foreign investment here, but it is only a small fraction of the total investment in South Africa. The virtual absence of industrial activity, the lack of an infrastructure, and the poor resource base in the "homelands" severely restrict employment opportunities and thus ensure a large supply of workers from these "homelands" for the white areas. 140/

126. In order to utilize labour from the "homelands" in white areas and still retain the principle of racial separation, the Government has encouraged industrial development in the white border areas located near the "homelands". Black workers

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140/ International Labour Organisation, _Thirteenth 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, 1977), pp. 21-43.

here are subject to the same restrictions specified for black workers in white areas (described in annex II), except that they may engage in semi-skilled work. The investment of private capital in the border areas, domestic and foreign, has been encouraged through various incentives including permission to pay lower wages than in white areas.

127. Despite official incentives, the "homelands" and the border areas together do not provide anything near sufficient employment for black workers now located in the "homelands". Over one million economically active males from these areas participate in industry in white urban areas. Once blacks seek work in urban areas, they join the 4.5 million Africans who are residents in the white areas but who, under government policy, are considered migrant workers. 141/

128. Blacks are permitted to live in white areas only if they are "productive", in the sense of being employed. Once this requirement is met, they are limited in their movements and residence; their working conditions are strictly regulated and they are denied the union rights granted to white workers. Coloureds and Asians are also discriminated against; although the system is complicated, in general these groups occupy an intermediate position, between Africans and whites in terms of their rights and restrictions in the labour market. 142/ The legislation discriminates between on one hand the whites, coloureds and Asians, who are considered "employees" and have a certain number of trade union rights, and on the other hand the Africans, who are not considered to be "employees" and are excluded from whatever rights accrue to the other groups due to the Industrial Conciliation Act of 1956. 143/

129. The legislation which defines the labour and employment aspects of apartheid has been extensively analysed by the ILO. In 1965, the first report of the Director-General of ILO discussed the basic elements of control and discrimination in the labour field. While that structure remains basically intact, the system has since been both streamlined and reinforced. The major developments in labour legislation since the Second World War are reviewed briefly in annex II to provide some idea of the environment in which transnational corporations have chosen to operate. The ongoing refinement of apartheid through the introduction of new legislation and the amendment of existing laws which are outlined in annex II demonstrates that the presence of massive foreign capital in South Africa since the Second World War has not been accompanied by a moderation of official policy.

141/ Ibid., pp. 36-39.

142/ See ILO, Fourth Special Report, pp. 14-18 for a description of the application of apartheid to Asian and coloureds in the labour field.

143/ Report by the LO/TCO Study Delegation to South Africa, South Africa, Black Labour - Swedish Capital (Stockholm, 1975), pp. 78-82.

2. Job creation

130. The growth of the South African economy has been accompanied by a substantial increase in the number of persons employed. 144/ (See table 10.) While the relative contribution by transnational corporations to employment at the micro-level is open to debate, there is widespread agreement that foreign capital has contributed to an over-all expansion of employment. There are, however, indications that recent investments have been highly capital-intensive, creating few new employment opportunities for unskilled labour. 145/

131. The fact that skilled and semi-skilled jobs have by and large been reserved for whites has caused a chronic shortage of skilled labour, also exacerbating inflation. Within South Africa some white trade unions, certain members of the business community and individual members of Parliament have called for a change in the face of mounting national economic difficulties, while others have continued to support strict enforcement of these laws. The Government has been pressed to grant exemptions from job reservation regulations as certain firms have been hampered or services curtailed by a shortage of skilled white workers. 146/

Table 10. Distribution of new jobs by racial category, 1960-1976

Sector	Total number of jobs created	Percentage distribution of new jobs a/				
		White	Coloured	Asian	African	Total
Mining and quarrying	51,159	-3.9	6.9	.02	96.7	100
Manufacturing	612,571	16.3	18.1	6.8	58.8	100
Construction	316,053	10.1	11.0	1.6	77.3	100
Banking institution	21,588	74.8	8.1	4.8	12.3	100

Source: South African Bulletin of Statistics, 1972, 1977.

a/ In 1976, the percentage distribution of each of the racial groups in the total labour force was: whites 27; Coloureds 11; Asians 3; Africans 59.

144/ The contribution of foreign capital to economic growth in South Africa is discussed in document E/C.10/26.

145/ See paras. 184-185 for a description of the employment effects of capital intensive investment.

146/ For an indication of the groups supporting and those opposing job reservation and the government response, see ILO, Thirteenth Special Report, p. 14; Twelfth Special Report, pp. 17-20; Eleventh Special Report, p. 10; Eighth Special Report, pp. 9-15; Seventh Special Report, pp. 7-12; Fifth Special Report, pp. 12-15; Fourth Special Report, p. 13; Third Special Report, pp. 34-39.

132. It must be emphasized however that although some blacks have advanced due to growth in the economy, such progress cannot be considered far-reaching or permanent under the present system. The pattern of unemployment during the 1970s demonstrates this point. Despite economic growth, there has been a steady increase in black unemployment in urban areas and white rural areas from 6.1 per cent in 1970 to 10.9 per cent in 1976. It has been estimated that in 1976, for a black labour force of 4,855,000, unemployment was growing by at least 9,000-10,000 per month. The increase in black unemployment in white rural areas has been even more dramatic, rising from 1.7 per cent in 1970 to 22.1 per cent in 1976. 147/ While unemployment among whites, Coloureds and Asians increased from 1974 to 1976, the number unemployed at the end of 1976 represented less than 1 per cent of the number of persons employed in this category. 148/ A comparison of changes in urban unemployment for blacks versus whites, Asians and Coloureds during the 1970s shows that economic recession has had a proportionally greater impact on black workers. See table 11.

133. While ad hoc exemptions are permitted in job reservation, the review of legislation in annex II, appendix B shows that the legal structure of apartheid was strengthened during the 1960s, a period of economic boom. The Government has attempted to resolve the economic problems caused by apartheid by increasing political control over the movement of blacks in white areas. Furthermore, the Government has continually reiterated its position that job reservation exemptions are temporary. The official position is that automation and white migration will alleviate the need for employing blacks in the white economy. Indeed, the recent economic crisis has vividly demonstrated that black employees are very vulnerable in periods of economic decline. As white unemployment rose in 1976, there was a marked decline in the number of exceptions granted to the colour bar. In 1976, the Government also promulgated two additional categories of job reservation. 149/

134. Although blacks have been permitted limited access to certain categories of jobs, the colour bar, whether formal or informal, has precluded their moving into jobs with the highest pay and prestige. The number of Africans in professional and semi-professional occupations is insignificant. In 1970, 80 blacks were engineers, 120 were doctors and dentists, 60 were physical scientists and 40, jurists. Only 140 of these (engineers and physical scientists) are related to the industrial sector, where promotion of black workers by transnational corporations would be manifest. Only in nursing and teaching, which are in the public sector and not related to transnational corporations, is the number of blacks somewhat more substantial. 150/ The majority of jobs created for blacks has been as non-skilled labourers.

147/ The South African Government does not publish figures on black unemployment. The figures cited here are from a study published by P. J. van der Merwe, "Black employment problems in South Africa", Finance and Trade Review, vol. XII. No. 2, December 1976, pp. 47-75. The estimates entered here and in table 10 are on the conservative side; other estimates put black unemployment in these areas at 20 per cent.

148/ ILO, Thirteenth Special Report, pp. 13-14.

149/ ILO, Thirteenth Special Report, pp. 14-15.

150/ South African Yearbook, 1976, p. 446.

Table 11. Republic of South Africa: the pattern of unemployment, 1970-1976

Year	Number of unemployed blacks a/	Change from previous year	Number of unemployed whites, Coloured, Asian b/	Change from previous year
1970	252 000		7 897	
1971	282 200	29 500	8 238	341
1972	364 000	82 000	13 029	4 791
1973	366 000	2 300	10 848	-2 181
1974	385 000	19 500	8 350	-2 498
1975	428 000	44 500	10 305	1 955
1976 c/	528 000	100 400	22 681	12 376

Source: Finance and Trade Review, vol. CII, No. 2, December 1976, p. 73; and South Africa Bulletin of Statistics, 1972, 1974, 1976.

a/ These figures include urban areas in white areas and "homelands" and white rural areas. They do not include rural areas in the "homelands".

b/ Registered unemployment.

c/ In 1976, the number of employed blacks in these areas was 4,327,000; the number of whites, Coloureds and Asians was 2,859,091.

3. Wages

135. Minimum wages in South Africa are set in two ways, neither of which involves black participation in the decision-making process. 151/ The South African Government does not prevent employers from paying wages exceeding the set minimum wage in any industry or job category. Still, employers frequently cite non-legal constraints which keep the black wages much lower than those of white. These include the power of the existing white unions to determine which jobs are to be held by union members; insistence of these unions that pay increases for whites be proportionate to or greater than those for blacks; the reservation of certain jobs for whites; and the lack of training or apprenticeship opportunities for blacks.

136. Various criteria are used to measure wages and salaries. The Poverty Datum Line (PDL) is a calculation of the wage necessary for an average black family to "live under human or decent conditions in the short run". This calculation, which only applies to blacks, includes food, clothes, rent, fuel and light, cleaning and transport, but not taxes, medical expenses or education. A number of institutions calculate PDL differently, so there is no single definition of this measure. Another measure, Minimum Effective Level (MEL), is usually estimated at 150 per cent of PDL and is meant to include taxes, medical expenses and education. A major problem in assessing the wage policies of many transnational corporations is their policy of citing average wages while giving no indication of the pay for the lowest categories of work.

137. Table 12 shows the over-all pattern of wage increases for blacks and whites from 1960-1975. Although wages for blacks have improved, the absolute gap between white and black wages has increased. In mining and manufacturing this gap has been growing at an increasingly rapid rate. 152/ Because of the reservation of many skilled jobs for whites, these figures are not for comparable jobs. The gap in wages therefore is more likely a result of job discrimination than wage discrimination. Moreover, the increasing gaps may be due to growing job discrimination rather than growing wage discrimination.

138. Many transnational corporations have moved blacks into jobs previously held by whites through "job fragmentation". This involves dividing the responsibilities of a job previously held by a white into component parts and assigning some of those responsibilities, under a new title, to a black, while moving the white to a supervisory position. This response to the shortage of skilled white labour opens new job opportunities for blacks, but still denies them the wages previously attached to particular tasks, unless they are given the further opportunity of taking over the respective supervisory positions.

139. These figures on average do not indicate the range of pay for blacks. Starting wages for blacks are quite low. In addition, wages for blacks in the

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151/ For industries covered by the Industrial Conciliation Act, minimum wages are determined by agreement between employers and registered trade unions. Minimum wages in mining, agriculture, state employment and domestic service are determined by national wage boards.

152/ There are also some indications that wage increases for blacks have diminished since 1976. See document E/CN.4/1222, p. 36.

Table 12. Comparison of yearly earnings of blacks and whites, 1960-1975

Sector	Year	Average yearly earnings of whites	Average yearly earnings of blacks	Gaps between white and black earnings	Rate of increase in gap
Mining and quarrying	1960	R 2 312.90	R 148.35	R 2 164.56	
	1965	2 909.34	176.50	2 732.84	26%
	1970	4 253.36	215.55	4 037.92	47%
	1975	7 793.00	957.08	6 835.92	69%
Manufacturing	1960	R 2 021.95	R 371.27	R 1 650.68	-
	1965	2 695.09	507.62	2 187.47	32%
	1970	3 816.54	660.26	3 156.28	44%
	1975	5 880.97	1 218.63	4 662.34	47%
Construction	1960	R 1 887.10	R 340.97	R 1 546.13	-
	1965	2 981.69	541.05	2 440.65	57.8%
	1970	4 062.74	639.42	3 423.32	40.3%
	1975	5 863.15	1 167.59	4 695.56	37.2%
Central Government	1960	R 1 598.92	R 363.42	R 1 235.50	-
	1965	1 978.18	452.92	1 525.26	23.5%
	1970	3 336.77	565.73	2 771.04	81.7%
	1975	5 237.97	1 327.55	3 910.42	41.1%

Source: South African Bulletin of Statistics 1975.

"homelands" and border areas are markedly lower than those in the major urban centres. 153/ It should also be noted that the greater number of black employees in mining are immigrants from outside South Africa. The majority of these workers, whose numbers have recently been declining, are contracted from Lesotho, Malawi, Mozambique, Botswana and Swaziland. 154/ These workers are at the lowest end of the pay scales.

140. During the early 1970s, agencies in the home countries of some of the major investors attempted to gather information on the wage policies of transnational corporations in South Africa. The first set of these studies showed a great deal of disparity between wages paid to black employees by various transnational corporations. In general, however, most transnational corporations paid wages which were in line with other firms in their same industry.

141. A private survey in 1973 of 100 United Kingdom-based firms operating in South Africa showed that the majority of them paid black employees substantially below PDL. 155/ An official investigation conducted in 1974 concluded that the wage policies of most United Kingdom-based corporations were indistinguishable from those of their South African counterparts. 156/ The results of an inquiry by a sub-committee of the United States Congress in 1971 indicated a similar pattern for United States-based firms. 157/ A private study of transnational corporations based in the Federal Republic of Germany, released in 1973 by a member of Parliament, showed that 25 major firms paid 50 to 78 per cent of their black employees below PDL. 158/ An investigation of Swedish-based firms in 1974 also showed their general conformity with South African standards. 159/

142. Efforts to obtain information on the wage policies of transnational corporations has continued. To date, however, only a limited amount of current and systematic information has been published and analysed. The Government of the United Kingdom has been the most active in soliciting data from its transnational corporations. In early 1977, 160 corporations agreed to comply with an official request for details on wages and working conditions of their African employees.

153/ ILO, Thirteenth Special Report, pp. 42-43.

154/ Official Yearbook of the Republic of South Africa, 1976, p. 230. In 1974, the total number of foreign migrant workers was 522,000, approximately 325,000 of whom were engaged in mining; for earlier figures see ILO, Tenth Special Report, pp. 41-46.

155/ The results of this survey were published in British Companies in South Africa (London, Christian Concern for Southern Africa, 1974).

156/ Wages and Conditions of African Workers Employed by British Firms in South Africa, Fifth report from the Expenditure Committee, session 1973-1974, (London, H.M. Stationery Office, 1974).

157/ United States Department of State, Bureau of African Affairs, "Employment practices of U.S. firms in South Africa", 1973.

158/ "Lohn-Und Arbeitsverhaltnisse" as entered in the record by Frau von Bothmer, (Bundestages, Documentation B/RS/2/73).

159/ Åke Magnusson, Sverige-Sydafrika, en studie av en ekonomish relation (Uppsala, Nordiska Afrikainstitutet, 1974).

143. In 1976, a private research group based in the United Kingdom conducted a survey of the 41 corporations which had submitted evidence to the 1974 House of Commons inquiry on the subject. 160/ A review of this study is useful because it offers the most comprehensive analysis of the subject and may have a relevance that goes beyond United Kingdom-based firms. The latter firms represent approximately 50 per cent of direct foreign investment in South Africa and employ approximately 220,000 to 250,000 Africans. 161/

144. Many firms responded to the private group's request for information, a few in great detail. Those responses which provided sufficient information for analysis showed that the number of blacks paid at rates below PDL had significantly declined from 1973. However, an extrapolation of these responses to all United Kingdom-based firms employing blacks in South Africa indicated that in 1976, 11 per cent were still paid below PDL (the level recommended by the United Kingdom Government for immediate achievement in 1976) and 48 per cent below MEL (the working goal set by the United Kingdom Government). 162/

145. According to the private report, wage variations among different employers could be explained, for the most part, by the nature of the firms' economic activity: the ratio of capital to labour, the ratio of black to white employees, and the size of the firm. Those corporations engaged in labour-intensive activities such as mining, agriculture and construction, and those employing a high level of migrant workers, paid the lowest wages. The highest wages for blacks were paid by urban-based manufacturing or food processing companies. Women and youths were generally in the lowest paid categories. Although such a pattern of wage variation among these different sectors is common around the world, it is clear that South Africa's racial policies have distorted wage levels. It is here that the issue of equal pay for equal work becomes important. A private survey of United States-based corporations gives evidence that most of the companies questioned did not pay Africans equivalent wages for doing the same job as whites. 163/

146. A number of problems are apparent in the attempts made so far to monitor wage policies of transnational corporations operating in South Africa. For instance, a lack of full disclosure of relevant and comparable data precludes meaningful analysis. Moreover, while the Poverty Datum Line and Minimum Effective Level are appropriate criteria to gauge progress, they are hardly adequate as policy goals, since they establish the minimum requirements for a certain level of living without reflecting considerations of productivity or equity.

160/ Rodney Stares, Poverty Wages in South Africa: A Review of the Effectiveness of Self-regulation and Voluntary Disclosure (London, Christian Concern for Southern Africa, 1976).

161/ This information was provided unofficially by the United Kingdom Government.

162/ Stares, op. cit., pp. 17-27.

163/ Labour Practices of U.S. Corporations in South Africa (Washington, D.C., Investor Responsibility Research Corporation, 1976).

4. Industrial relations

147. Under present South African law, black trade unions are not prohibited but black workers are effectively denied union rights. Legislation enacted in 1973 allowed for black workers to organize within their companies through the establishment of liaison or works committees. However, decisions reached by these groups are not binding, have no force in law and do not necessarily include wage negotiation. There is widespread agreement that the prevention of the creation of an effective trade union movement which includes black workers inhibits their chance for equal participation in the economy of South Africa. 164/ The policies of individual transnational corporations on this issue range from intolerance to modest encouragement. Separate surveys of United Kingdom-based firms have shown a preference for works and liaison committees, with little enthusiasm reported for dealing with the black trade unions that have been established. 165/ There have been widely publicized reports about how black attempts to unionize were met by strong resistance at two United Kingdom-based firms, Leyland and Pilkington. 166/

148. A survey of United States-based firms also indicates a preference for works and liaison committees for black representation. 167/ This analysis shows United States-based firms to be less intransigent over the formation of black trade unions than most intolerant South African firms; however, they are less concerned about promoting black trade unionism than the most progressive ones.

149. Transnational corporations state that they are under severe pressure from both the South African Government and the more conservative white trade unions to resist any dealings with black trade unions. Given the political sensitivity of the subject, it is almost impossible to determine if any transnational corporations have informal relationships with black trade unions.

C. Namibia

1. Overview

150. Contract labour is the dominant feature of the employment system for blacks in Namibia. A number of studies have documented this system's impact on the

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164/ Developments in the black trade union movement have been reported annually by the International Labour Organisation. International, regional and national trade union groups have supported the black South African workers in their attempt to improve working conditions and gain legal status for their trade union representation. See ILO, Special Reports 1-13. An additional review of international trade union action can be found in "International trade union action against *apartheid*: recent developments", *Notes and Documents* No. 16/77.

165/ Stares, *op. cit*., p. 20; British Trade Union-SACTU Liaison Group, *Background to Apartheid Trade Unionism* (London, Centurion Press Ltd., 1977).

166/ *The Guardian*, 14 September 1976.

167/ *Labour Practices of United States Corporations in South Africa*, pp. 73-80.

social, economic and cultural life of blacks. 168/ Although accurate information on wages and employment practices of individual transnational corporations is difficult to obtain, the pattern of general wage and employment data suggests that substantial benefits accrue to transnational corporations operating in Namibia.

151. The regulations governing employment practices in Namibia have traditionally been set by the South African and local authorities. In general, the South African system was reproduced in Namibia. 169/ During the process of negotiation over the future of Namibia, various features of these laws have been relaxed and reformed.

152. There are, however, important differences between the two countries. First, employment opportunities in the established "homelands" are even more limited here than in South Africa. There has been no private investment in the "homelands", nor is there any border industry. In all, only a small fraction of the black population is fully employed. 170/ Second, Namibia does not have a highly developed industrial sector; the economy is dependent upon primary production. The dominant economic sectors are mining, fishing and agriculture, which account, respectively, for approximately 50 to 60, 20, and 20 per cent of gross domestic product. These industries rely almost entirely on non-skilled labour. This combination of underdeveloped "homelands", high unemployment, and lack of demand for skilled labour assures a supply of low-wage black labour.

2. Job creation

153. Private foreign investment represents the major component of gross domestic investment in mining and fishing, two of the three major commercial sectors in the Namibian economy. There has been some growth in employment for blacks and Coloureds, but not nearly so much as in South Africa. Over-all employment growth for different racial groups from 1961 to 1971 is presented in table 13. It is clear that investment by transnational corporations in mining and fishing has created

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168/ International Labour Organisation, document E/2431 (Geneva 1953), pp. 71-81, and 373-426; ILO special reports, First Special Report (1965), p. 21; 1966, pp. 24-26; 1972, pp. 35-37; 1973, pp. 24-32; 1974, pp. 55-58; 1975, pp. 46-48; 1976, pp. 35-39; document E/CN.4/1187 and E/CN.4/1222; Official Records of the General Assembly, Twenty-ninth Session, Supplement No. 23 (A/9623/Rev.1), chap. IV, annex, appendix IV; ibid., Thirtieth Session, Supplement No. 23 (A/10023/Rev.1), chap. V, annex, appendix II; ibid., Thirty-first Session, Supplement No. 23 (A/31/23/Rev.1), chap. IV; ibid., Thirty-second Session, Supplement No. 24 (A/32/24); International Labour Organisation, Labour and Discrimination in Namibia (Geneva, International Labour Office, 1977).

169/ For a discussion of the forced labour system in Namibia, see International Labour Organisation, Ninth Special Report, pp. 24-31. For a discussion of the legal structure imposed by South Africa, see Elizabeth Landis, "Review and digest laws and practices established in Namibia by the Government of South Africa which are contrary to the purposes and principles of the United Nations" (New York, mimeo, 1972).

170/ International Labour Organisation, Labour and Discrimination in Namibia, p. 25.

Table 13: Namibia: employment in various sectors by racial category a/ 1960-1970

Sector	1960 b/			1970 c/		
	Black	White	Coloured	Black	White	Coloured
Modern agriculture	36 260	6 508	2 847	25 000	6 500	5 000
Mining	9 814	1 696	176	14 000	3 000	1 000
Fishing and fish processing	-	-	-	5 000	500	2 000
Manufacture	4 271	1 803	515	8 000	2 500	1 500
Construction	7 975	2 756	1 417	8 500	1 500	2 000
Commerce	3 973	5 899	597	13 000	5 000	1 500
Transport and electricity	4 164	3 107	134	10 000	500	1 000
Services (Government and domestic)	15 426	5 049	2 156	14 000	14 000	5 000
Unemployed and unspecified	6 765	401	766	19 000	-	1 500

Source: Figures for 1960 are taken from South West Africa Survey, 1967; figures for 1970 are estimates from ILO, Labour and Discrimination in Namibia, p. 51.

a/ All the figures published on black employment are based on estimates of the population which themselves are highly unreliable. These data have to be read, therefore, as tentative and only suggestive of trends.

b/ Figures are for employment in southern sector.

c/ These figures include the homelands. Since the majority of the population in the homelands are in subsistence agriculture, these data are roughly comparable to the official statistics for 1960. The South West Africa Survey, 1974 did not include information on black employment.

only minimal new job opportunities for blacks. Although it is impossible to compare the number of employed Africans to the total population, some information indicates that the percentage has actually decreased. 171/

3. Hiring practices

154. Outside of the "homelands", employment conditions for blacks in all sectors except agriculture and domestic service, are dictated by the Wage and Industrial Conciliation Ordinance. Although job reservations are not expressed in specifically racial terms, as they are in Section 77 of the South African Industrial Conciliation Act, the language does allow racial discrimination by an employer.

155. Recruitment of blacks, handled by the various government employment bureaux, is tightly controlled. All employers must register with these offices and notify them of vacancies. Employers may not hire or continue to employ a black unless the prospective worker has been referred through the agency. Employment officers have wide discretion in determining the suitability of a black for employment. 172/ In the absence of explicit job reservation clauses, restriction of certain jobs for whites is upheld by tradition, practice, and union contracts. This non-statutory colour bar operates efficiently to keep blacks in non-skilled positions, and no Africans occupy managerial positions. 173/ All evidence indicates that transnational corporations conform to existing practices.

4. Wages policies

156. Wages for non-whites are extremely low in Namibia, even in comparison to those of South Africa. The Wage and Industrial Conciliation Ordinance does not stipulate racial criteria in setting levels, but allows employers to do so. 174/ Minimum wages for Africans, set by official employment bureaux, are in most cases below the Poverty Datum Line. The legal minimums are not enforced and are widely ignored. 175/

157. The delegates to the Turnhalle Conference in 1976 recommended a minimum wage of R 54 per month, plus non-cash benefits, or R 106 per month without benefits. This agreement is voluntary, and all evidence points to massive violations, particularly in agriculture, where the South West Africa Agricultural Union rejected the standards set by the Conference. 176/ The South African authorities have not considered any enforcement mechanism for the private sector.

171/ Document A/31/23 (part III), annex II, p. 12.

172/ International Labour Organisation, Labour and Discrimination in Namibia, pp. 48-49, based on Landis, *op. cit.*, p. 366.

173/ International Labour Organisation, *op. cit.*, pp. 53-60.

174/ *Ibid.*

175/ Document E/CN.4/1222, pp. 124-125.

176/ *Ibid.*

158. Wage levels vary greatly in the different sectors. The largest source of employment for Africans in Namibia is commercial agriculture, with white-owned farms accounting for an estimated one fourth of the black African labour force. Although there is not a great deal of foreign investment in this sector, some transnational corporations are involved in cattle and sheep raising activities, which contribute significantly to the gross value of agricultural production. 177/ These include: Eastwood and Holt Ltd. (United Kingdom); Hudson Bay and Awning (United Kingdom); Sirdar Ltd. (United Kingdom); Thörer and Hollander/Thörer Group (Federal Republic of Germany); Faroo Meat Exchange Ltd. (South Africa); and Vleissentraal/SA Meat Producers (South Africa). 178/

159. In 1977, cash wages to Africans were reported to be R 24.37 per month in the beef-producing areas, and R 40.37 in the sheep-producing areas. Even considering non-cash subsidies equivalent to R 4 to 7 per month, this is well below the PDL. 179/

160. The mining industry, which employs approximately 12 per cent of the black African labour force, is dominated by foreign capital. Two foreign firms - Consolidated Diamond Mines (CDM), a subsidiary of De Beers Consolidated Mines Ltd. of South Africa and Tsumeb Corporation, owned by Newmont Mining Corporation and American Metal Climax Inc. of the United States - together account for approximately 90 per cent of all mineral production in Namibia. 180/ These two are also the largest individual employers in Namibia.

Table 14. Average black wages by CDM and Tsumeb in 1973

	Average monthly wage	Non-cash	Total
CDM	R 87.37	R 25.09	R 112.46
Tsumeb	R 36.63	R 34.78	R 71.41

Source: South West Africa Survey, 1974.

161. The wages paid to black workers by these two firms, as shown in table 1, were only a fraction of those paid to whites. At CDM, average wages for blacks represented only half the wages received by young white apprentices. In addition, non-wage benefits for whites added significantly more to their wages than non-cash subsidies for blacks. 181/ Minimum wages at Tsumeb in 1973 were

177/ International Labour Organisation, Labour and Discrimination in Namibia, p. 31.

178/ Roger, Murray, "The Namibia economy: an analysis of the role of foreign investment and policies of the South African administration", in The Role of Foreign Firms in Namibia (African Publications Trust, 1975), appendix B, pp. 101-102.

179/ Document A/32/23, p. 15.

180/ Document A/9024.

181/ International Labour Organisation, Labour and Discrimination in Namibia, p. 62.

R 24.00 per month, and the average cash wage for whites was 18 times that for blacks. 182/ Since then, Tsumeb has increased wages for blacks. In 1976, however, the minimum cash wage paid by Tsumeb was R 60 per month, still significantly below the Poverty Datum Line. 183/

162. The fishing industry, controlled by South African firms, provides jobs for approximately 8 per cent of the black labour force. Because blacks are not permitted to own or work on the fishing vessels, most of them are employed in the fish canneries or other processing operations of the industry. In 1974, average monthly wages were reported to be R 63.39, plus 18.85 in non-cash benefits. 184/ Although black workers in the sectors dominated by foreign investment are generally more highly paid than those in agriculture, the remunerations are not adequate, even when judged by official standards.

5. Industrial relations

163. There are no provisions for collective bargaining over wages and working conditions for those employed under the contract labour system, which amounts to approximately half the blacks employed in Namibia. Although a black may present a complaint against his employer to the employment bureaux for investigation, the initial conditions of the contract are not negotiable. Although they are not prohibited from forming trade unions, their unions cannot be registered. Black Africans are excluded from the provisions of the Wage and Industrial Conciliation Ordinance which relate to settlement of disputes and strikes, and it is a criminal offence for black Africans to strike. 185/ None of the transnational corporations currently operating in Namibia recognizes a black trade union.

D. Southern Rhodesia/Zimbabwe

1. Overview

164. Since the Unilateral Declaration of Independence (UDI), employment conditions in Southern Rhodesia/Zimbabwe have been monitored by the United Nations Commission on Human Rights and the United Nations Department of Political Affairs, Trusteeship and Decolonization. 186/ The International Labour Organisation is currently preparing a detailed analysis of labour conditions and policy in

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182/ Document A/32/23, p. 15

183/ Document E/CN.4/1222, p. 124.

184/ Document A/32/23, p. 14.

185/ International Labour Organisation, *op. cit.*, pp. 57-58, 71-78.

186/ The most recent reports of these bodies can be found in: *Official Records of the General Assembly, Thirtieth Session, Supplement No. 23*, (A/10023/Rev.1), chap. V, annex, appendix I; *ibid.*, *Thirty-first Session, Supplement No. 23* (A/31/23/Rev.1), vol. I, chap. IV, annex I; *ibid.*, *Thirty-second Session, Supplement No. 23* (A/32/23/Rev.1), chap. IV; documents E/4646, E/4690, E/5622, E/CN.4/1135, E/CN.4/1222.

Zimbabwe. 187/ Historically, transnational corporations have promoted and benefited from land and employment policies which forced black Africans from the reserves and from the agricultural sectors, for this created an inexpensive labour force for the industrial sector. 188/ Specific information on the employment practices of individual transnational corporations is not available, but their general pattern can be outlined.

165. Firms operating in Southern Rhodesia/Zimbabwe do not encounter the same comprehensive system of statutory labour restrictions found in South Africa and Namibia. However, existing labour laws, land policies, traditions and attitudes, lead to the same high unemployment, poverty wages, job insecurity, and lack of mobility for black Africans that are found in South Africa and Namibia. Furthermore, the legal system which controls black African residence and mobility has been reinforced in recent years. 189/

2. Job creation

166. Reliable figures on foreign investment by sector are not available for Southern Rhodesia/Zimbabwe. However, some studies report that since UDI foreign capital has increased its control of the banking and financial sector, tobacco, and mining (where it is estimated that more than £100 million of foreign capital has been invested since 1965). There has also been some rise in foreign investment in non-metallic mineral products, spinning, weaving, clothing and food manufacture. 190/

167. Official figures show that black employment increased by 277,000 between 1965 and 1974. Of these new jobs, the mining sector accounted for 5.2 per cent, manufacturing 22.2 per cent and finance 0.5 per cent. 191/ Except for manufacturing, those sectors in which foreign involvement is known to have increased since 1965 have not produced any significant increase in black employment. In 1975-1976, however, aggregate employment fell. There are also reports of a high unemployment level among black Africans. 192/ Official encouragement of foreign African immigrant labour further reduces the employment gains made by black Africans in Southern Rhodesia/Zimbabwe. 193/

187/ A draft of the International Labour Organisation publication, Labour Conditions and Discrimination in Southern Rhodesia/Zimbabwe, was used in the preparation of this chapter. Citations from this work use the page numbers in the draft, which may not correspond to the pages in the final publication.

188/ Document A/AC.109/L.1083, p. 2.

189/ Documents E/5622, pp. 52-53; E/CN.4/1222, pp. 173, 174; E/CN.4/1135.

190/ Document A/AC.109/L.1083, pp. 3-4.

191/ Calculated from the Economic Survey of Rhodesia, April 1975.

192/ International Labour Organisation, Labour and Discrimination in Southern Rhodesia/Zimbabwe (draft), pp. 92-124.

193/ Document E/5622, p. 54. It has been estimated that in 1969, 39 per cent of the adult African workers were foreign contract labour.

3. Hiring practices

168. Job reservation in Southern Rhodesia/Zimbabwe is not statutory, but skilled training opportunities for blacks are limited by attitudes and tradition. Low levels of official expenditures on African education and discrimination in apprentice training reinforce this trend. 194/ Some of the same pressures caused by the shortage of skilled labour that are present in South Africa are also found here. Despite enthusiastic promotion, white migration has been flagging, resulting in a lack of whites to fill "skilled labour positions" in the urban areas. Some employers have taken to job fragmentation, as in South Africa. However, in 1973 a government official was quoted as stating that 80 per cent of the annual additions to the skilled labour force were European immigrants. 195/

4. Wages

169. Minimum wage regulations are set by the authorities for all sectors with the exception of farming, rail work and domestic service. The régime has continually stated that the Poverty Datum Line should not be used as a criterion in setting wage policy. This reluctance to consider the standard of living is demonstrated by the official minima set for the lowest categories of work. In 1975, the official Industrial Board did not set any minimum wage rate at a level adequate for a family with two children. 196/

170. Figures on the actual earnings of blacks provide additional evidence that adequacy is not an important criteria in determining wage levels. In 1976, the official economic review showed that 14 per cent of the blacks earned less than $R 10 per month. During the 1970s, wages of blacks have not increased at the same rate as those in South Africa. The ratio of black to white wages, shown in table 15 has actually deteriorated in the sectors where substantial foreign interests exist. As in South Africa, the absolute gap between earnings for the two groups has continued to grow.

171. The white-owned agricultural sector is the largest employer of blacks. Wages in this sector are not subject to legal control, rather they fall under the Masters and Servants Law whereby the employer sets wages. Average earnings for blacks in this sector are the lowest of all. Although much of the agricultural sector is controlled by white citizens of Southern Rhodesia/Zimbabwe, some transnational corporations operate large commercial farms. 197/

172. Wages in mining, manufacturing and finance are higher than those in agriculture. Only in the finance sector do average earnings for Africans reach the

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194/ International Labour Organisation, Labour and Discrimination in Southern Rhodesia/Zimbabwe (draft) pp. 60-67.

195/ Document E/5622, p. 55.

196/ For a discussion of official wage policy see ILO, Labour and Discrimination in Southern Rhodesia/Zimbabwe (draft) pp. 100-102.

197/ A list of transnational corporations identified by sectors can be found in "Southern Rhodesia with Particular Reference to Foreign Interests", Conference Room Paper, SCI/74/1/Add.1, 9 May 1974.

Table 15. Wages in Southern Rhodesia/Zimbabwe 1966-1974 a/

	Africans		Non-Africans		Ratio	Gap
	% employed in the sector	Average earnings $R	% employed in the sector	Average earnings $R		
Agriculture						
1966	42.2	125	4.9	2 540	1:20	2 415
1970	38.9	127	4.4	2 658	1:21	2 531
1974	38.3	158	4.1	3 551	1:22	3 393
Mining						
1966	7.1	300	3.5	3 486	1:12	3 186
1970	7.1	343	3.6	4 456	1:13	4 113
1974	6.2	422	3.0	6 036	1:14	5 614
Manufacture						
1966	10.6	426	16.8	2 952	1:7	2 526
1970	13.3	478	17.8	3 624	1:7.5	3 146
1974	14.0	627	19.2	5 075	1:8	4 448
Banking and finance						
1966	0.3	580	6.3	2 654	1:4.6	2 074
1970	0.4	714	6.3	3 380	1:4.7	2 666
1974	0.4	863	7.3	4 412	1:5	3 549

Source: Economic Survey of Rhodesia, April 1975.

a/ Only those sectors with a known foreign component are included. The other 60 per cent of African employment is in electricity and water, construction, hotels, transportation and communications, public administration, education, health, and private domestic service.

estimated PDL for an average family. The figures on average wages, however, mask the stratification of cash earnings, particularly in mining and manufacturing. With the expansion of mining production since the Second World War, which has been accompanied by an increase in mechanization and a reduction in the importance of small operations, skilled and semi-skilled labour has become more valuable. While the wages of Africans in these categories (very few are skilled) have risen in real terms, those of unskilled labourers have not kept pace. 198/ Similarly, average wages in manufacturing have risen at the same time that the wage structure has become highly differentiated. But the large majority of African workers are concentrated in the low income categories. In 1961, there were 572,320 African workers in the industrial sector paid below $RH 36.81 per month (1971 prices); in 1971, some 603,690 workers could be so classified. 199/

5. Industrial relations

173. Trade union participation by blacks is not as restricted in Southern Rhodesia/ Zimbabwe as in South Africa and Namibia. The Industrial Conciliation Act recognizes blacks as "employees" for some collective bargaining purposes. Yet there are wide differences between the power of skilled unions, whose members are overwhelmingly white, and unskilled/semi-skilled unions which are organized and controlled by Africans. Skilled unions, which have longstanding ties to the authorities, are strongly protectionist. African unions are inhibited in representing the interests of lower paid workers by opposition from employers, an insufficient financial base, political harassment, and severe restrictions on their right to strike. 200/

E. Socio-cultural implications

1. Overview

174. The analysis of employment effects of transnational corporations presented so far indicates that private foreign investment has not appreciably contributed to a dismantling of the discriminatory labour policies which define a major part of apartheid. Legislation designed to separate the races and deprive blacks of an equitable share of power and wealth was developed and refined during a period of economic growth. As a group, transnational corporations have not distinguished themselves from South African firms in either employment practices or exerting effective pressure for change.

175. The positive effects of transnational corporations in a context broader than employment concerns have been similarly insignificant. In all three countries under consideration, official racial policies overwhelm other factors in defining social relationships. In so far as foreign investment is, however, a constituent in the pattern of economic growth with demographic, social and political implications,

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198/ International Labour Organisation, Labour and Discrimination in Southern Rhodesia/Zimbabwe (draft), pp. 105-106.

199/ Ibid., p. 98.

200/ Ibid., pp. 128-136.

it is more likely than not to reinforce the existing goals and resources of the State, regardless of the employment practices of individual firms.

176. The following paragraphs use the case of South Africa to illustrate the social and cultural impact of transnational corporations in southern Africa and to provide the relevant categories of analysis for a further understanding of the problem. Evaluations of the socio-cultural effects presented here emphasize, but are not restricted to, the consequences for the work force. The transitional political situations in Namibia and Southern Rhodesia/Zimbabwe preclude meaningful speculation about the ongoing consequences of foreign investment there.

2. Dominant characteristics of South African society

177. South African society is arranged in a colour hierarchy, with a régime which is determined to protect the economic interests and cultural "uniqueness" of whites. Apartheid is intended to assure that different "nations" or cultural entities can and will coexist in the region, each with its own territory and resources. This programme is being actively pursued through the devolution of certain powers of self-government to "homeland" authorities and the promotion of investment in these black dependencies as described earlier.

178. Despite the official promotion of separate ethnic cultures, most South Africans now operate within the framework of Western values and seek and rely upon employment in a wage economy. Yet they face in their daily lives the exercise of constant control by a State in which the black majority is unrepresented politically. In such circumstances all sense of ethnic culture is superseded by the weight of the materialistic culture. In these terms, South Africa has a single dominant culture, comprised of a subculture of wealth and subculture of poverty. Since whites have a near monopoly of skilled positions, only a very small proportion of non-whites are wealthy. Thus, the two subcultures seem to be white-and-wealthy and black-and-poor. 201/

179. The migrant labour system is a dominant feature of life for blacks in South Africa. There is an increasing correlation between wage levels, skills and migrancy. Migrating workers must live as if they were unmarried, and they receive less pay than the more permanently located urban residents who generally tend to be more skilled. In addition, the families of these migrant workers do not benefit from health and education benefits which a few corporations extend to the families of employees. Over-all, about half the urban black male labour force is migratory. 202/ There is, however, a great variation among different sectors of the economy.

201/ The Indian and Coloured populations are each divided between these two subcultures. Increased white exclusivity encourages "black consciousness" spanning the various non-white categories. Nevertheless, the class differences in all groups are deeply entrenched. For a discussion of the social position of Coloureds, see The Thernon Commission Report, English summary (Johannesburg, Institute of Race Relations, 1976).

202/ Francis Wilson, "The political implications for blacks of economic changes now taking place in South Africa", in Change in Contemporary South Africa, edited by L. M. Thompson and J. Butler (Berkeley, 1975), p. 172.

180. Because agriculture and mining served as the foundation for the first industrialization of South Africa, these sectors deserve prominence in a treatment of the economy and society. These two sectors have historically been the prime employers of cheap, unskilled labour. In the last two decades, however, commercial agriculture has become highly mechanized eliminating over half a million agricultural workers. Agricultural investment has largely come from domestic rather than foreign sources, although the technology of mechanization was imported. 203/

181. Underground mining continues to require a reserve of cheap labour. But since mining's dominance of South Africa's economy has ended, the economy is no longer as dependent upon the migratory labour system as it was in the first half of the 20th century. In the second half of the century, capital intensive sectors of manufacturing called for more skilled and residentially stabilized labour. Such are the people of Soweto.

182. Until further research reveals the proportion of settled and migrant workers within the manufacturing sector, the impact of foreign participation here - estimated at 40 per cent - cannot be assessed. Although the introduction of higher technology by foreign investment is likely to require a population of settled blacks, these general relationships cannot be tested at the present time. Port Elizabeth, with its conspicuous foreign-owned automotive plants, does offer an interesting example of foreign manufacturing investment. In this situation the South African authorities have been willing to bend their stated principle of minimizing the settled element. Port Elizabeth also exemplifies a situation where, de facto, the differences between migrant and settled elements is remarkably small. The better wages paid to settled blacks may be effectively reduced by inflation. Furthermore, the increased numbers of dependents seeking employment add to the labour supply, possibly lowering wages. Unemployment lowers the per capita income of both groups and also blurs the dichotomy between migrant and settled workers. 204/ The following cases of foreign investment in the South African economy give some insight into the relationship between transnational corporate investment and social change.

3. Some illustrative cases

183. Richard's Bay Minerals (RBM), a R 250 million investment in mining and smelting in a sand dune area in Kwazulu, provides a rare example of transnational investment in a "homeland" area and illustrates the limited scope for positive social change as a consequence of such investment. RBM has two operating companies: Tisand, which does the mining and Richard's Bay Iron and Titanium, which does the smelting. RBM's foreign stockholder is Quebec Iron and Titanium Company of Canada (40 per cent), whose two owners are Kennecott Copper Company and Gulf+Western Industries. About 20 per cent of RBM is controlled by the Industrial Development Corporation, an agency of the South African Government. Some

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203/ Stanley Greenberg, "Race and rural economy in South Africa", African Studies Association Conference Paper (Houston, November 1977). See also Stanley Trapido, "South Africa in a comparative study of industrialization", Journal of Development Studies, VIII, 3 (1971).

204/ There are no published figures on black unemployment. See chap. III for estimates.

R 250 million of the capital for this project was raised through bank loans from sources outside South Africa. 205/

184. RBM's effect on the socio-economic development of Kwazulu will be limited for the following reasons. Kwazulu has a population of 2.1 million, the largest of any South African "homeland". But only 27 per cent of the population is economically active within Kwazulu, and only one fourth of the income earned by Kwazulu residents is generated within its territory. A recent South African Government study has indicated that 30,400 local jobs will have to be created each year to absorb the huge flow of migrant labour from Kwazulu. 206/ That RBM may benefit a small number of skilled black workers is unquestionable. Each of the 1,000 new jobs this investment will provide (approximately 650 of them for blacks) will require a R 250,000 investment. Capital intensive transnational investments like RBM's however cannot begin to stabilize or reverse these patterns of migrancy. Furthermore, only 10 per cent of the profits Tisand will be paid will be paid to the Kwazulu Investment Corporation as a royalty. 207/

185. Although RBM cannot act significantly to alleviate local unemployment in Kwazulu, it does contribute directly to the South African Government's drive to expand its export income. RBM, with potential exports valued at R 100 million per year, has an important part to play in servicing and repaying debt 208/ which is a major preoccupation of the authorities.

186. The African Explosives and Chemical Industry (AECI) shares in a R 260 million project to build a petro-chemical plant at Sasolburg. AECI is 42.5 per cent owned by the Imperial Chemical Industries of Great Britain, 42.5 per cent owned by DeBeers Consolidated Mines Ltd., and 15 per cent owned by the South African public. DeBeers is integrated into the South African-based Anglo American group through interlocking directorates, shared resources and personnel. Harry Oppenheimer is the Chairman of the Board of each, as well as Chairman of the Board of AECI.

187. The city of Sasolburg, a major growth point for the black population, is not near a "homeland". 209/ No employment or housing information concerning the new AECI plant is presently available. Inasmuch as Mr. Oppenheimer has stated an intention to hire substantial number of blacks to skilled positions and to push for stable residence in family units, it will be of special interest to determine the eventual patterns of employment and residence associated with AECI Sasolburg plant. 210/

188. AECI's R 156 million investment in this new petro-chemical project at Sasolburg constitutes a major expansion and diversification. 211/ AECI has an exclusive explosives contract with the South African Chamber of Mines and it has

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205/ See appendix A of Financial Mail (special issue on Richard's Bay), 15 April 1977.

206/ See "Kwazulu: where have all the young men gone", Financial Mail, 12 December 1975.

207/ Financial Mail, 15 April 1977.

208/ Ibid.

209/ Wilson, "Political implications", loc. cit., p. 183.

210/ Financial Mail, 1 April 1977.

211/ Ruth First, Jonathan Steele, and Christabel Gurney, The South African Connection: Western Investment in Apartheid (Middlesex, 1972), p. 174.

built and continues to operate two munitions factories for the South African Government in the Transvaal.

189. Phalaborwa, a phosphate and copper mining town in a border area in the north-east Transvaal, exemplifies the complicated relationship between wage levels, migrancy and the holding of skilled positions. Foskor, the government phosphate concern capitalized by foreign loans, insists upon employing migrant labour, 212/ whereas Palabora Mining Corporation (PMC), owned by American, British and South African interests, received government permission in 1972 to phase out migrant labour. 213/

190. PMC's need for a settled labour force arises, at least in part, from the requirements of its capital-intensive open cast copper mining operation, which calls for proportionally greater number of skilled labourers than underground mining does. The likelihood that mechanization will lead to higher wages at PMC however is not clear. A report on employment practices commissioned by the company in December 1972 showed that 33 per cent of the black workers received wages above the Minimum Effective Level (R 105 month). 214/ Further access to information about employment is extremely limited. The Financial Mail reported that PMC had threatened court action if the newspaper published information contained in the company report on standards of living. 215/

191. PMC's operation at Phalaborwa is known as one of the lowest-cost copper mines in the world; labour costs accounting for 6 per cent of the production costs. 216/ A tiny fragment of the Lebowa "homeland" with a population of 30,000 217/ supplies the growing town with black labour. Namakgrale, a township within Lebowa 10 km from the mines, is the site of the PMC's planned settlement which calls for the construction of both family houses and a hostel. Even before the plan, turnover at the mine was low (25 per cent). 218/ In any event, the project is not expected to last beyond 1992, when the low-grade accessible ore body will be exhausted. Foskor's Phalaborwa phosphate reserves are purported to be adequate for hundred years of mining at present rates of extraction. 219/

192. Although transnational investment provides capital and infrastructure for the South African economy, the members of the black subculture are generally excluded

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212/ Financial Mail, 2 July 1976. Manufacturers Hanover managed a loan of $30 million in 1976.

213/ Francis Wilson, Migrant Labor in South Africa (Johannesburg, 1972), pp. 11-14.

214/ Financial Mail, 30 May 1973.

215/ Ibid.

216/ Ibid.

217/ South African Financial Gazette, 29 September 1972.

218/ Wilson, op. cit., pp. 11-14.

219/ Star, Johannesburg, 25 October 1975.

from the distribution of its benefits. A good example is the Electricity Supply Commission (ESCOM), which has received numerous loans from foreign banks. (See annex I.) ESCOM produces 80 per cent of South Africa's electricity. Since the black townships and "homelands" are rarely electrified, such loans almost exclusively benefit those in the white subculture. The Caltex Oil refinery, while mainly serving industrial, strategic, and automobile-owning interests, does supply kerosene to light the homes and fuel the cooking stoves of blacks, but the contrast in the market strength of white and black consumption is epitomized by the relative importance of oil and gasoline as opposed to kerosene.

F. Concluding remarks

193. This report has found no indication that the presence of transnational corporations has helped erode apartheid. Data presented in chapters I and II suggest that transnational corporations continue to provide the foreign capital to the economy of South Africa. An increasing proportion of capital inflows are in the form of loans which is consistent with the official desire to achieve more economic self-reliance. The rate at which new equity capital is entering South Africa appears to be levelling off, though it is too early to characterize this as a trend. Whereas few firms are withdrawing from the market all together, many firms appear to be limiting their future expansion to the rates supportable by local earnings. Within the banking sector (with the exception of Southern Rhodesia/ Zimbabwe) the sense of business as usual seems pronounced.

194. Much of the purpose of recent developments in South African legislation has been to specify in increasing detail provisions that maintain discrimination in all aspects of business activity. Transnational corporations are expected to abide by local law, as indeed they are in every country where they operate. But as local laws specify systematic racial discrimination, the dilemma for those firms wishing to maintain alternative and more progressive labour policies is heightened. Some firms succeed in implementing policies which rise above the average in terms of compliance with the letter of the law, but their ability to have any real positive impact is constrained. Moreover, as was shown earlier in the report, most transnational corporations are in these respects, indistinguishable from local South African firms. For these reasons, the impact of the progressive transnational corporations is small indeed. Given the fact that South African firms today provide a viable alternative in most sectors of the economy, the conventional argument that the transnational corporations continued presence is necessary to maintain employment of black workers and provide pressure for improving existing employment conditions in their sectors is not convincing.

Annex I

FOREIGN CREDITS TO SOUTH AFRICAN PUBLIC BORROWERS 1974-1976

Key to the abbreviations used in Annex I

(i) South African Government borrowers are abbreviated as follows:

RSA	Republic of South Africa
ISCOR	South African Iron and Steel Corporation
ESCOM	Electricity Supply Commission
SAA	South African Airforce
SABC	South African Broadcasting Corporation
SARH	South African Railways and Harbours Board
IDC	Industrial Development Corporation
P AND T	The Department of Posts and Telegraphs
SOF	Strategic Oil Fund
SASOL II	South African Coal and Gas Corporation
J'burg	City of Johannesburg

(ii) Capital letters next to names of transnational banks letter denotes country in which the institution is based:

(S) Switzerland
(G) Federal Republic of Germany
(F) France
(E) United Kingdom
(N) Netherlands
(B) Belgium
(L) Luxembourg
(I) Italy
(Ba) Bahamas
(US) United States
(C) Canada

(iii) Currencies are abbreviated as follows:

$ Dollar or Eurodollar
SwF Swiss franc
DM Deutsche mark
EMU European Monetary Units = $US 1.22
G Dutch florin
£ British pound
F French franc

Notes:

(a) LIBOR is the prime rate paid by banks in the London interbank market. As used in this table, the rate paid by the borrower is LIBOR plus the figure listed.

(b) Where two interest rates and two maturities are indicated, the first rate is applied to the first period, and the second rate is applied to the second period, e.g.

Interest	Maturity
LIBOR +	(years)
0.87	2
1.00	9.5

The interest rate .87 per cent above LIBOR for the first two years, and 1 per cent above LIBOR for the next 9.5 years.

(c) Public issue: sold to the public and registered publicly.

(d) Privately placed: sold in direct arrangement between underwriters and purchasers. There is no legal requirement to report the sale of privately placed bonds in some markets. (There can be no certainty therefore that all have been recorded here).

(e) n.a. = not known.

Source: Compiled from 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. 30-35.

Foreign credits to South African public borrowers (1974-1976)

Borrower or issuer of bond	Year	Amount (in millions)	Interest	Maturity (years)	Banks known to have participated in transaction	Type of transaction
RSA	1974	$110	LIBOR + .87	5	(US) Smith Barney and Co. (F) Banque de l'Indochine (G) Dresdner Bank, A.G. (E) Union Acceptances, Ltd..	Eurobonds publicly issued
RSA	1974	$100	LIBOR + .75	7	(E) Standard and Chartered Banking Group, Ltd.	Eurocurrency credits
RSA	1974	$35	LIBOR + .62	3	(F) Credit Lyonnais	Eurocurrency credits
RSA	1975	$100	LIBOR + 1.5	3	(US) Manufacturers Hanover Ltd.	Eurocurrency credits
RSA	1976	$110	LIBOR + 1.75	5	(US) Citibank N.A. (US) Morgan Guaranty Trust Co. (US) First National Bank of Chicago (G) Deutsche Bank A.G. (E) Credit Suisse White Weld	Eurocurrency credits
RSA	1976	$25	10.28	5	(US) Kidder Peabody Securities Ltd. (F) Paribas (B) Bondtrade (B) Kredeitbank N.V. (L) Kredeitbank S.A. (E) Deltec Trading Co. (E) Strauss Turnbull (E) White Weld Securities	Eurobond publicly issued
RSA	1976	$135	8	8	(E) Hill Samuel	Credits

Foreign credits to South African public borrowers (1974-1976)

Borrower or issuer of bond	Year	Amount (in millions)	Interest	Maturity (years)	Banks known to have participated in transaction	Type of transaction
ISCOR	1974	$21	n.a.	10	(F) Banque de l'Indochine (F) Credit Commercial de France (F) Credit Lyonnais (F) Banque de l'Union Europeenene (F) Banque Francaise de Commerce Exterieur	Eurocurrency credit
ISCOR	1974	$65	LIBOR + 1.25	5	(G) Westedutsche Landesbank Gironzentrale	Eurocurrency credit
ISCOR	1974	$13	n.a.	8	(E) Hill Samuel Banks (South Africa) Ltd.	Eurocurrency credit
ISCOR	1974	$100	LIBOR + 1.75	10	(US) Citicorp International Bank Ltd. (E) Hambros Bank Ltd. (C) Canadian Imperial Bank of Commerce	Eurocurrency credit
ISCOR	1974	$50	LIBOR + .75	10	(F) Credit Commerciale de France	Eurocurrency Credit
ISCOR	1975	$50	8.5	15	(US) Manufacturers Hanover Ltd. (US) Citicorp International Bank Ltd.	Privately placed bonds
ISCOR	1975	SwF50	8.75	4	n.a.	Privatley placed bonds
ISCOR	1975	$21	LIBOR + 1.5	3	(F) Credit Commercialte de France (L) Kredeitbank S.A. Luxembourgeosie	Eurocurrency credit

<u>Foreign credits to South African public borrowers (1974-1976)</u>

Borrower or issuer of bond	Year	Amount (in millions)	Interest	Maturity (years)	Banks known to have participated in transaction	Type of transaction
ISCOR	1975	$100	LIBOR + 1.75	5	(G) Westdeutsche Landesbank Girozentrale (B) Kredietbank N.V. (C) Canadian Imperial Bank of Commerce	Eurocurrency credit
ISCOR	1975	$25	LIBOR + 1.75	5	(E) Hambros Bank Ltd.	Eurocurrency credit
ISCOR	1975	$25	LIBOR + 1.5	5	(G) Bayerische Vereinsbank International S.A.	Eurocurrency credit
ISCOR	1975	$25	10	5	(L) Kredeitbank S.A. (B) Bondtrade (B) Kredeitbank N.V. (F) Société Générale (E) Strauss Turnbull (E) Hill Samuel (E) Williams and Glyn (E) White Weld Securities (Ba) Swiss Banking Corporation (Overseas) Ltd. (S) Union Bank of Switzerland (F) Credit Commerciale (G) Commerzbank (G) Westdeutsche Landesbank Girozentrale (N) Algemene Bank (G) Berliner-Handels-und-Frankfurter	Publicly issued bonds

Foreign credits to South African public borrowers (1974-1976)

Borrower or issuer of bond	Year	Amount (in millions)	Interest	Maturity (years)	Banks known to have participated in transaction	Type of transaction
ISCOR	1975	EMU30	9.25	5	(G) Westdeutsche Landesbank Girozentrale	Publicly issued bonds
ISCOR	1976	SwF50	8.75	4	(S) Union Bank of Switzerland	Privately placed bonds
ISCOR	1976	$80	LIBOR + 1.75	5	(US) Chase Manhattan Bank Ltd., N.A. (US) Citicorp International Bank Ltd. (F) Credit Commerciale de France (G) Westdeutsche Landesbank Gironzentrale (E) Orion Bank Ltd., (Chase Manhattan overseas Banking Corp. owns 20%)	Eurocurrency credit

Foreign credits to South African public borrowers (1974-1976)

Borrower or issuer of bond	Year	Amount (in millions)	Interest	Maturity (years)	Banks known to have participated in transaction	Type of transaction
ESCOM	1974	$35	8.5	8	(US) Citicorp International Ltd. (US) Manufacturers Hanover Ltd. (US) Kidder Peabody International Ltd. (E) Barclays International (E) European Banking Co. (E) London Multinational Bank (G) Dresdner Bank	Publicly issued bonds
ESCOM	1974	$25	10	5	(US) Kidder Peabody International Ltd. (US) Kidder Peabody Securities Ltd. (L) Kreidietbank S.A. (B) Bondtrade (B) Kredietbank N.V. (E) Strauss Turnbull (E) White Weld Securities (F) Credit Commercial (F) Credit Lyonnais (F) Societe Generale (G) Commerzbank (G) Dresdner Bank (N) Algemene Bank	Publicly issued Bonds
ECSOM	1974	$15	9.5	15	(US) Kidder Peabody International Ltd. (US) Kidder Peabody Securities Ltd. (E) White Weld Securities (E) Strauss Turnbull (E) Deltec (B) Bondtrade	Publicly issued Bonds
ECSOM	1974	SwF50	7.25	5	n.a.	Privately placed Bonds
ESCOM	1974	$25	LIBOR + 1.25	5	(L) Kredeitbank, S.A. Luxenbourgeoisie (F) Credit Commercialte de France	Eurocredits

Foreign credits to South African public borrowers (1974-1976)

Borrower or issuer of bond	Year	Amount (in millions)	Interest	Maturity (years)	Banks known to have participated in transaction	Type of transaction
ESCOM	1975	SwF50	9	5	n.a.	Privately placed Bonds
ESCOM	1975	SwF50	8.5	3	n.a.	idem
ESCOM	1975	SwF50	8.5	3	n.a.	idem
ESCOM	1975	$30	8.5	15	(US) Manufacturers Hanover Ltd.	idem
ESCOM	1975	$30	10.25	8	(US) Kidder Peabody and Co., Inc. (US) Kidder Peabody Securities Ltd. (US) Citicorp International Bank Ltd. (B) Bondtrade (B) Kredeitbank N.V. (L) Kredeitbank S.A. (E) Deltec Trading Co. (E) European Banking Co. Ltd. (E) Strauss Turnbull (E) White Weld Securities	Publicly issued bonds
ESCOM	1975	DM100	9.25	5	(G) Commerzbank (G) Dresdner Bank (F) Credit Commercial (L) Kredeitbank S.A. (Ba) Swiss Banking Corporations (Overseas) Ltd.	Publicly Issued Bonds
ESCOM	1976	SwF50	7.75	4	n.a.	Privately placed Bonds

Foreign credits to South African public borrowers (1974-1976)

Borrower or issuer of bond	Year	Amount (in millions)	Interest	Maturity (years)	Banks known to have participated in transaction	Type of transaction
ESCOM	1976	SwF20	n.a.	n.a.	(E) Nordic	Privately placed Bonds
ESCOM	1976	£60	7	8	(E) Hill Samuel (guaranteed by U.K. Govt. Export Credit Guarantee Department)	Credits
ESCOM	1976	$200	LIBOR + 1.75	5	(US) Chase Manhattan Ltd. (US) Citicorp International Bank Ltd. (US) Manufacturers Hanover Ltd. (US) Morgan Guaranty Trust Co. (E) Barclays Bank International Ltd.	Eurocredits
ESCOM	1976	$80	LIBOR + 1.75	5	(F) Credit Lyonnais (F) Banque de l'Union Europeenene	Eurocredits

Foreign credits to South African public borrowers (1974-1976)

Borrower or issuer of bond	Year	Amount (in millions)	Interest	Maturity (years)	Banks known to have participated in transaction	Type of transaction
SAA	1975	DM70	9	5	(S) Union Bank of Switzerland	Privately placed bonds
SABC	1974	$20	LIBOR + .75	10	(I) Banca di Roma (G) Commerzbank, A.G. (F) Credit Lyonnais	Eurocurrency credits
SABC	1976	$20	LIBOR + 1.75	5	(US) Citibank, N.A.	Credits
SARH	1974	DM140	LIBOR + .75	7	(G) Berliner-Handels-und-Frankfurter Bank	Eurocurrency credits
SARH	1975	$30	LIBOR + 1.75	5	(US) European American Bank	Eurocurrency credits
SARH	1975	$50	LIBOR + 1.75	10	(US) Smith Barney and Co. (SA) Union Acceptances, Ltd.	Eurocurrency credits
SARH	1975	DM70	9.25	5	(G) Commerzbank (G) Deutsche Bank (G) Berliner-Handels-und-Frankfurter Bank (L) Kredeitbank S.A. (S) Union Bank of Switzerland (E) Hill Samuel (U.S. Citibank owns 16 2/3) (F) Credit Lyonnais (F) Société Générale (I) Banca di Roma	Publicly issued Bonds

Foreign credits to South African public borrowers (1974-1976)

Borrower or issuer of bond	Year	Amount (in millions)	Interest	Maturity (years)	Banks known to have participated in transaction	Type of transaction
SARH	1975	DM30	9.25	5	(US) European American Banking Consortium	Privately placed bonds
SARH	1976	$75	LIBOR + 1.75	5	(US) Morgan Guaranty Trust Co. (US) Crocker National Bank (G) Deutsche Bank A.G. (E) European Banking Co., Ltd. (G) Commerzbank A.G. (I) Banca di Roma (B) Banque Europeenene de Credit S.A.	Eurocurrency credits
SARH	1976	SwF40	8.25	3	(S) Union Bank of Switzerland	Credits
SARH	1976	DM100	n.a.	2	(G) Deutsche Bank	Credits
SARH	1976	$99	9.25	10	(E) European Banking Corp.	Credits
SARH	1976	L30	7.5	5	(E) Hill Samuel	Credits
SARH	1976	DM150	n.a.	2	(G) Deutsche Bank	Credits
SARH	1976	$99	8	10	(G) Dresdner Bank A.G. (F) Credit Lyonnais	Credits
IDC	1975	$10	n.a.	n.a.	(US) Citicorp International Bank Ltd. (E) Barclays Bank International Ltd.	Eurocurrency credits

Foreign credits to South African public borrowers (1974-1976)

Borrower or issuer of bond	Year	Amount (in millions)	Interest	Maturity (years)	Banks known to have participated in transaction	Type of transaction
IDC	1975	$45	n.a.	5	(E) Barclays Bank International Ltd.	Eurocurrency credits
IDC	1975	SwF30	8.62	5	n.a.	Privately placed bonds
IDC	1976	SwF30	7.12	3	n.a.	Privately placed bonds
IDC	1976	$25	n.a.	5	(US) Chase Manhattan N.A.	Credits
SOF	1976	DM71	9.25	3.5	(G) Dresdner Bank A.G. (G) Commerzbank A.G. (G) Westdeutsche Landesbank Girozentrale (G) Deutsche Bank	Eurocurrency credits
SASOL II	1976	£15	LIBOR + 1.5	8	(E) Hill Samuel	Credits
J'BERG (municipality)	1976	$7	LIBOR + 1.5	5	(E) Barclays Bank International Ltd.	Credits
FOSKOR	1976	$30	n.a.	n.a.	(US) Manufacturers Hanover	Credits

<u>Foreign credits to South African public borrowers (1974-1976)</u>

Borrower or issuer of bond	Year	Amount (in millions)	Interest	Maturity (years)	Banks known to have participated in transaction	Type of transaction
Richards Bay	1976	$138	LIBOR + 2 2.12	2 4	(US) Citibank N.A. n.a.	Credits
XHOSA Development Corp.	1976	$12	LIBOR + 1.5	3	(US) Dow Holding Co. (E) Hill Samuel	Credits

Annex II

THE BASIC LAWS AFFECTING AFRICAN LABOUR a/

A. Laws affecting residence and mobility of Africans in white areas

1. The Bantu (Urban Areas) Amendment Act No. 43 of 1945: Establishes the prescribed areas outside of "homelands" in which Africans are allowed only with permission, for working purposes. It also empowers local authority to determine whether the presence of an African in an urban area constiutes a threat to peace and, if so, to order him to leave under threat of criminal sanction.

2. The Bantu (Abolition of Passes and Co-ordination of Documents) Act No. 67 of 1952: Gives the minister of Native Affairs authority to require every African over sixteen to carry a reference book (previously called a pass book) giving detailed information about the individual.

3. The Bantu Labour Act No. 67 of 1964: Basic legislation which consolidates the registration, recruitment, employment and accommodation laws concerning Africans in white areas.

4. The Bantu Laws Amendment Act No. 42 of 1964: Consolidates the administrative machinery for governing the various facets of labour bureaus, urban and rural recruitment, and operation of the identity system for blacks.

5. Physical Planning and Utilization of Resources Act of 1967 (later renamed Environmental Planning Act): Provides for control over the establishment of new industry in white areas which is likely to require a large number of black workers.

6. Bantu Affairs Administration Act No. 45 of 1971: Further enhances the administrative machinery for controlling the movement of African labour.

B. Laws defining employment opportunities and condition of work for Africans in white urban areas

1. Mines and Works Act No. 27 of 1956 (as amended): Prohibits blacks from performing a number of jobs in the mines.

2. Native Building Workers Act No. 27 of 1951 (as amended): Restricts employment opportunities and limits wages of blacks in the construction industry.

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a/ Taken from ILO, Special Reports of the Director General on the Application of the Declaration concerning the Policy of "Apartheid" of the Republic of South Africa, 1-13. The regulation of labour is extremely complex; each law affects the operation of the others. Therefore the categories used in this annex to present recent developments in this legislation are necessarily artificial. The table highlights the most important developments.

3. Industrial Conciliation Act No. 26 of 1956 (as amended): Empowers the Minister of Labour to bar anyone from a job because of race in order to avoid "interracial competition".

4. Bantu Laws Amendment Act No. 19 of 1970: Enhances the power the Minister of Labour, which he derives from the Industrial Conciliation Act, so that he may at any time prohibit, a black from performing or being employed in a specific area, in a specific class of employment, in a trade, or in the service of any employer or class of employers.

5. Wages Act No. 5 of 1957 (as amended): Allows the Minister of Labour to fix wage rates and conditions of work for unorganized labour (Africans).

C. Laws defining the rights of Africans with respect to industrial relations

1. Native Labour (Settlement of Dispute) Act. No. 48 of 1953: Establishes government officials as the representative of Africans in industrial relations matters, and denies right of collective bargaining to Africans.

2. Industrial Conciliation Act No. 26 of 1956 (as amended): Provides a basic mechanism for settling disputes between labour and management. Requires trade unions to be registered in order to receive legal protection. African unions, while not illegal, may not be registered; nor may unions which admit Africans.

3. Bantu Labour Relations Regulations Amendment Act No. 70 of 1973: Revises elements of the Native Settlement of Disputes Act by substituting a system of works and liaison committees to represent black workers for recognized participation in the trade union movement. Removes absolute prohibition on strikes by blacks, but sets very complex proceedings for legal strikes.

D. Laws affecting the ability of Africans to organize a trade union movement

The development of the African trade union movement beyond the works and liaison committee stage has been inhibited by other laws. The Legislation which has, at different times, been invoked against African trade union organizers includes:

1. Suppression of Communism Act No. 44 of 1950
2. General Law Amendment Act No. 76 of 1962
3. Riotous Assemblies Amendment Act No. 30 of 1974
4. Affected Organizations Act No. 31 of 1974
5. Internal Security Commission Act, No. 67 of 1976
6. Internal Security Amendment Act No. 79 of 1976